Huadong Medicine Co., Ltd.

2022 Annual Report

April 2023

Sinclair Pharma Limited, et al. v.
HydraFacial LLC
IPR2025-00145
HydraFacial Ex. 2172

A Letter to the Shareholders

Distinguished shareholders,

As the year ends, we usher in a new year with endless possibilities. The year of 2022 brought more challenges that forced the pharmaceutical industry to accelerate its transform, reshuffle and reshaping in response to the gloomy situation, numerous uncertainties, and downward pressure, which raises more challenges for pharmaceutical enterprises' emergency response abilities and resilience.

For Huadong Medicine Co., Ltd. ("We" or "the Company"), the year of 2022 witnessed our unremitting efforts and remarkable achievements, which is the first year for us to implement our seventh three-year planning, step forward to a new stage of innovative transformation and development, and pull off our visions by 2030. By continuously strengthening the strategic guidance, focusing on the primary business of pharmaceuticals, taking active actions and seeking progress while maintaining stability, we have accelerated our businesses quarter by quarter and successfully achieved continuous growth against changes in the pharmaceutical industry under complicated internal and external environments in the new era. Over the past four years, we have kept improving our capacities, embracing more cooperation opportunities in an open manner, and endeavoring to seek sustained development, with the focus on four major business segments of pharmaceutical industry, pharmaceutical business, aesthetic medicine and industrial microbiology. Taking targeted steps from multiple aspects, we have made look-forwarding and international layout to adapt to cutting-edge innovative technology platforms and unsatisfied market demands. The strategic reshaping empowers qualitative changes of development paths. To date, the Company has stepped into a new stage in both scale of operation & development and quality of intrinsic growth.

In 2022, we made breakthrough in our operating revenue as the net profit after deducting non-recurring profit and loss was still comparable with the highest level in history in spite of up to 2 billion yuan of annual R&D and BD input. The Company's

pharmaceutical industry segment has now broken through bottlenecks of growth, witnessed stable recovery, and fostered strong resilience after gradually getting out of the influence of multiple external factors. Remarkable achievements in strategic transformation and positive figures further strengthen our confidence to unswervingly seek the high-quality development driven by technological innovation. We also launched our equity incentive plan since we were listed to motivate excellent staff creating values for us.

In 2022, we have brought new connotations for our R&D ecology with the focus on "advantaged, differentiated and source-based innovation" to create a new ecology of innovative R&D. As for reform in R&D, we have successfully incubated our internal wholly-owned subsidiary - Hangzhou VicrobX Biotech Co., Ltd., established two core technology platforms of Micro-restructuring and Micro-delivery, and set up the ADC R&D Center to gradually create a differentiated ADC independent R&D platform. In terms of external collaboration, we strategically held the equity of Heidelberg Pharma, a global emerging technology enterprise based in Germany that specializes in ADC, and established cooperation in product development to empower the oncology products chain and ADC ecological chain, and further enhance our R&D ecology that features cooperation and sharing.

In 2022, we also achieved successive milestones in R&D. ELAHERE™, a global pioneering ADC medicine for platinum-resistant ovarian cancer co-developed with ImmunoGen from the U.S., was the only ADC medicine approved by FDA in 2022. Its clinical work in China is progressed smoothly and it is planned to submit for BLA by late 2023. HDM1002 (micromolecule GLP-1 receptor stimulant), an innovative medicine for type 1 diabetic mellitus that is developed by us independently with global intellectual property rights, has been successfully submitted for approval in the U.S. and China. ARCALYST®, an overseas new medicine in urgent need for clinical purpose introduced from Kiniksa and included in the list of priority review varieties, will be submitted for BLA this year and is expected to put in commercialized production in China to benefit Chinese patients. To date, the Company has launched

ongoing development programs for over 50 types of innovative and biosimilar medicines. The Liraglutide Injection, the Company's first biological medicine for diabetes mellitus indications, was approved for sale in March 2023, being the first domestic of its kind in China. It is also under normal review for weight loss indications and is expected to be approved in 2023, which will facilitate the successful overseas authorizations for both indications. The strategic transformation of the Company is now gradually rewarded and new products are ready for commercialized sales, further empowering the attainment of its visions.

In 2022, we made new strides in our other business segments. As for pharmaceutical business, the Company has never stopped its pace in expanding the Zhejiang market and enriching innovative businesses, with significant progress made in operation and development of self-developed and agent products. The international aesthetic medicine and industrial microbiology, two strategic business tracks of the Company, witnessed rapid development. Moreover, the Company has launched about 40 high-end medical aesthetic products and over 100 ongoing industrial microbiology programs, which dramatically empower the sustained development of the Company. As for the industrial microbiology segment, the Company has strategically held the equity of Wuhu Huaren Science and Technology Co., Ltd., established Hangzhou Hizyme Biotech Co., Ltd., and co-built the HIT Institute of Synthetic Biology, fostering the pattern that features three major R&D and innovation platforms and six industrial bases. Meanwhile, the Company has insisted on optimizing its product structures, accelerated the transformation of scientific research achievements, actively expanded its international businesses, and endeavored to explore new growth points. In terms of aesthetic medicine, the Company set a record high in both global operating revenue and profitability, with the Chinese market as an important engine for growth. Ellansé, the Company's star product, has witnessed continuous improvement in market attention and penetration rate, occupying a leading position in the high-end market of medical beauty regenerative filling in China.

Now, we have fostered more specific goals, clearer mind, and firmer confidence

after several years of transformation, upgrading, exploration and practice. In the pharmaceutical industry segment, we always stand at the forefront of innovation, endeavor to satisfy clinical needs, stick to the innovative R&D philosophy of "Independent R&D + Introduction", and keep strengthening the ability in independent innovation and R&D, with "innovation" at the core. Focusing on three core product categories of oncology, immunity and endocrinology, we give priority to dominant varieties that rapidly benefit the Company, further optimize product lines, and support the Company's strategical development. As for pharmaceutical business, we insist on the operation principle of "Value Creation" and "Service Foremost" and endeavor to become an excellent pharmaceutical service provider in China by revolving around the philosophy of "steadiness". With regard to the industrial microbiology segment, we keep optimizing the core business layout, facilitate the synergy of internal resources, strengthen the input in market promotion, allocate proper resources and make breakthrough in key business to leverage more support for the transformation and upgrading, thus attaining our goal of "overall success". In the aesthetic medicine segment, we attach great importance to the innovation in aesthetic technologies, keep practicing the operation concept of "hi-tech R&D, high-quality positioning and global products", continuously increase the input in innovative technologies of massive aesthetic medicine, keep enriching innovative product lines, facilitate the launching of high-quality products in and out of China, and enhance our core competitiveness in aesthetic medicine, thus making the Company the "leader" of the aesthetic medicine industry.

We should be inclusive and far-sighted despite diverse challenges and difficulties. It is a great yet glory ambition to become a powerful international pharmaceutical enterprise driven by scientific research innovation. Looking into the future, we will keep forging ahead steadily toward the established strategic direction and make unremitting endeavor to empower the high-quality and efficient development of the Company. It is also our aspiration to maintain the healthy growth in both scale and profits, and to continuously improve the comprehensive profitability!

Unremitting efforts bring great success and collaboration enables win-win results. In 2023, we will keep marching forward along the Company's reform strategy, endeavor to conquer new heights of development, satisfactorily accomplish the Company's operation and development goals of the year, and make unremitting efforts to implement the seventh three-year planning and attain the long-term visions.

We will take practical and solid actions to make our aspiration a reality. Dear shareholders, thank you for your trust and support. Let's join hands to co-build the Company an excellent player with great intrinsic values and market values and embrace a brighter future!

Lv Liang, Chairman

Huadong Medicine Co., Ltd.

April 2023

2022 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 the Company's future development" in "Section III. Management Discussion and Analysis". Therefore, investors are kindly reminded to pay attention to possible investment risks.

The dividend distribution scheme approved at the 7th meeting of the 10th Board of Directors is as follows: On the basis of 1,753,995,348 ordinary shares of the total share capital of the Company, RMB2.90 (before tax) of cash dividends per ten ordinary 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. In case the Company's total share capital changes before the dividend distribution scheme is put in place, the proportion of distribution per share will be adjusted with the shares base unchanged. The aforesaid dividend distribution scheme is subject to the approval at the Annual General Meeting.

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.

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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.
Jiuyang Bio	refers to	Jiangsu Jiuyang Biopharm Co., Ltd.
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.
Hangzhou Gaotou	refers to	Hangzhou Hi-Tech Venture Capital Management Co., Ltd.
Grand Huachuang	refers to	Beijing Grand Huachuang Investment Co., Ltd.
Hangzhou Heda	refers to	Hangzhou Heda Industrial Fund Investment Co., Ltd.
Pharmaceutical Industry Fund/Fuguang Hongxin	refers to	Hangzhou Fuguang Hongxin Equity Investment Partnership (Limited Partnership)
Meihua Hi-Tech	refers to	Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd.
Wuhu Huaren	refers to	Wuhu Huaren Science and Technology Co., Ltd.
Meiqi Health	refers to	Hubei Meiqi Health Technology Co., Ltd.
Angel Group	refers to	Hubei Angel Biological Group Co., Ltd.
CARsgen Therapeutics	refers to	CARsgen Therapeutics Holdings Limited
Takeda	refers to	Takeda Pharmaceuticals Company Ltd.
Sinclair	refers to	Sinclair Pharma Limited
Sinclair (Shanghai)	refers to	Sinclair (Shanghai) Co., Ltd.,
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 Laboratoires SA
High Tech	refers to	High Technology Products, S.L.U.
Exscientia	refers to	Exscientia Ltd.
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)
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
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
CMO	refers to	Contract Manufacturing Organization
CDMO	refers to	Contract Development and Manufacturing Organization
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, Safety
MRCT	refers to	International Multi-center Clinical Trial
OTC	refers to	Over The Counter
PFS	refers to	progression-free survival
Prescription Drugs	refers to	Drugs that require medical prescriptions issued by physicians to be bought and used
Real World Research/Study，RWR/RWS	refers to	Real World Research/Study，RWR/RWS, refers to collect datas related to patients in the real world environtment (Real World Data), through analysis, acquiring the use value of medical products and clinical evidence of potential benefits or risks (Real World Evidence).
2022 Drug Catalog	refers to	Catalogue of Drugs for Basic National Medical Insurance/Employment Injury Insurance/Birth Insurance (2022)
Reporting Period	refers to	From January 1, 2022, to December 31, 2022

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 9/10, Gate No. 1, Building No. 1, 468 Yan'an Road, Hangzhou		
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".		
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	866 Moganshan Road, Hangzhou	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 Shenzhen Stock Exchange for publishing the annual report	www.szse.cn
Media and website for publishing the annual report	*China Securities Journal*, *Securities Times*, *Shanghai Securities News* and 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 Accounts (Special General Partnership)
Office address	Huarun Building B, 1366 Qianjiang Road, Hangzhou, Zhejiang Province
Signing accountants	Wang Fukang 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

	2022	2021	Percentage increase/decrease from last year to this year	2020
Operating revenue (yuan)	37,714,587,458.01	34,563,301,233.67	9.12%	33,683,058,759.75
Net profit attributable to shareholders of listed companies (yuan)	2,499,214,359.57	2,301,631,347.64	8.58%	2,819,861,203.63
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	2,409,954,557.05	2,188,946,362.34	10.10%	2,429,761,433.56
Net cash flow from operating activities (yuan)	2,381,852,668.60	3,169,757,867.95	-24.86%	3,411,447,747.56
Basic earnings per share (yuan/share)	1.4283	1.3154	8.58%	1.6115
Diluted earnings per share (yuan/share)	1.4283	1.3154	8.58%	1.6115
Weighted average return on equity (ROE)	14.21%	14.75%	-0.54%	20.95%
	End of 2022	End of 2021	Percentage increase/decrease from last year to this year	End of 2020
Total assets (yuan)	31,192,203,406.84	26,996,403,366.69	15.54%	24,201,348,154.75
Net assets attributable to shareholders of listed companies (yuan)	18,577,919,237.39	16,579,374,323.08	12.05%	14,619,821,308.60

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 in the last three fiscal years 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)	1,753,995,348.00

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)	1.4249

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: RMB yuan

	Q1	Q2	Q3	Q4
Operating revenue	8,932,579,251.75	9,265,384,739.26	9,660,543,088.09	9,856,080,378.91
Net profit attributable to shareholders of listed companies	704,364,775.13	636,205,709.85	640,899,562.97	517,744,311.62
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses	698,524,004.62	573,315,175.01	629,214,050.43	508,901,326.99
Net cash flow from operating activities	-260,603,628.32	544,838,038.59	1,036,018,515.72	1,061,599,742.61

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: RMB yuan

Item	2022	2021	2020	Note
Gains/losses on disposal of non-current	2,390,031.00	-2,354,117.13	319,656,661.95	

assets (including the written-off part of the accrued assets impairment reserve)				
Tax refund and reduction with ultra vires examination and approval or without official approval documents	9,606,310.96	10,101,524.84	8,424,351.97	
Government grants included in current gains/losses (excluding those closely related to daily business operation and distributed constantly in accordance with certain standard quota or quantity in line with national policies and regulations)	89,767,756.38	173,543,413.54	190,906,656.31	
Gains/losses caused by fair value changes for holding financial assets for trading and financial liabilities for trading, and investment income for handling financial assets for trading, financial liabilities for trading and AFS securities, excluding hedging business related to operating activities	28,469,286.61	521,193.82		
Reversal of impairment reserve for receivables subject to independent impairment test	953,089.60	4,803,651.87	3,845,312.41	
Other non-operating revenue or expenditure expect above-mentioned items	-24,166,799.87	-25,651,193.11	-20,500,748.15	
Other profit and loss items satisfying the definition of non-recurring gain/loss	4,374,234.54	-32,065,178.00	-4,899,999.00	
Minus: Amount affected by income tax	20,305,520.86	20,249,495.43	92,420,221.30	
Amount affected by minority interest (after tax)	1,828,585.84	-4,035,184.90	14,912,244.12	
Total	89,259,802.52	112,684,985.30	390,099,770.07	--

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 Profit/Loss* 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 Profit/Loss* as a recurring gain/loss

Section III Discussion and Analysis of the Management

I. Industry Situation during the Reporting Period

The year of 2022 is the second year of the implementation of China's 14th five-year plan and an important year for deepening the reform of the medical and health sectors. Party and state leaders have taken active measures to empower the socioeconomic development despite increasingly complex and uncertain external environment, as well as triple pressures of shrinking domestic demands, disrupted supply and weakening expectations. Thanks to all these efforts, China has successfully tided over such an extraordinary course and continuously improved its economic strength, comprehensive national strength and people's living standards, writing a new chapter in promoting the Chinese-style modernization.

The pharmaceutical industry in China faces the structural adjustment as a whole affected by China's policies on facilitating the reform of medical insurance, volume-based procurement of medicines and medical insurance payment methods, and space for overall revenue and profit growth of the industry has been squeezed coupled with the downward economy. Nevertheless, the pharmaceutical industry in China still boasts huge potential market space. In the long term run, pharmaceutical enterprises in China will keep transforming toward innovation and drive the overall optimization and upgrading of the industry empowered by favorable policies.

In 2022, China's policies on reform of medical insurance were further deepened, multiple reform measures were launched and optimized, the country's volume-based procurement of medicines and medical insurance negotiation were normalized, the industry ecology was evolved at a rapid speed, and the overall tone of cost control and price reduction kept unchanged. From 2018 to June 2022, the pharmaceutical industry in China launched 7 times of national volume-based procurement of medicines, 3 times of national volume-based procurement of high-value consumables, 6 times of medical insurance negotiations, and dozens of local volume-based procurement that cover 294 medicines and involve about 324.6 billion yuan by price before volume-based procurement, accounting for 35% of annual purchase amount of pharmaceutical chemicals and biological medicines by public medical institutions.

The pharmaceutical industry in China witnessed decline in overall growth rate in 2022 affected by volume-based procurement and multiple internal and external factors. According to the data of the National Bureau of Statistics, industrial enterprises above designated size throughout China achieved the total profits of 8.40385 trillion yuan in 2022, down 4.0% from the previous year (on comparable

basis). Among them, the medicine manufacturing industry achieved the cumulative operating revenue of 2.91114 trillion yuan, down 1.6% year on year, and its operating costs were 1.69846 trillion yuan, up 7.8% year on year. The total cumulative profits were 428.87 billion yuan, down 31.8% year on year.

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 20 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. Moreover, the Company has won diverse awards and honors, including Fortune China 500 by Fortune China for 13 consecutive years, 2021 China Top 100 Enterprises of Pharmaceutical Industry, and 2021 China Top 100 Enterprises in Pharmaceutical Businesses by All-China Federation of Industry and Commerce.

Specialized in the R&D, production and marketing of specialized and 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. 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 the internationally-oriented pharmaceutical industry system, established and maintained R&D and project cooperation with multiple international innovative R&D enterprises.

With regard to the pharmaceutical business, the Company has vigorously consolidated its foundation in Zhejiang Province and has been ranked top 10 pharmaceutical business enterprises in China for consecutive years. To date, the Company has established 11 regional subsidiaries in Zhejiang Province, with its customers distributed in 11 cities and 90 districts, counties and county-level cities throughout Zhejiang Province. The Company has four business segments of Chinese &

western medicine, medical apparatus, 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 and featured massive health industry. Further expanding the product agency and market development, 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 the leader of pharmaceutical business in Zhejiang Province, the Company has always focused on strengthening the policy affairs, reserve, distribution and marketing ability, established service platforms, and fostered the competitive advantages of regional enterprises to offer customers comprehensive solutions.

In terms of aesthetic medicine, the Company has developed over 30 “noninvasive and micro-invasive” aesthetic medicine products cover facial and body filling, thread lifting, skin management, body shaping, facial cleansing, depilation, private repair and other non-operative mainstream aesthetic medicine fields. by following the strategy of “global operation layout and dual-circulation operation & development” with an international vision through forward-looking layout. Specifically, over 20 products have been launched in China and abroad, and more than a dozen innovative global products in development. With comprehensive product clusters formed, the Company now ranks in the forefront of the industry in terms of product quantity and coverage. Headquartered in UK, the Company’s wholly-owned subsidiary Sinclair is its global aesthetic medicine operation platform that has R&D centers in 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 apparatus 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 fostered differentiated product lines and solutions, and established three microbiology R&D platforms Zhongmei Huadong, Huida Biotech and Hizyme

Biotech, and six industrial bases in Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang Laboratories, Magic Health, Twisun Hi-tech and Wuhu Huaren. 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 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. To date, the Company has a total of over 130 R&D programs in the industrial microbiology sector.

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 New Medicine 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 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.

Moreover, 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. As of the date of the Report, the Company has reserved 52 innovative and biosimilar medicines under development. Among them, 5 products and 3 products are under phase III and phase II clinical trials respectively, which cover oncology, endocrinology, autoimmunity and other fields. All these merits effectively empower the continuous initiation and launching of innovative products, offering impetuses for the medium- and long-term development.

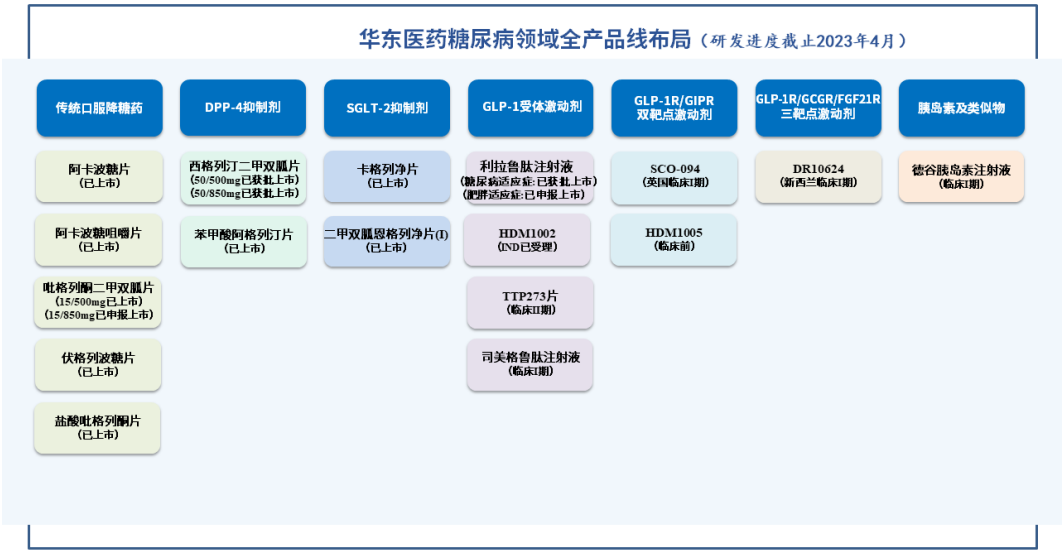
2. Comprehensive ability in developing international businesses

Vigorously advancing its internationalization, the Company has further strengthened its presence in global energy-source aesthetic medicine apparatuses market by acquiring 100% equity of High Tech and Viora. Meanwhile, the Company has also established product or equity cooperation

with Akso and Kiniksa in U.S., Heidelberg Pharma in Germany, etc. to complement and enrich the interests of commercial development of innovative medicines in and out of China. Efforts are made to facilitate the international registration of products, and all chemical raw medicines launched have obtained authorized certifications from FDA or EU. Our products such as Daptomycin for Injection, Acarbose Tablets and Pantoprazole Sodium for Injection have been approved by FDA, while some high-end industrial microbiological raw products enjoy strong international competitiveness. The Company never stops its pace in developing international logistics and purchase supplies to foster international purchasing abilities, and has been a part of global innovative medicine R&D industry chain by driving the constant improvement of its abilities in CMO/CDMO businesses.

3. Diverse product lines for specialized and chronic diseases, and comprehensive competitiveness in diabetes treatment and care

Specialized in 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. The Company has comprehensively laid out product lines of innovative and differentiated generic medicines for clinical mainstream therapeutic targets of diabetes, with over 20 products under development or put in commercial production. The Company has also achieved full coverage of clinical first-line immune-suppressive medicines and subsequent products in the field of organ transplantation. With the world's first-in-class layout in three core therapeutic fields of anti-tumor, internal secretion and autoimmunity, the Company has fostered multiple global innovative medicine layouts and R&D ecologies in the field of ADC medicines, forming differentiated advantages.



4. China's leading professional pharmaceutical service team and extensive market network

In the pharmaceutical industry segment, the Company has fostered a professional pharmaceutical service and market development team comprising 7,000 members. 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, and 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 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.

5. 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 UK. Acquiring international energy-source aesthetic medicine apparatus enterprises High Tech and Viora in 2021 and 2022 respectively, Sinclair was granted the global distributorship (except for Germany and UK) of Prême DermaFacial Multi-functional facial skin management platform of EMA Aesthetics, an Irish company, in May 2022. Covering all middle- and high-end markets of non-operative aesthetic medicine injections and energy-source aesthetic medicine apparatuses, 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-source apparatuses, and set up an international aesthetic medicine operation and BD team. The Company further integrates its R&D resources and competencies focusing on global high-end aesthetic medicine markets. The Company has successfully developed its international aesthetic medicine businesses that organically combine R&D, manufacturing and marketing, and established an international aesthetic medicine marketing network based on its six global R&D centers in UK, the Netherlands,

France, Switzerland, Spain and Israel, as well as Sinclair's six global production bases in the Netherlands, France, the U.S., Switzerland, Bulgaria and Israel, with its products sold in over 80 countries and regions. To date, the Company has developed 36 international high-end "noninvasive and micro-invasive" aesthetic medicine products that cover facial and body filling, thread lifting, skin management, body shaping, depilation, private repair and other non-operative mainstream aesthetic medicine fields. Specifically, 24 of these products have been launched in China and abroad, and the other 12 are innovative global products in development. With comprehensive product clusters formed, the Company now ranks in the forefront of the industry in terms of product quantity and coverage.

6. Constant efforts in developing industrial microbiology sector based on solid R&D and industrial base

With profound industrial base 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 fostered differentiated product lines and solutions, and established three microbiology R&D bases Zhongmei Huadong, Huida Biotech and Hizyme Biotech, and six industrial bases in Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang Laboratories, Magic Health, Twisun Hi-tech and Wuhu Huaren. Moreover, the Company has set up the industry-leading fermentation monomer plants, formed the 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.

In the industrial microbiology sector, the Company has initiated over 130 R&D projects, including 17 projects for xRNA, ADC and other innovative raw materials (including 71 subprojects), 30 projects for active pharmaceutical ingredients and pharmaceutical intermediates, and 18 projects for massive health and aesthetic medicine raw materials, animal health, biomaterials, etc. The Company has established the Industrial Microbiology Division with complete structure, introduced top-notch technical personnel, and kept in line with international talent cultivation system to continuously optimize its R&D efficiency. To date, the Company has engaged 335 development personnel, 23% of whom have obtained their master or doctoral degree.

7. 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. Over the past 22 years since it was listed, the Company has distributed dividends for 19 times with the cumulative amount of 5.084 billion yuan, which is well in excess of the 250 million yuan raised during IPO. The Company brings shareholders consistent and steady returns on investment.

IV. Main Businesses

1. Overview

In 2022, we witnessed not only the great transformation, but also our unremitting efforts and rich harvest. In this world marked by changes unseen in a century, global competitions and conflicts have brought both opportunities and challenges for the Company's international transformation together with the win-win cooperation situation. In 2022, all employees of Huadong Medicine vigorously forged ahead, overcame difficulties, exercised lean management, worked hard, aimed high, and accelerated various operation, innovation and transformation tasks by following the entrepreneurial spirit of "looking at the current situation considering the future" with recovery of growth as the core goal. Moreover, we actively responded to complicated and changeable external environment and multiple market uncertainties by leveraging our advantages of definite and stable development, harvesting in innovation & transformation, as well as the recovery and growth of operation performance. All these active actions and efforts successfully empowered the successful starting of our seventh three-year planning.

In 2022, the Company achieved the operating revenue of 37.715 billion yuan, setting a new high with an increase of 9.12% year on year. The net profit attributable to shareholders of listed companies was 2.499 billion yuan, up 8.58% 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 2.598 billion yuan, up 13.24% year on year. In Q4 2022, the Company achieved the operating revenue of 9.856 billion yuan, up 14.13% year on year. The net profit after deducting non-recurring profit and loss attributable to shareholders of listed companies was 509 million yuan, up 19.20% year on year. The all-round and stable recovery and upturn of the Company's performance vividly embody the Company's great resilience as a large pharmaceutical

company in China. To date, the Company has gradually gotten from the influence of industrial policies, built the new ecology for innovative R&D, and made remarkable achievements in strategic transformation, embarking on a high-quality development track driven by scientific and technological innovation.

During the reporting period, the Company kept maintaining stable and good operation, and achieved the consolidated gross margin of 31.90%, up 1.22% year on year. The net cash flow from operating activities of the Company was 2.382 billion yuan, which is in line with the operating revenue and net profit achieved. As of the end of 2022, the Company's total assets, net assets attributable to shareholders of listed companies, asset-liability ratio, and return on equity (ROE) were 31.192 billion yuan, 18.578 billion yuan, 38.52% and 14.21% respectively.

