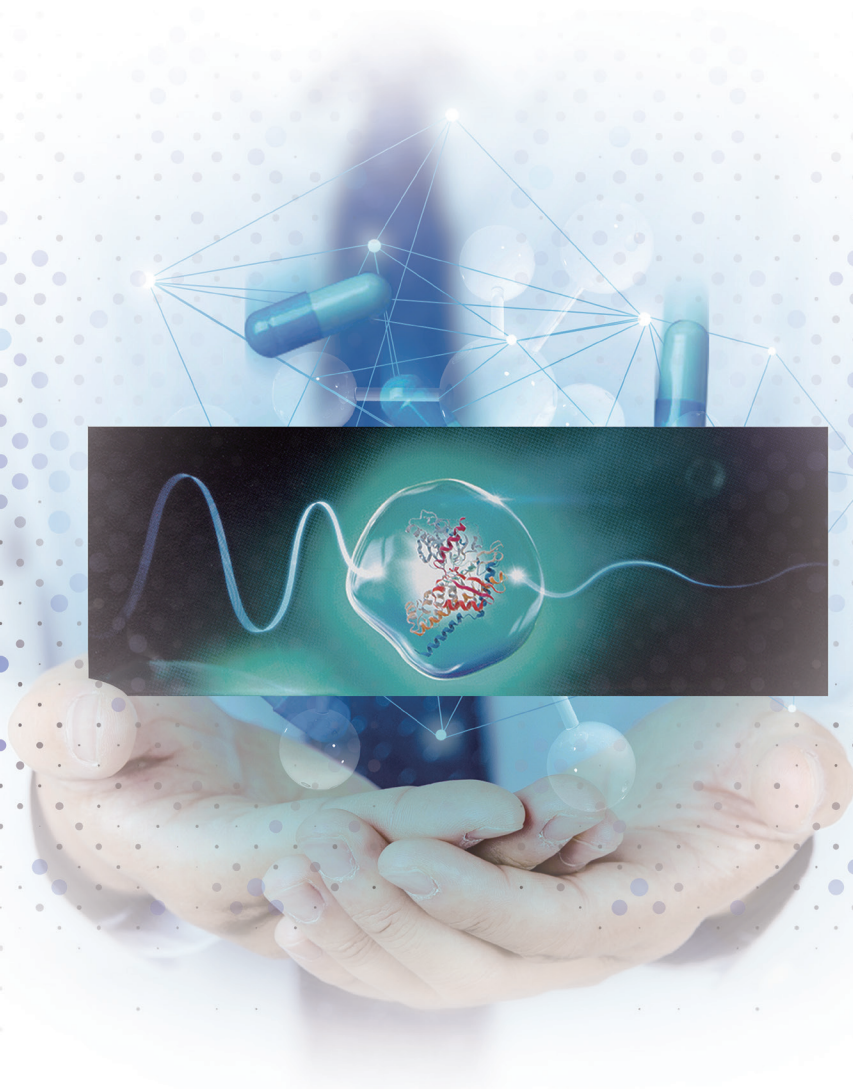




Hua Medicine 華領醫藥

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2552



Environmental, Social and Governance Report 2022

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ABOUT THE REPORT

Hua Medicine (the “Company” or “We”) hereby presents the Environmental, Social and Governance report to the public for the year 2022. This report aims to disclose the environmental, social and governance (“ESG”) practices of the Company and its subsidiaries for the year 2022.

Compilation Reference

This report is prepared in compliance with *Environmental, Social and Governance Reporting Guide* set out in Appendix 27 to the *Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“HKEX”).

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

Report Scope

The policies, data and cases disclosed in this report cover the Company and its subsidiaries, namely Hua Medicine (Shanghai) Ltd., its branches, and its wholly-owned subsidiary, Shanghai Hua Medicine Biotechnology Ltd. The Company acquired Nanjing AscendRare Pharmaceutical Technology Co., Ltd in December 2022. Since the scale of the subsidiary in Nanjing is small and has low impact on the whole reporting period, it is not included in the scope of disclosure.

The reporting period of this report is from January 1st, 2022 to December 31st, 2022.

Reporting Principles

This report follows the following principles as required by Appendix 27 of the HKEX Listing Rules:

- ✓ **Materiality:** The Company identifies important ESG issues through a materiality assessment with the involvement of stakeholders and performs disclosure accordingly.
- ✓ **Quantitative:** The quantitative indicators in this report are accompanied by corresponding measurement caliber and methodology used.
- ✓ **Balance:** The information and data disclosed in this report are summarized based on the actual situation of the Company, without selective misstatement or omission.
- ✓ **Consistency:** Unless otherwise stated, the disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time.

Report Availability

The report is available in an electronic version which can be viewed on the websites of the Company (<https://www.huamedicine.com>) and HKEX (www.hkexnews.hk).

The report is prepared in both traditional Chinese and English. In the event of discrepancy between the two versions, the English version shall prevail.

ABOUT US

Message from CEO

With the continuous deepening of China's medical reform and the structural adjustment of the biopharmaceutical industry, the development of biopharmaceutical industry had boomed in year 2022. Hua Medicine kept up with the industry trend, gradually penetrated the concept of sustainable development, and maintained the high standard of governance and highly quality of talent development. We took practicing de-carbon, creating better life, building a better home as important concept in our daily operations, continuously driving corporate innovation and creating value. Hua Medicine ESG report is aimed at disclosing our effort and achievements in fulfilling the ESG responsibility in 2022, as well as making a commitment of future development in the ESG-related areas.

During the year, we continuously strengthened our ESG governance. Since Environment, Health and Safety (EHS) department was established in 2021, which is responsible for the overall management of environment, health, and safety, we have achieved key milestones including the development of EHS-related policies, safety risk classification and control, occupational health management procedures, as well as EHS-related trainings. Moreover, we set and regularly reviewed our sustainable development goals and integrated the concepts of ecological care, employee care and responsible operation into our strategic decisions and daily operations. In terms of environmental responsibility, we further improved and optimized our internal and external environmental contingency plans, pollution control and emission reduction measures to achieve green and low-carbon development. We also started to monitor climate risks to better manage their potential impacts. In terms of social responsibility, we have continuously implemented a people-oriented employment philosophy, set up a fair and reasonable talent recruitment/compensation/performance management system, launched a variety of training courses, implemented several employee care initiatives, laid more emphasis on the occupational safety and health of employees, and enhanced the sense of belonging while improving the professionalism of talents. In terms of product responsibility, we always adhere to "High Standards, High Quality and High Value" in the process of drug development and manufacturing, uphold the principle of "Effective Medicine" in the process of product sales and promotion, gradually increase product accessibility, and improve product complaint and recall mechanism to better benefit diabetes patients.



Dr. Li Chen, Founder,
CEO of Hua Medicine

In 2022, Hua Medicine achieved significant milestones in both commercialization and research and development (“R&D”). In terms of R&D, in May 2022, two peer-reviewed papers on the Phase III clinical trial results of normalization, a glucokinase activator (GKA) and first-in-class investigational drug of the Company for the treatment of diabetes, were published online simultaneously by Nature Medicine, an international top medical journal. In June 2022, Hua Medicine announced that dorzagliatin can significantly improve early phase insulin secretion and glucose sensitivity of patients with Type 2 diabetes (i.e., diabetes kidney disease), at the 82nd American Diabetes Association (ADA) Annual Scientific Sessions. In terms of commercialization, in February 2022, Hua Medicine signed a supply agreement with WuXi STA for the commercial manufacturing of dorzagliatin. In September 2022, New Drug Application of HuaTangNing (华堂宁®) (dorzagliatin tablets, HMS5552), a first-in-class glucokinase activator (GKA) developed by the Company has been approved by the National Medical Products Administration (NMPA) of China, and achieved the First Prescription Sale in October, gradually improving product accessibility. In December 2022, ATC code (A10BX18) of Dorzagliatin, our first-in-class glucokinase activator has been formally published as final in WHO Collaborating Center (WHOCC) for Drug Statistics Methodology official website by the World Health Organization (WHO). HuaTangNing (华堂宁®) will be known to more healthcare professionals, drug researchers and healthcare policy makers around the world, which will be beneficial for statistics and research.

With the launch, production and sales of HuaTangNing (华堂宁®), our relationship with upstream and downstream business partners has gradually deepened. Against this background, we understand that “collaborating with upstream and downstream business partners to build a green and transparent business environment” and “safeguarding product quality and protecting consumer rights” will have an increasingly significant impact on Hua Medicine’s ESG journey. Therefore, adhering to the principle of “Cooperation and Win-win”, we further established and improved the management process of business partners, strengthened the process design of supplier inspection, access, review and transaction risk control to fully implement the core values of “Honesty and Credibility”. Furthermore, we improved our internal product quality management through quality control matrix, compliance training and optimized product recall and handling procedures of consumer complaint to control product quality and safety more comprehensively, reach and serve consumers more smoothly, and strive to implement the mission of “Effective Medicine”.

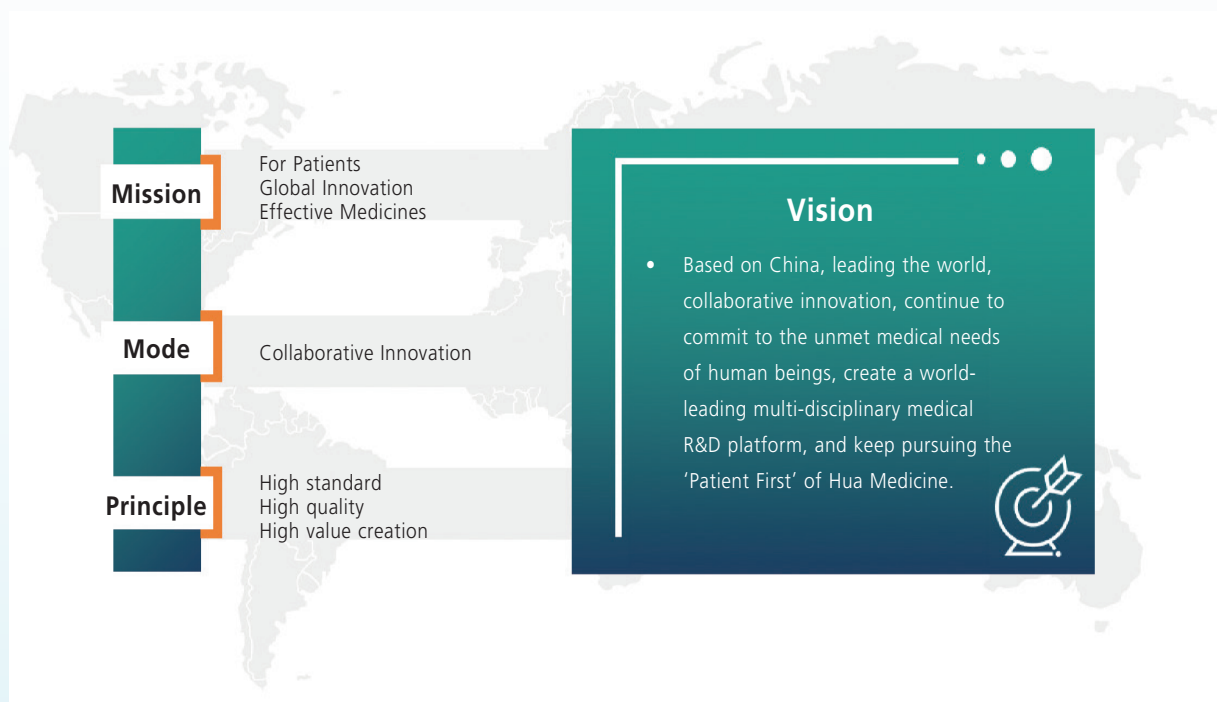
Looking forward to the future, Hua Medicine will further accelerate the progress of commercialization and marketing of HuaTangNing (华堂宁®). Meanwhile, we will further strengthen and improve product quality and safety management, product recall, complaint and emergency response, consumer rights protection and other control mechanisms, to escort and ensure the promotion of HuaTangNing (华堂宁®). Also, we will stick to our original intention and continue to benefit hundreds of millions of diabetic patients and their families around the world.

Business Overview

Hua Medicine is an innovative drug development and commercialization company based in Shanghai, focusing on developing novel therapies for patients worldwide with unmet medical needs. Based on global resources, Hua Medicine teams up with global high-caliber people to develop breakthrough technologies and products, which contribute a global innovation in diabetes care.

The Hua Medicine's cornerstone product, HuaTangNing (华堂宁®) (Dorzagliatin Tablets, HMS5552), targeting the glucose sensor, glucokinase, restores glucose sensitivity in Type 2 diabetes (T2D) patients and stabilizes the imbalance of blood glucose levels in patients. It has been approved by the National Medical Products Administration (NMPA) of China on September 30th, 2022. It can be used alone or in combination with metformin hydrochloride-tolerated T2D patients. For those patients with chronic kidney disease (CKD) and Type 2 diabetes (i.e., diabetes kidney disease), no dose adjustment is required. Hua Medicine will partner with Bayer, a leading global pharmaceutical company, to commercialize HuaTangNing(华堂宁®) in China, benefiting diabetic patients and their families.

With the mission of "For patients, Global innovation, Effective medicines", we have created the operation mode of "Collaborative Innovation". We always adhere to the management principle of "High standard, High quality, High value creation", strive to create a world-leading multi-disciplinary medical R&D platform and keep pursuing the "Patient First" of Hua Medicine.



