

Stock code: 000963

Stock abbreviation: Huadong Medicine

Announcement No.: 2022-070

## **Huadong Medicine Co., Ltd.**

### **The Third Quarterly Report 2022**

The Company and all members of the Board of Directors hereby guarantee that the information presented in this report is authentic, accurate and complete and free of any false records, misleading statements or material omissions.

#### **Important Declaration:**

1. The Board of Directors, Board of Supervisors, directors, supervisors, and senior management of Huadong Medicine Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report is authentic, accurate, and complete and free of any false records, misleading statements or material omissions, and shall undertake individual and joint legal liabilities.
2. The Company’s legal representative and the officer in charge of accounting, and head of accounting department (accounting supervisor) hereby declare and guarantee that the financial statements in this quarterly report are authentic, accurate, and complete.
3. Has the third quarterly report been audited?

Yes  No

This report is prepared both in Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

**I. Key financial data****(I) Key accounting data and financial indicators**

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

 Yes  No

	The current reporting period	Change of the current reporting period over the same period last year	First nine months of 2022	Change of the first nine months of 2022 over the same period last year
Operating income (yuan)	9,660,543,088.09	10.43%	27,858,507,079.10	7.45%
Net profit attributable to listed-company shareholders (yuan)	640,899,562.97	7.71%	1,981,470,047.95	4.54%
Net profit attributable to listed-company shareholders after deducting non-recurring gains/losses (yuan)	629,214,050.43	10.77%	1,901,053,230.06	7.89%
Net cash flows from operating activities (yuan)	—	—	1,320,252,925.99	-37.31%
Basic earnings per share (yuan/share)	0.3663	7.71%	1.1324	4.54%
Diluted earnings per share (yuan/share)	0.3663	7.71%	1.1324	4.54%
Weighted average return on equity (ROE)	3.62%	-0.13%	11.39%	-0.89%
	End of the current reporting period	End of last year	Change of the end of the current reporting period over the end of last year	
Total assets (yuan)	30,662,572,819.67	26,996,403,366.69	13.58%	
Total ownership interest attributable to listed-company shareholders (yuan)	18,068,711,890.05	16,579,374,323.08	8.98%	

Share capital of the Company as of the trading day before disclosure:

Share capital of the Company as of the trading day before disclosure (shares)	1,749,809,548.00
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Fully diluted earnings per share calculated on the basis of the latest share capital

Dividends paid on preferred shares	0.00
Perpetual bond interest paid (yuan)	0.00
Fully diluted earnings per share calculated on the basis of the latest share capital (yuan/share)	1.1324

**(II) Items and amounts of non-recurring gains/losses** Applicable  Inapplicable

Unit: RMB yuan

Item	Amount in the current reporting period	Amount in the first nine months of 2022	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	-6,456,222.42	2,413,541.61	
Tax refund and reduction with	298,676.54	2,758,810.47	

ultra vires examination and approval or without official approval documents			
Government grants included in current gains/losses (excluding those closely related to daily business operation and distributed constantly in accordance with certain standard quota or quantity in line with national policies and regulations)	34,136,781.84	113,330,078.60	Mainly due to the confirmation of government grants by subsidiaries in the current period.
Other non-operating revenue or expenditure except above-mentioned items	-14,144,513.35	-18,729,257.39	
Less: Amount affected by income tax	2,614,873.55	17,708,027.55	
Amount affected by rights and interests of minority stakeholders (after tax)	-465,663.48	1,648,327.85	
Total	11,685,512.54	80,416,817.89	--

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

Applicable Inapplicable

There are no other gain/loss items in line with the definition of non-recurring gains/losses in the Company.

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

Applicable Inapplicable

There is no circumstance in which the Company recognizes an item listed as a non-recurring gain/loss in the “*Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies – Non-Recurring Gains/Losses*” as a recurring gain/loss.

### (III) Changes in key accounting data and financial indicators and their reasons

Applicable Inapplicable

Balance sheet item	End of the period	Beginning of the period	Change rate	Notes on cause of changes
Accounts receivable	8,831,060,590.99	6,430,482,175.97	37.33%	Mainly due to the increase in payment for goods in the settlement period by the end of the current period
Other receivables	371,528,921.48	223,707,267.30	66.08%	Mainly due to the increase in receivables and suspense payments in the current period
Long-term equity investments	1,694,315,448.54	984,927,398.68	72.02%	Mainly due to investment in Heidelberg Pharma AG
Other equity instrument investments	359,700,638.43	257,815,844.68	39.52%	Mainly due to investment in Ashvattha Therapeutics
Other non-current assets	1,407,052,577.68	911,062,879.83	54.44%	Mainly due to the increase in payments for product introduction in the current period
Short-term borrowing	736,186,259.25	1,237,843,228.13	-40.53%	Mainly due to the repayment of borrowings in the current period
Notes payable	1,178,537,227.66	671,964,504.00	75.39%	Mainly due to the increase in notes for payment in the current period
Taxes payable	626,833,981.79	1,029,610,563.41	-39.12%	Mainly due to the increase in taxes paid in the current period
Non-current liabilities due within one year	44,491,162.31	244,256,705.59	-81.79%	Mainly due to the repayment of long-term borrowing in the current period
Other current liabilities	18,254,352.56	11,386,267.11	60.32%	Mainly due to the increase of contract liabilities with corresponding taxes transferred to other current liabilities
Long-term borrowing	1,312,010,297.75	139,178,905.04	842.68%	Mainly due to the increase in new borrowing in the current period