In 2022, the Company actively advanced its corporate culture construction, kept deepening the organizational structure reform, and endeavored to improve the level of its grouping operation. Many departments were established to empower the Company's strategic transformation, such as the Compliance Management Department under the Pharmaceutical Service Company, the Eighth Preparation Department under the Production Center of the Pharmaceutical Production Company, the ADC R&D Center under the Innovative Medicine R&D Center, and the International Supply Chain Department under the Operation Management Department.

During the reporting period, the Company launched the equity incentive program for the first time since it was listed to give full play to the initiative of talents on key positions, clarify their responsibilities and values, and effectively combine personal responsibilities, as well as interests of shareholders, the Company and individuals, thus empowering its sustained development.

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

(I) Pharmaceutical Industry

During the reporting period, the pharmaceutical industry segment vigorously responded to varieties of unexpected factors, insisted on finding out inherent problems, facilitated innovation in R&D by strengthening the system construction, focused on the improvement of ability, promoted personnel development, and advanced the production, operation, innovation and transformation, with positive results achieved. Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., its core subsidiary, witnessed continuous and stable upturn in operation, with its operational indicators turning from decrease in the beginning to recovery growth. The sales of all core products achieved stable and rapid increase throughout the year. It successfully shook off the influence of volume-based procurement on operation and completed the year's operational goals. In 2022, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. achieved the sales revenue (including CSO business) of 11.244 billion yuan,

up 10.88% year on year, and the net profit after deducting non-recurring profit and loss of 2.093 billion yuan, up 4.71% year on year. The net return on equity (ROE) was 24.54%.

1. Keeping optimizing the R&D system and enriching innovative product lines

The Company attached great importance to innovative R&D and maintained high proportion of input in R&D. During the reporting period, the Company input 2.681 billion yuan in R&D in the pharmaceutical industry segment, up 44.8% year on year. Among them, 1.196 billion yuan were used as direct R&D expenditures, up 24.2% year on year, and 1.484 billion yuan were input for product introduction and R&D equities. 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 New Medicine R&D Center, with "clinical value, pharmacoeconomic value and commercial value" as the starting point. Believing that cultivation and introduction of top-notch talents lay foundation for innovative R&D, the Company has now established a scientific research team that covers the whole life cycle of R&D of innovative medicines, which comprises a total of 1,543 researchers, 34.7% of whom have obtained their doctoral or master degrees.

With "value creation" as its core, the Company's Innovative Medicine Global R&D Center achieved vigorous development driven by dual engines of independent innovation and external introduction, and fostered the new ecology for innovative R&D focusing on "advantaged, differentiated and source-based innovation". Meanwhile, it also leverages powerful technological support for the initiation and incubation of new projects by strengthening the construction of technology platforms featuring independent intellectual property rights and high barriers. To date, the R&D team has screened and evaluated tens of thousands of pharmaceutical molecules with potential activity. As of the date of the Report, the Company has reserved 52 innovative and biosimilar medicines under development. Among them, 5 products and 3 products are under phase III and phase II clinical trials respectively, which cover oncology, endocrinology, autoimmunity and other core treatment fields. All these merits effectively empower the continuous initiation and launching of innovative products, offering impetuses for the medium and long-term development.

During the reporting period, the Company successfully incubated Weizhi Biology Science and Technology Co., Ltd., its internal wholly-owned subsidiary, established two core technology platforms of Micro-restructuring and Micro-delivery, and set up some new technology platforms such as proteolytic targeting chimera (PROTAC), antibody drug conjugate (ADC), and AI drug discovery & design (AIDD) thanks to its excellent talent pool and continuous capital investment. In recent years, the Company kept expanding its differentiated in-depth layout in the field of ADC, 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 ADC drug toxin raw materials, and held shares of Doer Biologics, a multi-antibody platform R&D company. 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, introducing HDP-101 and HDP-103, two its global ADC innovative products, becoming its second largest shareholder, and organically integrating with its advanced ATAC® (Antibody-Amanita Conjugate) technology platform. In the future, the Company will keep strengthening the construction of innovative platform and integration of resources, further expand the cooperation on new technology platforms based on the ADC Global R&D Ecology of Huadong Medicine, create a world-leading ADC independent R&D platform, and plan to initiate at least 10 ADC innovative products and actively facilitate their registered clinical studies within 3 years.

In the field of oncology, major milestones were made in ELAHERE™, a type of ADC medicine for platinum-resistant ovarian cancer co-developed by the Company and ImmunoGen from the U.S.,

which becomes the only ADC medicine approved by FDA in 2022 after being approved by FDA for facilitated launching in November 2022. Moreover, its clinical trials in China are progressed smoothly and BLA is planned to be submitted in 2023. In the future, the Company and its partner will keep advancing its application in front-line treatment of ovarian cancer via clinical studies, and support to use ELAHERE™ as the preferred medicine combination for treatment of ovarian cancer. In January 2022, the Company introduced Icaritin Soft Capsules, an original natural small molecular immunomodulator researched and developed by China independently, which has been sold well in Chinese market since it was formally launched in May 2022. Moreover, the Company also introduced the Zevokiorense Injection, a type of CAR-T product, for the treatment of recurrent/refractory multiple myeloma, the marketing authorization application of which was accepted by the National Medical Products Administration in October 2022 and was included for prioritized review and approval. No product of similar type has been approved in China yet. It further enriches the Company's product lines in the field of blood diseases and forms a multi-dimensional product line layout together with chemotherapeutics, ADC products and CAR-T products. DR30303, a core product under development of Doer Biologics for the treatment of solid tumor, and targeted medicine Claudin 18.2 successfully completed the enrollment and administration of the first subject in phase I clinical trial in May 2022.

As for the endocrinology, the Liraglutide Injection, the Company's first biosimilar medicine for diabetes mellitus indications, was approved for sale, being the first of its kind in China. It is also under normal review for weight loss indications and is expected to be approved in 2023, which will make up the gap of weight-reducing medicines in Chinese market. In June 2022, Zhongmei Huadong reached strategic cooperation with JULPHAR, a famous company in Middle East, on dual indications of the Liraglutide Injection, which is a vivid evidence that the Company's strength, R&D and innovation abilities in the field of diabetes are internationally recognized. With GLP-1 target as the core, HDM1002 (micromolecule GLP-1 receptor agonist), an innovative medicine for type 1 diabetic mellitus that is developed by the Company independently with global intellectual property rights, has been successfully submitted for IND approval in the U.S. and China, marking that the Company's independent R&D has entered a new stage. DR10624, a kind of Fc fusion protein medicine developed by Doer Biologics based on its independently developed MultipleBody® platform technology, boasts triple agonist activities, targets at GLP-1R, GCGR and FGFR1c/Klothoβ (FGF21R), and has completed the enrollment of the first overseas clinical subject in June 2022. Moreover, HDM1005, a GLP-1R and GIPR long-acting polypeptide dual-target agonist developed by the Company independently, successfully obtained PCC molecules in less than one year since it was initiated, showcasing great innovation strength of Huadong Medicine and marking the rapid increase of its

independent R&D ability. To date, 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, continuously consolidating its place as a front-runner in the field of endocrinology in China.

With regard to autoimmunity, the Company introduced ARCALYST®and Mavrilimumab, two global innovative products in the field of autoimmunity by Kiniksa based in the U.S. ARCALYST® has been approved in the U.S. for the treatment of Cryo-Pyrin-Associated Periodic Syndromes (CAPS), Deficiency IL-1 Receptor Antagonist (DIRA) and recurrent pericarditis. Having been listed as the overseas new medicine in urgent need for clinical purpose in China, ARCALYST® is also the first and only medicine for recurrent pericarditis suitable for patients aged 12 and over approved by FDA so far. The Company will formally submit the BLA in China in 2023, and it is expected to satisfy the clinical needs of patients with autoimmune and rare diseases in China and achieve commercial production rapidly relying on the priority review channel. HDM3001 (RLD - Stelara®), a type of Ustekinumab biosimilar co-developed by the Company and its shareholding enterprise Qyuns Therapeutics is used for the treatment of moderate and severe plaque psoriasis of adults, the phase III clinical trial of which has reached the main end of the study. It is planned to submit BLA in Q3, 2023. Qyuns Therapeutics, one of the companies with the most comprehensive biological medicine lines and the leading overall development progress in the field of autoimmune and allergic diseases in China, has submitted IPO application to the Stock Exchange of Hong Kong Ltd. in March 2023.

In the future, the Company will keep optimizing its R&D system, continuously enrich its innovative product lines, and output a batch of PCC/ IND achievements featuring superior advantages, high potency and global independent intellectual property rights. With “value creation” as its core, the Company clarifies the initiation goal mechanism for differentiated innovation focusing on “advantaged, differentiated and source-based innovation” and initiates at least 15 innovative R&D programs per year, successfully fostering the pioneering, differentiated and competitive innovative product lines. Meanwhile, the Company has fostered the new ecology for innovative R&D driven by dual engines of independent innovation and external introduction.

2. Keeping active optimization to form an all-round stereochemical pharmaceutical service system

During the reporting period, the Marketing Team of Hangzhou Zhongmei Huadong Pharmaceutical Service Corporation kept up with the pace of the Company’s development, actively grasped the market opportunities, and made active progresses in professional team building, market access, marketing department and human resources system building, etc., with the overall scale of

pharmaceutical service personnel keeping a steady rise. In recent years, the marketing team has witnessed steady improvement in professional ability and Zhongmei Huadong has gradually become the creator and pioneer of the medication concept in specific fields and the academic circle thanks to the market practice in such fields as immunology, endocrinology and angiocarpy by setting up serialized and brand-oriented academic platforms to manage the progress of access of various products in a coordinated manner. In the meantime, we actively strengthened study and exploration, kept upgrading our marketing skills and enriched promotion modes, gradually fostered all-round stereochemical pharmaceutical services and medicine promotion abilities.

While consolidating the hospital markets in central cities, we kept sinking the marketing channels, strengthening the development of primary markets, external markets and retail markets, actively laid out pharmacies, primary layers, e-commerce and other terminals, and enhanced the direct influence on C end, thus establishing a multi-terminal all-round stereochemical marketing pattern. We strengthened the building of regional marketing departments and professional teams in various provinces, municipalities, and autonomous regions by focusing on the terminal coverage, market share and other indicators, and created an academic promotion-based marketing team with strong professional ability and medical thinking to comprehensively and accurately convey information about medicines and offer treatment schemes in consideration of rational medication and patients' benefits.

3. Facilitating the vigorous development of self-owned and licensed products for more excellent achievements in commercialization.

During the reporting period, the Company actively participated in and responded to reforms on volume-based procurement of medicines, medical insurance negotiation, DRG/ DIP payment clients, etc. at both the national and provincial level, with positive achievements made. Bailing Tablet of Zhongmei Huadong won the bid for volume-based purchasing of Hubei Alliance for Volume-based Procurement of Chinese Traditional Patent Medicines and witnessed rapid growth in sales after the contract was executed. Bailing Capsule and Acarbose Chewable Tablets were successfully listed in China's National Reimbursement Drug List again. Mycophenolate Mofetil Capsule, Pioglitazone Hydrochloride Tablets , and Ornidazole Tablets of Xi'an Bohua won the bid for China's 7th batch of volume-based procurement of medicines. Acarbose Tablets and Pantoprazole Sodium for Injection completed the renewal of volume-based procurement of multiple provinces. The Company also actively expanded the sales channels, improved the accessibility of Bailing series and Acarbose series on primary markets, retail markets and online platforms, with remarkable achievements made in coverage and market share of external markets.

During the reporting period, Zhongmei Huadong also established exclusive commercial cooperation with multinational pharmaceutical companies such as Takeda and Pfizer, as well as Beijing Shenogen and other domestic innovative medicine pharmaceutical companies on RLD innovative products in Chinese market, actively promoted its clinical medicine, academy and professional team building, strengthened the market access, academic promotion and compliance management, properly covered various terminals, worked hard on building patient groups, and highlighted the brand advantages of RLD to ensure good market share. The Company successfully completed its preset annual sales goals, laying a solid foundation for the launching and promotion of innovative products in the future.

4. Making innovation in production and operation models to facilitate the international registration of products

In 2022, the Company's production systems actively empowered the innovation in production and operation modes while successfully guaranteed the supply of products of various markets. Further enhancing the foundational management, the Company vigorously promoted the full-life cycle management of equipment and kept promoting the improvement of employees' skills and per capita labor efficiency. The Company also tapped internal potentials, continuously pushed the total lean production, deepened the standardized construction of functional 5S and workshops, and fostered the total lean production system to effectively reduce production costs. Externally, the Company actively sought ways to increase revenue, improved the utilization rate of resources and equipment while satisfying the market needs, actively introduced external cooperative programs, and increased channels for profits via CMO/CDMO businesses. Moreover, the Company strengthened its efforts in developing supplies, facilitated the substitution of imported materials with domestic products, ensured supply safety, focused on promoting the source-tracking and development of key raw and subsidiary materials, equipment, accessories and other exclusive or imported materials, effectively responded to risks in supply or rise in price of bottleneck materials, and endeavored to achieve adequate competition, obviously reducing the purchasing costs.

In 2022, various R&D tasks of the Company were progressed normally, with staged milestones achieved. As of the date of the Report, 4 key categories were awarded the marketing authorization, and applications of 7 under-development categories were accepted by CDE. During the reporting period, application and renewal of patents of the Company were progressed smoothly, with a total of 151 patent applications submitted, including 88 patents for invention. A total of 69 patents were granted. As for international registration, 1 category of preparation was approved in Singapore, and DMF/ ANDA replies of over 10 categories were submitted. Pantoprazole Sodium for Injection was launched and marketed in the U.S. for the first time, being the pioneer in the Company. The Company

steadily promoted the building of the R&D innovation platform for quality researches of external and complex preparations in combination with actual project practices, mainly the development of external liquores, ointments, gelling agents and creams, as well as improvement of the development ability of in vitro release and transdermal experiment method, ability in biochemical detection of biomedicine, level in impurity spectrum analysis and structure confirmation of APIs. Meanwhile, the Company started to build a chemical characterization platform for implantable medical apparatuses to provide quality research for the Company's aesthetic medicine.

(II) Industrial Microbiology

With profound industrial base thanks to over 40 years of development in the industrial microbiology sector, the Company has successfully developed 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 fostered differentiated product lines and solutions, and established three microbiology R&D bases as Zhongmei Huadong, Huida Biotech and Hizyme Biotech, and six industrial bases in Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang Laboratories, Magic Health, Twisun Hi-tech and Wuhu Huaren. In addition, the Company has set up the industry-leading fermentation monomer plants, formed the 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.

In the industrial microbiology sector, the Company has initiated over 130 R&D projects, including 17 projects for xRNA, ADC and other innovative raw materials (including 71 subprojects), 30 projects for Active Pharmaceutical Ingredients and pharmaceutical intermediates, and 18 projects for massive health and medical beauty raw materials, animal health, biomaterials, etc. The Company has established the Industrial Microbiology Division with complete structure, introduced top-notch technical personnel, and kept in line with international talent cultivation system to continuously optimize its R&D efficiency. To date, the Company has engaged 335 development personnel, 23% of whom have obtained their master or doctoral degree.

The year of 2022 witnessed the rapid development of various businesses in the segment of industrial microbiology of the Company. Keeping practicing the Industrial Microbiology Development Strategy, the Company determined its key orientation in five aspects including

innovative medicines (RNA & ADC medicines) raw materials, APIs & intermediates, massive health & cosmetic raw materials, pets protection and featured biomaterials. Thanks to continuous R&D, product lines in five key business segments featuring high innovation, high technology barrier and high added-values were further enriched and product structures were constantly optimized. While expanding domestic market, the Company also comprehensively facilitated international registration and certification, and actively branched out its international businesses. During the reporting period, the Company achieved favorable results in sales by integrating the traditional API business and expanding new businesses such as raw materials for innovative medicines, massive health products, etc. to grasp the market, seeing a stable business growth. Throughout the year, the Company achieved the sales revenue of 510 million yuan, up 22% year on year.

In May 2022, Huida Biotech, the Company's holding subsidiary, invested in establishing a wholly-owned subsidiary Hizyme Biotech. Specializing in developing series of industrial catalytic enzymes and relevant biocatalytic downstream products with synthetic biology techniques, Hizyme Biotech has formed a complete R&D system that comprises enzyme design - evolution - strain construction - expression - catalytic application research, and formed featured downstream product lines in such fields as modified nucleoside and pharmaceutical intermediates.

In July 2022, the Company's wholly-owned subsidiary Zhongmei Huadong, Gonzales District People's Government of Hangzhou and Zhejiang University of Technology co-built the HIT Institute of Synthetic Biology (the HIT Institute). With synthetic biology techniques as its basis, the HIT Institute focuses on four major fields of pharmaceutical chemicals, aesthetic medicine biology, biomaterials and healthy sugar substitutes, and specializes in researches on technological innovation and industrial transformation revolving around the smart biological manufacturing. In the future, the HIT Institute will form a complete chain that comprises basic R&D - pilot R&D - industrial development with Huida Biotech, Magic Health and Jiangsu Joyang Laboratories, vigorously promoting the landing and commercialization of frontier innovations in synthetic biology in the pharmaceutical industry in East China.

In August 2022, the Company merged the Wuhu Huaren Science and Technology Co., Ltd., further putting in place its layout of industrial microbiology innovative medicine raw materials in the fields of mRNA medicines and IVD chemical raw materials. Meanwhile, Meihua Hi-tech, the Company's wholly-owned subsidiary, will empower the scale production of Huaren Science and Technology by producing modified and protection series nucleosides and some nucleoside monomers in the upstream. Additionally, the Company also set up its technical team for mRNA raw materials R&D and application services, laying a foundation for business expansion in such fields as mRNA raw materials and services. To date, the Company has formed a complete technical layout necessary

for RNA medicine raw materials in such fields as synthetic biotechnology, enzymatic catalysis, chemosynthetic modification, separation and purification through series of R&D and integration of industrial resources. Meanwhile, an overall production layout for RNA medicine raw materials and IVD chemical raw materials has been fostered backed by separation and purification, Meihua Hi-tech and other production bases.

With regard to engineering projects, the Company's industrial microbiology segment completed the phase I technical innovation of Meihua Hi-tech and launched the phase I project of Magic Health, anti-infection product lines of Jiangsu Joyang Laboratories, and construction of high-activity API factories in 2022, further advancing the landing of product lines in various fields.

In 2022, the Company's industrial microbiology segment actively advanced business advancement and integration in various fields via marketing, and the Company focused on advancing the construction of the marketing management system of the industrial microbiology headquarters and international marketing team. In the meantime, the Company also prepared the market strategic plans and large variety breeding programs in various fields, and gave priority to the construction of product application and service systems in such fields as innovative medicine raw materials, massive health, and aesthetic medicine raw materials. As for the market access and international registration and certification, the Company prepared and actively implemented various advancement plans considering unique features of different fields.

To date, the Company's industrial microbiology segment has formed the organizational structure and layout featuring "Industrial Microbiology Division + Innovative Technology Company + Industrial Manufacturing Bases" and has completed the overall layout of raw materials for innovative medicines (xRNA & ADC medicines), pharmaceutical APIs & intermediates, massive health & aesthetic medicine raw materials based on synthetic biology, industrial fermentation, green chemical manufacturing and other technologies. In the future, the Company will actively expand pets protection and featured biomaterials, and keep expanding the industrial layout.

(III) Aesthetic Medicine

The year of 2022 bears historical significance for the Company's aesthetic medicine business. As a Chinese company taking the lead in international layout of aesthetic medicine businesses, the Company steadily advances its aesthetic medicine businesses in accordance with the overall strategy of "global operation layout and dual-circulation development." The Company further integrates its R&D resources and competencies focusing on global high-end aesthetic medicine markets. The Company has successfully developed its international aesthetic medicine businesses that organically combine R&D, manufacturing and marketing, and established an international aesthetic medicine marketing network based on its six global R&D centers in the U.K., the Netherlands, France,

Switzerland, Spain and Israel, as well as Sinclair's six global production bases in the Netherlands, France, the U.S., Switzerland, Bulgaria and Israel, with its products sold in over 80 countries and regions. Attaching great importance to innovation in aesthetic medicine technologies, the Company has always practiced its operation concept of "hi-tech R&D, high-quality positioning and global products", continuously increased its input in innovation of technologies, enriched the innovative product lines, and has now launched 36 categories of high-end "noninvasive + micro-invasive" products in the aesthetic medicine field, including 24 categories that have been launched in domestic and overseas markets and 12 categories that are under development. Moreover, the Company has mastered cutting-edge technologies in global aesthetic medicine including STAT™ patented microsphere preparation technology, OXIFREE™ patented manufacturing technologies, RotateRF, Multi-CORE™, SVC™ and PCR™. With its product portfolios that cover facial and body filling, thread lifting, skin management, body shaping, depilation, private repair and other non-operative mainstream aesthetic medicine fields, the Company now ranks in the forefront of the industry in terms of product quantity and coverage.

During the reporting period, the Company's aesthetic medicine segment witnessed rapid growth as a whole and achieved the total operating revenue of 1.915 billion yuan (excluding internal offsetting factors), setting the record high in revenues of both domestic and overseas aesthetic medicine businesses, and up 91.11% year on year on comparable basis (excluding Huadong Ningbo).

Overseas Aesthetic Medicine Business

In 2020, Sinclair, the Company's wholly-owned subsidiary that serves as its global aesthetic medicine business operation platform, set a new high in operating performance with both its injections and EBD businesses exceeding goals in the full-year plan even under the influence of high inflation in the global market and rising raw materials and energy costs. During the reporting period, Sinclair achieved the consolidated operating revenue of 134.57 million pounds (about 1.144 billion yuan), up 76.9% year on year, and the EBITDA of 23.04 million pounds, up 245.95% year on year, and attained the annual operating profits for the first time since it was acquired.

During the reporting period, Sinclair witnessed constant and rapid growth in revenue from core injection products driven by the strong demands in overseas markets. Thanks to its unique and exclusive STAT™ patented microsphere preparation technology that focus on long-term efficacy and safety, Ellans é® may not only boast instant filling and shaping effect, but also revitalize regeneration of autologous collagen, creating more natural effect of facial rejuvenation. It is still among the list of best-selling products even though it has been launched for multiple years. Adopting the world's first patented manufacturing technology of OxiFree™ with long molecular hyaluronic acid chains, MaiLi® series, the Company's new high-end hyaluronic acid containing lidocaine, can produce a "Smart

Spring" intelligent spring gel matrix, which generates more natural post-filling effect and features long-lasting and outstanding filling ability. It has been continuously recognized by the market since it was launched and witnessed a year-on-year growth of 190% in revenue during the reporting period. Lanluma®, a collagen stimulator of L-polylactic acid, is the only regenerative product approved for hip and thigh filling in the world yet, which witnessed a year-on-year growth of 44% in revenue during the reporting period, being the main driving force for the growth of overseas aesthetic medicine business. Recently, 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, as well as the great affirmation of Sinclair's achievements in the high-end aesthetic medicine field. The Company will keep advancing the registration and promotion of its core products in global markets and Sinclair has planned to successively embark its efforts in registering Ellans é® and MaiLi® series products in the U.S. Market in the second quarter of 2023.

In February 2022, Sinclair successfully acquired the equity of Viora, a U.S. Company specialized in non-invasive and micro-invasive energy based devices for aesthetic medicine, further expanding the Company's innovative product lines for aesthetic medicine. Then, Sinclair integrated its businesses and markets, marking another important global strategical layout of Sinclair in the field of aesthetic medicine energy based device following its wholly-owned acquisition of Spain's High Tech. Viora will be an effective bridge for Sinclair to further expand its EBD businesses in the U.S. Market for good brand reputation, perfect marketing service personnel staffing, complete marketing management system and extensive market resources. In 2022, EBD businesses of Viora witnessed rapid growth in American market, with performance that exceeds the full-year operation plan. The V series, its key product, is a multi-functional aesthetic medicine operating platform that integrates three energy sources of RF, IPL and laser, which boasts Multi-CORE™, CORE™, SVC™, PCR™ and other technologies for skin compactness, body shaping, etc. and offers comprehensive exclusive treatment solutions based on different groups and skin qualities. The product has been awarded the U.S. and European registration and certification. Viora is actively expanding its presence in EU and Asian-Pacific region. The effect of its integration with Sinclair has been preliminarily manifested. In 2023, Sinclair will keep fostering the Company's overall competitiveness in global aesthetic medicine business by further enhancing the collaborative effect of EBD and injections.

In the first quarter of 2023, Sinclair launched Sculpt & Shape, a new energy based device for body shaping and facial rejuvenation, in the European market, which adopts the innovative RotateRF

technology and brings patients comfortable, effective and safe experience. Sculpt & Shape is well-received by the market immediately after it was launched.

Aesthetic Medicine in China

Sinclair (Shanghai), the Company's wholly-owned subsidiary and its aesthetic medicine business operating center in Chinese market, kept developing the high-end markets for aesthetic medicine injections and maintained rapid growth in 2022 despite the fluctuation of market demands. During the reporting period, Sinclair (Shanghai) achieved the total operating revenue of 626 million yuan, with favorable profits. By the end of 2022, Sinclair (Shanghai) has signed cooperation contracts with over 500 hospitals and trained over 1,100 certified physicians.

Its core product Ellans é® has always attracted great market attention since it was launched in the Chinese market for its regeneration and anti-aging technologies and concept, and has become one of the best-selling products in the field of aesthetic medicine injects in China, playing a leading role in the high-end market in the field of aesthetic medicine regeneration filling.

In the first quarter of 2022, Glacial Spa® completed its global debut in China, which is researched and developed by Rox Anderson, father of modern laser medicine, and many medical specialists from Harvard University and Massachusetts Institute of Technology. Adopting the revolutionary Cryomodulation technology, the product accurately inhibits melanin synthesis and transport from the source at low temperature to improve the skin quality and color. To date, Sinclair (Shanghai) has established commercial cooperation on this product with over 40 aesthetic agencies in China. In 2023, Sinclair (Shanghai) will further expand the cooperation modes, facilitate the cooperation with Chinese aesthetic agencies, and extend the market coverage.

During the reporting period, the Company kept advancing the domestic and overseas registration and commercialization of its core aesthetic medicine products. Sinclair exclusive introduced the multi-functional facial skin management platform Pr âme DermaFacial, a kind of energy based device that integrates five cutting-edge technologies of spiral vacuum, microdermabrasion, micro current, radio frequency and ultrasonic and carries the IoT technology. Being an intelligent hi-tech beauty apparatus, it has been commercially sold in main aesthetic medicine markets in America, Europe and other regions of the world in succession since September 2022, and is planned to be launched in China in 2023. The bipolar RF anti-aging equipment Reaction®, the Company's EBD product, is a new generation of intelligent beauty apparatus that integrates CORE™ multi-RF technology with the vacuum negative pressure technology in a path-breaking manner. Adopting the contact cooling technology, it can effectively avoid energy and thermal loss and dramatically improve customers' comfort level. With its domestic agent successfully changed in 2022, the product is planned to be sold and promoted in China in the second quarter of 2023. V version and X version of poly-L-lactic

acid (PLLA) collagen stimulant Lanluma® were approved to be launched in Bo'ao Lecheng International Medical Tourism Pilot Zone, which are used for increasing the volume of depression areas on the face and body, especially for correcting skin depressions.

In the first quarter of 2023, MaiLi Extreme, the Company's novel high-end lidocaine-containing sodium hyaluronate filler for injection and Ellansé® M, a polycaprolactone microsphere facial filler for injection, successfully completed the enrollment of all subjects in clinical trials in China, with follow-up started.