Innovative R&D

Innovation Pipeline

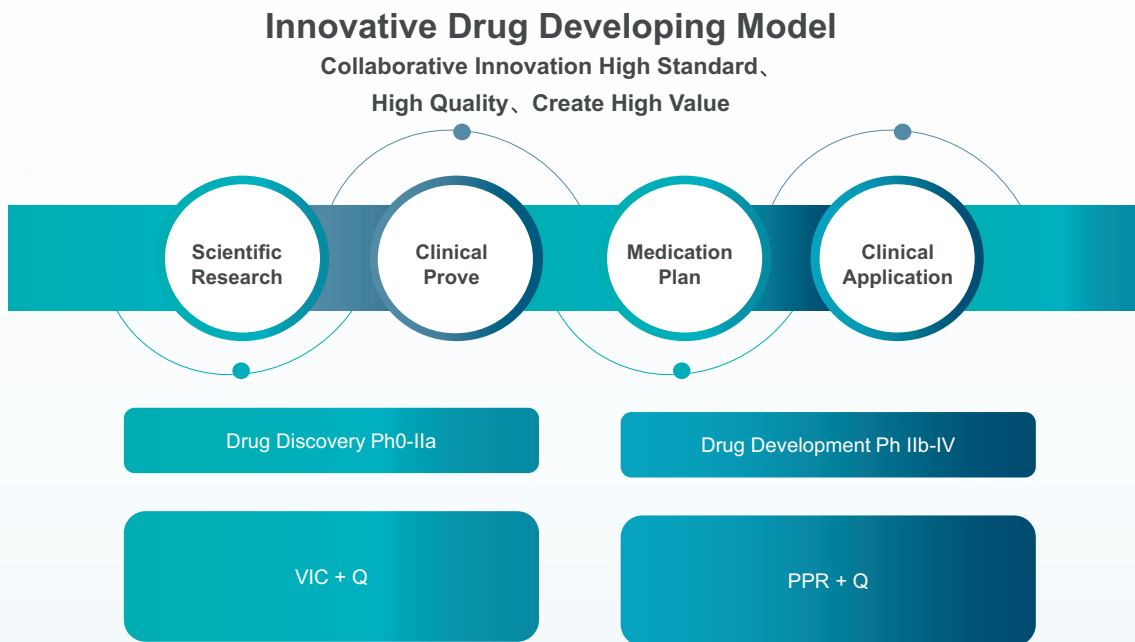
Our fixed dose combinations (FDCs) consist principally of three different new chemical entities, each comprised of dorzagliatin combination with: i) metformin; ii) sitagliptin (DPP-IV inhibitor); and iii) empagliflozin (SGLT-2 inhibitor). The compounds are IND-ready, and able to enter Phase I trials in China and/or the United States immediately thereafter, subject to securing requisite funding through financial or strategic partners. These opportunities would be to leverage the existing and extensive clinical data of the aforementioned compounds in loose dose format and for the treatment of Type 2 diabetes. The Company has filed patent applications for each of these product candidates, as well as for fixed dose combinations of dorzagliatin with each of the following three approved oral anti-diabetic drug classes: i) α -glucosidase inhibitor; ii) PPAR γ agonists; and iii) sulfonylureas. These latter three opportunities are in even earlier stage of development than FDCs involving metformin, sitagliptin and empagliflozin.

Our next generation GKA candidates are in preclinical studies, and we are targeting IND filing in the United States within the next 12 months. The next generation GKA candidates are effectively prodrugs of dorzagliatin, with the potential added benefit of once daily administration, lower manufacturing costs, and longer patent life. The next generation GKA opportunity would target metabolic diseases, including, but not limited to, Type 2 diabetes.

Our glucokinase candidate targeting congenital hyperinsulinism, a negative allosteric modulator (NAM) of glucokinase, is in preclinical studies, and we are targeting development in the United States and/or China in the future. We currently have good AI-based lead discovery results, and the program is currently in lead optimization stage. -Congenital hyperinsulinism (cHI) is categorized as a rare disease both in the United States and in China, and the development of drug candidates for cHI is expected to proceed through accelerated approval pathways in both countries.

Innovative R&D Model

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



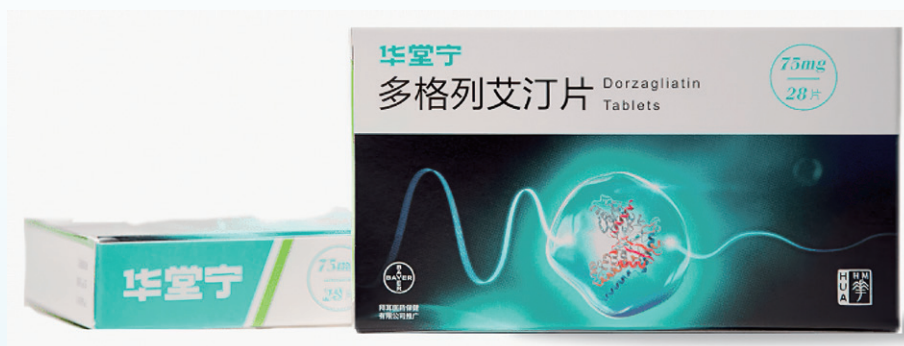
- VIC: VC (Venture Capital) +IP (Intellectual Patent) + CRO (Clinical Research Organization)
- PPR: Policy + Practice + Regulation
- Q: Quality

Core Product

The New Drug Application (NDA) of Hua Medicine's HuaTangNing(华堂宁®) (Dorzagliatin Tablets, HMS5552), has been approved by the National Medical Products Administration (NMPA) of China on September 30th, 2022. Dorzagliatin is an ectopic allosteric glucokinase (GK) full activator, which acts on glucokinase targets in pancreatic islets, intestinal endocrine cells, liver and other glucose storage and output organs, and improves impaired glucose-stimulated insulin secretion and GLP-1 secretion in Type 2 Diabetes (T2D) patients, and thus improves β -cell function and reduces insulin resistance. Thereby it improves blood glucose homeostasis in patients with Type 2 diabetes (i.e., diabetes kidney disease) and has a mechanism of restoring the physiological regulation of blood glucose homeostasis.

Clinical trials have shown that HuaTangNing (华堂宁®) can restore blood glucose homeostasis of T2D patients by repairing the impaired glucokinase to repair glucose sensor function. After the SEED study, Hua Medicine continued to explore the potential of dorzagliatin in diabetes remission, the subjects had a 52-week glucose remission rate of 65.2% during the research period.

As glucose sensor, glucokinase plays a central role in the regulation of glucose homeostasis in human. Impaired glucokinase function leads to glucose sensing defect, resulting in abnormal increase in blood glucose levels, disruption of glucose homeostasis and lipid metabolism, leading to diabetes, metabolic syndrome as well as a series of diabetic complications. As a novel allosteric GK activator, dorzagliatin has demonstrated the potential to repair the defective glucokinase function and restore glucose homeostasis. Dorzagliatin holds the potential to become transformative, especially in the management of Type 2 diabetes (i.e., diabetes kidney disease) and diabetic complications which effectively controls the occurrence and development of diabetes and its complications.



Awards & Recognitions in 2022

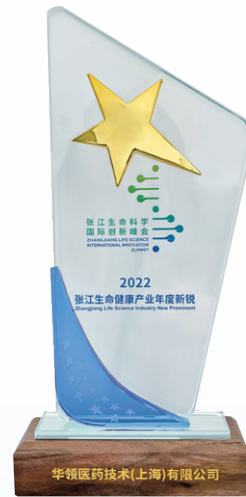
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Hua Medicine was recognized as “The Most Valuable Pharmaceutical and Medical Company” at the 6th Golden Hong Kong Stock Awards Ceremony and won the awards of “Best CEO” and “The Most Valuable Pharmaceutical and Medical Company” at the 7th Zitong Financial Capital Market Annual Conference.



02

Hua Medicine received “Zhangjiang Life Science Industry New Prominent 2022” trophy, at the Zhangjiang Life Science International Innovation Summit.



03

Hua Medicine won the medal of “New and Innovative Force of Chinese Medicine 2022” at the 39th National Pharmaceutical Industry Information Annual Conference.



04

Hua Medicine received the “Best New Economy” trophy at the 2022 Sina Finance Golden Kirin Overseas Investment Summit.



05

Dr. Li Chen, CEO of Hua Medicine, was appointed as a member of the 15th Executive Committee of Shanghai Federation of Industry and Commerce, and the 17th Editorial Committee of *World Clinical Drugs*.



06

Hua Medicine passed the 2022 high-tech enterprise recognition and received the certificate.



Highlights of 2022

Dec 2022

WHO Listed Hua Medicine's Innovative First-In-Class Glucokinase Activator (GKA) Dorzagliatin in its ATC

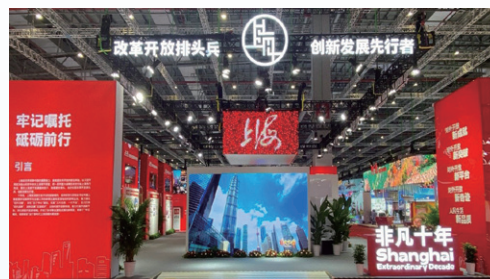
ATC code of Dorzagliatin (A10BX18), the Company's first-in-class glucokinase activator, has been formally published as final in WHO Collaborating Center (WHOCC) for Drug Statistics Methodology official website by the World Health Organization (WHO). After its ATC code is officially published on the official website of the WHOCC for public search, HuaTangNing will be known to more healthcare professionals, drug researchers and healthcare policy makers around the world and facilitate statistics and research.

ATC code	ATC level name
A10AB24	octadine
A10AB25	oxitetracaine
A10AC04	prednisolone
A10BK15	teprazine
A09AA10	acotamide
A09BA10	phenol-oloids
A09BA09	alidilact
A08AA51	phenazone and toipramate
A10BC15	irruvotide
A10BX17	Lefzagliatin
A10BX18	Dorzagliatin
A10AB21	caprocinone sifa
A10AB24	pepofarghase
A10AB25	olopidine sifa
A10AK21	elivalogone autometol
A10AC22	Simabdic acid
B06A04	mizalopt
C01ER24	maxacanten
C02BC04	maclactan and lasaluti

Nov 2022

Hua Medicine's Innovative First-In-Class Glucokinase Activator (GKA) HuaTangNing (华堂宁®) shown on China International Import Expo for the First Time

The 5th China International Import Expo(CIIE) was held in Shanghai from November 5 to 10, 2022. At the "China's Ten Years of the New Era" Opening Achievements Exhibition, Hua Medicine presented the innovative First-In-Class GKA HuaTangNing as one of the latest 10 years' achievements from biomedical industry in Shanghai and this is also the first time that HuaTangNing was shown on CIIE.



Oct 2022

Hua Medicine's Innovative First-In-Class Glucokinase Activator (GKA) HuaTangNing Achieved the First Prescription Sale

On October 28th, Hua Medicine held the sales ceremony of Innovative First-In-Class Glucokinase Activator (GKA) HuaTangNing. It was officially delivered and started to be supplied to major hospitals and pharmacies nationwide, unveiling the prelude to commercial supply. This marks the start of the innovative diabetes therapy "blood glucose homeostasis regulation" to benefit patients nationwide. The sales ceremony was held in Dongjing warehouse of Sinopharm Logistics' Shanghai logistics center. Hua Medicine and its commercialization partners including Sinopharm Group, Sinopharm Logistics and Bayer Healthcare jointly witnessed HuaTangNing's departure ceremony. We successfully achieved the first prescription sale for patient in Shanghai, while many pharmacies across the country simultaneously achieved the prescription sales.



Oct 2022

Achievement Display of Hua Medicine’s Innovative First-In-Class Glucokinase Activator (GKA) HuaTangNing

On October 15th, *Zhangjiang R&D, Made in Shanghai* – achievement display of Hua Medicine’s innovative first-in-class GKA HuaTangNing was successfully held in Zhangjiang, Shanghai. Leaders who focusing on the development of China’s biopharmaceutical industry, industry leaders of China’s innovative drug R&D, Shanghai Desano Pharmaceuticals, and the R&D and production teams of Hua Medicine jointly witnessed the unveiling and launch ceremony of HuaTagNing, also reviewed the extraordinary 10-year R&D history of HuaTangNing.



Sep 2022

Hua Medicine’s Innovative First-In-Class Glucokinase Activator (GKA) HuaTangNing Was Approved

New Drug Application of HuaTangNing (dorzagliatin tablets, HMS5552), a first-in-class glucokinase activator (GKA) developed by the Company has been approved by the National Medical Products Administration (NMPA) of China on September 30th. HuaTangNing is the first approved GKA worldwide. Accordingly, the commercialization of HuaTangNing represents the first time globally in almost ten years that a new mechanism of action to treat Type 2 diabetes is introduced, and the first time in history that a global first-in-class drug for Type 2 diabetes is introduced first in China, and whereby China has led pharmaceutical innovation into a new historical stage.



Jun 2022

Hua Medicine Presented Additional Clinical Results of GKA dorzagliatin at ADA 2022

Hua Medicine announced that dorzagliatin can significantly improve early phase insulin secretion and glucose sensitivity of patients with Type 2 diabetes (T2D), at the 82nd American Diabetes Association (ADA) Annual Scientific Sessions. The clinical findings presented at the ADA 2022 further demonstrate the scientific concept of dorzagliatin to ‘repair the sensor, restore homeostasis, and treat the underlying cause of diabetes’. The findings also provide a scientific basis for studies on dorzagliatin monotherapy and as a cornerstone drug in combination with other OADs for the treatment of T2D, as well as for achieving remission and regression of diabetes in patients with recent onset of T2D and boost our confidence to further personalize diabetes treatment to cure diabetes.



May 2022

Hua Medicine Published Two Peer-Reviewed Papers in Nature Medicine on the Results of the Phase III Research of Dorzagliatin, a First-In-Class Investigational Diabetes Drug of Hua Medicine

Two peer-reviewed papers on the Phase III clinical trial results of dorzagliatin, a glucokinase activator (GKA) and first-in-class investigational drug of the Company for the treatment of diabetes, were published online simultaneously by *Nature Medicine*, an international top medical journal, representing the results of large registered clinical studies in China. These two papers described and analyzed the clinical efficacy and safety characteristics of dorzagliatin monotherapy (SEED) in drug-naïve Type 2 diabetes (T2D) patients and the combination therapy of dorzagliatin and metformin (DAWN) in patients who failed in metformin adequacy therapy for the treatment of T2D respectively.



Feb 2022







Hua Medicine Announced Supply Agreement with WuXi STA for Commercial Manufacturing of Dorzagliatin

Hua Medicine announced a supply agreement with WuXi STA for the commercial manufacturing of dorzagliatin, a first-in-class oral therapy for type 2 diabetes (T2D) on February 21st. This commercial supply agreement between Hua Medicine and WuXi STA will further enhance their current collaboration. As the long-time trusted partner of Hua Medicine, WuXi STA will provide the commercial supply of dorzagliatin, helping millions of people with diabetes in China.



Stakeholder Communication

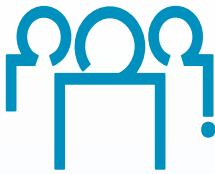
We believe understanding stakeholder expectations is a vital element in sustainability strategy. Through actively creating innovative channels to strengthen communications with stakeholders, Hua Medicine continuously revises and optimizes its environmental and corporate social responsibility initiatives.