Other comprehensive income	-66,798,628.56	-47,768,225.80	-39.84%	Mainly due to the decrease in exchange differences arising on conversion of financial statements denominated in foreign currencies
<b>Income statement item</b>	<b>Amount of the current period</b>	<b>Amount of the previous period</b>	<b>Change</b>	<b>Cause of change</b>
Investment income	-99,173,464.90	-60,001,493.40	-65.28%	Mainly due to the decrease in investment income from associates
Gains on assets disposal	5,578,009.76	-149,966.61	3819.50%	Mainly due to the sale of real properties in the current period
Non-operating income	5,034,409.21	17,439,095.86	-71.13%	Mainly due to the decrease in confiscated income year on year
Non-operating expenses	27,069,853.11	19,888,568.89	36.11%	Mainly due to the increase in donation in the current period
<b>Cash flow statement item</b>	<b>Amount of the current period</b>	<b>Amount of the previous period</b>	<b>Change</b>	<b>Cause of change</b>
Net cash flows from operating activities	1,320,252,925.99	2,105,916,826.72	-37.31%	Mainly due to the year-on-year decrease in government grants as well as the increase in taxes paid, deposit payment, and R&D expenses in the current period
Net cash flows from investment activities	-2,183,831,586.20	-1,406,864,147.47	-55.23%	Mainly due to investment in Heidelberg Pharma AG
Net cash flows from financing activities	-114,865,223.05	-525,617,150.19	78.15%	Mainly due to the increase in interest-bearing liabilities in the current period

## II. Shareholder information

### (I) Total number of common shareholders, number of shareholders of preferred shares with voting rights restored, and information about top 10 shareholders

Unit: share

Total number of common shareholders at the end of the reporting period	83,815	Total number of shareholders of preferred shares with voting rights restored at the end of the reporting period (if any)	0			
Information about top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held	Number of shares subject to trading restrictions	Pledged, marked or frozen	
					Status	Amount
China Grand Enterprises Inc.	Domestic non-state-owned corporation	41.77%	730,938,157	0	Pledged	144,642,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned corporation	16.46%	288,000,000	0		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	3.09%	54,109,530	0		
Industrial and Commercial Bank of China Limited--China-Europe Healthcare Hybrid Securities Investment Fund	Others	2.59%	45,271,941	0		
China Securities Finance Corporation	Domestic non-state-owned corporation	1.27%	22,186,818	0		

Limited						
China Construction Bank Corporation--ICBC Credit Suisse Frontier Medical Equity Investment Fund	Others	1.14%	20,000,078	0		
Norges Bank--Equity fund	Overseas corporation	0.51%	8,959,308	0		
Industrial and Commercial Bank of China Limited--China-Europe Healthcare Innovation Stock Investment Fund	Others	0.51%	8,871,584	0		
Shanghai Gao Yi Asset Management Partnership (L.P.)--Gao Yi Xiaofeng No.2 Zhixin Fund	Others	0.40%	7,052,120	0		
National Council for Social Security Fund--Portfolio No.110	Others	0.40%	7,033,432	0		
Shareholding of the top 10 shareholders without trading restrictions						
Name of shareholder	Number of the trading unrestricted shares held	Type of shares				
		Type of shares	Amount			
China Grand Enterprises Inc.	730,938,157	RMB common shares	730,938,157			
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	RMB common shares	288,000,000			
Hong Kong Securities Clearing Company Ltd.	54,109,530	RMB common shares	54,109,530			
Industrial and Commercial Bank of China Limited--China-Europe Healthcare Hybrid Securities Investment Fund	45,271,941	RMB common shares	45,271,941			
China Securities Finance Corporation Limited	22,186,818	RMB common shares	22,186,818			
China Construction Bank Corporation--ICBC Credit Suisse Frontier Medical Equity Investment Fund	20,000,078	RMB common shares	20,000,078			
Norges Bank--Equity fund	8,959,308	RMB common shares	8,959,308			
Industrial and Commercial Bank of China Limited--China-Europe Healthcare Innovation Stock Investment Fund	8,871,584	RMB common shares	8,871,584			
Shanghai Gao Yi Asset Management Partnership (L.P.)--Gao Yi Xiaofeng No.2 Zhixin Fund	7,052,120	RMB common shares	7,052,120			
National Council for Social Security Fund--Portfolio No.110	7,033,432	RMB common shares	7,033,432			
Description of relations or acting in concert among	The Company does not know whether the above-mentioned shareholders					

the shareholders mentioned above	are related parties or whether they are acting-in-concert parties with one another.
Description of the participation in securities margin trading business of the top 10 shareholders (if any)	At the end of the reporting period, among the top 10 common shareholders of the Company, there were no shareholders holding the Company's shares through the securities margin trading account.