The Company has always pursued the positive values of "keeping improving", actively participated in co-governance of industry, joined hands with alliance partners to foster core competitiveness, established trustworthy cosmetic consumption environment, and empowered the standardized development of the regeneration aesthetic medicine market in China by improving its influence, while continuously promoting the launching of products and actively expanding its markets. The Company conveys the therapeutic concept of "formal aesthetic medicine agencies, physicians and products" to enable the healthy and positive development of the aesthetic medicine industry.

填充			
Ellansé® 伊妍仕® 注射用聚己内酯微球	Lanluma® 聚左旋乳酸类胶 原蛋白刺激剂	MaiLi® 系列 新型高端含利多卡因 透明质酸	Perfectha® 系列 双相透明质酸
用于皮下层植入以 纠正中到重度鼻唇沟皱纹	面部和身体填充剂	面部填充	面部填充
中国已上市 全球60多个国家或地区 获注册认证或上市准入	欧盟CE认证 欧洲已上市 已落地海南博鳌乐城	欧盟CE认证 欧洲已上市	全球60多个国家或地区 获注册认证或上市准入 欧盟CE认证

填充			埋线
与Kylane公司 合作两款重点研发产品	皮肤动能素 天然<非动物源> 羧烷基壳聚糖注射剂	3款KiOmedine® 填充剂 天然<非动物源> 羧烷基壳聚糖和透明质酸 注射剂	美容埋线 Silhouette Instalift®
研发中	研发中	研发中	
面部和身体填充剂	抗衰 改善肤质	唇部、面部 填充塑形	适用于中面部提拉手术 短暂固定并提拉脸颊下 真皮位置
研发阶段	研发阶段	研发阶段	美国FDA认证 全球60多个国家或地区 获注册认证或上市准入

Figure: Aesthetic Medicine Injection and Thread Lifting Products Launched and under Development

能量源设备：皮肤管理						
酷雪 Glacial Spa®	Glacial Rx™ (F1)	Glacial Ai (F2)	Préime DermaFacial	Pristine™	EnerJet	Infusion™
		研发中				
皮肤美白提亮	祛除皮肤的良性色素性病变和低温缓解疼痛、肿胀、炎症和血肿	全身美白	面部清洁 去角质、补水 复活和滋养肌肤	微晶磨皮 抛光皮肤表面 去角质	疤痕修复 面部提拉 真皮增厚	无创导入 改善各种皮肤状况
美国、韩国、中国已上市	美国已上市	海外研发阶段	海外已上市	海外已上市	海外已上市	海外已上市

能量源设备：紧肤塑形							
Cooltech	Cooltech Define	Define2.0	Define3.0	Safyre	芮艾瑆® Reaction®	Crystile	Sculpt&Shape
		研发中	研发中				
身体减脂塑形	身体减脂塑形	紧肤塑形	紧肤塑形	面部年轻化及身体塑形	身体及面部塑形 皮肤紧致	身体减脂塑形	全身塑形 面部年轻化
欧盟CE认证 欧洲已上市	欧盟CE认证 澳洲TGA认证 海外已上市	海外研发阶段	海外研发阶段	海外已上市	美国FDA认证 欧盟CE认证 海外&中国 已上市	海外已上市	欧洲已上市

能量源设备：脱毛			能量源设备：多功能能量源设备		
Primelase	Primelase Pro	Elysion	V系列产品		
	研发中		V10	V20	V30
脱毛	脱毛	脱毛	皮肤紧致、身体和面部塑形、皮肤年轻化、脱毛等		
全球11个国家或地区获得注册认证或上市准入	海外研发阶段	全球7个国家或地区获得注册认证或上市准入	美国FDA认证、欧盟CE认证、海外已上市		

Figure: Aesthetic Medicine Energy based devices Launched and under Development

(IV) Pharmaceutical Business

During the reporting period, the Company's pharmaceutical business segment actively coped with multiple influences and impacts under special circumstances, practically fulfilled the Company's social responsibilities as the leading pharmaceutical company throughout Zhejiang Province, shouldered the heavy responsibilities to guarantee the supply of medical materials, and endeavored to satisfy the needs of various medical institutions and people for medicines despite diverse difficulties.

In the meantime, the Company's pharmaceutical business segment maintained steady business development in the face of fierce market competition. During the reporting period, the Company's pharmaceutical business segment achieved the operating revenue of 25.553 billion yuan, up 10.55% year on year, and the net profit of 397 million yuan, up 3.85% year on year. In 2022, the Company's pharmaceutical business segment optimized the organizational architecture in business, tapped the overall resources, and stretched its products out of all subsidiaries. The Jinhua Supply Chain Warehouse of the Company was put into operation in full swing, forming the two-warehouse distribution mode throughout Zhejiang Province. Moreover, the Company further increased its input in external market and established equity cooperation with Zhejiang Dongyang Medicine and Medicinal Material Co., Ltd. (renamed "Huadong Medicine Dongyang Co., Ltd.), which has become an operating platform in Dongyang region to further improve the Company's market share in Zhejiang Province. As for innovative business, the Company focused on expansion of product agency and high-end cold chain logistics to lead the high-quality development. With regard to management, the Company advanced the centralized management to improve the quality and efficiency, shifted the focus of human resources to innovative fields and optimized the information system to empower the business development. Main measures taken are as follows:

1. Vigorously developing traditional businesses, stabilizing hospital market and stretching out to external markets

The Company further refined and excelled in traditional businesses. The Company focused on the introduction of innovative medicines, gradually optimized the structure of products for hospitals, endeavored to increase the share of high-value products, and continuously improved the proportion of products for hospitals, thus ensuring steady rise. With regard to OTC, the Company focused on designated pharmacies for medical insurance, affiliated to hospitals and chain pharmacies, and expanded the coverage and share, thus maintaining high growth rate. As for the self-operated retail, the Company placed the focus on developing stores in hospitals and external market, as well as DTP stores to make breakthrough in sales. Moreover, the Company expanded the regional share of such high-value products as medical apparatuses, medicinal materials, ginseng and antler, as well as special medicines for high growth of businesses.

2. Cultivating innovative businesses and improving profitability

1) The Company established professional promotion teams that serve nationwide customers from the agency in Zhejiang to regional agency and nationwide agency revolving around two lines of medicine agency and apparatus agency to improve the profitability of agent varieties.

2) The Company leveraged full support to increase the share of third-party logistics and distribution of the supply chain. The Company completed the collaborative integration and optimization under multiple logistics scenarios taking the advantage of delivery of Zhezhong Jinhua Logistics Base, focused on high-end pharmaceutical cold chain, expanded the distribution of special medicines represented by high-end cold chain and vaccines, and consolidated its role as the first pharmaceutical cold chain brand in Zhejiang.

3) As for the self-operated e-commerce platform, the Company fostered its own brand, further consolidated product R&D and iteration, enriched the product groups, further improved the online notability and influence of its self-owned brand "Xuguanghe".

4) The Company earnestly implemented its strategy of "extending from medical care to aesthetic medicine and massive health", enriched existing business formats, and fostered new impetus for more profits by expanding the boundaries of value-added services for upstream and downstream customers.

3. Reducing cost and improving efficiency, following regulatory provisions, and improving the operating performance

The Company optimized its staffing, implemented the post rotation system for managers, and cultivated compound talents by integrating the management of various functional departments. Moreover, the Company implemented the quantitative performance evaluation with value creation as the core that focusing on innovation in staffing of managers, established unified quality management standards, enhanced the management responsibilities of the headquarters, and had GSP management normalized. The Company also set up its operating system that covers the businesses in East China for unified management and service of various divisions and subsidiaries, enhanced its compliance regulation and risk control, increased income and reduced cost, steadily advanced the full coverage of bidding and purchasing, and endeavored to reduce cost and improve efficiency by leveraging the cohesion of the Company as a whole.

II. 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:

Ranked 357th in *Fortune China Top 500 Companies*, the 13th consecutive year for being listed;

Listed in *Top 100 of Chinese Pharmaceutical Companies in 2021 of Menet*, maintaining its ranking as Top 10 among Top 100 Chinese Chemical Pharmaceutical Companies Ranking in 2021;

Top 100 Chinese Pharmaceutical Manufacturers in 2021 and *Top 100 Chinese Pharmaceutical Businesses in 2021* by All-China Federation of Industry and Commerce;

Top 500 Chinese Private Enterprises in 2022 and *Top 500 Chinese Enterprises in Service Industry in 2022* by China Enterprise Confederation;

Top 100 Chinese Pharmaceutical R&D Centers in 2022 and *Top 100 Chinese Chemical Pharmaceutical R&D Centers* by yaozh.com.

In terms of investor relations management:

The *Best Investor Relations*, the *Best Secretary of the Board of Directors and the Best New Media Operator*, the 13th *Tianma Award for Investor Relations of Chinese Companies Listed on the Main Board*;

In terms of ESG management:

Top 100 Chinese Listed Companies in ESG by Securities Times, etc.

2. Income and cost

(1) Composition of operating revenue

Unit: RMB yuan

	2022		2021		Year-on-year percentage increase/decrease
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	37,714,587,458.01	100%	34,563,301,233.67	100%	9.12%
By sector					
Business	25,706,575,656.84	68.16%	24,203,730,039.28	70.03%	6.21%
Manufacturing	11,666,006,594.38	30.93%	10,519,190,765.06	30.43%	10.90%
Aesthetic medicine	1,914,953,889.03	5.08%	1,002,027,972.65	2.90%	91.11%
Including: International aesthetic medicine	1,143,849,083.22	3.03%	665,510,309.09	1.93%	71.88%
Domestic aesthetic medicine [Note]	883,937,124.31	2.34%	366,560,098.82	1.06%	141.14%
Offset (inter-sectoral offset)	-1,322,138,396.44		-971,513,302.13		
By product					
By region					
Domestic sales	36,549,476,866.81	96.91%	33,883,474,489.91	98.03%	7.87%
Overseas sales	1,165,110,591.20	3.09%	679,826,743.76	1.97%	71.38%
By sales model					

[Note] The domestic aesthetic medicine business includes the income from the self-operated products of Sinclair (Shanghai), 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 industry, product, region or sales model

√ Applicable □ N/A

Unit: RMB 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 sector						
Business	25,706,575,656.84	23,833,974,287.72	7.28%	6.21%	6.16%	0.04%
Manufacturing	11,666,006,594.38	2,568,079,627.21	77.99%	10.90%	14.99%	-0.78%
By product						
By region						
Domestic sales	36,549,476,866.81	25,350,585,541.92	30.64%	7.87%	6.87%	0.65%
Overseas sales	1,165,110,591.20	331,911,469.63	71.51%	71.38%	40.68%	6.21%
By sales model						

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 at the reporting period

□ Applicable √ N/A

(5) Composition of operating cost

Unit: RMB yuan

Sector	Item	2022		2021		Year-on-year percentage increase/decrease
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Business	Operating cost	23,833,974,287.72	92.80%	22,451,262,640.00	93.71%	-0.91%
Manufacturing	Operating cost	2,568,079,627.21	10.00%	2,233,384,937.73	9.32%	0.68%
International aesthetic medicine	Operating cost	403,186,286.22	1.57%	234,272,299.70	0.98%	0.59%
Offset (inter-sectoral offset)	Operating cost	-1,122,743,189.60		961,549,148.45		

Note

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

√ Yes □ No

For details, please refer to "VIII. 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)	7,933,315,239.67
Proportion of the total sales amount of the top five customers in the total annual sales amount	21.04%
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	3,180,251,095.06	8.43%
2	Customer A3	1,412,463,993.68	3.75%
3	Customer A2	1,339,809,252.12	3.55%
4	Customer A6	1,107,957,405.77	2.94%
5	Customer A4	892,833,493.04	2.37%
Total	--	7,933,315,239.67	21.04%

Other information of major customers

□ Applicable √ N/A

Information of the Company's major suppliers

Total purchase amount of the top five suppliers (yuan)	3,048,387,112.07
Proportion of the total purchase amount of the top five suppliers in the total annual purchase amount	11.87%
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	780,302,332.49	3.04%
2	Supplier B6	735,151,508.81	2.86%
3	Supplier B7	532,504,871.16	2.07%
4	Supplier B8	529,761,797.92	2.06%
5	Supplier B9	470,666,601.69	1.83%
Total	--	3,048,387,112.07	11.87%

Other information of major suppliers

□ Applicable √ N/A

3. Expenses

Unit: RMB yuan

	2022	2021	Year-on-year percentage increase/decrease	Note on major changes
Sales expenses	6,334,738,928.05	5,424,051,895.28	16.79%	

Administrative expenses	1,248,781,970.63	1,166,941,288.41	7.01%	
Financial expenses	78,256,567.01	22,075,055.28	254.50%	Mainly due to the increase in interest-bearing debt
R&D expenses	1,015,971,052.33	979,644,017.93	3.71%	

4. R&D input

(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 83 pharmaceutical projects under development, including 52 innovative and biosimilar medicine projects. Five products are under phase III clinical trial, while another three are under phase II clinical trial. During the reporting period, the Company input 2.681 billion yuan in R&D in the pharmaceutical industry segment, up 44.8% year on year. Among them, 1.196 billion yuan were used as direct R&D expenditures, up 24.2% year on year, and 1.484 billion yuan were input for product introduction and R&D equities. 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) With "clinical value, pharmacoeconomic value and commercial value" as the starting point, the Company laid out multiple categories of innovative products in fields of endocrine, autoimmunity and oncology during the reporting period;

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, microorganism fermentation cytotoxin technology platform, and innovative linker and coupling technology platform.

(2) Innovative medicine development planning

The Company formulated a strategic planning for the development of innovative medicines in the next five years. With the focus placed on existing treatment fields, the Company made clear key direction and number of innovative projects to be initiated each year during the planning period, and proposed that no less than 15 innovative varieties (including innovative medicines, modified new medicines and innovative medical apparatuses, etc.) should be initiated and reserved each year during the planning period. During the reporting period, the Company endeavored to promote the progress of clinical research of innovative medicines and key biosimilar medicines under developed, with a view to have them approved and launched as early as possible. In addition, the Company also actively explored and referred to the construction of international advanced innovative medicine R&D system, constantly optimized and adjusted the overall R&D system structure, and established a research team that covers the whole life cycle of innovative medicine R&D by introducing top-notch R&D talents, and perfected various functional modules of innovative project R&D, thus empowering the attainment of strategic planning goals of the Company's innovative projects.

Particularly in the field of ADC, the Company kept expanding its differentiated in-depth layout, 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 ADC drug toxin raw materials, and held shares of Doer Biologics, a multi-antibody platform R&D company. 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. In the future, the Company will keep strengthening the construction of innovative platform and integration of resources, further expand the cooperation on new technology platforms based on the ADC Global R&D Ecology of Huadong Medicine, create differentiated ADC independent R&D platform, and plan to initiate at least 10 ADC innovative products and actively facilitate their registered clinical studies within 3 years.

With "value creation" as its core, the Company's Innovative Medicine Global R&D Center focused on "advantaged, differentiated and source-based innovation" and ultimately: 1) achieved the

dual-engine driving by independent R&D + external introduction, and built the new ecology for innovative R&D; 2) clarified the differentiated and innovative initiation goal mechanism (no less than 15 innovative R&D projects initiated each year) and formed the pioneering, differentiated and competitive innovative product lines; 3) built the global R&D strategic cooperation ecology with Huadong Medicine as the core and produced a batch of PCC/ IND achievements with great advantages, high druggability and global independent intellectual property rights, with NDA/ BLA applications to be submitted and innovative medicines to be launched since 2023; 4) cultivated a high-level scientific research team that can support the whole life cycle of innovative medicine R&D; 5) kept enhancing the construction of technology platform with independent intellectual property and high barrier, including proteolytic targeting chimera (PROTAC), antibody drug conjugate (ADC), and AI drug discovery & design (AIDD), as well as products and innovative projects with high values and independent intellectual property rights based on such platform.

(3) Main tasks regarding independent R&D and innovation

The Innovative Medicine R&D Center has preliminarily completed the construction of translational medicine research technology platform, AI drug design and discovery platform, modern pharmaceutical chemical synthesis technology platform and ADC R&D platform, which have provided strong technical support for initiation and incubation of new projects. To date, the R&D team has screened and evaluated tens of thousands of pharmaceutical molecules with potential activity (including small modules of pharmaceutical chemicals and large modules of biomedicine), which mainly distributed in such fields as endocrine metabolism, autoimmunity and oncology. Among them, HDM1002, the Company's first self-developed innovative medicine program that is under the IND stage, has completed IND applications in both the U.S. and China, and has won the global independent intellectual property rights, marking that the Company's independent R&D has entered a new stage. HDM1005 and HDM2005 projects have successfully obtained PCC modules, especially HDM1005 that successfully obtained PCC molecules in less than one year since it was initiated, showcasing great innovation strength of Huadong Medicine and marking the rapid increase of its independent R&D ability. To date, the Company's Innovative Medicine R&D Center has claimed a total of over 80 patent applications, including 18 formal and PCT patent applications.

Moreover, 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 in 2022, which provide support for the establishment and operation of the Huadong Medicine Innovation and Development Union Fund of Zhejiang Natural Science Foundation. Meanwhile, HDM1002, TTP273 and some other programs were all awarded prizes for scientific and technological

projects at the provincial and/ or municipal level. Being funded by the "Special Program for High-quality Development of Bio-pharmaceutical Industry in Hangzhou", Mefatinib successfully imports "Hangzhou 115" overseas intelligence.

(4) Progress of development of key innovative medicines, innovative medical apparatuses and clinical researches of biosimilar projects

As of the date of the Report, progresses of the Company's development of key innovative medicines, innovative medical apparatuses, and clinical researches of biosimilar projects are as follows:

Endocrine metabolism

The application on IND of HDM1002, a micromolecule GLP-1 receptor agonist independently developed by the Company, has been submitted in China in February 2023, which will be submitted in the U.S. in April 2023.

Liraglutide Injection, a GLP-1 receptor agonist, has had its marketing authorization application for diabetes indications approved by NMPA in March 2023. Its marketing authorization application for obese or overweight applications was accepted in July 2022, and is expected to be approved in 2023.

Semaglutide Injection, a GLP-1 receptor agonist, has now completed the administration and follow-up of all subjects in phase I clinical trial.

The Investigational New Drug Application (IND) of Insulin Degludec Injection has obtained the notification of approval for clinical trial in September 2022, and its administration of all subjects in phase I clinical trial has been completed yet.

HDM7003 (D-4517.2) is a product under joint development by the Company and its joint stock company Ashvattha Therapeutic, Inc. based in the U.S. In September 2022, Ashvattha announced that it has completed the enrollment of the first subject of phase II clinical trial of the product in the U.S. for the treatment of wet age-related macular degeneration and diabetic macular edema.

The Company is carrying out preclinical study of HDM1005, a GLP-1R and GIPR long-acting polypeptide dual-target agonist used for treating diabetes, obesity and other diseases.

DR10624 is a GLP-1R/GCGR/FGF21R target multiple agonist developed by the Company's holding subsidiary Doer Biologics, which can be used for treating type 2 diabetes, obesity, hyperlipidemia, etc. It was approved to start its phase I clinical trial in New Zealand in April 2022 and the administration of the first subject was completed in June 2022.

Ranibizumab Injection has completed the enrollment of the first subject during phase III clinical trial in March 2022.

Oncology

ELAHERE™ (mirvetuximab soravtansine-gynx, R&D code: IMGN853, HDM2002): it has completed the enrollment of all subjects for PK medicine metabolic study during phase I clinical trial in China in July 2022. In November 2022, ImmunoGen, the American partner of the Company, announced that ELAHERE™ was accelerated approved by the FDA. It is the first ADC medicine approved by the FDA for platinum-resistant ovarian cancer, which is used to treat adult patients with platinum-resistant ovarian epithelial cancer, fallopian tube cancer or primary peritoneal cancer who are folate receptor α (FRα) positive and have previously received 1-3 systemic therapy. The product completed the enrollment of all subjects for phase III single-arm clinical trial in China in December 2022, with its pre-BLA submitted in March 2023. It is planned to submit the BLA within 2023. In the future, the Company and its partner will keep advancing its application in front-line treatment of ovarian cancer via clinical studies, and support to use ELAHERE™ as the preferred medicine combination for treatment of ovarian cancer.

Mefatinib Tablets are used for treating advanced non-small cell lung cancer. Currently, the overall enrollment of subjects for phase III clinical trial has been completed, and it is expected that the NDA application will be started after the PFS events of phase III study are obtained in the second quarter of 2023.

DR30303, a product under development of Doer Biologics and targeted medicine Claudin 18.2 for the treatment of solid tumor, obtained the notification of approval for clinical trial in January 2022, and successfully completed the enrollment and administration of the first subject in phase I clinical trial in May 2022.

HDP-101 is an ATAC® (Antibody-Amanita Conjugate) targeting at B-cell maturation antigen. Heidelberg Pharma, the Company's Germany partner, is currently carrying out overseas phase I/IIa clinical trials of the product for the treatment of relapsed/refractory multiple myeloma, with the administration for the first subject completed in February 2022.

HDP-103 is an ATAC® medicine targeting at prostate-specific membrane antigen (PSMA). Heidelberg Pharma, the Company's Germany partner, is currently carrying out preclinical research on this product, with metastatic castration-resistant prostate cancer (mCRPC) as its target indication.

HDM2003 (AB002) is a kind of dual-target fusion protein targeting at PD-L1/L2 and IL15 co-developed by the Company and AKSO in the U.S., which is used for the treatment of solid tumor. It is now under preclinical study.

HDM2005, an ADC product independently developed by the Company, is used for the treatment of solid and hematologic tumors, and is now under preclinical study.

Autoimmunity

ARCALYST® (Rilonacept): It is a kind of recombinant dimer fusion protein, which can block the signal transduction of IL-1α and Il-1β. It was introduced by the Company through a cooperation agreement with Kiniksa in February 2022. ARCALYST® has been approved in the U.S. for the treatment of Cryopyrin-Associated Periodic Syndromes (CAPS), Deficiency of Interleukin-1 Receptor Antagonist (DIRA) and recurrent pericarditis in 2008, 2020 and 2021 respectively. Being listed as *Overseas New Medicine in Urgent Need for Clinical Purpose (First Batch)* by CDE, ARCALYST® is used for the treatment of Cryopyrin-Associated Periodic Syndromes (CAPS). In July 2022, the Company submitted a Pre-BLA for CAPS indications of this product to CDE, with feedback received. The Company plans to formally submit the BLA for such indication in China in 2023. Moreover, the Company is carrying out an epidemiological survey of recurrent pericarditis in China, and will determine the scheme for product registration according to the survey results.

HDM3001 (QX001S), a biological similar of Ustekinumab (Stelara®), is a product under development by the Company in cooperation with Qyuns Therapeutics, which is used for the treatment of moderate and severe plaque psoriasis of adults. In February 2022, the enrollment of all subjects in phase III clinical trial was completed ahead of schedule, with the main end point of the study achieved. The BLA of the product is expected to be submitted in the third quarter of 2023.

HDM3002 (PRV-3279) is used for the treatment of systemic lupus erythematosus (SLE) and prevention or reduction of the immunogenicity of gene therapy. Provention Bio, the Company's partner, is carrying out Iia clinical trials for SLE indications of the project in the U.S. and Hong Kong, China. The Company submitted the IND in China in February 2023.

HDM5001 (OP-101) is a product under joint development by the Company and its joint stock company Ashvattha Therapeutic, Inc. based in the U.S. Currently, the Company is exploring new indications for the product and will submit IND in China after clear conclusion is drawn.

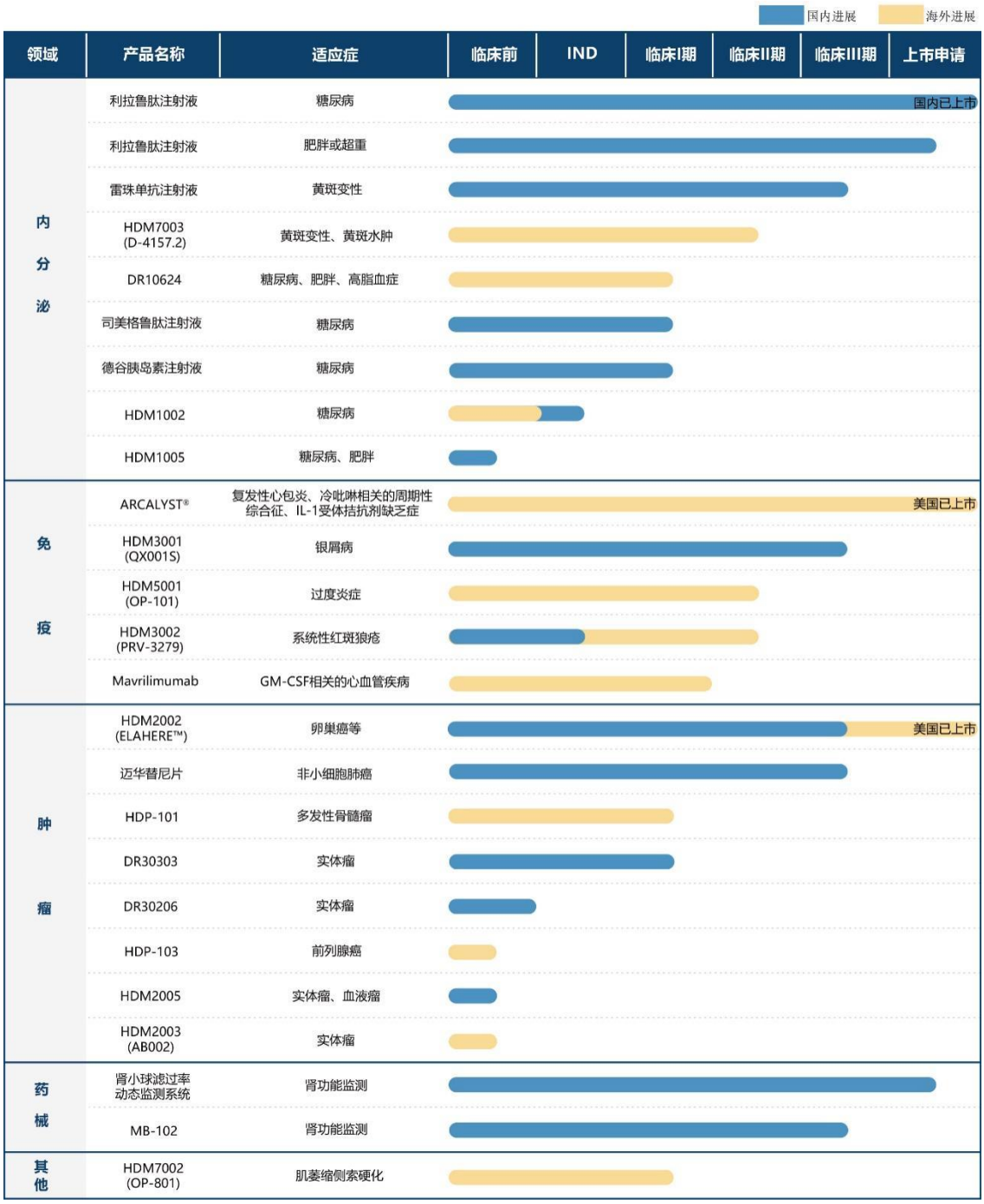
Mavrilimumab is a fully human monoclonal antibody targeting at GM-CSFRα. The Company's partner Kiniksa is evaluating the relevant development plan for rare cardiovascular diseases.