Stakeholder	Expectations	Communication Channels
 Government/Regulatory Agencies	<ul style="list-style-type: none"> Compliance with the Law Promote industry innovation 	<ul style="list-style-type: none"> Work report Government-Enterprise meetings Policy consultation
 Shareholders/Investors	<ul style="list-style-type: none"> Protect shareholders' rights and interests Satisfactory investment return Compliance management 	<ul style="list-style-type: none"> Timely information disclosure Shareholder meetings Sound legal risk control system
 Employees	<ul style="list-style-type: none"> Protect employees' rights and interests Democratic and empathetic management Focus on health and safety Provide trainings and career development channels 	<ul style="list-style-type: none"> Performance evaluation mechanism Periodic safety drill Labor union and employee caring activities Professional trainings
 Medical Community	<ul style="list-style-type: none"> Provide safe and high-quality drug Protect safety of patients Protect privacy of patients Listen to feedbacks from patients 	<ul style="list-style-type: none"> Innovative drug research Product quality control Personal data protection Effective helplines, complaint filling channels
 Suppliers/Partners	<ul style="list-style-type: none"> Fulfill contracts Ensure open and transparent cooperation Create a win-win situation 	<ul style="list-style-type: none"> Long-term strategic cooperation Procurement guidance Management visits Consistent communication
 Community/Public	<ul style="list-style-type: none"> Create environmental-friendly workplace Hold community charity events 	<ul style="list-style-type: none"> Resource saving promotion Industry forum Public speeches Social media

Board Statement

Governance Structure

The Board of Hua Medicine adheres to the mission of "For Patients, Global Innovation, Effective Medicines" and is responsible for the oversight of Hua Medicine's ESG-related matters. Specifically, the Board is involved in, among other things:



ESG Supervision

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

Meanwhile, the Board has authorized senior management and relevant departments to conduct specific ESG-related work. Specifically:



ESG Implementation

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

Sustainable Development Goals

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



Note: Due to the significant operational developments and changes that have occurred in recent years (e.g., the relocation of our main office to Zhangjiang, Shanghai at the end of 2020, the addition of a new entity and the commencement of construction of a new industrialization and development platform in 2021, the launch and production of a new drug in 2022 etc.), we do not yet have comparable historical data to set waste reduction and emission reduction targets based on historical information. As a result, our current sustainability goals are forward-looking.

We continuously monitor and regularly review the progress of implementation of our sustainability goals by assessing relevant ESG-related data and communicating with senior management and other departments of the company and refine our goals and targets based on the actual situation. At the end of 2022, we conducted a comprehensive review of the sustainable development goals set in 2021. In terms of emission targets, there were no environmental pollution accidents or complaints in 2022; and we have conducted continuous monitoring of emissions, actively implemented energy conservation and emission reduction measures and posted slogans to promote saving water and electricity. In terms of waste targets, we have completed the declaration of the Hazardous Waste Management Plan in January 2022, and the amount of hazardous waste generated in 2022 was under the limit. The hazardous waste has been uniformly handed over to the vendor with a qualification in hazardous waste disposal. In terms of resource utilization targets, we adopted energy-saving and water-saving sanitary ware and LED lights, control the lights in public areas through timed shutdown and sound or light initiators and promote paperless office. Due to the impact of the Covid-19 in Shanghai in 2022, Shanghai office implemented "working from home" policy, so the data of water and electricity consumption was significantly lower than that in 2021. At the same time, the electricity prices for industrial and commercial users charged by the State Grid Shanghai Municipal Electric Power Company in 2022 had increased compared to 2021, so there was no significant change in water and electricity costs. Since we realized commercialization in October 2022, some sales related costs were split from the management expenses and recorded in the sales expenses, so the management expenses in 2022 had decreased slightly compared to 2021. We think the actual resource utilization in 2022 is basically in line with our expectations.

In 2023, we will continue to monitor and optimize our sustainable development goals, focus on the future development direction, and highlight our philosophy of energy conservation, emission reduction, green environmental awareness, and proactive actions.

Materiality Analysis

Based on the *Environmental, Social and Governance Reporting Guide* and communication with stakeholders, taking into account the company's business characteristics as well as ESG trends and general concerns in the biotechnology and pharmaceutical industries, we identified the potential sustainability issues and ranked the materiality of them through external and internal assessments:

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

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

Category	Issues
Environmental	Greenhouse gas emission and management Pollutant emission management Efficient utilization of resources
Social and governance	Quality management Anti-corruption Supply chain management Staff safety and health Staff development and training Intellectual property management

CARING FOR ECOLOGY & PRACTICING GREEN AND LOW-CARBON

Environmental Management

Hua Medicine actively implements the concept of green development and strictly complies with *Environmental Protection Law of the People's Republic of China* ("the PRC"), the *Law of the PRC on the Prevention and Control of Water Pollution*, and the *Law of the PRC on the Prevention and Control of Atmospheric Pollution* and other laws and regulations. We have also formulated and implemented the *Hazardous Waste Management Policy of Hua Medicine Pharmaceutical R&D Centre*, *Hazardous Waste Management Policy of Hua Medicine Biomedical Laboratory*, *Laboratory EHS Management Regulations* and *Chemical Management Procedures*, *EHS Policy* and other policies and procedures to fulfil our corporate social responsibility through environment-friendly operations. During the reporting period, we complied with applicable laws and regulations that have a significant impact on us and had no material environmental pollution incidents, nor did we receive any complaints for environmental pollution or violation of environmental regulations. Moreover, in order to improve our ability to prevent and deal with various environmental emergencies, we revised the *Contingency Plan for Environmental Emergencies of Hua Medicine (Shanghai) Co., Ltd. (No. 781 Cailun Road)* in September 2022, in which the emergency organization, roles and responsibilities were defined, result of a comprehensive environmental risk analysis was listed, as well as the internal warning and post-treatment measures, emergency support and supervision mechanisms were improved, to avoid or mitigate the impact on the environment. In addition, we have filed the contingency plan with the Bureau of Ecological Environment of Shanghai Pudong New Area.

Our R&D model allows us to work closely with a number of third parties in the development and manufacturing of pharmaceuticals. When selecting our partners, we have stringent requirements for the quality of our partners' delivery, and we also value our partners' environmental and social responsibilities, ensuring that our partners have good standards of pollution prevention to achieve green emissions. In terms of supplier management, the CMC department is responsible for the environmental-related management of the supply chain. We always make a comprehensive evaluation of the supplier in the environmental-protection management by means of questionnaire survey, document review and field investigation, and require the supplier to provide the certificate of the environmental management system and the emission permit. At the same time, the CMC department continuously monitors the environmental-protection performance of suppliers. If any serious environmental pollution or unsafe situation is found in the production process, the CMC department will timely remind the suppliers to strengthen management.

We have two laboratories in Shanghai Zhangjiang Hi-Tech Park, which are mainly engaged in biological and pharmacological experiments, sample analysis, product formulation and analytical research related to new drug development. Upon completion of the construction of the laboratories, in accordance with the requirements of the *Regulations on the Administration of Construction Project Environmental Protection* and the *Interim Measures for the Acceptance of Environmental Protection on Completion of Construction Projects*, we organized an environmental protection acceptance team to carry out the environmental protection acceptance of the construction projects to ensure that all pollutants are properly disposed of and the impact on the environment is minimized.

We commenced the construction of an industrialization and development platform in the Lin-gang New Area of the Shanghai Pilot Free Trade Zone in 2021, which will be mainly engaged in the production and development of products. The Environmental Impact Report for the project submitted to the Management Committee of the Lin-gang New Area of the Shanghai Pilot Free Trade Zone, was passed from an environmental protection perspective in the end of 2021. In 2022, we carried out three special safety pre-evaluations on the industrialization and development platform with the help of qualified units, including the identification and analysis of main dangerous and harmful factors, chemical warehouse management and occupational disease prevention. We made modifications according to expert opinions, effectively improving the environmental safety of the platform. Meanwhile, our EHS department was deeply involved in the Lin-gang industrialization and development platform project, and responsible for the environmental impact assessment, environmental monitoring and inspection, investigation and follow-up rectification of environmental accident handling, etc.

Pollution Prevention

Emission Management

We strictly comply with the *Law of PRC on the Prevention and Control of Air Pollution* and the *Trial Standard for Industrial Exhaust Gas Emission in Shanghai* and other laws and regulations. Exhaust gases generated from the laboratories is collected by fume hoods and transported via exhaust ducts to the activated carbon adsorption devices installed uniformly in the property for purification and treatment before discharge. Exhaust gases generated from the industrialization and development platform at Lin-gang is collected by exhaust ducts, filtered and purified by high efficiency filters and then discharged, or collected by reagent cabinet exhaust systems, fume hoods and air collection hoods and discharged after treatment by activated carbon adsorption devices. We plan to conduct routine monitoring of exhaust gases every six months after the implementation of the Lin-gang project is completed. In the 2022 reporting period, no exhaust gas emission except for a small amount of volatile gas was generated by operation during our experiments, while the Lin-gang industrialization and development platform is still under construction, so the exhaust emissions are mainly from vehicle emissions, which mainly include nitrogen oxides, sulphur oxides and particulate matter. Details of such exhaust emissions for the reporting period comparing with data for the last period are set out in the table below:

KPI	Unit	2021	2022
Nitrogen Oxides (NO_x)	Kg	39.37	44.34
Sulfur Oxide (SO_x)	Kg	0.05	0.06
Particulate Matter (PM)	Kg	3.77	4.25

Note: Reference data sources for emission factors include *Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide* issued by HKEX, EMFAC-HK Vehicle Emission Calculation and Vehicle Emission Modeling Software of United States Environmental Protection Agency.

We strictly abide by the relevant provisions of the *Water Pollution Prevention and Control Law of PRC* and strictly control the discharge of wastewater, with the target that wastewater discharge 100% meets the relevant discharge standards such as the *National Standard – Comprehensive Sewage Discharge Standard*. The back-channel cleaning wastewater, constant temperature water bath drainage and domestic wastewater generated by the laboratory are incorporated into the municipal sewage network after pretreatment and discharged into the sewage treatment plant. The rainwater and sewage separation system are strictly implemented in the industrialization and development platform of Lin-gang. The rainwater from the factory area is incorporated into the municipal rainwater pipeline network through the general rainwater outfall, while the production equipment cleaning wastewater, quality inspection laboratory wastewater, R&D laboratory wastewater and clean laundry wastewater are discharged into the municipal sewage network through the general wastewater outfall together with clean sewage, non-clean laundry wastewater, shower wastewater and domestic wastewater after being treated to the standard by the sewage station, and finally released into the Lin-gang Wastewater Treatment Plant. There were no issues in sourcing water in 2022.

Waste Management

Hazardous wastes are mainly batteries used in office, experimental waste goods, experimental waste liquids and scrapped samples generated during the R&D process. We strictly comply with the relevant provisions of the *Environmental Protection Law of PRC*, *the Shanghai Environmental Protection Regulations*, *the Shanghai Measures for the Prevention of Pollution by Hazardous Waste*, *the Law of PRC on the Prevention and Control of Environmental Pollution by Solid Waste*, *the Shanghai Regulations for the Filing of Hazardous Waste Management Plan*, *the Measures for the Management of Hazardous Waste Transfer Coupons* and other relevant laws and regulations to strengthen the management of our hazardous wastes, rationalize the use and harmless treatment of hazardous wastes, and prevent hazardous wastes from polluting the environment. We have formulated the *Hazardous Waste Management Policy of Hua Medicine R&D Centre*, which stipulates that the laboratory shall complete the declaration of Hazardous Waste Management Plan through the Shanghai Hazardous Waste Management Information System by the end of February each year before the generation of hazardous wastes. We have completed the declaration of the Hazardous Waste Management Plan in January 2022, and the amount of hazardous waste generated in 2022 was under the limit. It is strictly forbidden to mix hazardous wastes with domestic wastes or to discard them at will. Hazardous wastes must be provided with the appropriate collection containers according to the type of wastes, labelled as hazardous waste and placed in the corresponding collection containers. In the *Laboratory EHS Management Regulations*, *Chemical Management Procedures* and other policies, we make it clear that experimental waste liquids should be collected in accordance with the requirements of hazardous waste management and should not be poured directly into the drainage system. After collection, hazardous wastes are uniformly handed over to the qualified units for disposal. The laboratory will regularly carry out the detection of occupational hazards in the laboratory with the help of qualified units, identify the main dangerous and harmful factors existing in the laboratory environment, investigate the exposure situation to hazardous substances, and check the safety of production equipment and protective facilities, so as to ensure the environmental management safety of hazardous substances in the laboratory; Meanwhile, two employees got chemical operator certificate training in 2022 to further ensure production safety and effective treatment of hazardous waste. After the use of battery in the office, employees are not allowed to discard batteries with other domestic garbage, and batteries are uniformly handed over to the property for disposal by garbage classification.

In the 2022 reporting period, no experiments were conducted in the biology laboratory, and hazardous wastes were mainly originated from the pharmacology laboratory. The hazardous waste data for the reporting period comparing with data for the last period are set out in the table below:

KPI	Unit	2021	2022
Total Experimental Waste Liquid	Kg	164.00	90.00
Total Experimental Waste	Kg	84.00	80.00
Total Scrapped samples	Kg	4.00	1.00
Total Battery Usage	Kg	N/A	5.00
Density of Experimental Waste Liquid	Kg/CNY 1,000,000 Revenue	N/A	5.11
Density of Experimental Waste	Kg/CNY 1,000,000 Revenue	N/A	4.55
Density of Scrapped samples	Kg/CNY 1,000,000 Revenue	N/A	0.06
Battery Usage Per Capita	Kg/Person	N/A	0.04

Note: Battery usage is a new KPI of hazardous wastes that is reported for 2022 reporting period.

Non-hazardous wastes mainly originate from domestic wastes generated from daily office operations. We comply with the *Shanghai Domestic Waste Management Regulations* and classify wastes in accordance with the unified standards for waste separation principles of Shanghai and post waste classification signs on each floor to remind employees. Wastes are sorted and collected in garbage bins and disposed of by the property management company. The non-hazardous waste data for the reporting period comparing with data for the last period are set out in the table below:

KPI	Unit	2021	2022
Total Residual Waste	Ton	5.31	4.94
Total Household Food Waste	Ton	2.53	1.05
Total Recyclable Waste	Ton	3.80	3.53
Residual Waste Per Capita	Kg/Person	38.20	35.52
Household Food Waste Per Capita	Kg/Person	18.20	7.55
Recyclable Waste Per Capita	Kg/Person	27.34	25.36

Note:

1. Non-hazardous wastes of our Wuhan and Beijing branches are handled by the property company in a unified way, so it is difficult to measure the exact quantity. In addition, the scale of the two branches is small (23 employees in total). Therefore, these two branches are not included in the above statistics.
2. Our industrialization and development platform has not started construction, so no non-hazardous waste like construction or demolition waste was generated.