## (II) Total number of shareholders of preferred shares and information about top 10 shareholders of preferred shares

Applicable Inapplicable

## III. Other important matters

Applicable Inapplicable

### (I) Overview of operations

#### 1. The Company's overall operations during the reporting period

During the reporting period, the Company continued to overcome the challenges brought about by the COVID-19 resurgence and the fierce market competition. With the core objective of restoring growth, it accelerated operation and innovation in various fields, so its key operational indicators continued to recover growth amid the effective response to various pressures and uncertainties. In the first nine months of 2022, the Company realized operating income of RMB27.86 billion, up 7.4% year on year (up 0.4% in the first quarter and 5.9% in the first half year on year). Meanwhile, it produced net profit attributable to listed-company shareholders after deduction of non-recurring gains or losses of RMB1.9 billion, up 7.9% (up 0.4% in the first quarter and 6.5% in the first half year on year). Calculated by the same standard in the previous annual report after excluding the controlling subsidiary Huadong Ningbo, operating income in the first nine months of 2022 increased by 11.2% year on year, and net profit attributable to listed-company shareholders after deduction of non-recurring gains or losses went up by 9.3% year on year. The Company saw its overall operations growing steadily.

In the third quarter of 2022, the Company posted total operating income of RMB9.66 billion, an increase of 10.4% compared with the same period last year and 4.3% from the second quarter of the year as well as net profit attributable to listed-company shareholders after deduction of non-recurring gains or losses of RMB630 million, an increase of 10.8% compared with the same period last year and 9.8% from the second quarter of the year. Calculated by the same standard in the previous annual report after excluding the controlling subsidiary Huadong Ningbo, the Company's operating income in the third quarter of 2022 increased by 14.4% year on year, and its net profit attributable to listed-company shareholders after deduction of non-recurring gains or losses rose by 11.2% year on year.

The pharmaceutical industry segment (including CSO business) recorded operating income of RMB8.22 billion in the first nine months of 2022, up 5.3% year on year (down 13.4% in the first quarter and up 1.4% in the first half year on year). It realized net profit attributable to listed-company

shareholders after deduction of non-recurring gains or losses of RMB1.62 billion, up 0.9% year on year (down 4.3% in the first quarter and down 3.7% in the first half year on year). In the third quarter of 2022, the segment achieved operating income of RMB2.71 billion and net profit attributable to listed-company shareholders after deduction of non-recurring gains or losses of RMB550 million, up 14.0% and 11.1% year on year. The industrial microbiology business grew slower in the third quarter of 2022 compared with the first half of the year, due to the decline in demand for nucleoside raw materials in the downstream international market and the delayed delivery of the Company's production in pursuit of overseas certification. However, the overall business is expected to gradually recover in the fourth quarter. From a full-year perspective, the Company continued to implement its industrial microbiology strategy, to enrich product pipelines with high innovation, technical barriers, and value-added in various business areas, and to optimize the product structure. At the same time, it got products registered overseas and launched international business actively. All of these steps aimed to promote the steady growth of the industrial microbiology business.

During the reporting period, the Company's pharmaceutical commerce maintained steady growth, achieving operating income of RMB18.97 billion, up 9.8% year on year, and total net profit of RMB300 million, up 5.0% year on year.

During the reporting period, the Company's aesthetic medicine segment maintained rapid growth as a whole. In the period, the segment achieved total operating income of RMB1.37 billion (excluding internal offsetting factors), representing the highest level of the same period in the Company's history, and a year-on-year increase of 113.7% on a comparable basis (excluding Huadong Ningbo). Sinclair, a wholly-owned subsidiary in the United Kingdom (the UK), continued to grow fast, making strides in overseas market expansion and international sales. During the reporting period, Sinclair registered consolidated operating income of GBP95.37 million (approximately RMB790 million), an increase of 79.7% year on year, and earnings before interest, taxes, depreciation, and amortization (EBITDA) of GBP17.36 million, an increase of 254.9% year on year. In the third quarter alone, the subsidiary posted operating income of over GBP32 million in spite of the mounting pressures from inflation and rising costs overseas. The Pr éme DermaFacial, a multi-functional facial skin management platform that Sinclair exclusively introduced from Ireland-based EMA Aesthetics Limited, become available for commercial sales in major global aesthetic medicine markets such as Europe and the United States from September 2022. The energy-based device is scheduled to be launched in China in 2023.

As for domestic aesthetic medicine business, Sinclair (Shanghai), the wholly-owned subsidiary of the Company, tapped deep into the core target markets, on the premise of ensuring operational compliance. As its flagship product Ellans é<sup>®</sup> grew market share and gained greater brand visibility,

the subsidiary continued to lead high-end regenerative filler market in China. Thanks to the constantly enhanced attention and penetration, the domestic aesthetic medicine business saw its sales proceeds in the third quarter of 2022 rebounding significantly compared with the second quarter. Sinclair (Shanghai) racked up total operating income of RMB440 million in the first nine months of 2022. China hence become the largest market for Ellans e® worldwide. In the fourth quarter, which is a peak season for medical aesthetics sales, Sinclair (Shanghai) is expected to continue its good performance in the third quarter, thus beating the full-year business target smoothly.

## **2. R&D progress of the Company during the reporting period**

### **(1) Progress of clinical studies on major innovative drugs, innovative medical equipment and biosimilars**

From January to September 2022, the Company continued to accelerate the R&D work. The R&D expenditure in the pharmaceutical industry was RMB870 million, with a year-on-year increase of 21.5% among which RMB760 million was for R&D expenses. As at the date of issuance of this Report, the Company's main R&D progress of innovative drugs, innovative medical equipment and biosimilars is as follows:

#### **Endocrine**

HDM1002: A GLP-1 receptor agonist formed from small molecules which is independently researched and developed by the Company. It is projected that Pre-IND applications will be delivered both in China and the United States by the end of 2022.