Innovative pharmaceutical equipment

HD-NP-102 (Dynamic Monitoring System of Glomerular Filtration Rate and MB-102 Injection): The Dynamic Monitoring System of Glomerular Filtration Rate and MB-102 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 MB-102 through intravenous injection. In July 2022, NMPA formally accepted the pharmaceutical apparatus registration application for the system and is now reviewing the application. The MB-102 injection (Relmapirazin) used in conjunction with this system is a global innovative medicine that completed the enrollment of all subjects for international

multi-center phase III clinical trial in February 2023. The preliminary study results show that the main research end point has been reached, and it is planned to submit the pre-NDA in China in April 2023. The product is a combination of medicine and equipment in the U.S. and is expected to be approved in the fourth quarter of 2023.

研发管线图



Pipeline Diagram of Main Innovative Medicines and Biosimilars as of the Date of the Report.

(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:

S/N	Field	Item	Specification	Latest Progress
1	Endocrine	Canagliflozin Tablets	0.1g, 0.3g	Approved to be launched by NMPA in January 2023
2	Endocrine	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	50/850mg	Approved to be launched by NMPA in October 2022
3	Endocrine	Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets	15/850mg	Application for launching submitted and accepted in June 2022, and supplementary materials submitted.
4	Immunity	Tacrolimus Ointment	0.03%, 0.1%	Application for launching has been submitted and accepted in April 2022, and supplementary materials have been submitted.
5	Immunity	Tacrolimus Granules	1mg	Application for launching submitted and accepted in January 2023.
6	Immunity	Tacrolimus Sustained-release Capsules	5mg, 1mg, 0.5mg	Application for launching of 5mg version submitted and accepted; Applications for launching of 1mg and 0.5mg versions submitted and accepted in February 2023.
7	Oncology	Sorafenib Tosylate Tablets	0.2g	Approved to be launched by NMPA in November 2022.
8	Oncology	Olaparib Tablets	100mg, 150mg	Application for launching submitted and accepted in October 2022.
9	Oncology	Ibrutinib Capsules	140mg	Pilot-scale study completed
10	Angiocarpy	Macitentan Tablets	10mg	Supplementary materials have been submitted.

(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:

S/N	Field	Item	Remarks	Latest Progress
1	Endocrine	Acarbose	APIs	Supplementary materials for registration in India submitted in May, June and October 2022, and January and March 2023.

2	Immunity	Tacrolimus	APIs	DMF application in new venue in the U.S. completed in January 2022.
3	Immunity	Tacrolimus Capsules	0.5mg, 1mg, 5mg	Supplementary materials for ANDA application (the U.S.)submitted in April and December 2022, and January 2023.
4	Oncology	Exatecan Mesylate	Intermediate	DMF application in the U.S. completed in January 2022.
5	Oncology	Maytansine DM1	Intermediate	DMF application in the U.S. completed in July 2022.
6	Anti-infection	Daptomycin	APIs	DMF application in new venue in the U.S. completed in January 2022.
7	Anti-infection	Mupirocin Calcium	APIs	Supplementary materials for DMF application (the U.S.) submitted in March 2022.
8	Anti-infection	Mupirocin	APIs	Approved to be registered in India February 2023.
9	Anti-infection	Caspofungin Acetate for Injection	50mg, 70mg	Supplementary materials for ANDA application (the U.S.) submitted in May 2022.
10	Anti-infection	Polymyxin B Sulfate	APIs	Supplementary materials for CEP application in Jiangdong submitted in September 2022. Approved to be registered in India February 2023.
11	RNA vaccine	N1-Methyl-Pseudouridine-5'-Triphosphate	Intermediate	DMF application in the U.S. completed in December 2022.
12	Anticoagulant	Fondaparinux Sodium	APIs	Supplementary materials for registration in Taiwan, China submitted in March and September 2022, and March 2023.
13	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 (the U.S.) submitted in August, October and December 2022, and February 2023.
14	Traditional Chinese Medicine	Bailing Capsule	0.5g	Approved to be launched in Singapore in September 2022.

(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:

S/N	Field	Item	Specification	Latest Progress
1	Easing pain	Paracetamol and Tramadol Hydrochloride Tablets	325mg: 37.5mg	The notification of approval for supplementary application of consistency evaluation obtained in November 2022.
2	Immunity	Tacrolimus Capsules	1mg, 0.5mg	Application for consistency evaluation of 1mg version submitted and accepted in June 2022; Application for consistency evaluation of 0.5mg version submitted and accepted in February 2023.
3	Gastroenterology	Pantoprazole Sodium Enteric-Coated Capsules	40mg	Application for consistency evaluation submitted and accepted in June 2022.
4	Angiocarpy	Indobufen Tablets	0.2g	Application for consistency evaluation submitted and accepted in March 2023.
5	Angiocarpy	Adenosine Injection	20ml:60mg, 30ml:90mg	Application for consistency evaluation submitted and accepted in October 2022.

(8) Progress of registration and commercialization of aesthetic medicine products

S/N	Type	Product Name	Purpose	Latest Progress
1	Injections	MaiLi Extreme Hyaluronic acid	Facial filling	Enrollment of all subjects for clinical trial in China completed in December 2022 and follow-up in progress.
2	Injections	Ellansé-M	Facial filling	Enrollment of all subjects for clinical trial in China completed in March 2023 and follow-up in progress.
3	Injections	Perfectha® Diphasic hyaluronic acid	Facial filling	Preparing for registration in China.
4	Thread lifting	Silhouette Instalift®	Mid-face lifting	Enrollment of some subjects in clinical trial in China completed, and follow-ups of various time nodes in progress.

5	Energy based device	Glacial Rx (F1)	Removing benign pigmented lesions of skin, etc.	Testing for registration in China in progress.
6	Energy based device	Primelase	Depilation	Testing for registration in China in progress.
7	Energy based device	V series products (V20, V30)	Skin compactness, body and facial shaping, skin rejuvenation, depilation, etc.	Testing for registration in China in progress.
8	Energy based device	EnerJet	Scar repair, facial lifting, dermal thickening, etc.	Testing for registration in China in progress.
9	Energy based device	Préime DermaFacial	Facial skin management	Commercial marketing achieved in European, American and other key aesthetic medicine markets successively in September 2022. Device attribute identification in progress in China; matching cosmetics approved for registration in December 2022.
10	Energy based device	Reaction®	Body and facial shaping, skin compactness	Change of agent in China approved in August 2022; products to be launched again.
11	Energy based device	Sculpt&Shape	Body shaping and facial rejuvenation	Launched in Europe in the first quarter of 2023.

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 as an urgent imported medical device for clinical purpose. In addition, the Company is advancing the application for franchise rights of Silhouette and Ellansé® series products in Boao Lecheng International Medical Tourism Pilot Zone.

(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 1,136 patents at home and abroad, including 404 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. During the reporting period, the Company successfully passed the reexamination review on supervising the standard implementation of corporates' intellectual property.

During the reporting period, the Company's patent application and maintenance proceeded smoothly. A total of 151 patents were applied and submitted, among which 88 were invention patents and 69 were authorized.

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	88	30	931	404
Utility patent	56	35	171	150
Appearance design patent	7	4	34	25
Total	**151**	**69**	**1136**	**579**

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

	2022	2021	Percentage change
Number of R&D personnel (person)	1,543	1,285	20.08%
Proportion of R&D personnel	13.13%	12.92%	0.21%
R&D personnel structure by education			
Bachelor	735	632	16.30%
Master	471	411	14.60%
PhD	64	59	8.47%
R&D personnel structure by age			
<30	502	458	9.61%
30-40	811	628	29.14%
>40	230	199	15.58%

R&D investment of the Company

	2022	2021	Percentage change
R&D investment amount (yuan) [Note]	1,196,309,461.22	962,881,963.61	24.24%
Proportion of R&D investment in operating revenue	10.72%	9.52%	1.20%
Capitalized R&D investment amount (yuan)	227,794,420.14	0.00	
Proportion of capitalized R&D investment in R&D investment	19.04%	0.00%	19.04%

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 was RMB2,681 million, up by 44.8% year-on-year, among which the direct R&D expenses were RMB1,196 million, increasing by 24.2% year-on-year, and the investment in product introduction and R&D equity was RMB1,484 million.

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: RMB yuan

Item	2022	2021	Year-on-year percentage increase/decrease
Cash inflows from operating activities	40,637,718,289.85	38,296,617,059.25	6.11%
Cash outflows for operating activities	38,255,865,621.25	35,126,859,191.30	8.91%
Net cash flow from operating activities	2,381,852,668.60	3,169,757,867.95	-24.86%
Cash inflows from investing activities	121,638,643.17	251,785,859.22	-51.69%
Cash outflows for investing activities	2,557,236,232.75	2,238,468,503.37	14.24%
Net cash flow from investing activities	-2,435,597,589.58	-1,986,682,644.15	-22.60%
Cash inflows from financing activities	5,149,368,399.06	2,264,348,880.01	127.41%
Cash outflows for financing activities	5,249,078,772.19	3,031,802,182.50	73.13%
Net cash flow from financing activities	-99,710,373.13	-767,453,302.49	87.01%
Net increase in cash and cash equivalents	-163,229,935.84	422,733,564.91	-138.61%

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 RMB120 million, a decrease of 51.69% compared with that in the same period last year (RMB250 million), mainly due to the disposal of Ningbo Donghai Bank's equity in the same period last year.

The net cash flow from financing activities in the current period is RMB-99.71 million, an increase of 87.01% compared with that in the same period last year (RMB-770 million), mainly due to the increase in interest-bearing debt.

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: RMB yuan

	Amount	Proportion in total profit	Note on reasons	Sustainable or not
Investment gains	-141,560,034.56	-4.67%	Mainly due to long-term equity investment gains measured at equity method	
Gains and losses from changes in fair value	28,469,286.61	0.94%		No
Asset impairment losses	-3,821,625.15	-0.13%		
Non-operating revenue	7,608,417.78	0.25%		No

Non-operating expenses	37,938,443.03	1.25%		No
Other gains	92,781,468.16	3.06%	Mainly due to the confirmation of government grants in the current period	No
Gains on asset disposal	8,257,595.43	0.27%		No

VI. Assets and liabilities

1. Major changes in asset composition

Unit: RMB yuan

	End of 2022		Beginning of 2022		Change of proportion	Note on major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	3,996,302,178.41	12.81%	4,032,424,555.22	14.94%	-2.13%	
Accounts receivable	7,198,746,788.59	23.08%	6,430,482,175.97	23.82%	-0.74%	
Inventories	4,495,483,328.54	14.41%	3,974,549,648.96	14.72%	-0.31%	
Real estate properties for investment	13,648,240.14	0.04%	14,569,533.94	0.05%	-0.01%	
Long-term equity investments	1,659,076,538.78	5.32%	984,927,398.68	3.65%	1.67%	Mainly due to the investment in Herdelberg in the current period
Fixed assets	3,981,653,265.52	12.76%	3,077,227,759.84	11.40%	1.36%	Mainly due to the transfer of construction in process to fixed assets
Constructions in progress	873,159,427.47	2.80%	1,582,125,201.25	5.86%	-3.06%	Mainly due to the transfer to fixed assets
Right-of-use assets	166,505,297.17	0.53%	153,724,197.81	0.57%	-0.04%	
Short-term borrowing	947,516,383.37	3.04%	1,237,843,228.13	4.59%	-1.55%	Mainly due to the decrease in short-term borrowing in the current period
Contract liabilities	146,488,489.07	0.47%	118,341,141.48	0.44%	0.03%	
Long-term borrowing	1,051,457,747.44	3.37%	139,178,905.04	0.52%	2.85%	Mainly due to the increase in long-term borrowing in the current period
Lease liabilities	84,610,324.98	0.27%	80,889,403.39	0.30%	-0.03%	
Other non-current assets	1,037,279,933.15	3.33%	911,062,879.83	3.37%	-0.04%	

Foreign assets account for a relatively high proportion

□ Applicable √ N/A

2. Assets and liabilities measured at fair value

√ Applicable □ N/A

Unit: RMB 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		28,469,286.61						29,907,470.68
4. Other equity instrument investments	257,815,844.68	6,804,247.45	1,922,980.47		100,052,217.85		9,847,061.33	360,910,876.41
Total	257,815,844.68	21,665,039.16	1,922,980.47		100,052,217.85		9,847,061.33	390,818,347.09
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	Book value at the end of the period	Reason for limitation
Monetary funds	579,391,476.08	Certificate of deposit and cash deposit that cannot be withdrawn at any time
Accounts receivable for financing	7,724,981.86	Bill pledge
Intangible assets	52,782,210.00	Land use rights mortgaged for bank loans
Total	639,898,667.94	

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
2,859,562,403.21	2,195,588,789.55	30.24%

2. Significant equity investments acquired during the reporting period

√ Applicable □ N/A

Unit: RMB yuan

Name of invested company	Main business	Way of investment	Investment amount	Shareholding ratio	Capital 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)
Heidelberg Pharma AG	R&D of anti-cancer ADCs	Capital increase + acquisition	77,940.45 [Note]	35.00%	Equity funds + external financing	None	Long term	Equity	Equity settlement completed		-15,641,114.82	No	February 28, 2022	*Cninfo* (http://www.cninfo.com.cn)
Wuhu Huaren Science and Technology Co., Ltd.	Development, production and sales of nucleosides, nucleotides and medical intermediates of	Capital increase + acquisition	396,000,000.00	60.00%	Equity funds	None	Long term	Equity	Equity transfer completed		10,645,547.22	No	August 10, 2022	*Cninfo* (http://www.cninfo.com.cn)

	new-generation antiviral drugs													
Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd.	Pharmaceutical and chemical manufacturing	Acquisition	108,000,000.00	100.00%	Equity funds	/	Long term	Equity	Equity Investment completed		-16,794,739.88	No	December 29, 2021	*Cninfo* (http://www.cninfo.com.cn)
Total	--	--	504,077,940.45	--	--	--	--	--	--	/	-21,790,307.48	--	--	--

Note: The RMB central parity on December 30, 2022 is adopted in conversion between RMB and EUR, that is, 7.4229.

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

√ Applicable □ N/A

Unit: RMB 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	Capital 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	29,539,771.98	1,783,105,544.66	Equity funds	98.60%	0.00	0.00	N/A	March 9, 2017	*Cninfo* (http://www.cninfo.com.cn)
Huadong Medicine Life Science Industrial Park (Xiangfu south plot) project	Self-built project	Yes	Pharmaceutical R&D	187,932,882.31	268,776,670.28	Equity funds	77.00%	0.00	0.00	N/A	April 21, 2021	*Cninfo* (http://www.cninfo.com.cn)
Total	--	--	--	217,472,654.29	2,051,882,214.94	--	--	0.00	0.00	--	--	--

4. Investment in financial assets

(1) Securities Investment

√ Applicable □ N/A

Unit: RMB 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	Capital source
Domestic and overseas stock	RAPT	RAPT	20,207,400.00	Fair value measurement	14,461,751.62	-6,396,953.76	2,165,568.66				8,064,797.86	Other equity instrument investments	Equity funds
Total			20,207,400.00	--	14,461,751.62	-6,396,953.76	2,165,568.66				8,064,797.86	--	--
Date of announcement of the Board of Directors on securities investment approval	N/A												
Date of announcement of the Board of Shareholders on securities investment approval (if any)	N/A												

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 USD3 million 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 60,500 shares in RAPT after it reduced its stake, accounting for 0.204% 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: RMB ten thousand yuan

Type of derivatives investment	Initial investment amount	Gain/loss from fair value changes in the current period	Accumulated fair value changes recognized in equity	Purchase amount during the reporting period	Selling amount during the reporting period	Amount at the end of the period	Proportion of the investment amount at the end of the period in the net assets of the Company at the end of the reporting period
Currency swap	0	2,846.93	0	0	0	2,990.75	0.16%
Total	0	2,846.93	0	0	0	2,990.75	0.16%
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	Relevant accounting process is applied into currency swap, in accordance with the *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and the *Accounting Standards for Enterprises No.37 - Presentation of Financial Instruments* as well as their application guides. There is no currency swap at the end of the previous reporting period.						
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 RMB28,469,300 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	External financing						
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 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 10, 2022
Date of announcement of the Board of Shareholders on derivatives investment approval (if any)	N/A
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: RMB yuan

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
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	12,911,135,442.97	9,519,547,715.67	11,161,695,120.79	2,428,349,735.69	2,125,033,445.39
Huadong Medicine Wenzhou Co., Ltd.	Subsidiary	Wholesale of TCM materials, TCM decoction pieces, chemical preparations, etc.	61,300,000	1,400,835,496.42	310,621,802.96	3,160,259,991.28	52,674,575.56	38,004,820.83
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Subsidiary	Warehousing and storage services	50,729,863	395,354,452.41	169,298,303.29	205,379,718.28	28,540,229.16	19,685,980.52

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
Huaren Science and Technology	Equity acquisition, capital increase	Industrial platform of industrial microbiology
Anhui Huayoulai Pharmaceutical Science and Technology Co., Ltd.	Equity acquisition, capital increase	Industrial platform of industrial microbiology
Meihua Hi-Tech	Equity acquisition	Industrial platform of industrial microbiology
Viora Ltd	Equity acquisition	International BD of the Company's energy based aesthetic devices
Viora Inc.	Equity acquisition	International BD of the Company's energy based aesthetic devices
Viora Canada Ltd	Equity acquisition	International BD of the Company's energy based aesthetic devices
Hangzhou Weizhi Biotechnology Co., Ltd.	Newly established	Technological platform of microbiology
Hangzhou Hizyme Biotech Co., Ltd.	Newly established	Industrial microbiology synthetic biology technological platform
Ruian Huiren Health-care Co., Ltd.	Newly established	Business Development

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

The world has entered a new period of turbulence and change in 2022. The escalation of Russia-Ukraine conflict threatens the global security pattern, further worsens the gloomy growth of global economy, and pushes up global inflation, giving rise to secondary crises in many fields. The cold war mentality and group politics re-surge, and the unilateralism disrupts the international order, bringing severe challenges for global governance. The economic globalization remains hindered and the extreme weather frequently afflicts the world. Internationally, protectionism is still prevalent and international sanctions are escalating, bringing greater constraints for growth of international trade and investment. The volatility in financial market is further aggravated due to continuously high inflation and debt level. The shift of macro polices in the U.S. and Europe, and the U.S. Fed's aggressive interest rate hikes produced a global spillover effect, triggered capital outflows and currency depreciation in developing countries, increased the pressure on the balance of payments, and aggravated the risk of debt default. Meanwhile, the U.S. continuously exerts pressure on China's high-tech fields through export control and by other means, making the game between the U.S. and China a new normal. In 2023, the world will face greater pressure and more uncertainties in economic recovery.

In recent years, the global pharmaceutical technologies have witnessed continuous innovation and the R&D speed of innovative targets has kept accelerating. Large multinational pharmaceutical companies further increase their input in innovative biomedicine. AI, an important driving force for the improvement of R&D efficiency of new medicines, is penetrating to all aspects of new medicine R&D at a rapid speed. IQVIA data shows that the global medicine expenditures were about 1.48 trillion US dollars in 2022 (excluding vaccines and therapy-related expenses), and it is estimated that the global medicine expenditures will reach 1.9 trillion US dollars in 2027, with a compound annual growth rate (CAGR) of 3~6%. Main factors driving the growth include: the contribution of new medicines, the impact of expiration of patents, and the growing impact of biosimilars. The key growth area in the next five years is biomedicine that accounts for 35% of the global expenditures. In addition, the global cumulative expenditures on biosimilars will exceed 290 billion US dollars by 2027, easing the budgetary pressure on the overall expenditures by payers. By 2027, the CAGRs of the world's top two therapeutic fields - anti-tumor medicines and immune system medicines - will increase by 13~16% and 3~6% respectively. The main reason for difference in growth rate lies that the anti-tumor field is still driven by new medicines and about 100 new therapies are expected to emerge in the anti-tumor field within five years, while the immune system field will face competition from biosimilars.

By 2027, the expenditure on diabetes will reach about 168 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 medicine expenditure in China was about 166 billion US dollars in 2022. Over the past five years, the CAGR of RLD in China was as high as 10.1%, becoming the most important driving factor that promotes the growth of medicine expenditure. In 2022, RLD accounted for 28% of the total medicine expenditure, higher than 22% 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. It is estimated that the CAGR of RLD will exceed 5% in the next five years, while the CAGR of other medicines will not exceed 4%, 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 194 billion US dollars by 2027.

(II) Industrial development trend

1. Pharmaceutical industry in China

The pharmaceutical manufacturing industry is a strategic industry that matters the national economy and people's livelihood, economic development, and national security. As one of the powerful pillars of China's economy, the pharmaceutical industry has experienced three years of market adjustment and development, and once again ushered in an opportunity for development. It will become an important impetus and guarantee for strengthening China's endogenous cycle.

Looking back on 2022, the pharmaceutical industry experienced a cold winter of capital: the primary and secondary markets of the pharmaceutical industry was seriously threatened due to capital. Its primary and secondary markets became gloomy simultaneously. As the valuation bubble of pharmaceutical enterprises began to fade, the industry gradually returned to rationality in development. Meanwhile, independently developed innovative medicines are approved at an even faster speed and more innovative medicines are launched successively. High-quality substitution of domestic medicines has become the key word. As series of innovative medicines are launched successively, the substitution progress of some domestic medicines in segment tracks sped up in 2022, with obvious improvement in the quality of substitution.

In 2022, the proportions of R&D pipelines of Chinese pharmaceutical enterprises and emerging biopharma companies (EBP) in China continued to rise even though the financing of the pharmaceutical industry was negatively impacted. According to the relevant report by IQVIA

Institute, emerging biopharma companies in China currently own 20% of the global EBP pipelines, which is higher than 9% five years ago and also higher than Chinese companies' share of the global total pipelines (15%). The EBP pipeline in China has the strongest growth compared with that of other regions, up 19% over the past year.

China's innovative medicines once were all fast-follow ones. However, as innovative medicine R&D is continuously iterated, more and more medicines have achieved me-better and even first-in-class in efficacy. Statistics show that the total transaction amount of innovative medicines/ new technologies license out in China reached 17.42 billion US dollars in 2022, setting a new high and up 22.80% year on year. The number of transactions reached 48, up 14.29% year on year. There were 7 transactions with a total amount of over 1 billion US dollars, indicating the gradual recognition of China's local R&D strength by overseas enterprises and its continuously improved R&D quality.

From the demand side, there will be obviously more medical needs for senile and chronic diseases due to obvious trend of population aging in China, and a large number of unsatisfied clinical needs are the driving force for the innovation and development of the pharmaceutical industry. In addition, upgraded consumption will drive the growing demand for aesthetic medicine, ophthalmology, dentistry and other medical care consumption scenarios. From the payment end, the proportion of health expenditures to GDP in China can still be improved. As the per capita income of residents is still rising and the coverage of medical insurance keeps expanding, the overall scale of the pharmaceutical industry in China witnesses continuous growth and the long-term positive development trend of the industry remains unchanged.

In 2021, the National Healthcare Security Administration released the Three-Year Action Plan for the Reform of DRG/DIP Payment Methods, requesting that all regions in China under unified coordination must implement DRG or DIP within 3 years. The efficiency of medical insurance funds will be effectively improved by establishing applicable and efficient payment management, incentive and constrain mechanism for medical institutions, which will impose overall impact on the development orientation and operation management of hospitals.

In 2022, the relevant state ministries and commissions issued varieties of the Fourteenth Five-Year Plans related to the pharmaceutical industry under the guidance of the China's Fourteenth Five-Year Plan in combination with the changes of current economic situations at home and abroad, including the Fourteenth Five-Year Plan for the Development of the Pharmaceutical Industry, the Fourteenth Five-Year Plan for the Development of the Traditional Chinese Medicine, the Fourteenth Five-Year Plan for the Development of the Bio-economy, the Fourteenth Five-Year Plan for National Health, the Fourteenth Five-Year Plan for Network Security and Informatization Construction of Drug Supervision, the Fourteenth Five-Year Plan for Health Talents Development, and the Fourteenth

Five-Year Plan for National Health Informatization, etc. The release and implementation of the aforesaid plans will play an important role in standardizing and leading the high-quality development of the medical and pharmaceutical industry.

The year of 2022 witnessed the massive development of the traditional Chinese medicine industry. As policies for examination and approval of new traditional Chinese medicines have been continuously revised and optimized in recent years, the R&D of innovative traditional Chinese medicines keep warming up. It is clearly proposed in the report of the 20th CPC National Congress to promote the inheritance and innovation of traditional Chinese medicine. Therefore, more focus is placed on innovation. Various supporting policies for the traditional Chinese medicine industry in China indicate that the Chinese government will not only gradually increase the input in the traditional Chinese medicine industry and support the construction of the traditional Chinese medicine industry, but also fundamentally protect the development of the traditional Chinese medicine enterprises, which is conducive to the improvement of the level of the whole industry. It is estimated that the scale of the traditional Chinese medicine industry will reach more than one trillion yuan by 2027.

In 2023, the pharmaceutical economy in China is expected to recover, but witnesses more obvious trend of differentiation and transformation. Innovation is still the only way to realize the dream of a nation with great power in medicine.

2. Aesthetic medicine

As China's economy grows and its consumption upgrades, the aesthetic medicine industry in China ushers in rapid development, with its market scale ranking the second globally. The consumption medical industry represented by aesthetic medicine becomes one of the new points driving the growth of consumption. The aesthetic medicine industry boasts great space for development, but also faces increasingly fierce market competition. According to Frost & Sullivan's data, the market scale of the aesthetic medicine in China increased from 99.3 billion yuan in 2017 to 189.1 billion yuan in 2021 by service income, with a CAGR of 17.5%, which is much higher than that of the global market. It is estimated that the market scale of the aesthetic medicine in China will reach 226.7 billion yuan in 2022 and 638.2 billion yuan by 2030. The CAGR from 2021 to 2030 is 14.5%. The market scale of global aesthetic medicine market increased from 125.8 billion US dollars in 2017 to 141.7 billion US dollars in 2021, with a CAGR of 3%. It is expected to reach 360.2 billion US dollars by 2030, with a CAGR of 10.9% from 2021 to 2030. The future growth of the aesthetic medicine market in China will lead the global aesthetic medicine market.

The growth rate of the aesthetic medicine market in China slowed down since 2020 affected by multiple factors and witnesses recovery since 2023. It is expected that the market scale of the aesthetic

medicine in China will reach 410.8 billion yuan by 2025 (with a CAGR of 17.2% from 2021 to 2025). The non-surgical (including injection filling and non-injection filling) aesthetic medicine market will become the main aesthetic medicine market in China for its features of less risk, faster recovery, and natural effect. In 2021, the market scale of non-surgical aesthetic medicine in China reached 97.7 billion yuan, with a CAGR of 24.94% from 2017 to 2021. It is estimated that the market scale will rise to 227.9 billion yuan in 2025 (with a CAGR of 31.9% from 2021 to 2025).

The aesthetic medicine market in China boasts three characteristics as follows: (1) the penetration rate in first-tier cities is much higher than that in other cities, and second- and third-tier cities have great growth potential in the future; (2) different from other developed countries, consumers aged 20 to 35 are the main consumers, with the highest penetration rate seen in consumers aged 20 to 25; (3) the scale of aesthetic medicine users witnesses rapid growth. It is estimated that there will be more than 23 million aesthetic medicine users in China by 2023.