Noise Management

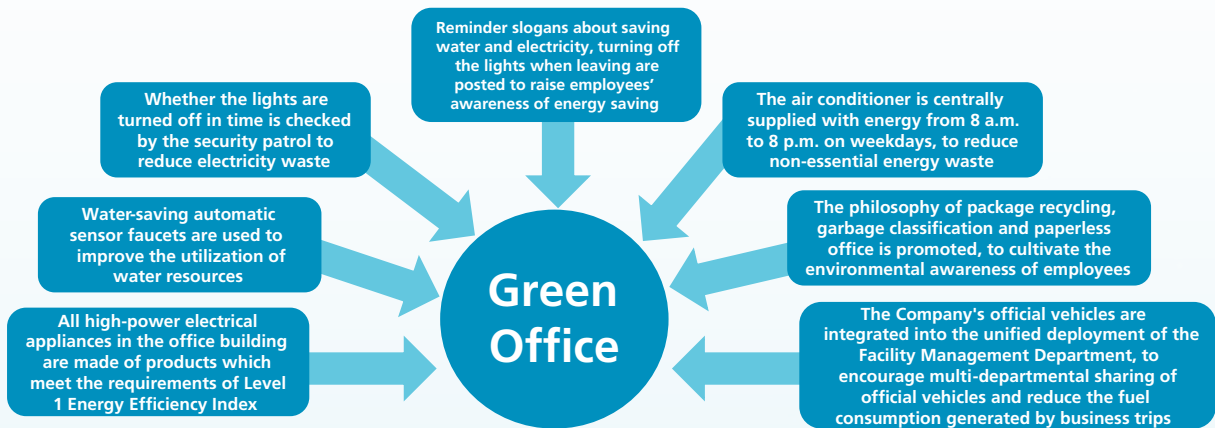
The noise mainly originates from the operation noise of the laboratory fume hoods and other equipment, as well as the environmental protection facilities such as production equipment, public auxiliary equipment and wastewater and waste gas treatment in the industrialization and development platform of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

Utilization of Energy and Resource

In its daily operations, Hua Medicine mainly consumes water, electricity, and a small quantity of gasoline, all from procurement. We respond positively to the resource conservation measures implemented by the government, make full, rational, and efficient use of existing resources, and gradually reduce waste of available energy and resources while reducing operating costs.

Energy and Water Resources Management

Hua Medicine strictly complies with the *Law of the PRC on Conserving Energy*, the *Water Law of the People’s Republic of China*, and other local regulations, to ensure the legality and compliance of energy and water management. We integrate the concepts of energy conservation and consumption reduction, green office and low carbon into the Company’s overall operation philosophy and insist on advocating the efficient use of energy and carbon emission reduction. In combination with our own business operation environment, we actively advocate and promote green office, cultivate employees’ awareness of resource conservation, and maximize the use of resources in company operations. For instance, the office building is equipped with the most energy-saving and environment-friendly sanitary ware and LED lighting fixtures among the market. Also, we use automatic timing, sound-light control, and other methods to manage the public lighting fixtures, maximize the use of resources in the company’s operation, and further promote the concept of “paperless office” to all departments of the Company.



Reminder Slogans in Office Building

The main energy consumption of Hua Medicine is gasoline and purchased electricity, and the main water consumption is municipal domestic water. Resource and energy consumption data of Hua Medicine for the reporting period comparing with data for the last period are set out in the table below. Due to the impact of the Covid-19 in Shanghai in 2022, Shanghai office implemented “working from home” policy, so the data of water and electricity consumption is significantly lower than that in 2021:

KPI	Unit	2021	2022
Total Executive Water	Ton	1,716.00	939.00
Total Executive Electricity	Kwh	677,085.00	511,933.00
Total Executive Gasoline	L	3,394.00	4,125.00
Executive Water Per Capita	Ton/Person	12.00	6.76
Executive Electricity Per Capita	Kwh/Person	4,871.00	3,682.97
Executive Gasoline Per Capita	L/Person	24.00	29.68

Note: The gasoline and electricity consumption data include our Wuhan and Beijing branches, but the water consumption data does not include our Wuhan and Beijing branches. Water of the two branches is provided by the property companies, so it is difficult to measure accurate data. In addition, the scale of the two branches is small (23 employees in total). Therefore, these two branches are not included in the above statistics.

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

KPI	Unit	2021	2022
Greenhouse Gas Emissions (Scope 1)	Kg	15,190.00	17,169.93
Greenhouse Gas Emissions (Scope 2)	Kg	413,090.00	312,330.32
Total Greenhouse Gas Emissions (Scope 1 & 2)	Kg	482,280.00	329,500.26
Total Greenhouse Gas Emissions Per Capita	Kg/Person	3,081.00	2,370.51

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

Packaging Material Management

The packaging materials of Hua Medicine are mainly used in the process of production, transportation, sales and storage of products, which can be divided into inner packaging materials and outer packaging materials. The inner packaging materials include PVDC and aluminum foil cover, while the outer packaging materials include paper packaging boxes, plastic tapes and medicine kits. At present, since external manufacturers are responsible for the production and transportation of HuaTangNing (华堂宁®), in order to save resources and reduce potential environmental impacts during production, transportation and disposal of product packaging, Hua Medicine adheres to the principle of “treasure resources, reduce energy consumption and promote sustainable development”, requires business partners to provide relevant qualifications of environmental packaging during the establishment of cooperation and fully implement environmental protection packaging policies such as carton recycling, as well as strictly controls the design and selection of packaging materials. During the 2022 report period, the detailed data of packaging materials consumed by Hua Medicine are set out in the table below:

KPI	Unit	2022
Total PVDC	g	297,000.00
Total Aluminum Foil Cover	g	40,000.00
Total Plastic Tape	g	21,000.00
Total Medicine kit	g	537,922.00
Total Paper Packaging Box	g	332,100.00
Total Product Packaging	g	1,228,022.00
Density of Product Packaging	g/Kit Unit	22.37

Note: Hua Medicine started drug production in 2022, so the data of packaging materials was first disclosed in 2022.

Climate Change

In recent years, climate change has brought profound impacts on the sustainable development of economy and society, while accelerating climate change adaptation is a common challenge facing by the whole world. To cope with the adverse effects caused by climate change and adapt to climate change, Hua Medicine continues to pay attention to climate change trends, clarify the governance structure of climate risk, identify the impact of climate change, and formulate corresponding contingency plans to minimize the possible losses caused by climate change.

Climate Risk Governance

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

Climate Risk Identification and Management

Based on our geographical operation location, Hua Medicine identified the physical risks and transformation risks that may have financial impact on the company's business by referring to local government's planning, policies and the extreme weather history of the operation location.

In terms of physical risks, the laboratories of Hua Medicine are located in the Zhangjiang High-tech Park, Shanghai, and the industrialization and development platform is located in the Shanghai Free Trade Zone. The two geographical locations are not prone areas of extreme disasters such as heat waves, earthquakes, typhoons, floods, etc., therefore, the probability of extreme disasters is low. To control the impact of potential physical risks, we have developed corresponding preventive strategies. The EHS department continuously monitors weather conditions, and in case of extreme weather that may affect employees' safety such as tornadoes or rainstorms, the EHS department sends early warnings of dangers and travel precautions, and dynamically adjusts employees' needs for remote or home-based working. Meanwhile, the CMC department continues to examine key suppliers for potential supply disruptions and price increases due to climate change. During the reporting period, a supplier with a production factory located along the middle and lower reaches of the Yangtze River was identified as facing the risk of forced relocation due to rising sea level in the future. Therefore, alternative supplier development plans have been developed by the CMC department in advance.

In terms of transformation risk, since we haven't carried out large-scale production activities yet, and do not consume large amounts of energy or produce large amounts of emissions, potential risks from policies, regulations, technology, markets and reputation are low. We have developed relevant force majeure or emergency response and business continuity plans. For instance, when the supply of materials is blocked or the price of materials changes, the CMC department is able to avoid in advance or timely deal with the transformation risks brought by upstream and downstream changes by various ways, including preparing materials from internal safety inventory, alternating and replacing suppliers, requiring suppliers to guarantee the material supply and apply for special transportation permits for medical products, signing long-term agreements to lock the floating range of material prices, etc. At the same time, we have considered the installation of photovoltaic power generation system on the roof of the joint factory of the Lin-gang industrialization and development platform, and it is estimated that 656.3 tons of carbon emission will be reduced annually on average. We actively promote the transformation of low-carbon emission reduction technology, to reduce the possible operating costs caused by high-emission economic activities in the future.

CARING FOR EMPLOYEES & CREATING A BETTER LIFE

Employee Empowerment & People First

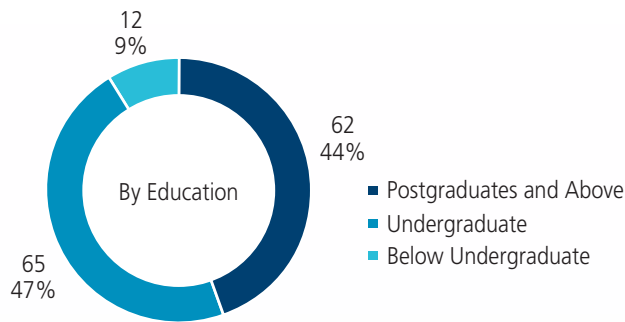
Hua Medicine always adheres to the philosophy of “ People First” and is committed to establishing an employment relationship of common growth and mutual achievement. Based on creating a healthy and harmonious working atmosphere, the Company fully protects the rights and interests of employees by establishing a legal and compliant employment relationship, building a comprehensive talent training system to promote the self-development of employees, establishing a fair and rational promotion incentive mechanism to stimulate the potential of employees, carrying out various employee-caring activities and appreciating their contributions. During the reporting period, Hua Medicine has complied with major laws and regulations related to salary and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination and other ones related to benefits and rights of employees.

Talent Acquisition

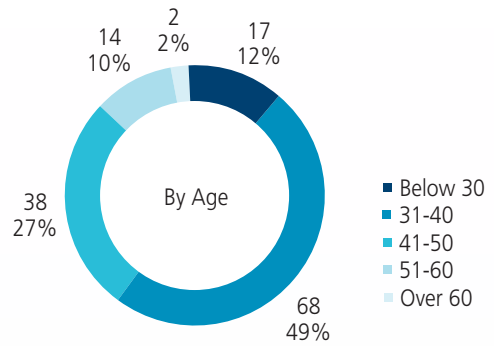
Based on the employment principle of legality and compliance, Hua Medicine has formulated and continuously improved the internal employee management system of the Company such as the *Employment Policy*, the *Employee Handbook*, etc., on the premise of strictly abiding by the *Labor Law of the PRC*, the *Labor Contract Law of the PRC*, the *Social Insurance Law of the People's Republic of China* and other laws and regulations. The Company strictly prohibits the employment of child labor and forced labor, and discrimination caused by geographical, gender, ethnic and other factors. We fully verify the information of employees in the recruitment process to avoid hiring unqualified candidates, and strictly verify the identity of new joiners through background investigation and other compliance information collection measures. If any violation of compliance requirements is found, we will report it to relevant departments timely. In addition, employees can report incidents of child labor or forced labor at any time, and the involved parties will be severely punished by the Company once relevant behaviors are verified. During the reporting period, the Company has complied with major laws and regulations related to the prevention of child labor or forced labor, and there was no case of child labor or forced labor.

As of December 31, 2022, Hua Medicine had 139 full-time employees with a balanced gender ratio and high education.

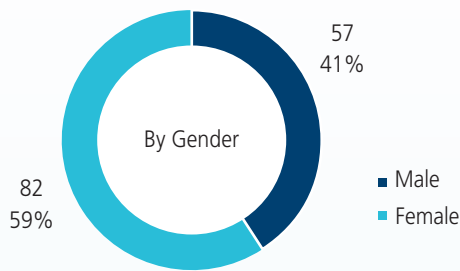
Total Number of Employees by Education Level



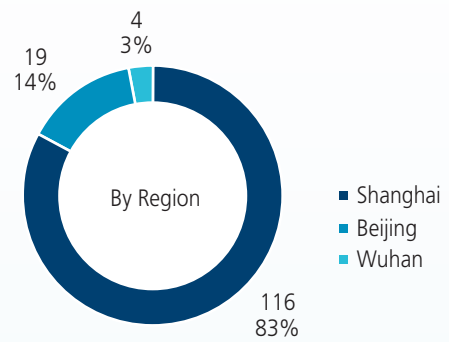
Total Number of Employees by Ages



Total Number of Employees by Gender

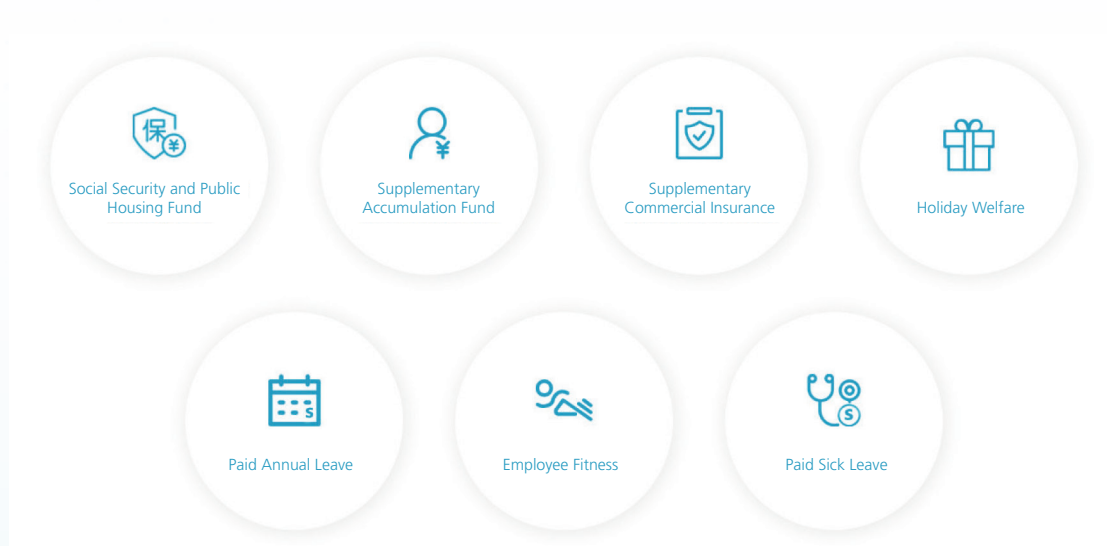


Total Number of Employees by Region



Compensation and Benefits

We attract and retain employees through competitive remuneration, positive and harmonious corporate culture and diversified benefits, such as competitive compensation and welfare, build a harmonious corporate culture, provide employees with social security, public housing fund, supplementary accumulation fund, supplementary commercial insurance, physical examination, meal benefits, employee fitness and other welfare programs. The Company implements the standard and non-fixed working hour scheme, which stipulates that the average working hour is 8 hours per day and 40 hours per week. In addition to statutory holidays, employees of Hua Medicine enjoy 12 or 15 days of paid annual leave every year. At the same time, after 5 years of continuous employment, the number of paid annual leave increases continually, with a maximum of 20 days. Moreover, paid sick leave, marriage leave, maternity leave, paternity leave, funeral leave and parental leave are available for employees.