Liraglutide Injection: A GLP-1 receptor agonist. The marketing authorization application for diabetes indication was accepted in September 2021 and the submission of materials for supplementary studies was completed in August 2022. The marketing authorization application for obesity or overweight indication was accepted in July 2022.

Semaglutide Injection: A GLP-1 receptor agonist. The administration and follow-up visits to all subjects for Phase I clinical trials have been completed.

Insulin Degludec Injection: Its IND approval received in September 2022.

HDM7003 (D-4517.2): This product is under development jointly by the Company and Ashvattha Therapeutic, Inc., the joint-stock company in the United States. In September 2022, Ashvattha announced that the first subject enrollment for the Phase II clinical trial in the United States of the product, which is utilized for treating wet age-related macular degeneration and diabetic macular edema, had been completed.

#### **Oncology**

HDM2002 (Mirvetuximab Soravtansine): The first investigational ADC targeting positive ovarian cancer with folate receptor alpha ("FR $\alpha$ ") in the world. It is utilized for treating platinum-



resistant ovarian cancer with high expression of FR $\alpha$ . In terms of its Phase I clinical trials in China for pharmacokinetics, the enrollment of all subjects was completed in July 2022. In August 2022, the first subject enrollment was completed for its Phase III single-arm clinical trial in China.

### **Autoimmunity**

ARCALYST<sup>®</sup> (Rilonacept): A recombinant dimer fusion protein that can block the transmission of IL-1 $\alpha$  and IL-1 $\beta$  signals. In February 2022, the Company signed a cooperative agreement with Kiniksa on introducing this product. Continually, ARCALYST<sup>®</sup> was approved in the United States in 2008, 2020 and 2021 for treating cryopyrin-associated periodic syndromes (“CAPS”), deficiency of IL-1 receptor antagonist (“DIRA”) and recurrent pericarditis. Also, ARCALYST<sup>®</sup> was included by the CDE in the *List of Overseas New Drugs for Urgent Clinical Needs (Group 1)* for CAPS. The Company filed a Pre-BLA to the CDE for the product’s CAPS indication in July 2022 and feedback has been procured. It is expected that the BLA application will be delivered domestically in the fourth quarter of 2022.

HDM5001 (OP-101): This product is under development jointly by the Company and Ashvattha Therapeutic, Inc., the joint-stock company in the United States. On the basis of its original function of treating severe COVID-19 indications, the possibility of new indication development is currently under assessment. An IND application will be delivered domestically after a conclusion is formed.

### **Innovative medical equipment**

HD-NP-102 (Transdermal Glomerular Filtration Rate Measurement System and MB102): This product is jointly developed by the Company and MediBeacon, Inc. in the United States. Based on the changes in fluorescence over time emitted by exogenous tracers for non-invasive monitoring, this system can continuously measure the glomerular filtration rate (“GFR”) of patients with normal or impaired renal functions. In July 2022, the registration application for medical equipment of this system was accepted by the NMPA and will enter the review phase. MB-102 Injection (Relmapirazin) which works together with this system is a global innovative drug. The first domestic subject enrollment for the Phase III multi-regional clinical trial (MRCT) was completed in September 2022.

## **(2) R&D and registration of domestic aesthetic medicine products**

No.	Category	Product Name	Purpose	Latest Progress
1	Injection	MaiLi Extreme HA	Facial filling	As for clinical trials in China, the first subject enrollment was completed in September 2022
2	Injection	Ellans éM	Facial filling	Domestic registration inspection reached the end in August 2022, and clinical trials in China are underway and the ethical approval of the main research unit has been obtained
3	Injection	Perfectha <sup>®</sup> Biphase HA	Facial filling	Efforts related to domestic registration are underway
4	Thread lifting	Silhouette Instalift <sup>®</sup>	Mid-facial lifting	As for domestic clinical trials, part of the subjects have been enrolled, and the follow-ups at time nodes are in progress

5	Energy based device	Glacial Rx (F1)	Removal of benign pigmentary lesions of the skin	Domestic registration inspection is underway
6	Energy based device	Cooltech Define	Fat reduction and body shaping	Domestic registration inspection is underway
7	Energy based device	Primelase	Hair removal	Domestic registration inspection is underway
8	Energy based device	V product line (V20, V30)	Skin firming, body and facial shaping, skin rejuvenation and hair removal	Domestic registration inspection is underway
9	Energy based device	EnerJet	Scar rehabilitation, facial lifting and dermal thickening	Domestic registration inspection is underway
10	Energy based device	Pr áme DermaFacial	Facial skin management	Equipment classification and complementary cosmetics registration are underway domestically
11	Energy based device	Reaction™	Body and facial shaping and skin firming	Changes in domestic agents were approved in August 2022, registration of the foreign factory address change is under review, and the product will reenter the Chinese market in Q1 2023 as envisaged

In addition, the Company is actively accelerating its applications for the franchises for Silhouette, Lanluma® and Ellans e® series products in Hainan Boao Lecheng Pilot Zone of International Medical Tourism.