The aesthetic medicine, a pure offline consumption scenario, features high viscosity and relatively greater recovery elasticity. Sufficient market scale, increasingly enriched aesthetic medicine products and advanced technologies will keep satisfy the needs of more patients, thus becoming the core impetus for the development of the aesthetic medicine industry in China.

To standardize the development of the industry, China launched various centralized rectification actions and many ministries successively issued the relevant policies and regulations in 2021. The aesthetic medicine industry ushered in an era of strict supervision that has covered the upper middle and lower reaches of the industry. The continuation of normalized supervision since 2022 is 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 more fair 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 apparatus, 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 and the staged goal that the innovative business segment accounts for 30% of the overall industrial revenue by 2025 can be achieved.

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

With regard to the pharmaceutical business, the Company has vigorously consolidated its foundation in Zhejiang Province and has been ranked top 10 pharmaceutical business enterprises in

China for consecutive years. To date, the Company has established 11 regional subsidiaries in Zhejiang Province, with its customers distributed in 11 cities and 90 districts, counties and county-level cities throughout Zhejiang Province. The Company has four business segments of Chinese & western medicine, medical apparatus, 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 and featured massive health industry. Further expanding the product agency and market development, 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 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.

Following the operating philosophy of “value creation and service foremost”, the Company places its focus on hospitals and further enhances its presence in external markets. The Company keeps expanding the proportion of hospital businesses, while strengthening the coverage in external markets. Focusing on the retailing in East China, the Company further improves the profitability of its retailing business and establishes attractive platforms for introduction of varieties and acceptance of prescriptions. More efforts are made to develop its agency businesses that have become the main battle field for commercial transformation. “Xuguanghe” series products are promoted online to further enrich its product portfolios. In addition, the Company spares no efforts to support the supply chain to develop the third-party businesses and cold chain logistics, and optimize the provincial logistics system featuring cold chain, thus building the first brand of pharmaceutical cold chain in Zhejiang Province, expanding the market share of its high-end cold chain products, and obtaining authorizations for more products. The Company will increase the proportion of high-margin products and expand the coverage of apparatuses, ginseng and antler throughout Zhejiang Province, actively explore business models of county-level medical institutions, cooperate with subsidiaries to expand the business coverage starting with assisted decoction, and actively expand the businesses of traditional Chinese medicine decoction pieces in various regions of Zhejiang Province.

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 enterprises 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 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 microbiology by building an "industrialized, large-scale and international" industrial cluster. The industrial microbiology segment is devoted to developing and manufacturing upstream raw material products in the fields of life science, massive health and personal care, animal nutrition and healthcare based on microbiology manufacturing and the relevant industrial technologies. In the field of life sciences, the Company's industrial microbiology segment focuses on the development and manufacturing of raw materials and components of nucleic acid drugs, antibody-coupled drugs, high-value and new microorganism-

derived medicines, and mainly arranges such business lines as nucleoside, antibody-coupled drug toxins, highly active APIs (HPAPI), and lead compounds of innovative medicines from microorganisms. In the field of massive health and personal care, the Company focuses on the development and manufacturing of functional raw materials for healthcare products and cosmetics, mainly involving functional raw materials for healthcare such as bone health, oxidation resistance, as well as functional raw materials for cosmetics featuring moisturizing and whitening. In the field of animal nutrition and healthcare, the Company mainly arranges such business lines as anti-parasitic infection, anti-microbial infection, and animal nutrition raw materials. In addition, the Company actively carries out R&D layout and business exploration in the development and application of living microorganism medicines, pharmaceutical biomaterials and enzyme technologies.

(IV) Business Plan in 2023

Adhering to the philosophy of "high quality and efficiency", Huadong Medicine will deepen the industrial layout to achieve greater breakthrough in 2023. For the pharmaceutical industry segment, the Company will continue to introduce mature varieties with clinical value, which can be quickly listed or have been listed, to ensure steady growth of revenue; for the pharmaceutical business segment, the Company will focus on value-oriented sales and strive to maintain a steady growth of sales scale in line with the 2030 vision plan and the seventh three-year plan, thus realizing the development goal of "high quality and efficiency"; for the industrial microbiology segment, the Company will perfect the business layout, coordinate the internal resources, and strengthen the overall allocation of marketing forces to make breakthrough in key businesses and actively support the enterprise transformation and upgrading; for the aesthetic medicine segment, the Company will offer high-end anti-aging and beauty solutions to patients and professionals, and dedicate to becoming a leader in the aesthetic medicine industry.

In 2023, Huadong Medicine will focus on the following key tasks while maintaining steady development of each segment: Adhere to the internationalization strategy through combining the bring-in and going-out policies and making great efforts in international product registration, cooperation with foreign enterprises and product expansion in the international market; adhere to the innovation-driven transformation strategy through supporting the innovative businesses, such as innovative medicine R&D, instruments & devices and Internet hospital construction, and optimizing the dynamic evaluation mechanism of innovative R&D lines; actively fulfill the requirements of "high quality and efficiency" through improving the operation level and per capita profit, and strengthening

the business thinking and sensitivity to business opportunities; strengthen the financial management through maintaining the financial health and continuing to reduce the costs while keeping the steady revenue growth; and follow the seventh three-year plan and 2030 vision plan through developing the echelon plan of star products to create top varieties, ensuring the long-term sustained and stable growth, and continuously providing effective strength for enterprise innovation and transformation.

1. Pharmaceutical industry

Adhering to the "scientific research-driven and patient-centered" corporate philosophy, the Company continuously increases investments in R&D to enrich the layout of innovative medicine R&D lines. In 2023, Huadong Medicine adds new innovative R&D connotation in the long-term strategic plan of "digestion and absorption", persists in the innovative R&D idea of "self-research + introduction", and maintains the coordinated development driven by the "power engine" and "innovation engine". "Innovation engine" is targeted to the clinical demand, keeping the Company at the forefront of innovation. "Power engine" gives full play to existing technical accumulation and advantages, and continuously supports the development of innovative R&D.

Firstly, strengthen the independent innovative R&D capability, clarify the innovative, differentiated and iterative project establishment mechanism, center on innovation team to give full play to Huadong Medicine's advantages in ecological circle and quickly output self-developed results, strengthen the management of introduced projects, and accelerate the listing process of clinical phase III projects. Secondly, continue to introduce mature varieties with high clinical value and high technical barriers, which can be listed quickly or have been listed, so as to ensure steady growth of revenue. Thirdly, strengthen the marketing compliance transformation, especially to strengthen the building of professional product team, marketing systematization and compliance, give full play to the service value of Internet hospitals for doctors and patients, unswervingly deepen the layout of grassroots and out-of-hospital markets, and improve market coverage.

The quality management team should stick to the lifeline of enterprise product quality. On one hand, it is required to further optimize the collectivized supervision system of product quality to ensure products compliant and safe. On the other hand, it is necessary to accelerate the management improvement of international registration of products, seriously study the international registration

policies, keep the quality compliance standards in line with international standards, and continue to promote the “going-out” internationalization strategy of products.

2. Pharmaceutical business

In 2023, the business segment should adhere to the business philosophy of “value creation” and “service first”, transform to value creation, high quality and efficient operation while maintaining a steady growth in sales scale, and make contributions to the high-quality improvement of operation performance. In term of traditional business, it is required to further consolidate the hospital market, fully study the factors from market structure, policy impact, institutional cooperation, industry competition, etc., and make scientific judgments to steadily increase the hospital market share. In addition, it is necessary to insist on expanding the out-of-hospital market, and pay attention to improving the profitability of retail and large pharmacies of Huadong Medicine. It is required to focus on agency products and third-party logistics to strengthen innovative business.

3. Aesthetic medicine business

Committing to long-term strategy of becoming a leader in the aesthetic medicine industry, Sinclair should further integrate the injection and EBD sectors in major regions and markets around the world and create a new direct selling business system. On the other hand, Sinclair should create new business growth through distribution mode in some major markets, establish and build excellent global sales teams. Sinclair will expand and strengthen the cooperation with leading aesthetic medicine groups, continue to cultivate first-tier and new first-tier cities, gradually expand second-tier cities, and strengthen doctor training and market education, thus to build a high-end aesthetic medicine enterprise and product brand, and expand market share through multiple channels.

4. Industrial microbiology

In 2023, the Company will focus on the industrial microbiology segment to perfect the core business layout and make breakthrough in major businesses, fulfill the requirements of “high quality and efficiency”, give full play to the overall operation function, coordinate the internal resources, and strengthen the overall allocation of marketing powers. In xRNA field, efforts will be made to consolidate the leading position in domestic industry through Huaren Science and Technology and mRNA Project Company. In the massive health field, efforts will be made to accelerate the Magic

Project, select industrial varieties with suitable market scale and feasible technology for rapid R&D, and use Magic production resources for commercialization. In term of APIs, efforts will be made to strengthen the construction and development of APIs production bases, and promote the global registration and certification of APIs products as planned to market the products in the international market, thus building the Company an international major supplier. The Company will coordinate and integrate all subjects in the xRNA raw material section to form an integrated commercial supply system of ADC toxins, and integrate R&D forces to make breakthroughs in key projects of synthetic biology.

5. Production and supply chain management

In 2023, on the basis of inheritance and development, Huadong Medicine will still spare no effort to seek new innovation breakthroughs in production system, learn by doing, promote team and system construction, do a good job in basic management, reduce unit production cost, and maximize production capacity through lean management and efficient operation. We will strive to build a "safe, compliant and efficient" production and operation system, persist in reducing costs and increasing efficiency, and support the transformation and new business development. Combined with the actual operation of each business segment, we will do a good job in the construction of international/domestic supply chain systems for various products, and set up an management team for international/domestic supply chains, offering supports to the Company's international development strategy. The production system management team will try the best to strengthen business sensitivity, operational thinking and profit-centered thinking, and cultivate the overall thinking ability. On the basis of ensuring the development of existing varieties, we should concentrate our superior production capacity on more valuable products.

6. BD strategy

In 2023, the BD team should follow the Company's seventh three-year plan and the 2030 vision plan, improve the precision and accuracy of investment layout, and closely cooperate with the strategic marketing department, the finance department and other departments to analyze the investment revenue, identify, control and prevent risks, so as to promote our superior products, improve the product lines, and support the Company's strategic development. The BD team will focus on the following three directions. Firstly, we will focus on the superior varieties that can quickly bring benefits to the Company, such as mature varieties that have been listed or at phase III, thus constantly

enriching our product lines. Secondly, based on the three core product areas of cancer, immunology and endocrine, the team will continue to expand the treatment field and cooperate with existing product layout to quickly form a sales scale. Thirdly, the team will lay out a new technology platform.

(V) Possible Risks and Countermeasures

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

The pharmaceutical industry is one of the key industries concerned by the State, and closely related to the national economy and people's livelihood. The national supervision of pharmaceutical industry has a profound impact on the development of the domestic pharmaceutical industry. In recent years, the policies such as centralized procurement and medical insurance negotiation have been continuously promoted, gradually standardized, normalized and systematized with the deepening of reforms in the medical and health care field. The external factors such as geopolitics and macroeconomic policies disturb the market, pose new challenges to the production cost and profitability of the pharmaceutical industry. Besides, there is a risk of price reduction of new drug products. Countermeasures: The Company continuously pays close attention to the industrial development trend, studies the national medicine policies, makes adjustments in time, increases investment in R&D, enriches the product lines in the core treatment field, and improves the core competitiveness. In addition, the Company reduces production and operation risks through lean management, cost reduction and benefit increase, and vigorously expands grassroots and self-funded markets to enlarge the market coverage. Great efforts are made to explore the fields of aesthetic medicine and industrial microbiology, constantly improve brand competitiveness, and create new profit points.

2. Risk in new drug 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 new drug R&D sets higher requirements for R&D personnel; the investment of manpower and early R&D expenses will put some pressure on the Company to achieve its current

business objectives. Meanwhile, new drugs will be tested by the market demands after launching, with the risk of price reduction, resulting in the return on R&D investment less than expected.

Countermeasures: The Company continues to introduce high-level scientific research talents, strengthen the training and encouragement of internal core technicians, and cultivate a high-level innovative scientific research team that can support the whole cycle of innovative drug R&D. We will focus on the core treatment field, continuously enrich and optimize the product lines through independent project establishment and external introduction, and continuously improve the independent R&D strength to build Huadong Medicine R&D ecosystem. In addition, we will continue to optimize the innovation mechanism, constantly improve the scientific research, evaluation and decision-making system for new drugs, and strengthen the close cooperation with well-known R&D institutions at home and abroad.

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 drugs, 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

With the rapid internationalization development, the Company increasingly develops international cooperation and exchanges, expands the sales network of aesthetic medicine in the world,

and accelerates the international marketing of industrial microbiology segment, rising the proportion of foreign currency settlement business. The fluctuation in exchange rate has a far-reaching and lasting impact on the Company, i.e. Bringing good economic benefits but also affecting the cost and profit level. The fluctuation in exchange rate will affect the price of the Company's export products and cause exchange gains and losses to the Company, thus directly affecting the Company's assets, liabilities and income, further the 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 5, 2022	Company conference room	Others	Institution	Huatai Securities, etc.	Themed communication on Huadong Medicine industrial microbiology	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: January 5, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
January 7, 2022	Company conference room	Communication by phone	Institution	Industrial Securities, Horizon Insights, etc.	Investor communication	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: January 7 and 10*, 2022 presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for

						details.
February 9, 2022	Company conference room	Others	Institution	Zheshang Fund, etc.	Special communication on aesthetic medicine business and EBD trading interpretation of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: February 9, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
March 1, 2022	Company conference room	Others	Institution	Industrial Securities, etc.	Recent innovative BD project exchange of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: March 1, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
April 28, 2022	Company conference room	Communication by phone	Institution	Huatai Securities, etc.	Interpretation of 2021 annual and first quarter report performance of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: April 28, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
May 13, 2022	Company conference room	Others	Institution	Social and public investor	Description of 2021 annual and first quarter report performance of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: May 13, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
June 1, 2022	Company conference room	Field research	Institution	J.P. Morgan, etc.	Activities of investors' reception day	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: June 1, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
July 6, 2022	Company conference room	Field research	Institution	Industrial Securities, Zheshang	Investor communication, online discussion	Please refer to the Huadong Medicine: *Record*

				Securities, Morgan Stanley, CITIC Securities, etc.	on China A-shares	*of Investor Relations Activities: July 6 and 8, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
August 10, 2022	Company conference room	Communication by phone	Institution	Industrial Securities, etc.	Interpretation of 2022 mid-year report performance of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: August 10, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.
October 26, 2022	Company conference room	Communication by phone	Institution	China International Capital Corporation Limited., etc.	Interpretation of 2022 third quarter report performance of Huadong Medicine	Please refer to the Huadong Medicine: *Record of Investor Relations Activities: October 26, 2022* presented on the websites of irm.cninfo.com.cn and cninfo.com.cn for details.

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 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	Convene date	Disclosure date	Meeting resolution
2021 Annual General Meeting	Annual general meeting	60.99%	June 1, 2022	June 1, 2022	On *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn). *Announcement of Resolutions of 2021 Annual General Meeting* (Announcement No.: 2022-041)
2022 First Extraordinary General Meeting	Extraordinary general meeting	61.05%	August 31, 2022	August 31, 2022	On *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn). *Announcement of the Resolutions of 2022 First Extraordinary General Meeting* (Announcement No.: 2022-063)

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	Title	Holding of positions	Gender	Age	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	Chairman and General Manager	Incumbent	Male	49	June 1, 2022	June 1, 2025	0	200,000	0	0	200,000	Granted with 2022 restricted shares of the

												Company
Li Bangliang	Honorary Chairman	Retired	Male	77	June 06, 2019	June 05, 2022	0	0	0	0	0	/
Niu Zhanqi	Director	Incumbent	Male	56	June 03, 2016	June 1, 2025	0	0	0	0	0	/
Kang Wei	Director	Incumbent	Female	55	December 05, 2016	June 1, 2025	0	0	0	0	0	/
Zhu Feipeng	Director	Incumbent	Male	57	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Ye Bo	Director	Incumbent	Male	35	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Zhu Liang	Director	Incumbent	Male	46	June 06, 2019	June 1, 2025	0	30,000	0	0	30,000	Granted with 2022 restricted shares of the Company
Jin Xuhu	Director	Retired	Male	60	June 06, 2019	June 1, 2022	0	0	0	0	0	/
Gao Xiangdong	Independent Director	Incumbent	Female	60	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Yang Lan	Independent Director	Incumbent	Female	54	April 27, 2017	April 27, 2023	0	0	0	0	0	/
Wang Ruwei	Independent Director	Incumbent	Male	56	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Zhong Xiaoming	Independent Director	Retired	Male	61	January 6, 2016	June 1, 2022	0	0	0	0	0	/
Yang Jun	Independent Director	Retired	Female	51	June 06, 2019	June 1, 2022	0	0	0	0	0	/
Bai Xinhua	Supervisor	Incumbent	Female	57	January 20, 1998	June 1, 2025	0	0	0	0	0	/
Zhou Yanwu	Supervisor	Incumbent	Male	54	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Qin Yun	Supervisor	Incumbent	Female	53	May 19, 2006	June 1, 2025	0	0	0	0	0	/
Dong Jiqin	Supervisor	Incumbent	Female	39	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Xu Zhifeng	Supervisor	Incumbent	Male	48	June 06, 2019	June 1, 2025	0	0	0	0	0	/
Zhu Yinhua	Supervisor	Incumbent	Female	49	June 1, 2022	June 1, 2025	0	0	0	0	0	/
Liu Chengwei	Supervisor	Retired	Male	50	January 6, 2016	June 1, 2022	0	0	0	0	0	/
Hu Baozhen	Supervisor	Retired	Female	50	June 06, 2019	June 1, 2022	0	0	0	0	0	/
He Rufen	Supervisor	Retired	Female	55	June 06, 2019	June 1, 2022	33,660	0	23,000	0	10,660	The Company's Board of Directors and Board of Supervisors completed the election at expiration of office terms on June 1, 2022, and Ms. He Rufen will not serve as the Employee Supervisor at expiration of her office

												term.
Wu Hui	Deputy General Manager	Incumbent	Male	54	June 06, 2019	June 1, 2025	0	150,000	0	0	150,000	Granted with 2022 restricted shares of the Company
Zhu Li	Deputy General Manager	Incumbent	Female	48	October 12, 2020	June 1, 2025	30,000	150,000	0	0	180,000	Granted with 2022 restricted shares of the Company
Zhang Jianfei	Deputy General Manager	Incumbent	Male	48	June 1, 2022	June 1, 2025	80,000	150,000	0	0	230,000	Granted with 2022 restricted shares of the Company
Zhou Shunhua	Deputy General Manager	Retired	Male	63	June 30, 2009	June 1, 2022	0	0	0	0	0	
Chen Bo	Secretary of the Board of Directors	Incumbent	Male	51	June 30, 2009	June 1, 2025	0	100,000	0	0	100,000	Granted with 2022 restricted shares of the Company
Qiu Renbo	Person in Charge of Finance	Incumbent	Male	41	November 28, 2019	June 1, 2025	0	100,000	0	0	100,000	Granted with 2022 restricted shares of the Company
Total	--	--	--	--	--	--	143,660	880,000	23,000	0	1,000,660	--

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

√ Yes □ No

The Board of Directors and Board of Supervisors of the Company completed the election at expiration of office terms on June 1, 2022. Mr. Li Bangliang will not serve as the Company's Honorary Chairman; Mr. Jin Xuhu ceased to hold the position of the Company's Director; Mr. Zhong Xiaoming and Ms. Yang Jun ceased to hold the position of the Company's Independent Directors; Mr. Liu Chengwei and Ms. Hu Baozhen ceased to hold the position of the Company's Supervisors; Ms. He Rufen ceased to hold the position of the Employee Supervisor; Mr. Zhou Shunhua ceased to hold the position of the Company's Deputy General Manager due to his age after the renewal.

Change of directors, supervisors and senior managers of the Company

√ Applicable □ N/A

Name	Title	Type	Date	Reason
Li Bangliang	Honorary Chairman	Retirement at expiration of the term	June 5, 2022	Retirement at expiration of the term
Zhu Feipeng	Director	Elected	June 1, 2022	Election at expiration of office terms
Ye Bo	Director	Elected	June 1, 2022	Election at expiration of office terms
Jin Xuhu	Director	Retirement at expiration of the term	June 1, 2022	Resignation from the Company's director after election
Gao Xiangdong	Independent Director	Elected	June 1, 2022	Election at expiration of office terms
Wang Ruwei	Independent Director	Elected	June 1, 2022	Election at expiration of office terms
Zhong Xiaoming	Independent Director	Retirement at expiration of the term	June 1, 2022	Resignation from the Company's independent director

				after election
Yang Jun	Independent Director	Retirement at expiration of the term	June 1, 2022	Resignation from the Company's independent director after election
Zhou Yanwu	Supervisor	Elected	June 1, 2022	Election at expiration of office terms
Dong Jiqin	Supervisor	Elected	June 1, 2022	Election at expiration of office terms
Zhu Yinhua	Supervisor	Elected	June 1, 2022	Election at expiration of office terms
Liu Chengwei	Supervisor	Retirement at expiration of the term	June 1, 2022	Resign from the Company's Supervisor after election
Hu Baozhen	Supervisor	Retirement at expiration of the term	June 1, 2022	Resign from the Company's Supervisor after election
He Rufen	Supervisor	Retirement at expiration of the term	June 1, 2022	Resign from the Company's Supervisor after election
Zhang Jianfei	Deputy General Manager	Appointment	June 1, 2022	Requirements of the position
Zhou Shunhua	Deputy General Manager	Retirement at expiration of the term	June 1, 2022	Resign from the Company's Deputy General Manager after renewal

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: Mr. Niu Zhanqi: Born in 1967, Doctor of Pharmacy. He has served as a technical researcher of Chengde Technical Supervision Bureau; Deputy Director of Hebei Pharmaceutical Group Research Institute; Manager of Technical Development Department of China Shijiazhuang Pharmaceutical Group; Manager of Medicine Department of CSPC Ouyi Pharmaceutical Co. Ltd.; Deputy General Manager of CSPC NBP Pharmaceutical Co., Ltd.; senior R&D director of CSPC; Vice President of Pharmaceutical Management Head Office and the General Manager of R&D Management Department of China Grand Enterprises, Inc. from March 2013 to June 2016; CEO of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. from June 2016 to November 2018; President of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. since November 2018 and Director of the Company since June 2016.

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 has been Vice President of Pharmaceutical Management Head Office of China Grand Enterprises, Inc. since March 2021. 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 Deputy General Manager of Hangzhou Guoyou Asset Operation Co., Ltd. since March 2020. 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.

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

Independent Director: Ms. Yang Lan: Born in 1969, holds a master's degree. She has served as a certified tax accountant, a certified public valuer, a certified public accountant and an auditor. She served in Guiyang Audit Bureau, Zhuhai Lixin Certified Public Accountants, Shanghai Lixin Changjiang Certified Public Accountants Zhuhai Branch, and Guangdong Lixin Changjiang Certified Public Accountants; was the Senior Manager of Pan-China Certified Public Accountants (Special General Partnership) Guangdong Branch; the Financial Director and Investment Director of Guangzhou Securities Innovation Investment Co., Ltd.; is the Head of Zhuhai ZGX Certified Tax Agent Firm and Deputy Head of Reanda Certified Public Accountants LLP Guangdong Branch. She has been Independent Director of the Company since April 27, 2017.

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. He has been a member of Chinese Pharmacopoeia Commission since 2010, Managing Director of Hangzhou Tailong Venture Capital Partnership (Limited Partnership), Independent Director of Sichuan Huiyu Pharmaceutical Co., Ltd., 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.; now Deputy General Manager of the Financial Management Head Office of China Grand Enterprises, Inc.; 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, she 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; 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 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. 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; 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. She has also served as 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.

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; Secretary of the Board of Directors 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; 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
Niu Zhanqi	China Grand Enterprises, Inc.	President of the Pharmaceutical Management Head Office of China Grand Enterprises, Inc.			Yes
Kang Wei	China Grand Enterprises, Inc.	CFO of China Grand Enterprises, Inc.			Yes
Bai Xinhua	China Grand Enterprises, Inc.	Deputy General Manager of the Financial Management Head Office of China Grand Enterprises, Inc.			Yes
Qin Yun	China Grand Enterprises, Inc.	Business Director of the Pharmaceutical Management Head Office of China Grand Enterprises, Inc.			Yes
Zhu Feipeng	China Grand Enterprises, Inc.	President of the Pharmaceutical Management Head Office of China Grand Enterprises, Inc.			Yes
Ye Bo	Hangzhou Huadong Medicine Group Co., Ltd.	Executive Director			No
Zhou Yanwu	China Grand Enterprises, Inc.	General Manager of the Supervision and Audit Department			Yes
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
Niu Zhanqi	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Kang Wei	Western Securities Co., Ltd.	Supervisor			Yes
Kang Wei	Leiyunshang Pharmaceutical Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Bai Xinhua	Grand Industrial Holding Co., Ltd. and other wholly/partially owned subsidiaries of China Grand Enterprises, Inc.	Director			No
Qin Yun	Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Director			No
Ye Bo	Hangzhou Guoyou Asset Operation Co., Ltd.	Deputy General Manager			Yes
Dong Jiqin	Hangzhou State-owned Capital Investment and Operation Co., Ltd.	Head of the Risk Control and Legal Department			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

In 2022, the Company completed the general election of the 10th Board of Directors and the 10th Board of Supervisors from the 9th ones.