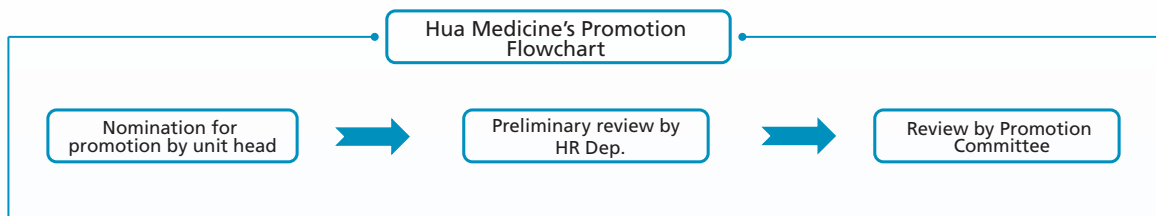
Employee Welfare of Hua Medicine

Diversified Recruitment

Hua Medicine always adheres to the principle of "Best Fit" in recruitment and employment, strictly stipulates that relevant personnel do not discriminate between candidates based on race, religion, age, gender, disability or other non-work-related factors, providing an inclusive, diverse and non-discriminatory recruiting environment. The company adopts a diversified mechanism to recruit talents, and gradually carries out social recruitment according to business and development needs. We enjoy the preferential policy of residence transfer in Zhangjiang Science City. At the same time, as the key institution of Zhangjiang Science City, we enjoy the preferential policy of talent introduction and settlement to attract a broader talent coverage with more diversified conditions.

Performance and Promotion

Hua Medicine has a comprehensive performance appraisal and promotion scheme. The Company not only increases employee loyalty, but also stimulates the potential of employees through a reasonable salary structure and effective incentive measures. During the reporting period, the Company further improved its performance management methods and helped employees achieve the Company and personal goals through a more rational and systematic performance management mechanism. In addition, Hua Medicine strives to provide every employee with a fair and clear promotion path. According to the requirements of business development and talent development, the Human Resources department organizes a promotion meeting with the participation of the members of the promotion committee, objectively evaluates the employees' work performance in all aspects based on their responsibilities, work objectives and other evaluation factors, and dynamically adjusts the employees' rank after final assessment, and carry out differential adjustment and salary allocation to ensure the fairness of the ranking system.



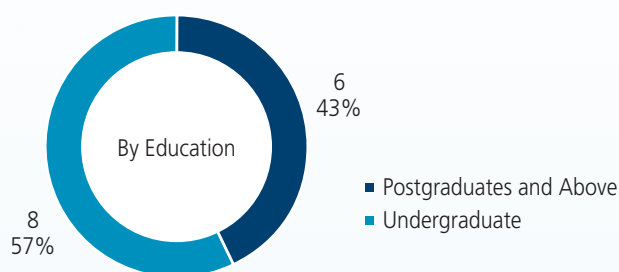
In 2022, the Company set up special employee recognition awards for outstanding employees, focusing on recognizing and rewarding teams and individuals with significant achievements and contributions in the year. The 2022 employee award data is as follows:

Award category	Award content	Number of people awarded in 2022
Spot Award	The day-to-day achievement, positive behavior or noteworthy contribution that had an impact within a project, team, or group	43
Special Recognition Award	The day-to-day achievement, positive behavior or noteworthy contribution that had a significant impact on the business of a department	29
Patents Award	Recognition of job invention creation	5
Long-Term Service Award	Recognition of long-term service or contribution to the Company	16

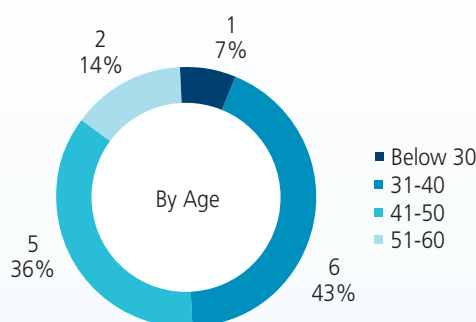
Employee Communication

Hua Medicine attaches great importance to maintaining communication with employees and carefully listening to the voice of each employee. The Company has multiple communication channels to support employees at different positions and levels to feedback problems and propose demands to the Company at any time. We regularly carry out induction guidance for new employees, employee resignation interviews and HR annual activities, to increase the frequency of communication between various levels and departments, and adjust the management strategy appropriately according to feedback, achieving effective talent management. The Company pays attention to the personal development of employees, carries out interviews and collects the reasons for employees' resignation, and makes contributions to the virtuous circle of talents. As of December 31, 2022, the employee turnover rate of Hua Medicine was 10.07%. In the context of the continuous and sound development of the biopharmaceutical industry, the exchange of talents between biopharmaceutical enterprises is relatively frequent. The Company has taken various measures to develop, retain and attract more talents, and continuously inject fresh blood into the development of the Company and even the industry.

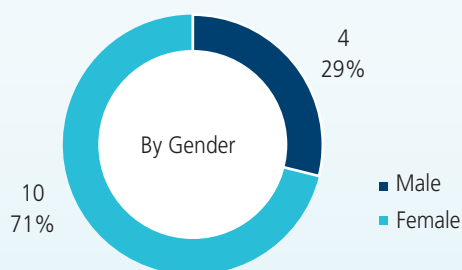
Number of Resigned Employees by Education Level



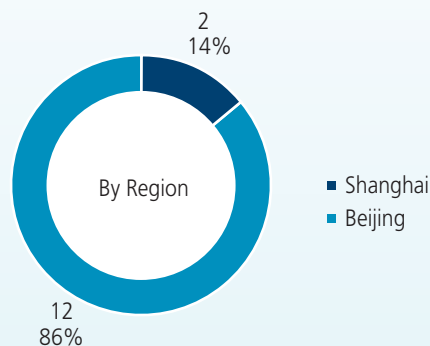
Number of Resigned Employees by Ages



Number of Resigned Employees by Gender



Number of Resigned Employees by Region



Employee Activities and Care

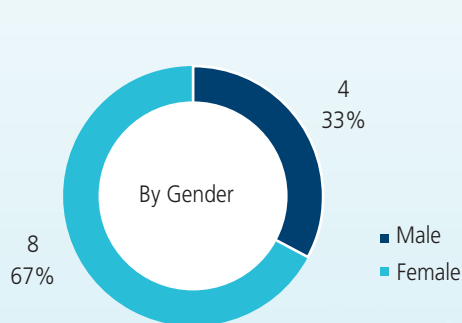
The labor union of Hua Medicine is committed to fostering a warm and welcoming working atmosphere comprised of employees that care and support each other both in work and life. The Company prepared loving gifts for employees and issued mooncake vouchers on the Mid-Autumn Festival, every employee received flowers from the Company on their birthday, and parents of employees received festive gifts from the labor union on the Double Ninth Festival. At the same time, to enrich spare time activities of employees, the labor union regularly holds table tennis competitions, advocating the employees to alternate work with rest and enhance their physical fitness.



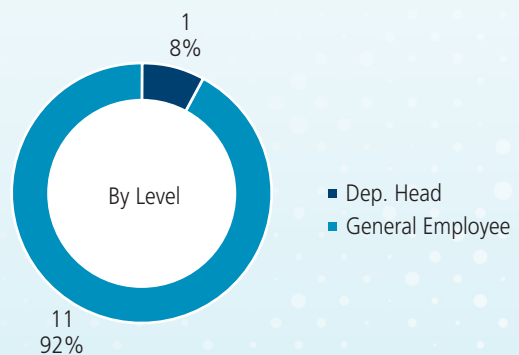
Talent Trainings

High-quality and continuous talent training is the key factor to help employees improve their soft and hard skills and the stable development of the Company. The Human Resources department of Hua Medicine formulates appropriate training schemes for employees at different levels each year according to the Company's strategy and personal development needs. The highly matched learning theme and rich content have helped the Company achieved efficient effect of talent training. Due to the spread of the COVID-19, the number of employees trained in 2022 decreased compared with that in 2021. The detailed training data is as follows:

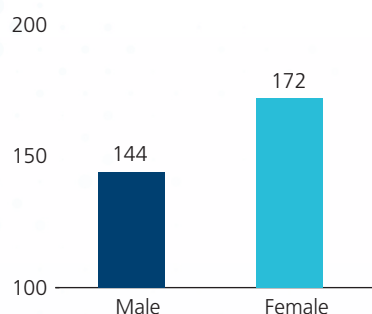
Employee Training Status by Gender



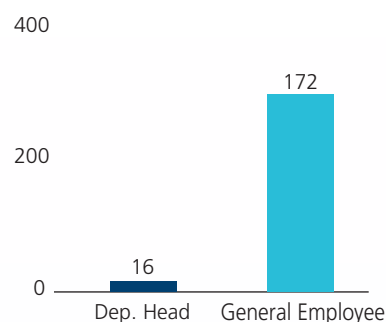
Employment Training Status by Level



Hours of Employee Training by Gender (Hours)



Hours of Employee Training by Level (Hours)



The management is the decisive factor for the Company to achieve high-quality development and team growth. Hua Medicine continues to develop and explore new training courses to help the management improve their skills. In 2022, the Company has carried out a marketing training for sales management team members and specially-invited representatives. The training included the review of marketing points, marketing case sharing, and the discussion of the overall marketing plan, aiming to help trainees quickly learn and master the core skills of enterprise marketing strategies, and cultivate the comprehensive, systematic, and developmental strategic marketing decision-making mindset.

2022 Hua Medicine-Xinrui Training-Marketing Topics



Xinrui Training-Marketing Topics

Talent Development

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

Health and Safety

Safety Incident Management

Ensuring the physical and mental health of employees is not only an inescapable responsibility but also an important prerequisite for the stable operation of the Company. In order to standardize the operation of employees and minimize safety risks, Hua Medicine has established a comprehensive EHS management scheme and formulated internal EHS management policies, including the *EHS Policy Guidelines*, *Hazardous Waste Management Policy of Hua Medicine R&D Centre*, *Contingency Plan for Environmental Emergencies of Hua Medicine (Shanghai) Co., Ltd. (No. 781 Cailun Road)*, *Hierarchical Control Procedure for Safety Risk etc.*, which have improved the safety standards of production and operation.

Our R&D and production process involves exposure to chemicals, some of which are hazardous. To reduce potential safety hazards caused by improper operation, the Company has strengthened the management of dangerous chemicals. The operation of each stage should be clearly recorded for subsequent tracing during the collection, storage and disposal process of hazardous waste. The operators and managers who are exposed to dangerous chemicals have passed the national safety-production knowledge training and obtained relevant certificates. During the reporting period, the number of working days lost due to industrial injury was 0, and the number of people who died due to work was 0 in the past three years.

Raising Consciousness

Hua Medicine continues to explore effective ways and means to help employees improve their ability to identify potential hazards and protect themselves and enhance relevant safety awareness. The Company has carried out EHS training on various safety topics to popularize safety knowledge to employees. In addition, the Company also carried out fire safety drills, laboratory drills, contingency plan drills and other safety drills in various offices to improve the emergency response ability of employees.

2022 Hua Medicine Fire Drills



Fire Drill on the Lab's Platform



Annual Fire Drill

RESPONSIBLE OPERATION & BUILDING A RELIABLE INDUSTRY

Business Ethics

Business ethics is one of the important influencing factors for sustainable development for enterprises. Hua Medicine has solidly promoted the construction of business ethics and kept the principles to ensure its healthy and virtuous development.

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

- We have established a *Fraud Policy Statement* that clearly stipulates the definition of fraud, investigation responsibilities, the reporting procedures, etc..
- We have established a *Whistleblower Policy* and published a dedicated reporting email address on our website and other public channels to facilitate employees and external partners to expose and report misconduct. The Internal Audit Department is responsible for overseeing the investigation of reported incidents and reporting to the Audit Committee on a regular basis.
- We define the requirements related to occupational conduct of employees, office work guidelines, conflict of interest avoidance, etc. through the *Employee Handbook*, which is signed by each employee as an endorsement.
- We issued new guideline on *Anti-Bribery and Anti-Corruption Procedures* during the reporting period, which provides guidance on hospitality, expense reimbursement, personnel hiring, and business engagement standards to avoid potential compliance risks for employees with government officials, Health Care Professionals (HCPs), Health Care Organizations (HCOs), and other business partners.
- During the reporting period, the Board of Directors reviewed and approved the *Hua Medicine Code of Conduct*, which stipulates requirements on drug quality management, drug safety, anti-monopoly and fair competition, prohibition of insider trading, anti-bribery, anti-corruption and anti-fraud, personal information protection, data security, environmental protection, safety, and health, etc. The release of the relevant policy further clarifies the overall compliance requirements of the Company to all employees and helps cultivate a compliance culture of "Active compliance, Responsible compliance, Value-added compliance".
- We advocate that "Each of us is accountable for compliance" and every employee is required to study the *Hua Medicine Code of Conduct*, receive relevant training, and commit to comply with its provisions.

Hua Medicine is committed to establishing a compliance culture and organizes effective compliance training on a regular basis by formulating compliance training plans to familiarize employees with compliance knowledge, compliance policies and risk prevention and control requirements. During the reporting period, we held 2 compliance online trainings for all employees to enhance their compliance awareness, covering anti-bribery, anti-corruption, anti-fraud and prohibition of insider trading, etc. All participating employees were required to sign a *Compliance Pledge* upon completion of the training to ensure that compliance practices shall be implemented by all. In addition, the internal audit department conducts annual assessments of commercial bribery risks and internal investigations of high-risk situations to provide strong support for integrity building. During the reporting period, neither the Company nor its employees were involved in corruption incidents or corruption-related litigation cases.