### 3. External investment and cooperation progress of the Company during the reporting period

(1) During the reporting period, the Company completed the delivery of the additional stocks issued publicly and shares transferred by agreement by the listing company in Germany Heidelberg Pharma (please refer to the relevant announcements disclosed by the Company on the website of cninfo.com.cn for details; announcement No.: 2022-060 and 2022-065). After the completion of the delivery, the Company's equity investment in Heidelberg Pharma was successfully completed. Ultimately, the Company's wholly owned subsidiary Huadong Medicine Investment Holding (Hong Kong) Limited holds a total of 16,304,560 shares in Heidelberg Pharma, with the corresponding percentage of equity interest held being 35.00%. For this percentage, the Company becomes the second largest shareholder.

In terms of the ADC field, the Company further expanded its differentiated layout. It invested in Qyuns Therapeutics, an antibody R&D and production company, and Nuoling Bio, a company specializing in ADC linkers and conjugate techniques, and incubated Huida Biotech which owns the whole product line of ADC payloads. It also controls Doer Biologics, a multi-antibody platform R&D company, and has strong ADC R&D technological accumulations. By carrying out equity investment and product cooperation with Heidelberg Pharma, a global emerging technology company in the ADC field, and introducing a number of ADC innovative products, the Company further enriched its innovative pipeline for oncology products and realized a differentiated layout in the ADC field. In

the future, the Company will fully integrate its ADC R&D technological accumulations with the advanced and proprietary ATAC technological platform of Heidelberg Pharma to form a unique ADC global R&D ecosystem, gradually build a differentiating ADC independent R&D platform, and strengthen and improve the antineoplastic product innovation chain and the ADC ecological chain. The Company has established an independent ADC R&D center which will, driven by clinical needs that have not been satisfied, actively cooperate with international leading technical teams and integrate advantageous ecosystem resources. In the next three years, it plans to develop at least ten ADC innovative products and actively promote the registration work and clinical studies.



(2) On August 8, 2022, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (hereinafter referred to as “Zhongmei Huadong”), the Company’s wholly owned subsidiary, signed the *Agreement on Capital Injection to and Transfer of Equity Interest in Wuhu Huaren Science and Technology Co., Ltd.* with Wuhu Huaren Science and Technology Co., Ltd. (hereinafter referred to as “Huaren Science and Technology”), natural persons Shi Ping and Zhao Huijiao, and Wuhu Huaxuan Enterprise Management Partnership (Limited Partnership). Zhongmei Huadong will contribute no more than RMB396 million in total, in the form of capital injection and share acceptance, to acquire a 60% equity interest in Huaren Science and Technology and become its controlling shareholder (please refer to the relevant announcement disclosed by the Company on the website of [cninfo.com.cn](http://cninfo.com.cn) for details; announcement No.: 2022-056). Up to now, the Company has completed the formalities for changing registration with the administration for industry and commerce related to this transaction, the payment of all the capital injection funds and part of the equity transfer consideration, and the

closing of the capital injection to and acceptance of the equity interest in Huaren Science and Technology.

In the future, in the nucleoside business layout of the Company's industrial microbial segment, Huaren Science and Technology will mainly focus on the markets of nucleoside raw materials for small nucleic acid drugs and diagnostic reagents, with modified nucleosides, phosphoramidite monomers and dNTPs, among others, as the main products. The Company's wholly owned subsidiary, Anhui Meihua Hi-Tech Pharmaceutical Co., Ltd. (hereinafter referred to as "Meihua Hi-Tech"), will assist Huaren Science and Technology with its large-scale production and undertake the function of producing modified nucleosides, monomers and upstream raw materials.

Through a series of R&D and integration of industry resources, the Company has formed a complete technological layout necessary for the nucleoside business in fields such as synthetic biology technology, enzyme catalysis, chemical synthesis and modification, and separation and purification. Meanwhile, leveraging Huaren Science and Technology, Meihua Hi-Tech and other production bases, a comprehensive production layout of nucleic acid drugs and upstream raw materials for diagnosis has been formed. In the future, the Company will continue to expand and strengthen the production of nucleic acid drugs and upstream raw materials for diagnosis, and dedicate itself to becoming an international leading supplier in the field of nucleoside raw materials.

(3) Meihua Hi-Tech (formerly Anhui Huachang Hi-Tech Pharmaceutical Co., Ltd.), all of whose equity has been acquired by the Company, has started the production of existing nucleoside product projects in an orderly manner and has formed industry linkage and resource integration with Zhongmei Huadong and Huaren Science and Technology within the Company. Currently, the trial production of the Phase I project of Meihua Hi-Tech is undergoing acceptance inspection and at the same time Phase II project planning is being actively promoted.

(4) In July 2022, the Company's wholly owned subsidiary, Zhongmei Huadong, and Gongshu District Government in Hangzhou and Zhejiang University of Technology jointly established the Huadong Institute of Synthetic Biology Industry Technology (hereinafter referred to as the "Institute"), which will focus on the four fields of nutrition and pharmaceutical chemicals, aesthetic medical biology, biomaterials and health substitutes based on synthetic biology technology. Meanwhile, the Institute insists on serving the strategic needs of the national "bio-economy", and takes as breakthroughs the new mechanism of intelligent biological manufacturing and industrial revolutionary technical issues, while carrying out technological innovation research and industrial transformation research around intelligent biological manufacturing with the help of artificial intelligence, big data and intelligent automation equipment. The Institute is in the Huadong Medical Life Science Industrial Park (the Company's Xiangfu Qiao plant), and Zheng Yuguo, an academician

of the Chinese Academy of Engineering, is the president. Synthetic biology is one of the core technologies that the Company relies on for industrial microbial development. Through linkage, sharing and integration, the pioneer cooperation between “government, industry and university in research and application” will accelerate the transformation of innovative projects, which is expected to help build a new cluster of biological manufacturing industry and give the Company a new impetus for industrial microbial innovation.