The allowance plan of directors of the 9th Board of Directors and that of supervisors on the 9th Board of Supervisors of the Company lasted to May 31, 2022 after review and approval by the Company's shareholder's meeting: The annual allowance for the independent directors of the Company was RMB80,000 (before tax); that for the non-independent directors not in charge of the Company's management or business was RMB30,000 (before tax); that for the non-employee representative supervisors was RMB30,000 (before tax);

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: The annual allowance for the independent directors of the Company is RMB100,000 (before tax); that for the non-independent directors not in charge of the Company's management or business was RMB30,000 (before tax); that for the non-employee representative supervisors was RMB30,000 (before tax);

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

Unit: RMB ten thousand yuan

Name	Title	Gender	Age	Holding of positions	Total pretax remuneration received from the Company	Receive remuneration from related parties of the Company or not
Lv Liang	Chairman and General Manager	Male	49	Incumbent	240	No
Niu Zhanqi	Director	Male	56	Incumbent	3	Yes
Kang Wei	Director	Female	55	Incumbent	3	Yes
Zhu Feipeng	Director	Male	57	Incumbent	1.75	No
Ye Bo	Director	Male	35	Incumbent	1.75	No
Zhu Liang	Director	Male	46	Incumbent	65	No
Jin Xuhu	Director	Male	60	Retired	1.25	Yes
Gao Xiangdong	Independent Director	Female	60	Incumbent	5.83	No
Yang Lan	Independent Director	Female	54	Incumbent	9.17	No
Wang Ruwei	Independent Director	Male	56	Incumbent	5.83	No
Zhong Xiaoming	Independent Director	Male	61	Retired	3.33	No
Yang Jun	Independent Director	Female	51	Retired	3.33	No
Bai Xinhua	Supervisor	Female	57	Incumbent	3	Yes
Zhou Yanwu	Supervisor	Male	54	Incumbent	1.75	Yes
Qin Yun	Supervisor	Female	53	Incumbent	3	Yes
Dong Jiqin	Supervisor	Female	39	Incumbent	1.75	No
Xu Zhifeng	Supervisor	Male	48	Incumbent	65	No
Zhu Yinhua	Supervisor	Female	49	Incumbent	9.94	No
Liu Chengwei	Supervisor	Male	50	Retired	1.25	Yes
Hu Baozhen	Supervisor	Female	50	Retired	1.25	Yes
He Rufen	Supervisor	Female	55	Retired	41.67	No
Wu Hui	Deputy General Manager	Male	54	Incumbent	140	No
Zhu Li	Deputy General Manager	Female	48	Incumbent	140	No
Zhang Jianfei	Deputy General Manager	Male	48	Incumbent	81.67	No
Zhou Shunhua	Deputy General Manager	Male	63	Retired	54.17	No
Chen Bo	Secretary of the Board of Directors	Male	51	Incumbent	130	No
Qiu Renbo	Person in Charge of Finance	Male	41	Incumbent	130	No
Total	--	--	--	--	1,147.69	--

VI. Performance of duties of directors during the reporting period

1. Board meetings during the reporting period

Sessions	Convene date	Disclosure date	Meeting resolution
The interim session of the 9th Board of Directors	February 21, 2022	February 23, 2022	*Announcement of the Resolutions of the 9th Interim Meeting of the Board of Directors* (announcement No.: 2022-003) on *China Securities Journal*, *Securities Times*, *Shanghai Securities*

			News, and cninfo (www.cninfo.com.cn)
The interim session of the 9th Board of Directors	February 27, 2022	February 28, 2022	*Announcement of the Resolutions of the 9th Interim Meeting of the Board of Directors* (announcement No.: 2022-005) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 15th session of the 9th Board of Directors	April 26, 2022	April 28, 2022	*Announcement of the Resolutions of the 15th session of the 9th Board of Directors* (announcement No.: 2022-011) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 16th session of the 9th Board of Directors	May 11, 2022	May 11, 2022	*Announcement of the Resolutions of the 16th session of the 9th Board of Directors* (announcement No.: 2022-024) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 1st session of the 10th Board of Directors	June 1, 2022	June 1, 2022	*Announcement of the Resolutions of the 1st session of the 10th Board of Directors* (announcement No.: 2022-042) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 2nd session of the 10th Board of Directors	August 8, 2022	August 10, 2022	Announcement of the Resolutions of the 2nd session of the 10th Board of Directors (announcement No.: 2022-052) on China Securities Journal, Securities Times, Shanghai Securities News, and cninfo (www.cninfo.com.cn)
The 3rd session of the 10th Board of Directors	October 24, 2022	October 26, 2022	*Announcement of the Resolutions of the 3rd session of the 10th Board of Directors* (announcement No.: 2022-068) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 4th session of the 10th Board of Directors	October 27, 2022	October 28, 2022	*Announcement of the Resolutions of the 4th session of the 10th Board of Directors* (announcement No.: 2022-071) on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, and cninfo (www.cninfo.com.cn)
The 5th session of the 10th Board of Directors	November 18, 2022	November 18, 2022	*Announcement of the Resolutions of the 5th session*

			of the 10th Board of Directors (announcement No.: 2022-078) on *China Securities Journal*, *Securities Times*, *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	9	9	0	0	0	No	2
Kang Wei	9	0	9	0	0	No	2
Niu Zhanqi	9	0	9	0	0	No	2
Zhu Feipeng	5	0	5	0	0	No	1
Ye Bo	5	1	4	0	0	No	1
Zhu Liang	9	9	0	0	0	No	2
Jin Xuhu	4	0	4	0	0	No	1
Gao Xiangdong	5	0	5	0	0	No	1
Wang Ruwei	5	0	5	0	0	No	1
Yang Lan	9	0	9	0	0	No	2
Zhong Xiaoming	4	0	4	0	0	No	1
Yang Jun	4	0	4	0	0	No	1

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

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	Convene date	Meeting content	Important comments and suggestions	Other performance of duties	Details of objection (if any)
Audit Committee of the 9th Board of Directors	Yang Lan (Chair of Committee), Zhong Xiaoming, Jin Xuhu	5	April 21, 2022	Communicated and discussed the major issues concerned in the audit of the Huadong Medicine's 2021 Annual Report with the Audit Committee.	No dispute with the annual auditor on various matters of the Company's annual financial report is found, and it is believed that the basis, ground, principles and methods of the preparation of financial statements comply with new Accounting Standard for Business Enterprises, Accounting System for Business Enterprises, relevant laws and regulations and the Company's internal management system; (2) the content and format of the financial statements comply with the relevant provisions of China Securities Regulatory Commission, Shenzhen Stock Exchange and *Accounting Standards for Business Enterprises*,	None	None

					and fairly reflect the Company's financial position as at December 31, 2021, and operating results and cash flow in 2021;		
Audit Committee of the 9th Board of Directors	Yang Lan (Chair of Committee), Zhong Xiaoming, Jin Xuhu		April 26, 2022	The following proposals were reviewed: 1. *Proposal on the Company's 2021 Annual Report*; 2. *Proposal on Reappointing the Accounting Firm*; 3. *Proposal on Evaluating the Accounting Firm's Performance in 2021*; 4. *Proposal on Evaluating the Company's Internal Control in 2021*; 5. *Proposal on the Company's Q1 Report in 2022*; 6. *Proposal on the 2021 Work Report of the Company's Internal Audit Department*; 7. *Proposal on the 2022 Work Plan of the Company's Internal Audit Department*;	The internal audit was carried out as planned and no major problems were found; all proposals were approved after review.	None	None
Audit Committee of the 9th Board of Directors	Yang Lan (Chair of Committee), Zhong Xiaoming, Jin Xuhu		May 11, 2022	The following proposal was reviewed: *Proposal on the Work Report of the Company's Internal Audit Department in Q1 of 2022*.	The internal audit was carried out as planned and no major problems were found.	None	None
Audit Committee of the 10th Board of Directors	Yang Lan (Chair of Committee), Lv Liang, Wang Ruwei		August 8, 2022	The following proposals were reviewed: 1. *Proposal on the Work Report of the Company's*	The internal audit of the Company was carried out as planned and no major problems were	None	None

				Internal Audit Department in the 1st Half of 2022; 2. *Proposal on the Work Plan of the Company's Internal Audit Department in the 2nd Half of 2022*; 3. *Proposal on* the Company's 2022 *Semi-annual Report* and its abstract.	found; the *Company's 2022 Semi-annual Report* and its abstract were approved after review.		
Audit Committee of the 10th Board of Directors	Yang Lan (Chair of Committee), Lv Liang, Wang Ruwei		October 24, 2022	The following proposals were reviewed: 1. *Proposal on* the Company's *Q3 Report in 2022*; 2. *Proposal on the Work Report of the Company's Internal Audit Department in Q3 of 2022*; 3. *Proposal on the Work Plan of the Company's Internal Audit Department in Q4 of 2022*;	The internal audit of the Company was carried out as planned and no major problems were found; the *Company's Q3 Report in 2022* was approved after review.	None	None
Nomination Committee of the 9th Board of Directors	Zhong Xiaoming (Chair of Committee), Kang Wei, Yang Lan	2	May 11, 2022	The following proposals were reviewed: 1. *Proposal on the Election at Expiration of Office Terms of the Company's Board of Directors and Nomination of Non-Independent Director Candidates for the 10th Board of Directors*; 2. *Proposal on the Election at Expiration of Office Terms of the Company's Board of Directors and Nomination of Independent Director*	The Nomination Committee verified and reviewed the matters under deliberation, and unanimously agreed upon relevant proposals.	None	None

				Candidates for the 10th Board of Directors;			
Nomination Committee of the 10th Board of Directors	Gao Xiangdong (Chair of Committee), Yang Lan, Kang Wei		August 8, 2022	The following proposals were reviewed: 1. Proposal on the *Appointment of the Company's General Manager*; 2. Proposal on the *Appointment of the Company's Deputy General Manager*; 3. Proposal on the *Appointment of the Company's Secretary of the Board of Directors*; 4. Proposal on the *Appointment of the Company's Person in Charge of Finance*.	The Nomination Committee verified and reviewed the matters under deliberation, and unanimously agreed upon relevant proposals.	None	None
Remuneration and Approval Committee of the 9th Board of Directors	Yang Jun (Chair of Committee), Lv Liang, Zhong Xiaoming	3	April 26, 2022	The Proposal on the *Company's 2022 Annual Compensation Assessment Plan for Senior Executives* was reviewed.	The Remuneration and Approval Committee verified and reviewed the matters under deliberation, and unanimously agreed on the relevant proposals.	None	None
Remuneration and Approval Committee of the 9th Board of Directors	Yang Jun (Chair of Committee), Lv Liang, Zhong Xiaoming		May 11, 2022	The Proposal on the *Company's Allowance Plan of Directors of the 10th Board of Directors* was reviewed.	The Remuneration and Approval Committee verified and reviewed the matters under deliberation, and unanimously agreed on the relevant proposals.	None	None
Remuneration and Approval Committee of the 10th Board of Directors	Wang Ruwei (Chair of Committee), Lv Liang, Gao Xiangdong		August 8, 2022	The following proposals were reviewed: 1. *Proposal on the Company's 2022 Restricted*	The Remuneration and Approval Committee verified and reviewed the matters under	None	None

				Share Incentive Scheme (Draft) and Its Summary; 2. *Proposal on Management Rules for the Implementation and Assessment of the Company's 2022 Restricted Share Incentive Scheme*; 3. *Proposal on the Management Rules of the Company's 2022 Restricted Share Incentive Scheme*.	deliberation, and unanimously agreed on the relevant proposals.		

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)	917
Number of incumbent employees in major subsidiaries at the end of the reporting period (person)	13,144
Total number of incumbent employees at the end of the reporting period (person)	14,061
Total number of employees receiving salaries in the current period (person)	14,061
Number of retired employees requiring the parent Company and its subsidiaries to bear costs (person)	20
Expertise structure	
Category	Number (person)
Production staff	1,257
Sales staff	8,496
Technical staff	2,380
Financial staff	242
Administrative staff	1,312
Storage and transportation staff	374
Total	14,061
Educational background	
Category	Number (person)
Master's degree or above	1,000
Bachelor's degree	5,974
Junior college (professional training)	6,170
Other	917
Total	14,061

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

Based on its 7th "Three-Year Plan", the Company is dedicated to building a diversified and multi-level personnel training system and prioritizes personnel to help transform Huadong Medicine. The Learning and Development Department continues carrying out various personnel and management training programs, and building a training and know-how system in 2023 based on the extensive training demands collected from the Company's middle and senior management and employees.

The Company is going to promote the Pilot Program for Entrepreneurs, and provide training sessions for reserve managers, highly potential experts and management trainees in 2023, in order to create an active, responsible entrepreneur and scientist team. The Company mainly carries out internal cultivation such as management case study, on-the-job development and cultivation, and rotation and assignment, combined with certain advanced management concepts of external industries, so as to guide the officials to innovate their management and concepts, and assist in the establishment of reserve teams for middle and senior managers.

In terms for expert training programs, the training of researchers is of great urgency, considering that the Company is on the crucial period of strategic transformation and scientific research and innovation. The Company requires better performance of this new training to perfectly meet the demands of business department, and gives priority to programs of R&D personnel review, individual development plan (IDP) training, and R&D project manager training.

As for other mature expert training programs, including the business strengthen and leadership improvement programs related to production, quality, marking and other sectors, the Company aims at implementing the 2025 development strategic plan, strictly controls costs, refines projects, and ensures that the costs and expenses of all programs are reduced.

When building a system, the Company establishes the system and conducts various training programs from a big picture perspective, continuously polishes internal trainer and tutor teams and various courses, makes overall planning for the demands of the subsidiaries, and provides branches and subsidiaries with courses and teaching resources to create the sharing culture and promote the establishment of collectivized and learning-oriented organizations, in order to better connect all project resources of various companies. Besides, the Company opens on-line courses for all employees of subsidiaries and branches.

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 on April 26, 2022 the 15th session of the 9th Board of Directors, reviewed and approved the *Proposal on the Company's 2021 Profit Distribution Scheme*, and agreed to submit the proposal to the Company's general meeting for deliberation. The 2021 Annual General Meeting convened on June 1, 2022 deliberated on and approved the proposal. Based on the total share capital of 1,749,809,548 of the Company on December 31, 2021, RMB2.90 (before tax) of cash dividends per ten ordinary shares were distributed to all shareholders; no bonus share was issued; and no capital reserve was converted to share capital. A Total of RMB507,444,768.92 (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 10, 2022, 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
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 (tax included)	2.9
Share capital base of the distribution plan (share)	1,753,995,348
Cash dividends (yuan) (tax included)	508,658,650.92
Cash dividends by other means (such as share repurchase) (yuan)	0.00
Total cash dividends (yuan)	508,658,650.92
Distributable profit (yuan)	5,999,424,983.44
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 2nd session of the 10th Board of Directors and that of the 10th Board of Supervisors, during which 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 reviewed and approved. Independent directors gave their independent opinions on whether the 2022 Restricted Share Incentive Scheme contributed to the Company's sustainable development and whether it harmed the interests of the Company and all shareholders. Please refer to the announcement published by the Company on www.cninfo.com.cn on August 10, 2022.

(2) On August 10, the Company disclosed the *Announcement on Independent Directors Publicly Soliciting Proxy Voting Rights* on 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 1st 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 1st 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 reviewed 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, the Company disclosed a related announcement on www.cninfo.com.cn.

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 End 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)	Restricted Shares Held at the End of the Period
Lv Liang	Chairman, General Manager	0	0	0	0	0	0	0	0	0	200,000	25	200,000
Wu Hui	Deputy General Manager	0	0	0	0	0	0	0	0	0	150,000	25	150,000
Zhu Li	Deputy General Manager	0	0	0	0	0	0	0	0	0	150,000	25	150,000
Zhang Jianfei	Deputy General Manager	0	0	0	0	0	0	0	0	0	150,000	25	150,000
Zhu Liang	Director	0	0	0	0	0	0	0	0	0	30,000	25	30,000
Chen Bo	Secretary of the Board of Directors	0	0	0	0	0	0	0	0	0	100,000	25	100,000
Qiu Renbo	Person in Charge of Finance	0	0	0	0	0	0	0	0	0	100,000	25	100,000
Total	--	0	0	0	0	--	0	--	0	0	880,000	--	880,000
Note (if any)		N/A											

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.

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 14, 2023.

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
Wuhu Huaren Science and Technology Co., Ltd.	The Company held 60% of its shares, and integrated its assets, employees, finance and business after acquisition.	N/A	N/A	N/A	N/A	N/A
Anhui Huayoulai Pharmaceutical Science and Technology Co., Ltd.	The Company indirectly held 60% of its shares, and integrated its assets, employees, finance and business after acquiring Huaren Science and Technology of which it is a wholly owned subsidiary.	N/A	N/A	N/A	N/A	N/A
Anhui Meihua Hi-Tech Pharmaceutical 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
Viora Ltd	The Company held 100% of its	N/A	N/A	N/A	N/A	N/A

	shares, and integrated its assets, employees, finance and business after acquisition.					
Viora Inc.	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
Viora Canada 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
Hangzhou Weizhi Biotechnology Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Hangzhou Hizyme Biotech Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Ruian Huiren Health-care Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Note: During the reporting period, the Company merged nine new subsidiaries through acquisition, capital injection and consolidation. In strict accordance with relevant laws and regulations of CSRC and SSE, and the provisions of the Articles of Association, the Company provided guidance on the standardized operation of the subsidiaries in terms of organizational setup, personnel adjustment, internal control and financial system and other aspects, and timely tracked various major issues of the subsidiaries to exercise management control over the subsidiaries.						

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 14, 2023	
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 unconventional or unsystematic transactions; internal control over the selection and application of accounting policies in relation to Generally Accepted	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 losing money for years, and its continuous operation has been challenged; lack of system control or

	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 failed 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.	systematic failure in important business; M&A and restructuring failure; the operation of newly expanded subordinate units is unsustainable; lack of internal control construction and disorderly management in subsidiaries; middle and senior managers resign, or serious staff turnover in key positions; frequent exposure of negative news in the media; 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 a little negative news in the major media at provincial level and above; the general defects identified last year have not been rectified and there is no reasonable explanation; middle management or operating personnel are not competent enough.
Quantitative criteria	Potential misstatement of total profit; potential misstatement of total assets	Impact on total assets; significant negative impact
Number of material deficiencies in financial reporting	0	
Number of material deficiencies in non-financial reporting	0	
Number of important deficiencies in financial reporting	0	
Number of important deficiencies in non-financial reporting	0	

2. Audit report on internal control

√ Applicable □ N/A

Comments of Internal Control Audit Report	
On December 31, 2022, Huadong Medicine has 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 audit report on internal control	April 14, 2023
Disclosure index of the full 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, Emission Standard of Air Pollutants for Pharmaceutical Industry (DB33/ 310005-2021), Discharge Standard of Pollutants for Bio-pharmaceutical Industry (DB 33/ 923-2014), 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 18597-2001), Integrated Wastewater Discharge Standard of Yellow River Basin in Shaanxi Province (DB 61/ 224-2018), 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), Emission Standard of Air Pollutants for Pharmaceutical Industry (GB 37823-2019), Emission Standard of Volatile Organic Compounds for Chemical Industry (DB 32/3151-2016), Integrated Emission Standard of Air Pollutants (DB 32/4041-2021), Standard for Fugitive Emission of Volatile Organic Compounds (GB 37822-2019), Emission Standards for Odor Pollutants (GB 14554-93), Emission Limits of Water and Air Pollutants for Bio-pharmaceutical Industry (DB 32/ 3560-2019), and Wastewater Quality Standards for Discharge to Municipal Sewers (GB/T 31962-2015).

Information on environmental protection-related administrative licensing

All the construction projects of the Company were declared, constructed and accepted strictly according to the requirements, approved by EIA, and met the requirements for environmental impact assessment of construction projects.

The Pollutant Emission Permit of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. is valid from December 25, 2020 to December 24, 2025.

The Pollutant Emission Permit is reapplied by Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. and valid from October 31, 2022 to December 20, 2025. In addition, Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. has obtained the EIA approval of Bailing Tablets Production Transformation Project on April 22, 2022 within the reporting period, with the approval number of HHQ EIA Batch [2022] No. 20, and obtained the EIA approval of HDG1901 API Industrialization Site Construction Project on September 20, 2022, with the approval number of HHQ EIA Batch [2022] No. 53.

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 Technical Transformation Project of Cream Production Line within the reporting period, with the approval number of WHYF (2022) No. 122.

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

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	Once	Main Entrance, Moganshan Road, No.866	7.41	6~9	/	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant	COD	Intermittent discharge	Once	Main Entrance, Moganshan Road, No.866	38.21mg/l (Nanotube)	500mg/l	16.5 tons (Nanotube)	33.3 tons/annual	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Water pollutant	Ammonia-nitrogen	Intermittent discharge	Once	Main Entrance, Moganshan Road, No.866	0.78mg/l (Nanotube)	35mg/l	0.3 tons (Nanotube)	2.38 tons/annual	None
Hangzhou Zhongmei	Solid pollutant	Hazardous solid waste	Compliant disposal by	2	Within the factory at	/	/	866.37 tons	/	None

Huadong Pharmaceutical Co., Ltd.			entrusted qualified units		Mogansshan Road, No.866					
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Solid pollutant	General solid waste	Compliant disposal by entrusted qualified units	2	Within the factory at Mogansshan Road, No.866	/	/	640.6 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Nitric oxide	Organized discharge	1	Roof of Boiler Room at Building 25	27.5mg/m³	50mg/m³	2.916 tons	17.7 tons/annual	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Sulfur dioxide	Organized discharge	1	Roof of Boiler Room at Building 25	3mg/m³	20mg/m³	0.384 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	Air pollutant	Dust and fume	Organized discharge	1	Roof of Boiler Room at Building 25	4.1mg/m³	10mg/m³	0.258 tons	/	None
Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdo	Water pollutant	COD	Continuous discharge	1	Phase II Factory Area	100-300mg/L	500mg/L	102.7178 tons (Nanotube discharge)	141.299 tons (discharged to environment)	None

ng) Co., Ltd.										
Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd.	Water pollutant	Ammonia-nitrogen	Continuous discharge	1	Phase II Factory Area	0- 20mg/ L	35mg/ L	1.0043 tons (Nanotube discharge)	7.066 tons (discharged to environment)	None
Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd.	Air pollutant	Non-methane hydrocarbon	Organized discharge	1	Phase II Factory Area	0- 30mg/ L	60mg/ L	1.7146 tons	3.002 tons	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant	pH value	Intermittent discharge	Once	Beside National Highway 310, Liuye River, Huayin City	8.07	6~9	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., LTD.	Water pollutant	COD	Intermittent discharge	1	Beside National Highway 310, Liuye River, Huayin City	32.8mg/l	50mg/l	0.947 tons	3 tons	None
Huadong Medicine (Xi 'an) Bohua	Water pollutant	Ammonia-nitrogen	Intermittent discharge	1	Beside National Highway 310, Liuye	0.55mg/l	8mg/l	0.015 tons	0.48 tons	None

Pharmaceutical Co., LTD.					River, Huayin City					
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Water pollutant	Total nitrogen	Intermittent discharge	1	Beside National Highway 310, Liuye River, Huayin City	9.06mg/l	15mg/l	0.249 tons	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Solid pollutant	Hazardous wastes	Compliant disposal by entrusted qualified units	3	Within the Company	/	/	178.37848 tons	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., LTD.	Air pollutant	Volatile organic compounds	Organized discharge	1	APIs Plant 1	/	60mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., LTD.	Air pollutant	Hydrogen chloride	Organized discharge	1	APIs Plant 1	/	30mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmac	Air pollutant	Ammonia (ammonia)	Organized discharge	1	APIs Plant 1	/	20mg/m³	/	/	None

eutical Co., LTD.										
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Hydrogen chloride	Organized discharge	1	APIs Plant 2	/	30mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	PM	Organized discharge	1	APIs Plant 2	/	20mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Ammonia (ammonia)	Organized discharge	1	Sewage treatment station	/	20mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Hydrogen sulfide	Organized discharge	1	Sewage treatment station	/	5mg/m³	/	/	None
Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	Air pollutant	Odor concentration	Organized discharge	1	Sewage treatment station	/	6000	/	/	None
Huadong	Air	PM	Organize	1	Solid	/	20mg/m³	/	/	None

Medicine (Xi 'an) Bohua Pharmaceutical Co., Ltd.	pollutant		d discharge		preparation plant					
Jiangsu Joyang Laboratories	Water pollutant	pH value	Intermittent discharge	1	No. 9, Haidu North Road	7.5	6~9	/	/	None
Jiangsu Joyang Laboratories	Water pollutant	COD	Intermittent discharge	1	No. 9, Haidu North Road	94mg/l	500mg/l	6.768 tons	22.401 tons/annual	None
Jiangsu Joyang Laboratories	Water pollutant	Ammonia-nitrogen	Intermittent discharge	1	No. 9, Haidu North Road	2.03mg/l	35mg/l	0.146 tons	1.156 tons/annual	None
Jiangsu Joyang Laboratories	Water pollutant	Total nitrogen	Intermittent discharge	1	No. 9, Haidu North Road	5.88mg/l	45mg/l	0.423 tons	1.486 tons/annual	None
Jiangsu Joyang Laboratories	Water pollutant	Total phosphorus	Intermittent discharge	1	No. 9, Haidu North Road	1.71mg/l	8mg/l	0.123 tons	0.164 tons/annual	None
Jiangsu Joyang Laboratories	Solid pollutant	Hazardous solid waste	Compliant disposal by entrusted qualified units	/	Factory Area at No. 9, Haidu North Road	/	/	1389 tons	/	None
Jiangsu Joyang Laboratories	Air pollutant	PM	Organized discharge	5	Batch section in Plant 101, fermentation section in Plant 101, batching	12.5mg/m³	60mg/Nm³	23.612 tons/annual	42.7409 tons/annual	None

					section in Plant 104 (shared by Plant 107 and 108), fermentation section in Plant 104 (shared by Plant 107 and 108), and drying section in Plant 104 (shared by Plant 107 and 108)					

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	Original 600 tons/day 800 tons/day after technical improvement	November 1993 Technical improvement in 2007	Outage for demolition
Wastewater treatment system of new sewage treatment station	Facultative + CASS + steam flotation	2,200 tons/day	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
DA010 (35#-1)	Secondary water spraying + surface cooling + activated carbon adsorption and desorption	15,000	2017	Demolished
DA011 (35#-2)	Secondary water spraying	22,000	2013	Demolished
DA012 (40#-2)	Activated carbon + horizontal spraying	6,000	2019	Demolished
DA013 (32#-1)	Secondary alkaline water spraying	22,000	2013	Demolished
DA014 (36#-1)	Secondary clean water spraying + surface cooling + low-temperature plasma + primary water spraying	27,000	2017	Normal operation
DA015 (40#-1)	Secondary clean water spraying	24,200	/	Demolished
DA016 (18#-1)	Secondary water spraying + activated carbon + primary spraying	30,000	2022	Normal operation
DA017 (19#-1)	Combustion tower	/	2018	Demolished
DA018 (19#-2)	Combustion tower	/	2018	Demolished
DA019 (3#-1)	Primary water spraying + photo-oxidation	20,000-+52,000	2019	Normal operation
DA020 (36#-2)	Secondary water spraying + condensation + photo-oxidation + activated carbon + inorganic nano-catalysis + water spraying	10,000	2019	Normal operation
DA021 (16#-1)	Primary water spraying + primary alkaline water spraying	12,000	2012	Demolished
DA022 (16#-2)	Primary water spraying + primary vegetable oil water spraying	30,000	2014	Demolished
DA023 (27#-1)	Condensation + primary alkaline water spraying + all-in-one machine + primary alkaline water spraying	15,000	2009	Outage
DA024 (33#-1)	Secondary alkaline water spraying + condensing tank + shared primary alkaline water spraying	48,000	2019	Demolished
DA025 (32#-2)	Bag dust removal + high efficiency filter	/	2017	Demolished
DA026 (34#-1)	Secondary alkaline water spraying	54,000	2008	Demolished
DA027 (7#-1)	Secondary alkaline water spraying	26,000	2015	Normal operation
DA028 (6#-1)	Primary clean water spraying	12,200	2016	Normal operation
DA029 (18#-2)	Secondary alkaline water spraying + photo-oxidation + activated carbon + primary alkaline water spraying	16,000	2018	Demolished
DA030 (18#-3)	Primary clean water spraying + primary alkaline water spraying	5,000	2017	Normal operation

DA031 (25#-2)	Low nitrogen combustion + high altitude emission	8,000	2009 Low nitrogen transformation completed in December 2019	Normal operation
DA032 (25#-1)	Low nitrogen combustion + high altitude emission	8,000	2009 Low nitrogen transformation completed in December 2019	Normal operation
DA033 (1#-1)	Oil fume purifier	/	/	Normal operation
DA034 (27#-2)	Secondary 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#-1)	Secondary water spraying	25,000	2017	Normal operation
DA037 (13#-1)	Secondary water spraying + surface cooling + activated carbon adsorption and desorption	25,000	2017	Normal operation
DA038 (28#-1)	Primary water spraying + photo-oxidation	22,000	2011	Demolished
DA039 (28#-2)	Secondary water spraying + shared photo-oxidation	48,000	2011	Demolished
DA040 (29#-1)	Primary water spraying + primary alkaline water spraying	22,000	2011	Demolished
DA041 (33#-2)	Primary water spraying	18,600	2012	Demolished
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	25000	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

(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 tons/day	March 2016	Normal operation
Phase II sewage treatment station	EGSB + facultative + aerobic + advanced treatment	8,500 tons/day	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	Secondary 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	Secondary 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 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 + Secondary water spraying	20,000	July 2022	Normal operation
HDBL-FQ217	HDG solvent-containing exhaust gas	Oxidation spraying + secondary alkaline spraying	2,000	September 2022	Outage
HDBL-FQ218	HDG odor exhaust gas	Oxidation spraying + alkaline spraying	20,000	September 2022	Outage

(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 tons/day	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	Secondary alkaline solution spraying + dry filter + UV photolysis + 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	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	Normal operation

(2) Exhaust gas

Designation of pollution prevention and control facility	Treatment process	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	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	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	Normal operation
Exhaust gas treatment equipment for batching section in Plant 101	Cyclone separator + primary water spray + 15m exhaust pipe high altitude emission	Normal operation
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	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	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	Normal operation
Exhaust gas treatment equipment for drying sections in Plants 104/107/108	Primary water spraying + water-gas separator + secondary activated carbon adsorption	Normal operation
Exhaust gas treatment equipment for Plant 103, pretreatment tank and hazardous waste repository in Plant 103	Primary water spraying + water-gas separator + photo-catalytic oxidation + secondary activated carbon adsorption + 25m exhaust pipe high altitude emission	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	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	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	Normal operation
Exhaust gas treatment equipment for Plant 109	Primary water spraying +25m exhaust pipe high altitude emission	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	Normal operation

(3) Solid wastes

Designation of pollution prevention and control facility	Operation condition
Hazardous waste warehouse	Normative storage, compliant disposal by entrusted qualified units

Environmental self-monitoring program

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. has formulated the Pollution Source Self-monitoring Program, registered the Program in the environmental protection department, and reported all the monitoring data as required.