In addition to enhancing internal anti-corruption efforts, Hua Medicine also extends its anti-corruption efforts to upstream and downstream in the supply chain, working with partners to build a transparent and honest business cooperation environment. We uphold the highest compliance requirements in the selection of partners, actively understand the reputation and past compliance records of potential partners in our investigations, avoid cooperation with companies or entities with business ethics deficiencies. When establishing cooperation, we specify relevant integrity clauses in the procurement and service contract templates with partners involved in key businesses and required partners to sign integrity compliance agreements and make conflict of interest declaration to insure parties of the contract comply with all laws and regulations related to anti-bribery, anti-corruption and internal control.

Fair Competition

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

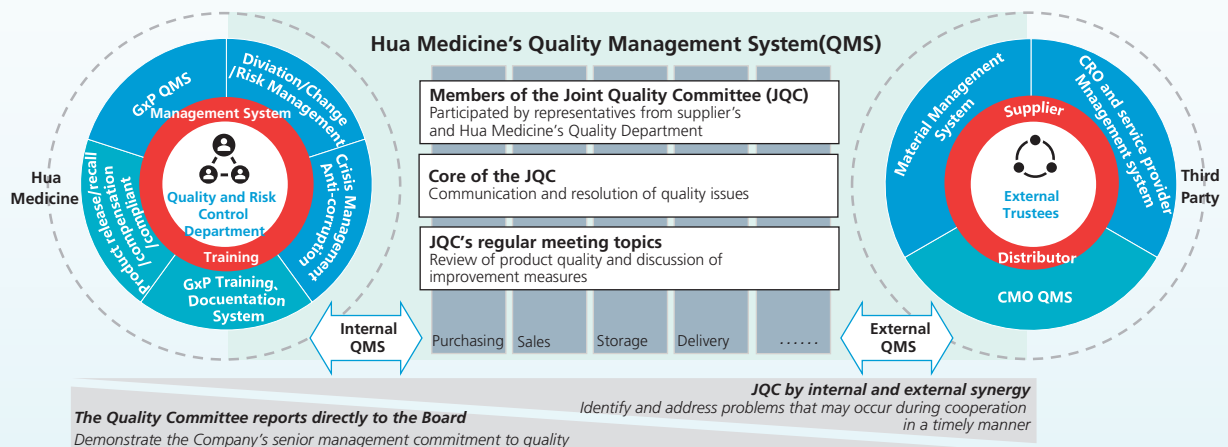
Quality Assurance

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

Quality Management Structure

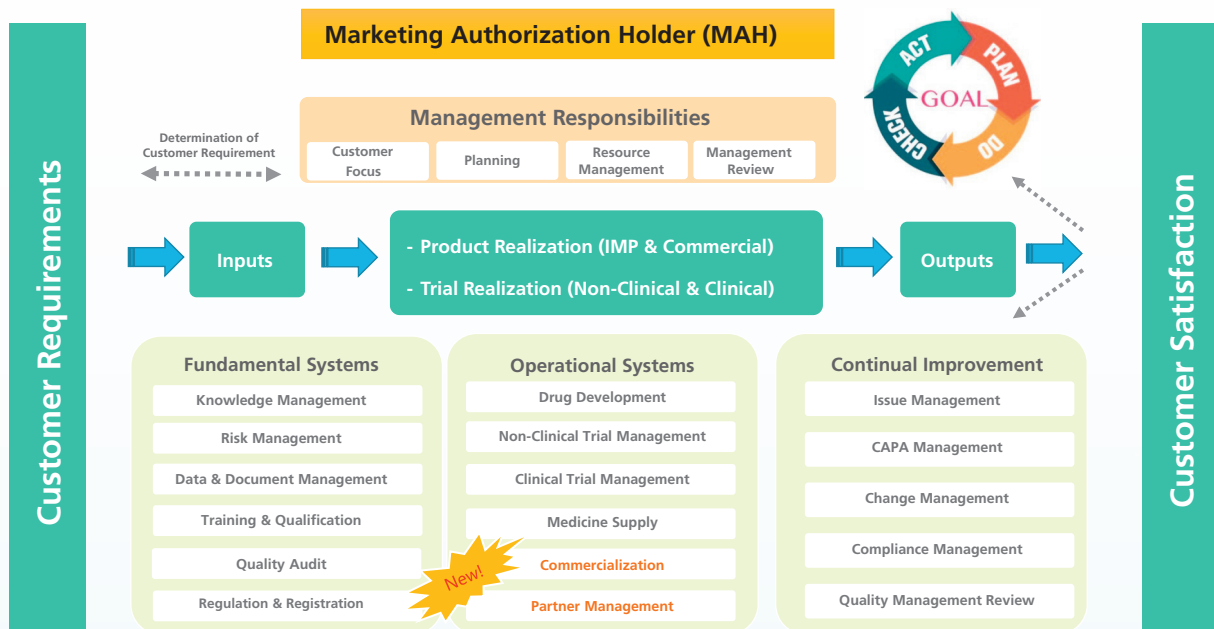
Hua Medicine has established a comprehensive quality management structure for the entire product life cycle. Within the Company, the Chief Executive Officer, and the Chief Quality Officer (Head of Quality) are fully responsible for coordinating quality management and reporting to the Board of Directors. The Company has an independent quality and risk management department, which is responsible for establishing, maintaining, and optimizing the quality assurance system, formulating quality policies and manuals, leading GxP quality risk management. We also have established a quality committee to oversee and guide the work related to quality and risk management on a daily basis.

To ensure the timely delivery and consistent and reliable quality from external suppliers, Hua Medicine has established a Joint Quality Committee (JQC) with the participation of both Hua Medicine's Quality Department and external suppliers, with representatives from internal and external quality departments as co-chairs. By reviewing and evaluating various quality indicators, providing expert guidance and advice, strategically planning and implementing regulatory and verification activities, and effectively investigating and managing potential or actual incidents of non-compliance activities, the JQC aims to collaboratively promote the development of Hua Medicine's internal quality system and external material provider, Contract Manufacture Organization (CMO), Contract Research Organization (CRO) and service provider's quality management systems.



Optimization of quality management system

Hua Medicine complies with the laws and regulations related to product health and safety, strictly implements the *Medicinal Product Administration Law of the PRC*, *Provisions for Drug Registration* and other national regulations, and continuously optimizes the quality management system in conjunction with the Company's own operations, establishes and improves the *Quality Manual* and GxP quality policy, and refines the quality management and quality issue handling process of the entrusted manufacturing enterprise to ensure that the quality of drugs is in line with the intended use and that drugs meeting the intended use and registration requirements can be produced in a stable and sustainable manner.



With the launch of HuaTangNing (华堂宁®) in 2022, the focus of Hua Medicine's quality department is to optimize the management in the areas of Contract Management Organization (CMO) and Goods Supply Practice (GSP), aiming to standardize the quality standards of all Hua Medicine's products in the proposed marketing/post-marketing phase to ensure that the quality of products meets the requirements of national laws and regulations and the Company's quality system.

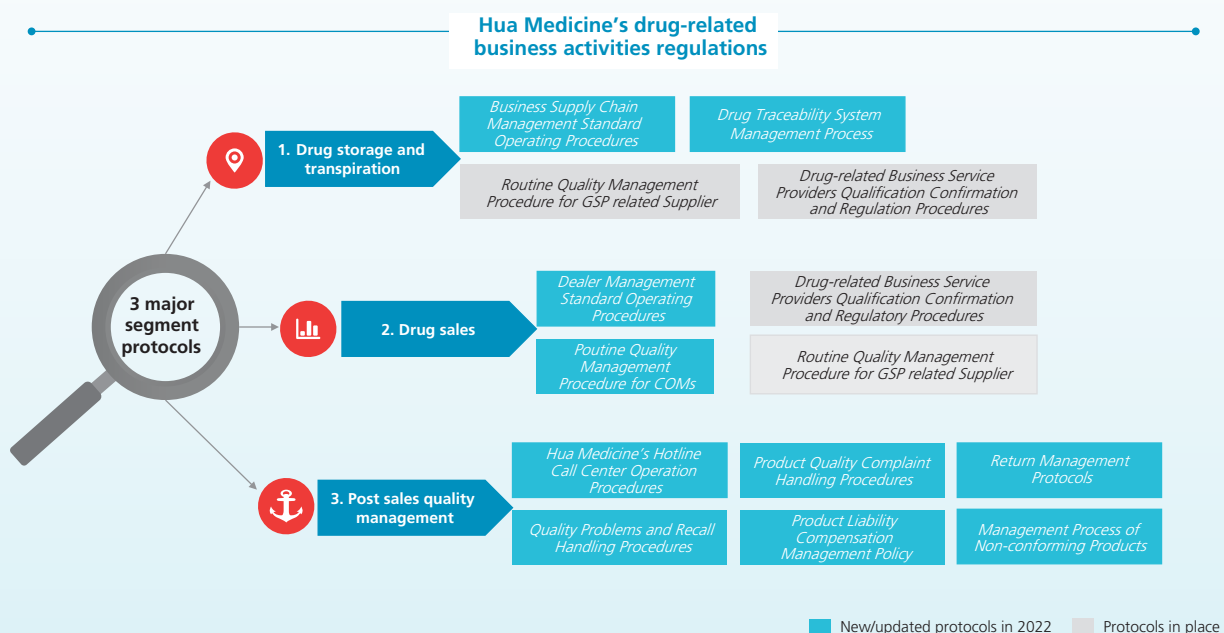
In the area of quality management for entrusted manufacturing companies, we have strengthened the quality control mainly through:

- The integration of Hua Medicine's quality management requirements in the quality management system of the entrusted manufacturing companies through the support of PIP, QIP, and JQC to fully communicate and resolve quality issues with sufficient knowledge and experience.
- The establishment of CMO's quality measurements and target values for the commercialization phase to clarify the quality objectives and requirements for the entrusted manufacturing companies.
- Improved GMP related protocols, such as *Event and Deviation Management*, *Change Management*, and *Drug Annual Reporting Policy*.

During the reporting period, in the first commercialization phase JQC’s meeting, the quality department of Hua Medicine introduced the production supervision model, CMO quality measurement alignment and audit plan to the entrusted party and discussed on quality topics to ensure the Company’s latest quality management system was effectively communicated to the entrusted parties. Meanwhile, Hua Medicine’s entrusted manufacturer accepted and successfully passed the flight inspection conducted by the inspection agency of Shanghai Drug Administration with zero defect.

In the area of business quality management, we completed the construction of the drug-related quality system and put it into operation, the main actions include:

- a) Established and updated drug-related operation quality management protocols covering from operation service provider quality management to post-marketing quality risk management.
- b) Completed an internal audit of the drug-related business quality management system, with no major deficiencies identified.
- c) Completed the qualification and QAA with all 1st tier distributors (70 in total).
- d) Completed the validation of the DMS system and established protocols for data management related to the quality of drug operations to ensure real-time and effective quality control functions.
- e) Completed mock good pick-up and transfer in cooperation with the manufacturing consignee and the logistics consignee.
- f) Provided training to Bayer Healthcare’s sales team about HuaTangNing(华堂宁®)’s quality requirements and drug-related operational management.



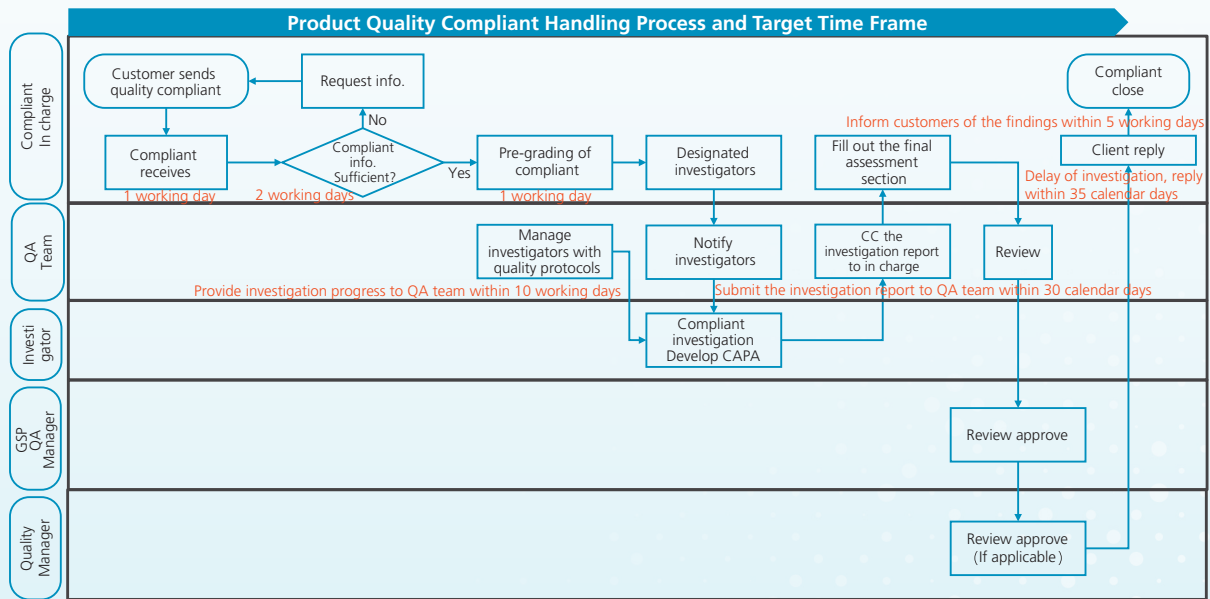
We also pay attention to quality control in R&D. During the reporting period, we reviewed all GCP, GLP, GCLP and GVP related protocols and updated them as necessary. At the same time, we completed on-site audits of our R&D suppliers as planned to ensure that they meet real-time quality standards.

Consumer Rights Protection

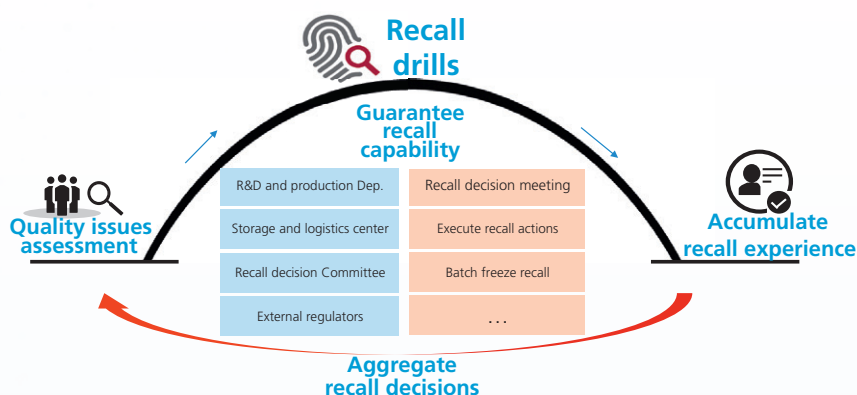
Hua Medicine always adheres to the principle of honesty and trustworthiness and makes every effort to protect all rights and interests of consumers. After a product is marketed, Hua Medicine comprehensively collects adverse events, timely evaluates and submits adverse reaction reports to regulatory authorities, detects product safety signals, assesses product risks and takes appropriate risk mitigation measures.