#### **4. Other work matters**

During the reporting period, the Company launched the equity incentive plan for the first time since its listing. To further establish and improve the long-term incentive mechanisms, attract and retain outstanding talents, fully mobilize the initiative of the senior management members, managers, and core technical (business) personnel, effectively combine the interests of shareholders, the Company, core teams, and employees together, and rally all parties around the long-term development of the Company, the *Restricted Share Incentive Plan 2022 (Draft)* (hereinafter referred to as “the Plan”) was formulated on the premise of fully safeguarding the interests of shareholders, as per the principle of matching earnings and contributions, and in accordance with the pertinent laws, regulations, and normative documents of China, such as the *Company Law*, the *Securities Law*, the *Administrative Measures for Equity Incentives of Listed Companies* as well as the *Articles of Association* of the Company. The Plan would grant restricted shares to the incentive recipients.

The second session of the 10th Meeting of the Board of Directors and the second session of the 10th Meeting of the Board of Supervisors were held on August 8, 2022, to review and adopt the *Proposal on the Company’s Restricted Share Incentive Plan 2022 (Draft) and Its Summary* (details can be seen in the announcement disclosed by the Company on cninfo.com.cn on August 10, 2022). According to the Plan, the Company would grant 5 million restricted shares, at the price of RMB25.00 per share, which represented approximately 0.286% of 1,749,809,548 shares, the total share capital of the Company at the time of the announcement of the Plan. These restricted shares would go to 117 persons in total, including directors, senior management, middle management, and core technical (business) personnel who were working for the Company (including its subsidiaries) at the time of the announcement of the Plan.

The Company released the list of first incentive recipients of the Restricted Share Incentive Plan through its intranet for 10 days, that is, August 15-25, 2022. By the end of the public announcement period on August 25, 2022, the Board of Supervisors did not receive any objection from anyone to the incentive recipients. On August 25, 2022, the Board of Supervisors meeting was convened to review and adopt the *Verification Opinions and Public Announcement on the List of First Incentive*

*Recipients under the Restricted Share Incentive Plan 2022* (details can be seen in the relevant announcement disclosed on by the Company on [cninfo.com.cn](http://cninfo.com.cn) on the same day).

The Company held the first extraordinary general meeting of 2022 on August 31, 2022 to review and adopt the *Proposal on the Company's Restricted Share Incentive Plan 2022 (Draft) and Its Summary* (details can be seen in the relevant announcement disclosed by the Company on [cninfo.com.cn](http://cninfo.com.cn) on the same day). The work related to equity incentive is now continuing as scheduled.

**(II) Registration form of receptions, including research, communication and interview, undertaken**

Reception date	Reception venue	Reception method	Type of visitor	Affiliation of visitor	Main content of discussion and information provided	Index of basic information of the research
July 06 and July 08, 2022	Company conference room	Field research, communication via phone call	Institution, individual	Industrial Securities, Zheshang Securities, Morgan Stanley, CITIC Securities, etc.	Investor communication, online seminar on China's A-share market	Please refer to "Huadong Medicine: record of investor relations activities on July 06 and July 08, 2022" presented on the websites of <a href="http://irm.cninfo.com.cn">irm.cninfo.com.cn</a> and <a href="http://cninfo.com.cn">cninfo.com.cn</a> for details.
August 10, 2022	Company conference room	Communication via phone call	Institution, individual	Industrial Securities, etc.	Interpretation of results of 2022 Interim Report by Huadong Medicine	Please refer to "Huadong Medicine: record of investor relations activities on August 10, 2022" presented on the websites of <a href="http://irm.cninfo.com.cn">irm.cninfo.com.cn</a> and <a href="http://cninfo.com.cn">cninfo.com.cn</a> for details.

## IV. Quarterly financial statements

### (I) Financial statements

#### 1. Consolidated balance sheet

Prepared by Huadong Medicine Co., Ltd.

September 30, 2022

Unit: RMB yuan

Item	September 30, 2022	January 1, 2022
Current assets:		
Monetary funds	3,175,270,378.54	4,032,424,555.22
Settlement reserve		
Lending to other banks and other financial institutions		
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	8,831,060,590.99	6,430,482,175.97
Accounts receivable financing	505,223,136.35	509,190,888.54
Advance payments	286,046,854.82	275,353,134.69
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	371,528,921.48	223,707,267.30
Including: Interests receivable		
Dividends receivable	3,404,934.45	877,734.45
Financial assets purchased for resale		
Inventories	4,101,303,627.61	3,974,549,648.96
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	50,283,045.05	40,907,922.76
Total current assets	17,320,716,554.84	15,486,615,593.44
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	1,694,315,448.54	984,927,398.68
Other equity instrument investments	359,700,638.43	257,815,844.68
Other non-current financial assets		
Real estate properties for investment	13,850,319.60	14,569,533.94
Fixed assets	2,954,233,810.76	3,077,227,759.84
Constructions in progress	1,793,856,597.84	1,582,125,201.25
Biological assets for production		
Oil & gas assets		
Right-of-use assets	113,951,068.86	153,724,197.81
Intangible assets	2,246,242,618.65	2,233,450,369.34
Development expenditures	107,996,900.93	
Goodwill	2,479,054,921.92	2,138,808,037.01
Long-term unamortized expenses	13,991,020.81	12,425,364.03
Deferred income tax assets	157,610,340.81	143,651,186.84
Other non-current assets	1,407,052,577.68	911,062,879.83
Total non-current assets	13,341,856,264.83	11,509,787,773.25