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

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.

Emergency plan for sudden environmental events

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. has formulated, regularly modified and perfected the Emergency Plan for Sudden Environmental Events as required.

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 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. Jiangsu Joyang Laboratories organized an emergency drill for sudden fire and environmental events in May, 2022, which standardized the emergency management of sudden environmental events, minimized the harm to human health and the environment caused by the leakage of environmental risk substances into air, water or soil due to fire, explosion, leakage or other unexpected emergencies, and continuously improved its emergency response capability for sudden environmental pollution incidents.

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

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. Invested 4,468,000 yuan in environmental governance and protection, and paid the environmental protection tax of 2,784.88 yuan.

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. is not required to pay environmental protection tax according to relevant policies.

Huadong Medicine (Xi 'an) Bohua Pharmaceutical Co., LTD. paid the environmental protection tax of 1,593.13 yuan.

In 2022, Jiangsu Joyang Laboratories invested 12.78 million yuan in environmental governance and protection, and paid the environmental protection tax of 65,000 yuan as required.

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

☑Applicable □ Not Applicable

Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. implemented the strategy of lean energy consumption. In 2022, its total energy consumption was 11,922.32 tons of coal equivalent, 2,879.64 tons lower than that in 2021, with a decrease ratio of 19.45%. The total energy-saving cost was reduced by 11.118 million yuan from the projects

for reducing operation management expenses and saving energy implemented by the energy management department, including about 6.4495 million yuan reduced by the energy saving projects.

Hangzhou Zhongmei Huadong Pharmaceutical (Jiangdong) Co., Ltd. continued to use biogas to generate electricity, reducing the emissions of methane, hydrogen sulfide and other pollutants; continuously taken lean measures in the plants to reduce pollutant emissions, such as saving water and reducing consumption, and carried out the 2021 annual carbon emission verification in September 2022.

Jiangsu Joyang Laboratories connected the circulating water pipe network in the plants with the low-temperature water pipe network to replace the low-temperature water in the plants for production cooling in winter, reducing the supply of low-temperature water, and saving 300,000 kWh of electricity per annual. In addition, the concentrated water in purified water station were recycled and reused. Some concentrated water was produced during the operation of water making equipment of the purified water stations 1 and 2, which met the quality standard requirements by testing. The concentrated water was stored in barrels (ton) and automatically supplied to the plant when needed. It is estimated that 10,000 tons of water will be saved in the whole year. The technical improvement plan of air system was designed on the basis of air usage of each department, solving the problems of high air pressure and insufficient air flow. Meanwhile, the technical improvement of old air compressor units were completed in June, reducing the air refilling, and saving 400,000 kWh of electricity throughout the year.

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 Laboratories	Failing to re-apply for and obtain the Pollutant Emission Permit to discharge pollutants	Increased categories of pollutant emissions	Fine of 228,000 yuan	No significant impact	Stop the discharge of the relevant category of pollutant

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 2022, please refer to the Social Responsibility Report of Huadong Medicine in 2022.

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

The Company has not carried out special poverty alleviation and rural revitalization work in the reporting period.

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

(1) Accounting policy changes arising from changes in the Accounting Standards for Business Enterprises

1) The Company has implemented the provision on the "accounting treatment for products or by-products sold by companies that are produced before the fixed assets reach the expected usable status or in the research and development process" stipulated in the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since January 1, 2022. Such change has no influence on the Company's financial statements.

2) The Company has implemented the provision on the "judgment of onerous contracts" stipulated in the *Interpretation No. 15 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since January 1, 2022. Such change has no influence on the Company's financial statements.

(3) The Company has implemented the provision on the "accounting treatment influenced by income taxes of related dividends associated with financial instruments categorized by issuers as equity instruments" stipulated in the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since November 30, 2022. Such change has no influence on the Company's financial statements.

4) The Company has implemented the provision on the "accounting treatment for share-based payment by cash settlement changed into that by equity settlement" stipulated in the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* issued by the Ministry of Finance since November 30, 2022. Such change has no influence on the Company's financial statements.

(2) Other accounting policy changes

Accounting Policy Changes and Reasons	Review and Approval Procedures	Note
The Company's wholly owned subsidiaries of Huadong Medicine Investment Holding (Hong Kong) Limited, Huadong. Medicine Aesthetics Investment (Hong Kong) Limited and Huadong Medicine Skin Care (Hong Kong) Limited are players of overseas trade and platforms of investment and financing, which mainly engage in investments in outside units and management. The three subsidiaries carried out investment activities that are valued and settled in USD. Their operating expenses are mainly paid in USD and financing activities are USD loans. In accordance with the *Accounting Standards for Business Enterprises*, the Company believes that the three overseas subsidiaries changing their bookkeeping base currency from RMB to USD can represent their operating results and financial conditions more objectively and fairly, thus providing investors with more reliable and accurate accounting information, after prudent consideration by combining their future development planning, business development scale and current economic environment, based on the three subsidiaries' actual business conditions. The three subsidiaries have changed their bookkeeping base currency to USD since April 26, 2022. The prospective application was adopted in the accounting policy change.	The change was reviewed and approved by the 15th session of the 9th Board of Directors of the Company.	

2. Important changes in accounting estimate

(1) Changes in accounting estimate and reasons

Changes in Accounting Estimate and Reasons	Review and Approval Procedures	Effective Date	Note
The Company included R&D expenses in gains and losses for the current period at the time of occurrence, and has decided to change estimate of the capitalization date of such expenses according to the principle of stricter prudence, combined with the actual conditions of the Company's R&D activities and by reference to the capitalization of R&D expenses of listed companies in the same industry, in order to fully and objectively represent the Company's R&D expenses and asset measurement. The prospective application was adopted in the accounting estimate change.	The change was reviewed and approved by the 15th session of the 9th Board of Directors of the Company.	Since April 26, 2022	

(2) Statement items and amount under material influence

Statement Item under Material Influence	Influenced Amount	Note
Balance sheet accounts on December 31, 2022		
Development expenditures	227,794,420.14	
Undistributed profit	-159,456,094.10	
Income statement accounts in 2022		
R&D expenses	-227,794,420.14	
Income tax expenses	68,338,326.04	The expenses were deducted before tax according to 100% of the amount occurred, and the applicable rate of enterprise income tax was 15%.

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

√ Applicable □ N/A

Please refer to "VIII. 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 Accounts (Special General Partnership)
Continuous number of years of audit services provided by the domestic accounting firm	165
Remuneration of the domestic accounting firm (ten thousand yuan)	25
Certified public accountants of the domestic accounting firm	Wang Fukang and Chen Xiaodong
Continuous number of years of audit services provided by certified public accountants of the domestic accounting firm	5
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 (special general partnership) 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 RMB1.65 million (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

Amount involved (in 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
3841.0733	No	Some cases are under trials and some adjudications have come into force	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 are not adjudicated	Do not meet the disclosure standards for major litigation	/
137.97	No	All cases are under trails	The summary of the litigation matters has no significant impact on the Company	Cases are under trails and are to be adjudicated	Do not meet the disclosure standards for major litigation	/

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 judgement 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	Related relations	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
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	6,746.73	0.26%	7,000	No	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	5,296	0.21%	7,500	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
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 transact ion decision-making process	Market price	3,496.8	0.14%	6,500	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	3,286.77	0.13%	3,000	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)

Beijing Grand Johamu Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	3,279.62	0.13%	3,500	No	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	2,409.42	0.09%	2,000	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Wuhan Grand Pharmaceutical Group Sales Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	2,408.21	0.09%	3,550	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
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 transact ion decision-making process	Market price	1,934.32	0.08%	2,200	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Leiyunshang Pharmaceutical Group Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	1,263.01	0.05%	500	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	581.6	0.02%	500	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	522.21	0.02%	300	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Grand Life Science (Wuhan) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	518.44	0.02%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Grand Biopharmaceutical (Chongqing) Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	492.57	0.02%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.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 transact ion decision-making process	Market price	267.3	0.01%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	221.47	0.01%	350	No	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	208.09	0.01%	150	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Changshu Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	95.57	0.00%	150	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Anhui Leiyunshang pharma ceutica l Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	80.45	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	7.58	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Grand Life Science	Subsidiary of the Company's	Drug purchase	Drug purchase	Market price determined by	Market price	616.91	0.02%		Yes	Cash, banker's	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)

(Liaoning) Co., Ltd.	controlling shareholder			the Company's related transact ion decision-making process						acceptance bill			
Liaoning Weibang Biopharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug purchase	Drug purchase	Market price determined by the Company's related transact ion decision-making process	Market price	25.47	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Technical service fee	Technical service fee	Market price determined by the Company's related transact ion decision-making process	Market price	1,280	0.05%	2,200	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Technical service fee	Technical service fee	Market price determined by the Company's related transact ion decision-making process	Market price	200	0.01%	3,000	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Technical service fee	Technical service fee	Market price determined by the Company's related transact ion decision-making process	Market price	176.98	0.01%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Beijing Yuanda Chuangxin 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 transact ion decision-making process	Market price	19.28	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Grand Bay View Hotel Zhuhai	Subsidiary of the Company's controlling shareholder	conference fee	conference fee	Market price determined by the Company's related transact ion decision-making process	Market price	53.33	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	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 transact ion decision-making process	Market price	42.95	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Beijing Haiwan Banshan Hotel Management Co., Ltd.	Subsidiary of the Company's controlling shareholder	conference fee	conference fee	Market price determined by the Company's related transact ion decision-making process	Market price	6.8	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Junlan Pharmaceutical Trading Co. Ltd.	Shareholding enterprise	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	9,450.68	0.25%	13,000	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Tangyangyuan Pharmaceutical Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	1,001.62	0.03%	1,100	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	583.15	0.02%	1,200	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Leiyunshang Pharmaceutical Group Co. Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	543.71	0.01%	650	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	420.28	0.01%	350	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	271.79	0.01%	220	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact	Market price	58.91	0.00%	150	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)

				ion decision-making process									
Grand Resources Group Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	3.99	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	21	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Changshu Leiyunshang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	10.52	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Grand Holding Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	0.11	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Subsidiary of the Company's controlling shareholder	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	516.37	0.01%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Drug sales	Drug sales	Market price determined by the Company's related transact ion decision-making process	Market price	15.49	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Penglai Nuokang Pharmaceutical Co. Ltd.	Subsidiary of the Company's controlling shareholder	Agent service fee	Agent service fee	Market price determined by the Company's related transact ion decision-making process	Market price	2,073.15	0.05%	1,978	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Chongqing Peg-Bio Biopharm Co., Ltd.	Joint venture of the Company	Preparati on filling Service	Preparation filling Service	Market price determined by the Company's related transact ion decision-making process	Market price	112.26	0.00%	150	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Grand Biologic Pharmaceutical Inc.	Subsidiary of the Company's controlling shareholder	processing charge	processing charge	Market price determined by the Company's related transact ion decision-making process	Market price	42.72	0.00%	25	Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Fujian KaiLi Bio-Product Co., Ltd.	Subsidiary of the Company's controlling shareholder	Technical service fee	Technical service fee	Market price determined by the Company's related transact ion decision-making process	Market price	33.02	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Joint venture of the Company	House rental	House rental	Market price determined by the Company's related transact ion decision-making process	Market price	6.42	0.00%	6.42	No	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Hangzhou Tangyangyuan TCM Outpatient Department Co., Ltd.	Subsidiary of the Company's joint venture Hangzhou Tangyangyuan Pharmaceutical Co., Ltd.	House rental	House rental	Market price determined by the Company's related transact ion decision-making process	Market price	17.71	0.00%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Beijing Yanhuang Real Estate Co., Ltd.	Subsidiary of the Company's controlling shareholder	House leasing	House leasing	Market price determined by the Company's related transact ion decision-making process	Market price	132.48	0.01%		Yes	Cash, banker's acceptance bill	Market price	May 12, 2022	Cninfo (http://www.Cninfo.com.cn)
Total				--	--	50,853.26	--	61,229.42	--	--	--	--	--
Details of bulk sales returns				N/A									
Actual performance during the reporting period where the total amount of daily related transactions is estimated by category for the current period (if any)				Actual amount occurred in daily transactions related to daily operations of the Company and its subsidiaries did not exceed the annual estimate during the reporting period.									
Reasons for the large difference between the transaction price and the market reference price (if applicable)				N/A									

2. Related transactions involving the acquisition or sales of 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 who 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

No such case during the reporting period.

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

No significant leasing of the Company.

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

□ Applicable √ N/A

2. Important guarantees

√ Applicable □ N/A

Unit: RMB ten thousand yuan

External guarantees of the Company and its subsidiaries (excluding guarantees 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
The Company's guarantees for its 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 28, 2020	80,000	April 9, 2021	974	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2022	85,000	November 14, 2022	1,599	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2022	85,000	October 26, 2022	15,000	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2022	85,000	November 22, 2022	4,612	Joint liability guarantee			One year	No	No
Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd.	April 28, 2022	85,000	July 13, 2022	26,445	Joint liability guarantee			One year	No	No
Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd.	April 28, 2022	5,000		5,000				One year		
Huadong Medicine Ningbo Sales Co., Ltd.	April 28, 2022	16,000		16,000				One year		
Huadong Medicine Huzhou Co., Ltd.	April 28, 2022	15,000		15,000				One year		
Huadong Medicine Shaoxing Co., Ltd.	April 28, 2022	18,500	March 25, 2022	18,500	Joint liability guarantee			One year	No	No
Huadong Medicine Supply Chain Management (Jinhua) Co., Ltd.	April 19, 2019	20,000		20,000				Ten years		
Huadong Medicine (Hangzhou) Biological Products Co., Ltd.	April 28, 2022	3,000		3,000				One year		
Jiangsu	April 28,	7,000		7,000				One year		

Jiuyang Biopharm Co., Ltd.	2022									
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	July 5, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	July 8, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	July 11, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	July 12, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	July 13, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	August 4, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	August 5, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	August 24, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	September 13, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Wenzhou Co., Ltd.	April 28, 2022	24,000	September 15, 2022	24,000	Joint liability guarantee			One year	No	No
Huadong Medicine Lishui Co., Ltd.	April 28, 2022	15,000	April 26, 2022	15,000	Joint liability guarantee			One year	No	No
Huadong Medicine Daishan Co., Ltd.	April 28, 2022	2,500	November 17, 2022	2,500	Joint liability guarantee			One year	No	No
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	April 28, 2022	14,300		14,300				One year		
Hangzhou Zhongmei Huadong Pharmaceutical Jiangdong Co., Ltd.	April 28, 2022	70,000	October 17, 2022	70,000	Joint liability guarantee			One year	No	No
Hangzhou Huadong Pharmacy Chain Co., Ltd.	April 28, 2022	5,000	March 25, 2022	5,000	Joint liability guarantee			One year	No	No

Huadong Medicine Jinhua Co., Ltd.	April 28, 2022	10,000	October 17, 2022	10,000	Joint liability guarantee			One year	No	No
Huadong Medicine Investment Holding (Hong Kong) Limited	July 16, 2021	66,164	June 30, 2022	66,164	Joint liability guarantee			Three years	No	No
Huadong Medicine Investment Holding (Hong Kong) Limited	April 28, 2022	70,000		70,000				One year		
Sinclair Pharma Limited	November 23, 2018	40,000	May 21, 2020	40,000	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	July 30, 2020	40,000	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	November 16, 2020	40,000	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	November 23, 2018	40,000	February 4, 2021	40,000	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,591	March 30, 2021	12,591	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,591	April 19, 2021	12,591	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,591	May 26, 2021	12,591	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,591	August 11, 2021	12,591	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	September 17, 2020	12,591	September 14, 2021	12,591	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	July 16, 2021	38,305	January 13, 2022	38,305	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	14,846	April 8, 2021	14,846	Joint liability guarantee			Three years	No	No
Sinclair Pharma Limited	March 16, 2021	14,846	March 17, 2021	14,846	Joint liability guarantee			December 31, 2024	No	No
Sinclair Pharma Limited	March 16, 2021	31,696						Three years		
Sinclair Pharma Limited	April 28, 2022	58,600						One year		
Total guarantee cap for subsidiaries approved during the reporting period (B1)		418,900		Total guarantee amount for subsidiaries actually occurred during the reporting period (B2)		76,652				
Total approved guarantee cap for subsidiaries at the end of the reporting period (B3)		722,502		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		221,169				

Subsidiaries 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
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)		418,900		Total actual guarantee amount during the reporting period (A2+B2+C2)		76,652				
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)		722,502		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		221,169				
Proportion of the actual guarantee amount (i.e. A4+B4+C4) in the Company's net assets				11.90%						
Including:										
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)				116,151						
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)				116,151						
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 on the specific circumstance if multiple methods are adopted for guarantees

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 such case 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) of the wholly owned subsidiary, Zhongmei Huadong, included, newly entering and withdrawing from the National Essential Medicine List and the Medicines List for Medical Insurance:

In January 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 (2022)* (hereinafter referred to as the *2022 Drug Catalog*), which has been effective since March 1, 2023.

As of the release of this report, the Company had a total of 30 core products approved for launch and nine major ones under development in the *2022 Drug Catalog*, among which the launched acarbose chewable tablets, corbrin capsules and empagliflozin and metformin combination (I) of the Company are negotiated medicines of the *2022 Drug catalog*.

As of the release of this report, the Company had a total of 14 medicines (including one under development in the *National Essential Medicine List (Version 2018).*

(II) As of the release of this 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	
	Number of shares	Proportion	New shares	Bonus shares	Shares converted from capital reserve	Others	Total	Number of shares	Proportion
I. Shares subject to conditional restriction	47,745	0.00%	0	0	0	4,220,555	4,220,555	4,268,300	0.24%
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	47,745	0.00%	0	0	0	4,020,555	4,020,555	4,068,300	0.23%
Including: Shares held by domestic corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	47,745	0.00%	0	0	0	4,020,555	4,020,555	4,068,300	0.23%
4. Shares held by overseas investors	0	0.00%	0	0	0	200,000	200,000	200,000	0.01%
Including: Shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural persons	0	0.00%	0	0	0	200,000	200,000	200,000	0.01%
II. Shares without restriction	1,749,761,803	100.00%	0	0	0	-34,755	-34,755	1,749,727,048	99.76%
1. RMB ordinary shares	1,749,761,803	100.00%	0	0	0	-34,755	-34,755	1,749,727,048	99.76%
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	1,749,809,548	100.00%	0	0	0	4,185,800	4,185,800	1,753,995,348	100.00%

Reasons for the changes in share capital

√ Applicable □ N/A

During the reporting period, the Company completed election at expiration of office terms. Restricted conditions for shares held by the retired directors, supervisors and senior managers were removed. Some shares held by newly appointed directors, supervisors and senior managers were locked-up shares for senior managers of the Company which increased by 34,755 shares in total.

During the reporting period, the Company registered the first grant of the 2022 Restricted Share Incentive Scheme. The equity incentive restricted shares increased by 4,185,800 in total.

During the reporting period, the total number of shares soared by 4,185,800 in total. Among them, the number of shares subject to conditional restriction increased by 4,220,555 in total, while the number of shares without restriction decreased by 34,755 in total.

Approval for changes in share capital

√ Applicable □ N/A

The Company convened the 2nd session of the 10th Board of Directors and the 2nd session of the 10th Board of Supervisors on August 8, 2022, during which the *Proposal on the Company's 2022 Restricted Share Incentive Scheme (Draft) and Its Summary* was reviewed and approved. On August 31, 2022, the Company convened the 1st extraordinary general meeting in 2022. During the meeting, the *Proposal on the Company's 2022 Restricted Share Incentive Scheme (Draft) and Its Summary* was deliberated on and approved. Meanwhile, the incentive scheme was approved by the Company's 1st extraordinary general meeting in 2022, and the Board of Directors was authorized to implement the scheme and handle relevant matters according to laws and regulations. On October 27, 2022, the Company held the 4th session of the 10th Board of Directors and the 5th session of the 10th Board of Supervisors. During the sessions, the *Proposal on Granting Restricted Shares to the First Batch of Employees Receiving Incentive from the 2022 Restricted Share Incentive Scheme* was reviewed and approved. The first grant date was determined to be October 27, 2022. 113 eligible incentive receivers were granted 4,185,800 restricted shares at the grant price of RMB25.00/share. Please refer to the *Announcement on the Completion of the First Grant and Registration of the 2022 Restricted Share Incentive Scheme* (2022-075) disclosed by the Company on www.cninfo.com.cn for more details.

Transfer of shares

□ Applicable √ N/A

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

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	0	210,000	0	210,000	Equity incentive, locked-up shares for senior	Be unlocked according to relevant rules of

					managers	the Company's 2022 Restricted Share Incentive Scheme and the management of shares for senior managers
Lv Liang	0	200,000	0	200,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Zhu Li	22,500	150,000	0	172,500	Equity incentive, 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
Wu Hui	0	150,000	0	150,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Xu Junfang	0	150,000	0	150,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
LIU DONGZHOU JEFFERY	0	150,000	0	150,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Zhang Yun	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Yang Chu	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Shen Jianfang	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Qiu Renbo	0	100,000	0	100,000	Equity incentive	Be unlocked

						according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Chen Bo	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Zhou Zuhua	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Yu Xi	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Ma Honglan	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Li Xiaomu	0	100,000	0	100,000	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Other middle management and core technicians (business specialists)	0	2,335,800	0	2,335,800	Equity incentive	Be unlocked according to relevant rules of the Company's 2022 Restricted Share Incentive Scheme
Total	22,500	4,245,800	0	4,268,300	--	--

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

During the reporting period, the Company completed election at expiration of office terms. Restricted conditions for shares held by the retired directors, supervisors and senior managers were removed. Some shares held by newly appointed directors, supervisors and senior managers were locked-up shares for senior managers of the Company which increased by 34,755 shares in total.

During the reporting period, the Company registered the first grant of the 2022 Restricted Share Incentive Scheme. The equity incentive restricted shares increased by 4,185,800 in total.

During the reporting period, the total number of shares soared by 4,185,800 in total. Among them, the number of shares subject to conditional restriction increased by 4,220,555 in total, while the number of shares without restriction decreased by 34,755 in total.

3. Existent shares held by internal employees of the Company

□ Applicable √ N/A

III. Particulars about shareholders and the de facto controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	75,458	Total number of common shareholders at the end of the previous month before the disclosure of the annual report	72,114	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 over 5% or the Top 10 shareholders							
Name of Shareholder	Nature of shareholder	Shareholding ratio	Total shares held at the end of the reporting period	Changes in the reporting period	The number of common shares held with trading restrictions restricted shares held	The number of shares held without trading restriction	Pledged or frozen: Status / Quantity
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.67%	730,938,157	0	0	730,938,157	Pledged / 164,492,000
Hangzhou Huadong Medicine Group Co., Ltd.	State- owned corporation	16.42%	288,000,000	0	0	288,000,000	
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	3.19%	56,008,071	23,547,558	0	56,008,071	
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	Others	2.81%	49,316,241	45,604,092	0	49,316,241	
China	Domestic	1.26%	22,186,818	0	0	22,186,818	

Securities Finance Co.,	non-state-owned corporation							
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	Others	1.14%	20,000,078	10,000,028	0	20,000,078		
National Social Security Fund - Profile 0	Others	0.59%	10,380,842	10,380,842	0	10,380,842		
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Innovation Stock Investment Fund	Others	0.55%	9,577,584	9,577,584	0	9,577,584		
Norges Bank - equity funds	Overseas corporation	0.53%	9,371,128	6,594,899	0	9,371,128		
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	Others	0.40%	7,035,032	4,204,700	0	7,035,032		
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							

Shareholding of the 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,	730,938,157	RMB	730,938,157

Inc.		common shares	
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	RMB common shares	288,000,000
Hong Kong Securities Clearing Company Ltd.	56,008,071	RMB common shares	56,008,071
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	49,316,241	RMB common shares	49,316,241
China Securities Finance Co.,	22,186,818	RMB common shares	22,186,818
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	20,000,078	RMB common shares	20,000,078
National Social Security Fund - Profile 0	10,380,842	RMB common shares	10,380,842
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Innovation Stock Investment Fund	9,577,584	RMB common shares	9,577,584
Norges Bank - equity funds	9,371,128	RMB common shares	9,371,128
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	7,035,032	RMB common shares	7,035,032
Description for affiliated relationship or concerted action among the top 10 shareholders holding tradable stocks without trading restriction conditions and between the top 10 shareholders holding tradable stocks 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.		

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

□Yes √No

No such case 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

	in charge			
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

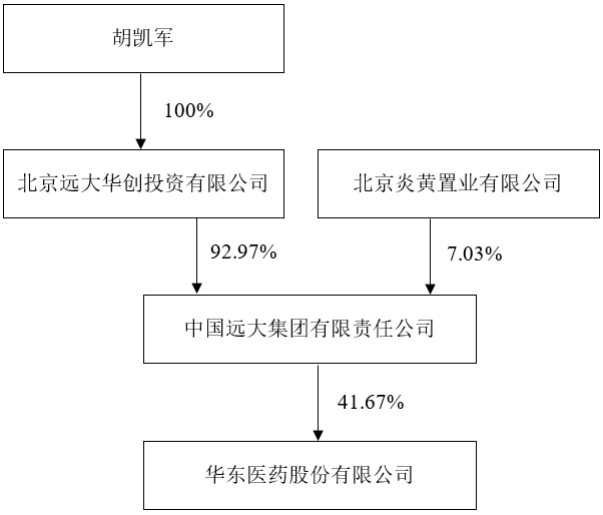
Name of de facto controller	Relationship with the de facto controller	Nationality	Whether the de facto controller has obtained the right of abode in another country or region
Hu Kaijun	Hu Kaijun	China	Yes
Main occupation and position	Chairman of the Board and General Manager of China Grand Enterprises, 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.