Hua Medicine requires all employees to strictly implement the adverse event reporting system, establish and update the *Hua Medicine's Hotline Call Center Operation Procedures*, and collect adverse events as comprehensively as possible through the Company's official website, email, and hotline. The Company regularly conducts training on the *Introduction to the Handling Process of Drug Emergencies and Safety Events* for all employees, to deepen every employee's awareness of product safety and the importance of timely reporting of product safety information.

In terms of product complaint response, we periodically reviewed and improved the *Product Quality Complaint Handling Procedures* in 2022, further clarifying the quality complaint criteria, responsibilities of each role, key processes and target time frames in the complaint process; At the same time, we also established the *Product Liability Compensation Management Policy*, providing a detailed compensation process for the clinical trial, pre-marketing and post-marketing stage of drugs. During the reporting period, Hua Medicine sold more than 50,000 boxes of HuaTangNing(华堂宁®) without receiving any recognized product quality complaints.



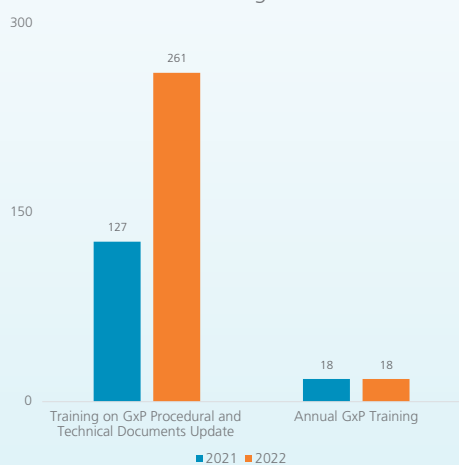
Hua Medicine actively protects the rights of consumers and fulfills its obligations to handle product complaints actively, proactively, and expeditiously. We have formulated recall handling procedures in conjunction with the laws and regulations of our operating locations and industry norms, such as the *Measures for the Administration of Medicinal Product Recalls* and the *Good Manufacturing Practice of Drugs* to establish *Quality Problems and Recall Handling Procedures*. We regularly conduct product mock recall drills to validate our existing recall system, to appropriately classify and evaluate potential quality issues, to provide decisions for batch handling and recalls, and to ensure through practice that we have sufficient capacity in terms of organization and systems to handle potential market recalls. During the reporting period, no product recall cases were noted.



Quality Culture Construction

We understand the importance of quality and safety matters for pharmaceutical companies, for GxP-related employees, the company has built a sound training system, including mandatory training courses, pre-job training courses and on-the-job training courses for new employees. The company incorporates basic knowledge of GxP and industry-related laws and regulations into the independent job qualification training before employees start working; after they formally start working, employees also receive continuous training on various updated GxP procedural documents and technical documents.

GxP Training Status



Thema	Participant	Number of trainings	Example of topics
Post Qualification Training	New GxP-related personnel	Onboarding and transfer personnel	Training on relevant laws and regulations, and department GxP documents
Training on GxP Procedural and Technical Documents Update	GxP-related personnel	261	<ul style="list-style-type: none"> Code of Conduct Drug Annual Report Management Process Product Liability Compensation Management Policy Distributor Management Standard Operating Procedures Business Operation Management System User Access Management Process ...
Annual GxP Training	All GxP-related personnel	18	<ul style="list-style-type: none"> Good Manufacturing Practice of Drugs Introduction to the process of handling drug emergencies and safety incidents Annual GSP Regulation Training Annual GMP Regulation Training Annual GCLP Regulation Training Annual GCP Regulation Training ...

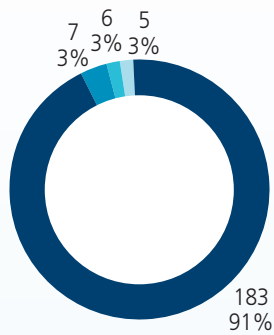
Responsible Procurement

Hua Medicine continues to strengthen supply chain management, and constantly improves the procurement and supplier management policies to reduce the environmental and social risks of the supply chain and build a resilient, efficient, stable and sustainable supply chain. During the reporting period, we issued *the Procurement Policy of Hua Medicine* to clarify the basic principles such as professional behavior and business ethics to be followed in the procurement process, as well as the standard operating standards and management principles for the whole process of procurement and supplier management.

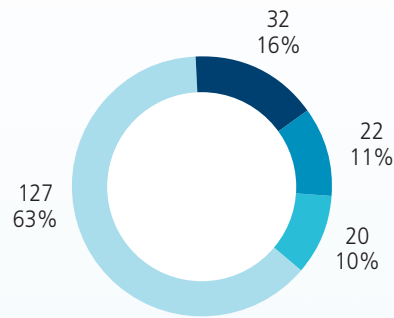
As of the end of 2022, Hua Medicine had 201 suppliers. The supplier categories and regions are as follows:

Suppliers of Hua Medicine in Total 201

Vendor Statistics by Region



Vendor Statistics by Type



- East China
- North China
- Rest of China
- Overseas
- Production
- R&D
- Engineering
- Operational

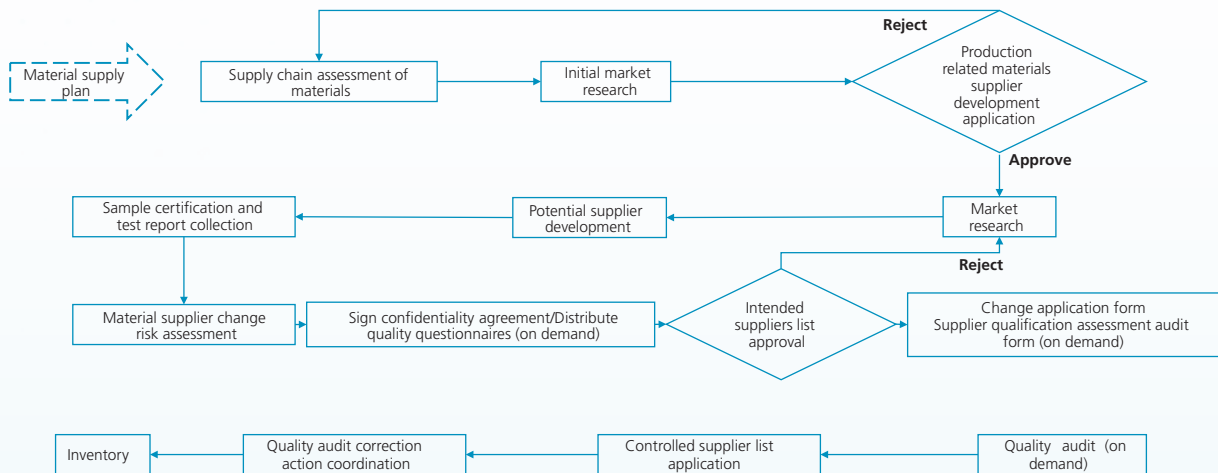
Supplier Selection and Entry

Hua Medicine has established a strict supplier entry management system, we have selected suitable, high-quality, and stable suppliers to ensure high-quality procurement and supply through the establishment of relevant internal management system and standardized entry examination process. The Company has reviewed and updated the *Production Related Material Supplier Entry Standard Operating Procedure*, in which the detailed standards in whole cycle of supplier entry were clarified, including supplier selection, evaluation and quality audit. The Company clearly lists the qualification requirements and evaluation criteria for suppliers, and clearly specifies the selection principles of suppliers. We require the supplier to fill in the *Supplier Information Questionnaire* to understand the supplier’s production information, quality assurance, safety production area, warehouse transportation, quality control and other basic information. During the reporting period, we distributed questionnaires to 10 key suppliers to ensure the objectivity, impartiality, and rationality of the supplier entry.

In the risk management of supplier entry, we have set up the *List of Intended Suppliers* and the *List of Qualified Suppliers*, the suppliers that pass verification approval from the quality management department will enter the *List of Qualified Suppliers*, and only suppliers from the *List of Qualified Suppliers* that meet the quality standards will be selected for procurement. In addition, we take various external and internal risks into account when selecting suppliers and mitigate supply chain risks by increasing alternative suppliers and diversifying supplier backgrounds.

For each production-related material supplier to be cooperated with, Hua Medicine ensures that the supplier is qualified in accordance with relevant Hua Medicine’s processes before performing outsourcing tasks and binds the terms of legal and regulatory basis, responsibilities and obligations, receipt and acceptance, transportation, and storage, return and exchange, and quality complaints in the form of a contractual framework (e.g., *Quality Assurance Agreement*) to ensure meeting the quality expectations of deliverables. During the reporting period, Hua Medicine signed 2 new quality assurance agreements.

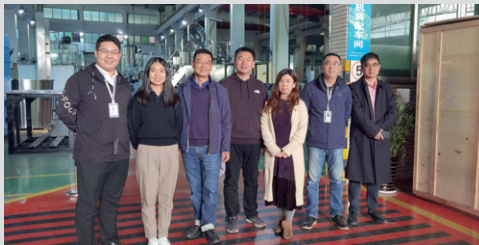
Production-related materials supplier access process



Supplier Monitor, Performance Assessment and Communication

For suppliers who provide key materials, the Company will conduct on-site inspection and field audit to ensure that the operation of suppliers complies with relevant regulations and production standards. During visits to suppliers, Hua Medicine conducts field investigation on the production equipment of suppliers, discusses production processes and schemes, quality management schemes with suppliers, as well as requires suppliers to provide solutions toward process improvement, production facilities and management systems. In addition, we have developed the standard workflow of audit and set key audit items according to the different nature of the supplier's business, to identify all kinds of deficiencies and raise improvement suggestions, and finally issue the audit report. The Company will send the audit report to the supplier for reference of subsequent rectification and keep in touch with the supplier to arrange the audit after rectification. In 2022, Hua Medicine has completed 4 GMP supplier audits and 5 supplier field audits. Moreover, we have conducted full test or sampling test on the products manufactured by suppliers as required and have conducted quality tracking to ensure that the quality of the products fully meet the provisions of relevant laws and regulations and meet the high-quality requirements of Hua Medicine.

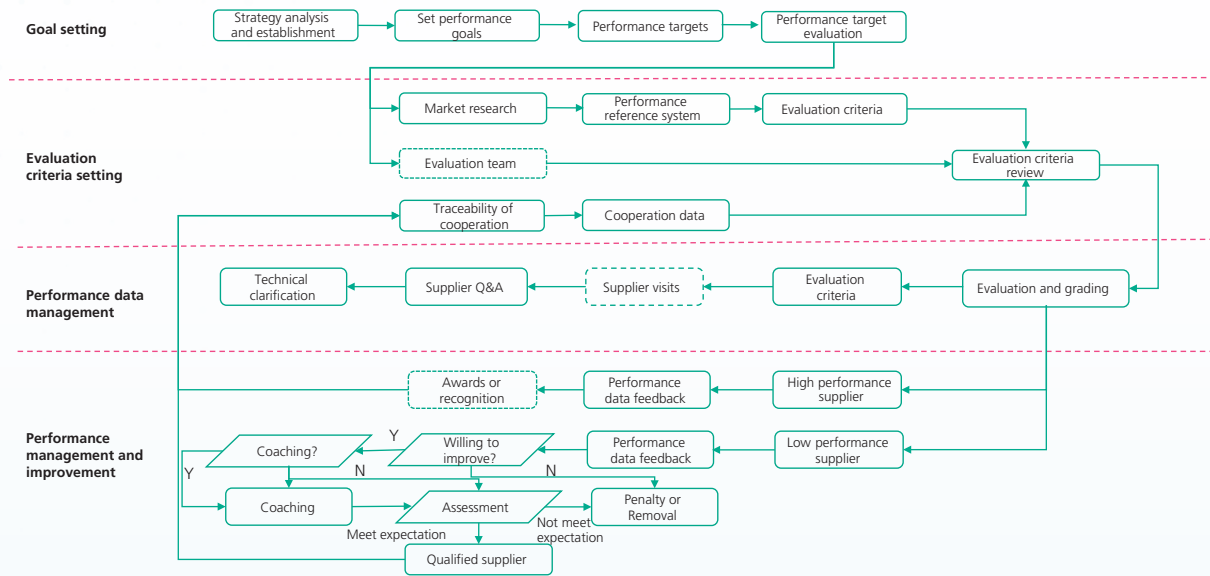
2022 Hua Medicine Supplier Site Visit



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

We match different performance management systems for each category of suppliers according to their nature and risk level. For production and R&D suppliers in relation to our core business, we evaluate the suppliers via regular quality feedback from front-line employees; for construction suppliers, we emphasize the whole process supervision of implementation; for administrative suppliers, we adopt a relatively simple and feasible assessment method. Through performance goal setting, evaluation criteria setting, performance data management and performance improvement, we strictly implement the fairness and impartiality of the assessment and adjust the follow-up cooperation program with each supplier accordingly.

Supplier Performance Management Workflow



Hua Medicine not only pays attention to the management performance of suppliers, but also attaches importance to maintaining communication with suppliers. We timely discuss the relevant issues of product supply with suppliers, understand the business demands of both parties, realize the synchronous sharing of information, improve the capability of suppliers, and stabilize the cooperative relationship. During the reporting period, Hua Medicine held 124 trainings and communication meetings with suppliers.