Total assets	30,662,572,819.67	26,996,403,366.69
Current liabilities:		
Short-term borrowing	736,186,259.25	1,237,843,228.13
Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	1,178,537,227.66	671,964,504.00
Accounts payable	4,721,925,574.38	3,847,719,574.86
Advance receipts	1,904,991.13	1,147,425.45
Contract liabilities	139,272,182.95	118,341,141.48
Financial assets sold for repurchase		
Absorbing deposits and due from banks		
Receipts for buying and selling securities as proxy		
Receipts for underwriting securities as proxy		
Employee benefits payable	211,128,617.38	168,210,088.82
Taxes payable	626,833,981.79	1,029,610,563.41
Other payables	2,437,266,239.54	1,935,116,784.93
Including: Interests payable		
Dividends payable	224,219.60	2,184,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	44,491,162.31	244,256,705.59
Other current liabilities	18,254,352.56	11,386,267.11
Total current liabilities	10,115,800,588.95	9,265,596,283.78
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowing	1,312,010,297.75	139,178,905.04
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	65,563,558.78	80,889,403.39
Long-term payables	262,627,804.02	261,903,489.09
Long-term employee benefits payable		
Provision	37,924,447.27	39,086,238.25
Deferred gains	101,838,308.17	83,521,649.96
Deferred income tax liabilities	184,714,029.50	184,908,391.50
Other non-current liabilities		
Total non-current liabilities	1,964,678,445.49	789,488,077.23
Total liabilities	12,080,479,034.44	10,055,084,361.01
Ownership interest:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,264,211,002.79	2,229,868,312.11
Less: Treasury shares		
Other comprehensive income	-66,798,628.56	-47,768,225.80
Special reserve		
Surplus reserve	1,021,670,687.31	1,021,670,687.31
General risk reserve		
Undistributed profit	13,099,819,280.51	11,625,794,001.46
Total ownership interest attributable to	18,068,711,890.05	16,579,374,323.08



the parent company		
Minority interest	513,381,895.18	361,944,682.60
Total ownership interest	18,582,093,785.23	16,941,319,005.68
Total liabilities & ownership interest	30,662,572,819.67	26,996,403,366.69

Legal representative: Lv Liang    Officer in charge of accounting: Lv Liang    Head of accounting department: Qiu Renbo

## 2. Consolidated income statement in the first nine months of 2022

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Total operating income	27,858,507,079.10	25,927,477,363.27
Including: Operating income	27,858,507,079.10	25,927,477,363.27
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	25,422,451,966.57	23,721,020,429.04
Including: Operating cost	19,006,828,172.00	17,820,264,592.12
Interests paid		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Taxes and surcharges	145,766,634.10	132,071,642.16
Selling expenses	4,503,511,492.02	4,165,255,628.17
Administrative expenses	958,816,065.06	859,932,896.49
R&D expenses	788,158,101.57	727,596,640.52
Financial expenses	19,371,501.82	15,899,029.58
Including: Interests paid	55,731,896.99	59,960,711.55
Interests received	75,779,611.14	64,850,873.74
Add: Other gains	116,088,889.07	157,965,604.53
Investment gains (Losses are indicated by "-")	-99,173,464.90	-60,001,493.40
Including: Investment gains from associates and joint ventures	-80,967,957.60	-18,970,341.98
Gains from the derecognition of financial assets measured at amortized cost		
Gains on exchange (Losses are indicated by "-")		
Gains on net exposure hedging (Losses are indicated by "-")		
Gains on changes in fair value (Losses are indicated by "-")		
Credit impairment losses (Losses are indicated by "-")	-71,965,559.59	-38,263,673.24
Assets impairment losses (Losses are indicated by "-")		3,054,806.20
Gains on assets disposal (Losses are indicated by "-")	5,578,009.76	-149,966.61
III. Operating profit (Losses are indicated by "-")	2,386,582,986.87	2,269,062,211.71
Add: Non-operating income	5,034,409.21	17,439,095.86
Less: Non-operating expenditure	27,069,853.11	19,888,568.89
IV. Total profit (Total losses are indicated by "-")	2,364,547,542.97	2,266,612,738.68
Less: Income tax expenses	358,222,730.61	324,435,752.43
V. Net profit (Net losses are indicated by "-")	2,006,324,812.36	1,942,176,986.25