The ownership and controlling relationship between the de facto controller of the Company and the Company is detailed as follows:



胡凯军	Hu Kaijun
北京远大华创投资有限公司	Beijing Grand Huachuang Investment Co., Ltd.
北京炎黄置业有限公司	Beijing Yanhuang Real Estate Co., Ltd.
中国远大集团有限责任公司	China Grand Enterprises, Inc.

华东医药股份有限公司	Huadong Medicine Co., Ltd.

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

Legal representative/person in charge	Legal representative/person in charge	Date of establishment	Registered capital	Main business or management activities
Hangzhou Huadong Medicine Group Co., Ltd.	Ye Bo	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

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 12, 2023
Audit Institution Name	Pan-China Certified Public Accounts (Special General Partnership)
Audit Report Number	T. J. S. (2023) No. 2298
Certified Public Accounts Name	Wang Fukang and Chen Xiaodong

Audit Report

T. J. S. (2023) No. 2298

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, 2022, the consolidated and the parent company's income statements for the year 2022, 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, 2022, as well as the consolidated and the parent company's operating results and cash flows in 2022.

II. Basis opinion

We conducted our audit in accordance with the auditing standards for certified public accountants of China. Our responsibilities under these standards are further elaborated in the section "CPA's responsibility to audit the financial statements" of the auditor 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 (XXIV), V (II) 1 and XIV (I) to the financial statements.

The operating revenue of Huadong Medicine mainly comes from the production and sales of drugs. The operating revenue of Huadong Medicine in 2022 was RMB37,715,000,000.

The medicine sales business of Huadong Medicine is a performance obligation to be performed at a certain time. The recognition of revenue from domestic sales of products of Huadong Medicine shall meet the following conditions: the products have been delivered to the buyer according to the contract, and the amount of product sales revenue has been determined, the payment for goods has been recovered or the receipt certificate has been obtained, and the relevant economic benefits are likely to flow in, and the costs related to the products can be measured reliably. The recognition of revenue from overseas sales of products shall meet the following conditions: the products have been declared at the customs according to the contract, the bill of lading has been obtained, the amount of product sales revenue has been determined, the payment for goods has been recovered or the receipt certificate has been obtained, and the relevant economic benefits are likely to flow in, and the costs related to the products can be measured reliably.

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, checking the supporting documents related to revenue recognition by sampling, including sales contracts, orders, sales invoices, outbound delivery orders, shipping orders, shipping documents 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 with major customers by sampling;

(6) Carrying out a cut-off test for the operating revenue recognized before and after the balance sheet date, 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 (X) and V (I) 4 to the financial statements.

As of December 31, 2022, the book balance of accounts receivable of Huadong Medicine was RMB7,617 million, the bad debt reserve was RMB418 million, and the book value was RMB7,199 million.

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. For the accounts receivable with expected credit loss measured based on an individual item, the Management comprehensively considered the reasonable and reliable information about the past items, current conditions and future economic conditions, estimated the expected cash flow, and determined the bad debt reserve that should be accrued. For the accounts receivable with expected credit loss measured based on the combined items, the Management divided the accounts receivable based on age, made adjustments according to historical credit loss and prospective estimates, compiled a comparison table of accounts receivable ages and expected credit loss rates, and determined the bad debt reserve that should be accrued.

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) Reviewing the follow-up actual write-off or reversal of accounts receivable for which the bad debt reserve has been accrued in previous years, evaluating the accuracy of the Management's past forecasts;

(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, obtaining and checking the Management's forecast of the expected cash flow received, evaluating the rationality of the key assumptions used in the forecast and the accuracy of data, 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 comparison table of accounts receivable ages and expected credit loss rates determined by the Management based on historical credit loss experience

and prospective estimates; testing the accuracy and completeness of the Management's data (including the age of accounts receivable, historical loss rate, migration rate, etc.) and whether the calculation of bad debt reserve is accurate;

(6) Checking the subsequent collection of accounts receivable, and evaluating the reasonability of the Management's accrual of bad debt reserve for accounts receivable; 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 (V), III (XIX) and V (I) 18 to the financial statements.

As of December 31, 2022, the original book value of goodwill of Huadong Medicine was RMB2,446 million, the impairment reserve was RMB5 million, and the book value was RMB2,441 million.

When there is any sign of impairment in the asset group or asset portfolio related to goodwill, and at the end of each year, the Management shall conduct a goodwill impairment test. 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. The key assumptions used in the impairment test include: revenue growth rate in the detailed forecast period, growth rate in the perpetual forecast period, gross profit rate, related expenses and discount rate.

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) Reviewing the Management's forecast of the present value of future cash flows in previous years and actual operating results, and evaluating the accuracy of the Management's past forecasts;

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

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

(4) 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;

(5) 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;

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

(7) Based on the methods and assumptions used by the Management, estimating the present value range of future cash flows and evaluating whether it differs significantly from the range estimated by the Management; and

(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 due to fraud or error, and to issue an audit report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material when it is reasonably expected that misstatements, individually or collectively, may affect the economic decisions made by users based on the 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, we are required to draw the attention of users to relevant disclosures in the financial statements in our audit report; if such disclosures are inadequate, we should offer qualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor 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 Accounts (Special General Partnership) Chinese Certified Public Accountant: Wang Fukang

(Project partner)

Hangzhou, China Chinese Certified Public Accountant: Chen Xiaodong

April 12, 2023

II. Financial statements

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

1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

December 31,2022

Unit: RMB yuan

Item	December 31,2022	January 1, 2022
Current assets:		
Monetary funds	3,996,302,178.41	4,032,424,555.22
Settlement reserve		
Lending to other banks and other financial institutions		
Financial assets for trade		
Derivative financial assets	29,907,470.68	
Notes receivable	8,424,980.99	
Accounts receivable	7,198,746,788.59	6,430,482,175.97
Accounts receivable for financing	1,002,511,208.21	509,190,888.54
Prepayments	500,083,953.14	275,353,134.69
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	283,710,955.63	223,707,267.30
Including: Interests receivable		
Dividends receivable	223,747.65	877,734.45
Financial assets purchased for resale		
Inventories	4,495,483,328.54	3,974,549,648.96
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	52,692,618.78	40,907,922.76
Total current assets	17,567,863,482.97	15,486,615,593.44
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	1,659,076,538.78	984,927,398.68
Other equity instrument investments	360,910,876.41	257,815,844.68
Other non-current financial assets		
Real estate properties for investment	13,648,240.14	14,569,533.94
Fixed assets	3,981,653,265.52	3,077,227,759.84
Constructions in progress	873,159,427.47	1,582,125,201.25
Biological assets for production		
Oil & gas assets		
Right-of-use assets	166,505,297.17	153,724,197.81
Intangible assets	2,280,064,207.30	2,233,450,369.34
Development expenditures	641,354,586.80	
Goodwill	2,441,387,413.59	2,138,808,037.01
Long-term unamortized expenses	16,457,278.57	12,425,364.03
Deferred tax assets	152,842,858.97	143,651,186.84
Other non-current assets	1,037,279,933.15	911,062,879.83
Total non-current assets	13,624,339,923.87	11,509,787,773.25
Total assets	31,192,203,406.84	26,996,403,366.69

Current liabilities:		
Short-term borrowing	947,516,383.37	1,237,843,228.13
Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade	14,841,896.97	
Derivative financial liabilities		
Notes payable	1,029,409,686.81	671,964,504.00
Accounts payable	4,873,029,466.44	3,847,719,574.86
Receipts in advance	1,154,243.42	1,147,425.45
Contract liabilities	146,488,489.07	118,341,141.48
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		
Payroll payable	256,883,423.68	168,210,088.82
Taxes payable	429,457,804.81	1,029,610,563.41
Other payables	2,290,407,022.05	1,935,116,784.93
Including: Interests payable		
Dividends payable	14,924,219.60	2,184,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	147,835,514.81	244,256,705.59
Other current liabilities	15,788,164.30	11,386,267.11
Total current liabilities	10,152,812,095.73	9,265,596,283.78
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowing	1,051,457,747.44	139,178,905.04
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	84,610,324.98	80,889,403.39
Long-term payables	287,497,209.49	261,903,489.09
Long-term employee remuneration payable		
Provision	37,925,549.41	39,086,238.25
Deferred income	126,123,512.71	83,521,649.96
Deferred tax liabilities	202,084,083.93	184,908,391.50
Other non-current liabilities	73,251,500.00	
Total non-current liabilities	1,862,949,927.96	789,488,077.23
Total liabilities	12,015,762,023.69	10,055,084,361.01
Owners' Equity:		
Share capital	1,753,995,348.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,377,887,246.39	2,229,868,312.11
Less: Treasury shares	104,645,000.00	
Other comprehensive income	-88,552,636.42	-47,768,225.80
Special reserve		
Surplus reserve	1,151,213,039.48	1,021,670,687.31
General risk reserve		
Undistributed profit	13,488,021,239.94	11,625,794,001.46

Total owners' equity attributable to owner of the Company	18,577,919,237.39	16,579,374,323.08
Minority interest	598,522,145.76	361,944,682.60
Total owners' equity	19,176,441,383.15	16,941,319,005.68
Total liabilities & owners' equity	31,192,203,406.84	26,996,403,366.69

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: RMB yuan

Item	December 31,2022	January 1, 2022
Current assets:		
Monetary funds	2,486,399,844.96	2,280,519,812.31
Financial assets for trade		
Derivative financial assets		
Notes receivable	8,424,980.99	
Accounts receivable	4,224,944,294.54	3,369,254,003.85
Accounts receivable for financing	157,097,728.09	196,523,246.00
Prepayments	271,448,367.52	140,828,160.14
Other receivables	1,065,267,397.05	986,757,703.19
Including: Interests receivable		
Dividends receivable		
Inventories	2,391,038,707.33	1,946,036,027.82
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets		20,289.53
Total current assets	10,604,621,320.48	8,919,939,242.84
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	5,473,824,934.24	5,079,071,023.37
Other equity instrument investments	10,100,870.56	10,100,870.56
Other non-current financial assets		
Real estate properties for investment	7,193,111.26	7,659,343.90
Fixed assets	144,023,222.94	160,678,584.54
Constructions in progress	824,024.88	211,760.72
Biological assets for production		
Oil & gas assets		
Right-of-use assets	3,631,025.07	11,020,708.66
Intangible assets	188,198,218.40	218,720,898.11
Development expenditures		
Goodwill		
Long-term unamortized expenses	77,379.81	321,067.34
Deferred tax assets	49,729,544.62	47,289,929.98
Other non-current assets	346,564,596.26	406,493,149.98
Total non-current assets	6,224,166,928.04	5,941,567,337.16
Total assets	16,828,788,248.52	14,861,506,580.00
Current liabilities:		
Short-term borrowing	431,081,029.52	630,446,420.72
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	629,281,486.95	311,085,944.14
Accounts payable	3,373,959,848.93	2,416,471,973.20
Receipts in advance		

Contract liabilities	46,097,912.05	19,690,922.48
Employee remuneration payable	10,063,669.60	9,353,991.58
Taxes payable	86,458,570.85	176,633,138.73
Other payables	949,611,806.93	877,397,177.28
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Liabilities held for sale		
Non-current liabilities due within one year	33,427,007.32	5,939,175.02
Other current liabilities	5,830,680.38	2,494,822.02
Total current liabilities	5,565,812,012.53	4,449,513,565.17
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	59,030.94	2,701,526.22
Long-term payables		
Long-term employee remuneration payable		
Provision		
Deferred income	35,567,161.11	38,133,036.03
Deferred tax liabilities		12,511,476.38
Other non-current liabilities	73,251,500.00	
Total non-current liabilities	108,877,692.05	53,346,038.63
Total liabilities	5,674,689,704.58	4,502,859,603.80
Owners' Equity:		
Share capital	1,753,995,348.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,276,383,543.02	2,168,451,528.01
Less: Treasury shares	104,645,000.00	
Other comprehensive income	-129,129.44	-129,129.44
Special reserve		
Surplus reserve	1,229,068,798.92	1,099,526,446.75
Undistributed profit	5,999,424,983.44	5,340,988,582.88
Total owners' equity	11,154,098,543.94	10,358,646,976.20
Total liabilities & owners' equity	16,828,788,248.52	14,861,506,580.00

3. Consolidated income statement

Unit: RMB yuan

Item	2022	2021
I. Total operating revenue	37,714,587,458.01	34,563,301,233.67
Including: Operating revenue	37,714,587,458.01	34,563,301,233.67
Interests income		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	34,568,570,175.18	31,727,336,299.43
Including: Operating cost	25,682,497,011.55	23,957,370,728.98
Interests paid		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		

Reinsurance expenses		
Business taxes and surcharges	208,324,645.61	177,253,313.55
Sales expenses	6,334,738,928.05	5,424,051,895.28
Administrative expenses	1,248,781,970.63	1,166,941,288.41
R&D expenses	1,015,971,052.33	979,644,017.93
Financial expenses	78,256,567.01	22,075,055.28
Including: Interests expenses	127,654,612.93	88,587,220.57
Interests income	103,350,838.03	80,402,140.26
Add: Other income	92,781,468.16	174,690,581.52
Investment income (Losses are indicated by “-”)	-141,560,034.56	-96,311,975.25
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	-115,619,080.98	-53,433,345.46
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 “-”)	28,469,286.61	
Credit impairment losses (Losses are indicated by “-”)	-68,689,699.09	-41,689,977.06
Impairment gains (losses) of assets (Losses are indicated by “-”)	-3,821,625.15	-16,908,408.55
Asset disposal income (Losses are indicated by “-”)	8,257,595.43	-31,626.51
III. Operating profit (Losses are indicated by “-”)	3,061,454,274.23	2,855,713,528.39
Add: Non-operating revenue	7,608,417.78	2,682,255.28
Less: Non-operating expenses	37,938,443.03	30,860,834.95
IV. Total profit (Total losses are indicated by “-”)	3,031,124,248.98	2,827,534,948.72
Less: Income tax expenses	498,498,547.62	488,907,390.69
V. Net profit (Net losses are indicated by “-”)	2,532,625,701.36	2,338,627,558.03
(I) Classification by business continuity		
1. Net profit from continuing operations (Net losses are indicated by “-”)	2,532,625,701.36	2,338,627,558.03
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	2,499,214,359.57	2,301,631,347.64
2. Profit or loss attributable to minority shareholders	33,411,341.79	36,996,210.39
VI. Other comprehensive income, net of income tax	-40,784,410.62	-24,076,315.61
Other comprehensive income attributable to owners of the parent company, net of tax	-40,784,410.62	-24,076,315.61
(I) Other comprehensive income that cannot be reclassified into gains/losses	-6,804,247.45	20,549,224.62
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	-6,804,247.45	20,549,224.62
4. Changes in fair value of credit risk of the enterprise		

5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-33,980,163.17	-44,625,540.23
1. Other comprehensive income that can be reclassified into gains/losses under equity method	-19,404.48	13,371.08
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	-19,118,861.72	-44,638,911.31
7. Others	-14,841,896.97	
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,491,841,290.74	2,314,551,242.42
Total comprehensive income attributable to owners of the parent company	2,458,429,948.95	2,277,555,032.03
Total comprehensive income attributable to minority shareholders	33,411,341.79	36,996,210.39
VIII. Earnings per share (EPS):		
(I) Basic EPS	1.4283	1.3154
(II) Diluted EPS	1.4283	1.3154

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

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: RMB yuan

Item	2022	2021
I. Total operating revenue	20,630,904,717.76	18,244,390,942.29
Less: Total operating cost	19,368,401,281.90	17,251,703,368.39
Business taxes and surcharges	36,661,029.40	21,076,198.14
Sales expenses	601,932,806.60	377,727,331.87
Administrative expenses	211,999,885.94	179,218,304.43
R&D expenses		
Financial expenses	-14,538,929.98	8,473,695.73
Including: Interests expenses	45,824,339.68	54,072,019.26
Interests income	77,307,324.10	58,998,380.29
Add: Other income	16,694,280.62	11,127,440.65
Investment income (Losses are indicated by “-”)	1,067,326,046.80	1,047,838,931.11
Including: Investment gains (losses) in associated enterprise and joint-venture enterprise	981,095.77	-3,572,410.52
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 “-”)	-94,827,679.48	-37,258,383.02
Impairment gains (losses) of assets		-2,923,308.83

(Losses are indicated by "-")		
Asset disposal income (Losses are indicated by "-")	8,065,244.06	10,369.02
II. Operating profit (Losses are indicated by "-")	1,423,706,535.90	1,424,987,092.66
Add: Non-operating revenue	872,151.83	4,529.76
Less: Non-operating expenses	7,145,666.36	5,472,564.05
III. Total profit (Total losses are indicated by "-")	1,417,433,021.37	1,419,519,058.37
Less: Income tax expenses	122,009,499.72	120,747,280.50
IV. Net profit (Net losses are indicated by "-")	1,295,423,521.65	1,298,771,777.87
(I) Net profit from continuous operations (Net losses are indicated by "-")	1,295,423,521.65	1,298,771,777.87
(II) Net profit from discontinued operations (Net losses are indicated by "-")		
V. Other comprehensive income, net of income tax		65.17
(I) Other comprehensive income that cannot be reclassified into gains/losses		65.17
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		65.17
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	1,295,423,521.65	1,298,771,843.04
VII. Earnings per share (EPS)		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated cash flow statement

Unit: RMB yuan

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from the sale of goods and the rendering of services	39,950,662,882.10	37,705,732,220.73
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	47,556,552.81	56,001,263.57
Other cash receipts in relation to operating activities	639,498,854.94	534,883,574.95
Cash inflows from operating activities	40,637,718,289.85	38,296,617,059.25
Cash payments for goods purchased and services received	26,418,181,602.79	25,581,019,339.56
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 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	3,126,251,201.80	2,642,677,316.23
Payments of various types of taxes	3,065,133,366.96	1,595,252,332.08
Other cash payments in relation to operating activities	5,646,299,449.70	5,307,910,203.43
Cash outflows for operating activities	38,255,865,621.25	35,126,859,191.30
Net cash flow from operating activities	2,381,852,668.60	3,169,757,867.95
II. Cash flows from investing activities		
Cash receipts from recovery of investments		92,381,381.75
Cash receipts from investment income	100,327,200.00	43,721,334.71
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	15,434,935.53	79,161,948.94
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	5,876,507.64	36,521,193.82
Cash inflows from investing activities	121,638,643.17	251,785,859.22
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	1,193,238,725.97	819,095,124.00
Cash payments for investment	848,909,498.16	246,401,722.50
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	411,908,915.12	791,857,512.24
Other cash payments in relation to investing activities	103,179,093.50	381,114,144.63
Cash outflows for investing activities	2,557,236,232.75	2,238,468,503.37
Net cash flow from investing activities	-2,435,597,589.58	-1,986,682,644.15
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	174,645,000.00	5,000,000.00
Including: Cash receipts from capital	70,000,000.00	5,000,000.00

contributions from minority owners of subsidiaries		
Cash receipts from borrowing	4,689,802,455.69	2,110,032,213.34
Other cash receipts in relation to financing activities	284,920,943.37	149,316,666.67
Cash inflows from financing activities	5,149,368,399.06	2,264,348,880.01
Cash repayments of borrowings	4,290,690,528.23	2,296,363,034.67
Cash payments for distribution of dividends or profits or settlement of interest expenses	578,859,909.67	463,028,834.38
Including: Dividends and profits paid by subsidiaries to minority shareholders	2,366,353.48	2,920,000.00
Other cash payments in relation to financing activities	379,528,334.29	272,410,313.45
Cash outflows for financing activities	5,249,078,772.19	3,031,802,182.50
Net cash flow from financing activities	-99,710,373.13	-767,453,302.49
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	-9,774,641.73	7,111,643.60
V. Net increase in cash and cash equivalents	-163,229,935.84	422,733,564.91
Add: Opening balance of cash and cash equivalents	3,580,140,638.17	3,157,407,073.26
VI. Closing balance of cash and cash equivalents	3,416,910,702.33	3,580,140,638.17

6. Cash flow statement of the parent company

Unit: RMB yuan

Item	2022	2021
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	21,148,206,043.93	19,578,902,300.31
Receipts of tax refund		2,136,711.19
Other cash receipts in relation to operating activities	238,589,265.58	194,135,943.58
Cash inflows from operating activities	21,386,795,309.51	19,775,174,955.08
Cash payments for goods purchased and services received	19,990,439,841.50	18,617,179,307.59
Cash payments to and on behalf of employees	267,942,450.21	251,434,357.34
Payments of various types of taxes	510,694,836.67	268,426,804.41
Other cash payments in relation to operating activities	637,104,187.46	320,447,047.23
Cash outflows for operating activities	21,406,181,315.84	19,457,487,516.57
Net cash flow from operating activities	-19,386,006.33	317,687,438.51
II. Cash flows from investing activities		
Cash receipts from recovery of investments		81,031,431.20
Cash receipts from investment income	1,097,509,530.22	1,028,872,757.80
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	13,460,544.24	423,127.11
Net cash from disposal of subsidiaries and other business units	50,059,838.75	
Other cash receipts in relation to investing activities	830,315,580.61	608,901,831.03
Cash inflows from investing activities	1,991,345,493.82	1,719,229,147.14
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	56,266,286.12	96,179,759.09
Cash payments for investment	443,169,200.00	238,516,032.77
Net cash paid for acquisition of subsidiaries and other business units		

Other cash payments in relation to investing activities	988,641,844.00	979,989,850.00
Cash outflows for investing activities	1,488,077,330.12	1,314,685,641.86
Net cash flow from investing activities	503,268,163.70	404,543,505.28
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	104,645,000.00	
Cash receipts from borrowing	2,754,131,709.35	960,000,000.00
Other cash receipts in relation to financing activities	2,932,396,166.67	3,883,416,666.67
Cash inflows from financing activities	5,791,172,876.02	4,843,416,666.67
Cash repayments of borrowings	2,953,130,999.69	1,389,996,025.48
Cash payments for distribution of dividends or profits or settlement of interest expenses	525,613,233.72	423,529,087.27
Other cash payments in relation to financing activities	2,685,609,711.52	3,722,279,458.85
Cash outflows for financing activities	6,164,353,944.93	5,535,804,571.60
Net cash flow from financing activities	-373,181,068.91	-692,387,904.93
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		
V. Net increase in cash and cash equivalents	110,701,088.46	29,843,038.86
Add: Opening balance of cash and cash equivalents	1,919,097,181.16	1,889,254,142.30
VI. Closing balance of cash and cash equivalents	2,029,798,269.62	1,919,097,181.16

7. Consolidated statement of changes in owners' equity

Amount in the current period

Unit: RMB yuan

Item	2022														
	Owners' equity attributable to the parent company													Minority interest	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Total		
		Preferred shares	Perpetual bonds	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															
Error correction in the prior periods															
Merger of enterprises under the same control															
Others															
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 current period (Decreases are indicated by "-")	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
(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
(II) 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
(III) 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. Withdrawal 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. 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 other comprehensive income															
6. Others															
(V) 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

Amount in the prior period

Unit: RMB yuan

Item	2021														
	Owners' equity attributable to the parent company													Minority interest	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Total		
		Preferred shares	Perpetual bonds	Others											
I. Balance at the end of the period of the prior year	1,749,809,548.00				2,158,080,661.07		-2,191,069.45		861,680,578.42		9,852,441,590.56		14,619,821,308.60	559,590,204.87	15,179,411,513.47
Add: Changes in accounting policies															
Error correction in the prior periods															
Merger of enterprises under the same control															
Others															
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,158,080,661.07		-2,191,069.45		861,680,578.42		9,852,441,590.56		14,619,821,308.60	559,590,204.87	15,179,411,513.47
III. Amount of change in the current period (Decreases are indicated by "-")					71,787,651.04		-45,577,156.35		159,990,108.89		1,773,352,410.90		1,959,553,014.48	-197,645,522.27	1,761,907,492.21

(I) Total comprehensive income							-24,076,315.61				2,301,631,347.64		2,277,555,032.03	36,996,210.39	2,314,551,242.42
(II) Capital contributed by owners and capital decreases														5,000,000.00	5,000,000.00
1. Common shares invested by owners														5,000,000.00	5,000,000.00
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in owners' equity															
4. Others															
(III) Profit distribution									129,877,177.79		-532,333,373.83		-402,456,196.04	-4,880,000.00	-407,336,196.04
1. Withdrawal of surplus reserve									129,877,177.79		-129,877,177.79				
2. Withdrawal of general risk reserve															
3. Distribution to owners (or shareholders)											-402,456,196.04		-402,456,196.04	-4,880,000.00	-407,336,196.04
4. Others															
(IV) Internal conversion of owners' equity							-21,500,840.74		28,846,278.36		-7,345,437.62				
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							-21,500,840.74		318,050.59		21,182,790.15				
6. Others									28,528,227.77		-28,528,227.77				
(V) Special reserve															
1. Withdrawal in the current period															
2. Use in the current period															
(VI) Others					71,787,651.04				1,266,652.74		11,399,874.71		84,454,178.49	-234,761,732.66	-150,307,554.17
IV. Balance at the end of the current period	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

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

Amount in the current period

Unit: RMB yuan

Item	2022											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preferred shares	Perpetual bonds	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												
Error correction in the prior periods												
Others												
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 holders 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

Amount in the prior period

Unit: RMB yuan

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Balance at the end of the period of the prior year	1,749,809,548.00				2,168,451,528.01		3,051,311.29		939,536,337.86	4,303,533,798.88		9,164,382,524.04
Add: Changes in accounting policies												
Error correction in the prior periods												
Others												
II. Balance at the beginning of the period of the current year	1,749,809,548.00				2,168,451,528.01		3,051,311.29		939,536,337.86	4,303,533,798.88		9,164,382,524.04
III. Amount of change in the current period (Decreases are indicated by "-")							-3,180,440.73		159,990,108.89	1,037,454,784.00		1,194,264,452.16
(I) Total comprehensive income							65.17			1,298,771,777.87		1,298,771,843.04
(II) Capital contributed by owners and capital decreases												
1. Common shares invested by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others												
(III) Profit distribution									129,877,177.79	-532,333,373.83		-402,456,196.04
1. Withdrawal of surplus reserve									129,877,177.79	-129,877,177.79		
2. Distribution										-402,456,196.04		-402,456,196.04

to owners (or shareholders)												
3. Others												
(IV) Internal conversion of owners' equity							-3,180,505.90		28,846,278.36	-25,665,772.46		
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							-3,180,505.90		318,050.59	2,862,455.31		
6. Others									28,528,227.77	-28,528,227.77		
(V) Special reserve												
1. Withdrawal in the current period												
2. Use in the current period												
(VI) Others									1,266,652.74	296,682,152.42		297,948,805.16
IV. Balance at the end of the current period	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

Huadong Medicine Co., Ltd.

Chairman of the Board: Lv Liang

April 14, 2023