2022 Hua Medicine Suppliers Site Communication Meeting



华领医药技术(上海)有限公司
 供应商现场沟通会

议程

- 01 公司简介
- 02 审计团队
- 03 审计日程安排

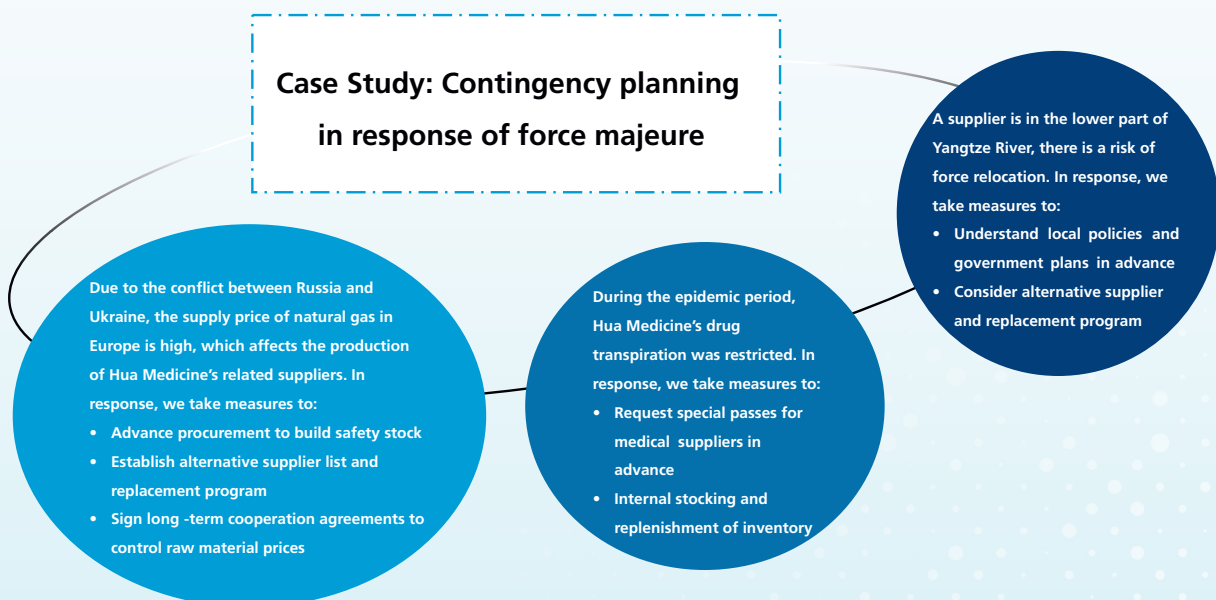
Hua Medicine conducted on-site communication meeting with suppliers, introduced Hua Medicine's management team, products and pipeline, quality and risk control department structure chart, audit team, etc., and clarified the schedule and audit scope of supplier audit in 2022, etc.

Sustainable Supply Chain

Hua Medicine pays attention to the business behavior of suppliers, adheres to the core value of "Honesty and Reliability", and insists on delivering the concept of "honest and clean supply" to the supply chain. In order to further realize the sustainable development of the upstream and downstream supply chain, Hua Medicine actively promotes the transformation and development of the green supply chain, strengthens the sense of responsibility of green supply, and motivates the enthusiasm of suppliers to achieve green supply.

Internally, we promise in the *Hua Medicine Code of Conduct* that we will not offer or accept bribes in our business activities, and we will conduct our business in a manner that protects the environment and minimize the adverse impact of our products on the environment by reducing the consumption of non-renewable energy and raw materials. Externally, in the supplier entry stage, we require suppliers to provide relevant certificates of environmental system and quality management system as proofs, to ensure high-quality supply and effectively urge suppliers to make appropriate efforts on the environment, safety and social responsibility. In the supplier cooperation stage, we continuously evaluate the impact of environmental protection requirements and climate change risks on the supply chain and formulate contingency plans to avoid supply cut-off.

We have stipulated the standards of materials provided by the suppliers in the *Quality Assurance Agreement*, requiring the supplier to only use the materials origin from animals with the prior approval of Hua Medicine, and only use the materials with evidence to prove that it can avoid the requirements of transmissible spongiform encephalitis (TSE) pollution, and provide us with the evidence of no TSE when necessary, and provide us with supportive materials such as residual solvents, metal catalysts, genotoxic impurities, etc. In addition, we require suppliers to establish effective measures to avoid pollution, cross-infection, and confusion, such as public facilities and equipment of phased production, professional equipment, appliances, cleaning verification, etc. The suppliers are required to regularly check the measures and their effectiveness to prevent confusion and cross contamination according to the established procedures.



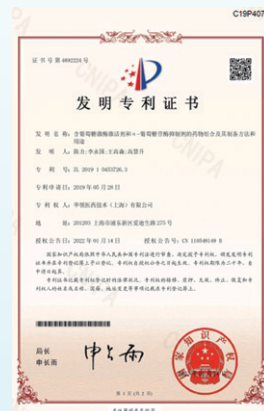
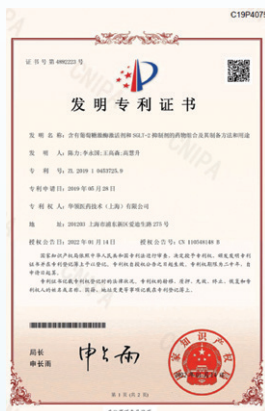
Intellectual Property Management

Intellectual property is an important factor for Hua Medicine to maintain its competitiveness, and we are striving to establish a sound intellectual property management system by adhering to the tenet of " For Patients – Global Innovation – Effective Medicines". We combine the *Patent Law of the PRC*, the *Implementing Regulations of the Patent Law of the PRC* and other laws and regulations, continuously optimize the internal *Intellectual Property Acquisition Policy*, the *Standard Operating Procedures for Patent Acquisition*, the *Intellectual Property Manual* and other intellectual property-related policies to promote independent innovation, the formation of independent intellectual property rights and promote the effective development, protection and application of intellectual property rights. We have established the *Compensation and Incentive Policy for Functional Inventors* to encourage team members to actively innovate in R&D and production, we also require employees to sign intellectual property protection-related agreements when they join the company to strengthen control. Hua Medicine protects the R&D rights and interests of supply chain by signing relevant contracts to clarify the rights and obligations of each party in the field of intellectual property, so as to achieve mutual benefits and common development.

During the reporting period, there were no litigation cases or administrative penalties related to intellectual property rights for Hua Medicine. We continued to carry out patent applications worldwide and filed a total of 42 invention patent applications in 2022 and received a total of 37 granted invention patents and 1 granted design patent. Details of the patents granted are as follows:

No.	Patent Type	Patent Coverage	Authorization Status
1	Invention patent	Oral preparation of glucokinase activator and preparation method thereof	Authorized in 4 countries: ZA, USA, Mexico, China (two independent sub-patents)
2	Invention patent	Pharmaceutical combinations, compositions and compound preparations containing glucokinase activators and biguanide hypoglycemic agents and methods of preparation and use thereof	Authorized in 5 countries and areas: China, Russia, Taiwan, Hong Kong, Macao

No.	Patent Type	Patent Coverage	Authorization Status
3	Invention patent	Pharmaceutical compositions containing glucokinase activators and K-ATP channel blockers and methods of preparation and use thereof	Authorized in 5 countries and areas: China, Russia, Taiwan, Hong Kong, Macao
4	Invention patent	Pharmaceutical compositions containing glucokinase activators and SGLT-2 inhibitors and methods of preparation and use thereof	Authorized in 5 countries and areas: China, Russia, Taiwan, Hong Kong, Macao
5	Invention patent	Pharmaceutical compositions containing glucokinase activators and DPP-IV inhibitors and methods of preparation and use thereof	Authorized in 4 countries and areas: China, Russia, Hong Kong, Macao
6	Invention patent	Pharmaceutical compositions containing glucokinase activators and alpha-glucosidase inhibitors and methods of preparation and use thereof	Authorized in 5 countries and areas: China, Russia, Taiwan, Hong Kong, Macao
7	Invention patent	Pharmaceutical compositions containing glucokinase activator and PPAR receptor activators and methods of preparation and use thereof	Authorized in 5 countries and areas: China, Russia, Taiwan, Hong Kong, Macao
8	Invention patent	Pyrrolidine derivatives	Authorized in Europe and reregistered Hong Kong
9	Invention patent	Preparation of substituted acrylate compounds	Authorized in Taiwan China
10	Industrial design patent	Pharmaceutical tablet	Authorized in Canada



Photos of Some Patent Grant Certificates in 2022

Information Security Protection

Hua Medicine attaches great importance to data security and business information protection. The company strictly complies with laws and regulations related to information security and personal privacy, including the *Law of the PRC on the Protection of Consumer Rights and Interests*, the *Cybersecurity Law of the PRC*, the *Personal Information Protection Law of the PRC*, etc. At the same time, the Company has formulated and strictly implemented *Hua Medicine Code of Conduct*, *Information Security Policy*, *Data Security Management Policy*, *IT User Access Application Process*, and other information security protection-related policies to continuously improve the information security management, to ensure that the business operates in a safe and stable environment, and to protect the privacy and security of the Company and its stakeholders. During the reporting period, there was no incidents involving the leakage of customer privacy happened.

The Company continues to enhance information security protection capabilities, using intelligent network firewalls to defend against external intrusion; responding to threats such as ransomware, phishing emails and malware through proactive security detection and response systems; using privileged accounts to configure and manage user access; conducting regular data recovery sampling tests to ensure that information systems are protected and always secure from unauthorized use, damage or erasure. The company's official website and business operation management system passed the network security level protection assessment in the second quarter of 2022 and obtained Network Security Level 2 certificate.

Employees have specific responsibility for information confidentiality, and the Company has strictly regulated the confidentiality behavior of employees and requires signing the *Confidentiality, Invention Assignment and Non-solicitation Agreement* when they join the Company. For cases where a confidentiality agreement has not yet been signed, we require employees may not transfer any material information to third parties; after signing a confidentiality agreement, we require employees to be under a duty of confidentiality to the Company and third parties and to keep the transferred information strictly confidential. In addition, we require employees to return all tangible carriers containing confidential information in their personal custody after they terminate their employment with the Company.

CARING FOR COMMUNITY & SHARING A WARM HOME

As a biotech company based in China, aiming to develop the world's first-in-class innovative drugs, Hua Medicine is committed to bringing new treatment solutions to diabetes patients around the world while taking advantage of its strengths in the pharmaceutical industry, as well as actively taking social responsibility to repay the society through diversified ways.

In 2022, the management of Hua Medicine participated in several industrial forums and actively communicated with the biomedical industry about the development practices and prospects, while made contributions to promoting the industrial development. *Gathering Talents Extensively and Empowering Talents Infinitely* – The Theme Forum of Talents for the Future Innovation and Development of Shanghai's Biomedical Industry was held on November 16, 2022, co-organized by Hua Medicine. Focusing on the innovative development of Shanghai's biomedical industry, the forum gathered overseas talents and foreigners in Shanghai, discussed the conceptual issues of different lines in the biomedical industry, further clarified the future innovation direction and priority of industrial development, and explored new ways to enable a new journey. Dr. Li Chen, Founder, CEO of Hua Medicine, took HuaTangNing (华堂宁®), a first-in-class drug, as an example to describe the practice and thinking of the development of innovative drugs in China. From the prospective of research, development, cooperation, and support, Dr. Li Chen introduced that HuaTangNing (华堂宁®) has become the first approved glucokinase activator (GKA) worldwide thanks to the efforts in the past ten years and shared how Hua Medicine has become a successful example of innovative drug development company through joint innovation and mutual benefit operation model.



Gathering Talents Extensively and Empowering Talents Infinitely – The Theme Forum of Talents for the Future Innovation and Development of Shanghai's Biomedical Industry in 2022



the 5th China International Import Expo



the 24th China Hi-Tech Fair

Additionally, since HuaTangNing (华堂宁®) has been approved by the National Medical Products Administration (NMPA) of China on Sep 30, 2022, Hua Medicine has presented HuaTangNing (华堂宁®) as one of the latest 10 years' achievements from the Shanghai's biomedical industry in various major exhibitions and exchanges, and demonstrated the R&D capabilities of Chinese biomedical companies to the world; Meanwhile, we are actively finding overseas partners to prepare HuaTangNing (华堂宁®) for export and provide new treatment solutions to about 537 million diabetes patients worldwide.

APPENDIX: ESG GUIDELINE CONTENT INDEX

Item	Descriptions		Hua Medicine Related sections/Claims
A. Environmental			
A1. Emissions	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to emissions of waste gas and greenhouse gas, discharge into water and land, generation of hazardous and non-hazardous waste	Caring for Ecology & Practicing Green and Low-Carbon
	A1.1	The types of emissions and respective emissions data	Caring for Ecology & Practicing Green and Low-Carbon – Pollution Prevention
	A1.2	Direct and energy indirect greenhouse gas emissions and, where appropriate, intensity	Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A1.3	Total hazardous waste produced and, where appropriate, intensity	Caring for Ecology & Practicing Green and Low Carbon – Pollution Prevention
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Caring for Ecology & Practicing Green and Low-Carbon – Pollution Prevention
	A1.5	Description of emissions target(s) set, and steps taken to achieve them	Board Statement – Sustainable Development Goals Caring for Ecology & Practicing Green and Low-Carbon – Pollution Prevention
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them	Board Statement – Sustainable Development Goals Caring for Ecology & Practicing Green and Low-Carbon – Pollution Prevention

Item	Descriptions		Hua Medicine Related sections/Claims
A. Environmental			
A2. Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A2.2	Water consumption in total and intensity	Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them	Board Statement – Sustainable Development Goals Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them	Board Statement – Sustainable Development Goals Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Caring for Ecology & Practicing Green and Low-Carbon – Utilization of Energy and Resource
A3. The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	Caring for Ecology & Practicing Green and Low-Carbon – Environmental Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Caring for Ecology & Practicing Green and Low-Carbon – Environmental Management
A4. Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Caring for Ecology & Practicing Green and Low-Carbon – Climate Changes
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Caring for Ecology & Practicing Green and Low-Carbon – Climate Changes

Item	Descriptions	Hua Medicine Related Sections/Claims	
B. Social			
B1. Employment	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B1.1	Total workforce by gender, employment type, age group and geographical region	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B1.2	Employee turnover rate by gender, age group and geographical region	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
B2. Health and Safety	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer	Caring for Employees & Creating a Better Life-Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Caring for Employees & Creating a Better Life-Health and Safety
	B2.2	Lost days due to work injury	Caring for Employees & Creating a Better Life-Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Caring for Employees & Creating a Better Life-Health and Safety
B3. Development and Training	General Disclosure	Policies on enhancing the knowledge and skills of employees to perform duties. Describe training activities	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B3.1	The percentage of employees trained by gender and employment type	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B3.2	The average training hours completed per employee by gender and employment category	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
B4. Labor Standards	General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child labor or forced labor	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B4.1	Description of measures to review employment practices to avoid child and forced labor	Caring for Employees & Creating a Better Life-Employee Empowerment & People First
	B4.2	Description of steps taken to eliminate such practices when discovered	Caring for Employees & Creating a Better Life-Employee Empowerment & People First

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

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