(I) Categorized by the continuity of operations		
1. Net profit from continued operations (Net losses are indicated by “-”)	2,006,324,812.36	1,942,176,986.25
2. Net profit from discontinued operations (Net losses are indicated by “-”)		
(II) Categorized by attribution of the ownership		
1. Net profit attributable to shareholders of the parent company (Net losses are indicated by “-”)	1,981,470,047.95	1,895,384,579.34
2. Gains/losses of minority shareholders (Net losses are indicated by “-”)	24,854,764.41	46,792,406.91
VI. Net amount after tax of other comprehensive income	-19,030,402.76	115,596,732.48
Net amount after tax of other comprehensive income attributable to owners of the parent company	-19,030,402.76	115,596,732.48
(I) Other comprehensive income that cannot be reclassified into gains/losses	-4,775,671.98	18,270,393.86
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments	-4,775,671.98	18,270,393.86
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-14,254,730.78	97,326,338.62
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences arise from translation of foreign currency financial statements	-14,254,730.78	97,326,338.62
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,987,294,409.60	2,057,773,718.73
(I) Total comprehensive income attributable to owners of the parent company	1,962,439,645.19	2,010,981,311.82
(II) Total comprehensive income attributable to minority shareholders	24,854,764.41	46,792,406.91
VIII. Earnings per share (EPS):		
(I) Basic EPS	1.1324	1.0832
(II) Diluted EPS	1.1324	1.0832

As for enterprise merger under the same control in the current period, the net profit generated by the merged party before the merger is 0 yuan, and that generated during the previous period is 0 yuan.

Legal representative: Lv Liang    Officer in charge of accounting: Lv Liang    Head of accounting department: Qiu Renbo

**3. Consolidated cash flow statement in the first nine months of 2022**

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
<b>I. Cash flows from operating activities:</b>		
Cash from the sale of goods and provision of services	28,636,082,628.37	27,674,577,148.04
Net increase in customer deposits and due from banks		
Net increase in borrowing from the central bank		
Net increase in borrowing from other financial institutions		
Cash from the premium of the original insurance policy		
Net cash from reinsurance		
Net increase in deposits and investment of the insured		
Cash from interests, handling fees and commissions		
Net increase in borrowing from other banks and other financial institutions		
Net increase in funds for repurchase		
Net cash received for buying and selling securities as proxy		
Tax refund received	48,130,176.60	11,649,988.97
Other cash receipts in relation to operating activities	519,344,662.31	529,610,507.12
<b>Total cash inflows from operating activities</b>	<b>29,203,557,467.28</b>	<b>28,215,837,644.13</b>
Cash payments for goods and services	19,098,109,891.25	18,596,693,102.88
Net increase in customer loans and prepayments		
Net increase in deposits of central bank and due from banks		
Cash for payment of original insurance claims		
Net increase in lending to other banks and other financial institutions		
Cash for payment of interests, handling fees and commissions		
Cash for payment of policy dividends		
Cash payments to and for employees	2,163,638,874.66	1,822,563,793.72
Payment of taxes and fees	2,310,543,611.37	1,531,826,498.86
Other cash payments in relation to operating activities	4,311,012,164.01	4,158,837,421.95
<b>Total cash outflows for operating activities</b>	<b>27,883,304,541.29</b>	<b>26,109,920,817.41</b>
<b>Net cash flows from operating activities</b>	<b>1,320,252,925.99</b>	<b>2,105,916,826.72</b>
<b>II. Cash flows from investing activities:</b>		
Cash from recovery of investments		20,432,161.82
Cash from investment gains	900,000.00	4,281,616.50
Net cash from disposal of fixed assets, intangible assets and other long-term assets	13,562,748.02	2,009,441.20
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities		29,602,856.85
<b>Total cash inflows from investing activities</b>	<b>14,462,748.02</b>	<b>56,326,076.37</b>
Cash payments for purchase and construction of fixed assets, intangible	838,159,013.91	539,567,188.77

assets and other long-term assets		
Cash payments for investment	855,517,746.06	120,706,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	404,617,574.25	776,789,194.67
Other cash payments in relation to investing activities	100,000,000.00	26,127,840.40
Total cash outflows for investing activities	2,198,294,334.22	1,463,190,223.84
Net cash flows from investment activities	-2,183,831,586.20	-1,406,864,147.47
III. Cash flows from financing activities:		
Cash from absorbing investments	30,000,000.00	
Including: Cash from absorption of minority shareholders' investments by subsidiaries	30,000,000.00	
Cash from borrowing	3,625,643,992.66	1,854,078,657.43
Other cash receipts in relation to financing activities	598,142,418.56	360,000,000.00
Total cash inflows from financing activities	4,253,786,411.22	2,214,078,657.43
Cash for repayment of debt	3,141,986,846.06	1,874,703,029.58
Cash payments for dividends, profits or interests	627,878,033.15	499,317,003.89
Including: Payment of dividends and profits by subsidiaries to minority shareholders	1,960,000.00	
Other cash payments in relation to financing activities	598,786,755.06	365,675,774.15
Total cash outflows for financing activities	4,368,651,634.27	2,739,695,807.62
Net cash flows from financing activities	-114,865,223.05	-525,617,150.19
IV. Influence of exchange rate fluctuations on cash and cash equivalents	17,694,818.12	-1,383,998.81
V. Net increase in cash and cash equivalents	-960,749,065.14	172,051,530.25
Add: Balance of cash and cash equivalents at the beginning of the period	3,580,140,638.17	3,157,407,073.26
VI. Balance of cash and cash equivalents at the end of the period	2,619,391,573.03	3,329,458,603.51

## (II) Audit report

Has the third quarterly report been audited?

Yes  No

The third quarterly report has not been audited.

The Board of Directors of Huadong Medicine Co., Ltd.

October 26, 2022