Stock code: 000963 Stock abbreviation: Huadong Medicine Announcement No.: 2022-022

Huadong Medicine Co., Ltd.

The First 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 quarter report are authentic, accurate and complete.

3.Has the first 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	Same period last year	Change of the current reporting period over the same period last year
Operating revenue (yuan)	8,932,579,251.75	8,896,632,277.36	0.40%

Net profit attributable to shareholders of listed companies (yuan)	704,364,775.13	758,380,756.56	-7.12%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	698,524,004.62	695,792,411.78	0.39%
Net cash flow from operating activities (yuan)	-260,603,628.32	302,314,164.48	-186.20%
Basic earnings per share (yuan/share)	0.4025	0.4334	-7.13%
Diluted earnings per share (yuan/share)	0.4025	0.4334	-7.13%
Weighted average return on equity (ROE)	4.17%	5.04%	-0.87%
	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)	28,436,893,634.69	26,996,403,366.69	5.34%
Net assets attributable to shareholders of listed companies (yuan)	17,268,724,312.96	16,579,374,323.08	4.16%

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

√ Applicable □ N/A

Item	Amount of the current reporting period	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	1,085,520.17	
Government grants included in current gains/losses(excluding those closely related to normal operating activities, in line with national policies and measured according to unified national standards)	10,669,007.70	
Other non-operating income or expenditure	-5,011,007.02	
Less: Amount affected by income tax	997,808.09	
Amount affected by minority interest (after tax)	-95,057.75	
Total	5,840,770.51	--

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

□ Applicable √ N/A

No such case.

If the Company recognizes a non-recurring gain/loss listed in the “Interpretative Announcement No. 1 on Information Disclosure Criteria for Public Companies – Non-Recurring Profit/Loss” as a recurring gain/loss, reasons should be specified.

□ Applicable √ N/A

No such case.

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

√ Applicable □ N/A

Balance sheet item	End of the period	Beginning of the period	Change rate	Notes on cause of changes
Prepayments	358,007,960.17	275,353,134.69	30.02%	Mainly due to the increase in repayments for goods
Other receivables	361,937,153.49	223,707,267.30	61.79%	Mainly due to the increase of payment of land auction money and security deposit in the current period
Short-term borrowings	749,826,858.51	1,237,843,228.13	-39.42%	Mainly due to loan repayment in the current period
Notes payable	1,241,696,835.09	671,964,504.00	84.79%	Mainly due to the increase of bill payment in the current period
Dividends payable	224,219.60	2,184,219.60	-89.73%	Mainly due to payment of dividends to minority shareholders in the current period
Long term loan	478,247,000.00	139,178,905.04	243.62%	Mainly due to newly increased borrowings in the current period
Other current liabilities	15,546,972.37	11,386,267.11	36.54%	Mainly due to the transfer of increased corresponding tax items in contract liabilities into other current liabilities
Income statement item	**Amount of the current period**	**Amount of the previous period**	**Change rate**	**Notes on cause of changes**
R&D expenses	319,207,245.09	220,005,691.36	45.09%	Mainly due to the increase in R&D expenses
Other income	10,669,007.70	76,459,624.41	-86.05%	Mainly due to the year-on-year decrease in government subsidies obtained in the current period
Non-operating expenses	5,355,930.46	3,024,042.00	77.11%	Mainly due to the year-on-year increase in external donations in the current period
Minority interest income	9,667,799.11	16,093,227.89	-39.93%	Mainly due to that Hudong Ningbo is no longer included in the consolidated statements in the current period
Cash flow statement item	**Amount of the current period**	**Amount of the previous period**	**Change rate**	**Notes on cause of changes**
Net cash flows from operating activities	-260,603,628.32	302,314,164.48	-186.20%	Mainly due to the year-on-year decrease in sales receipts and government subsidies, the payment of security deposit, and the increase in R&D expenses
Net cash flows from financing activities	-5,561,294.58	113,196,714.88	-104.91%	Mainly due to the year-on-year decrease in borrowing obtained in the current period

II. Shareholder information

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

Unit: share

Total number of shareholders of common shares at the end of the reporting period	131,993	Total number of shareholders of preferred shares whose voting rights have been restored at the end of the reporting period (if any)	0

Information about top 10 shareholders						
Name	Nature	Shareholding ratio	Number of shares held	Number of shares held with sale restrictions	Pledged, marked or frozen	
					Status	Number
China Grand Enterprises, Inc.	Domestic non-state-owned legal person	41.77%	730,938,157	0	Pledged	187,360,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned legal person	16.46%	288,000,000	0		
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	2.62%	45,881,785	0		
China Securities Finance Co., Ltd.	Domestic non-state-owned legal person	1.27%	22,186,818	0		
China Construction Bank Corporation - ICBC Credit Suisse Frontier Medical Equity Investment Fund	Others	1.03%	18,000,094	0		
Industrial and Commercial Bank of China Limited – Zhong Ou Healthcare Hybrid Securities	Others	0.57%	10,051,704	0		

Investment Fund						
National Social Security Fund Portfolio 503	Others	0.54%	9,499,905	0		
Perseverance Asset Management L.l.p. – Gaoyi Xiaofeng No. 2 Zhixin Fund	Others	0.43%	7,453,020	0		
Norges Bank－own funds	Overseas legal person	0.37%	6,560,791	0		
China Foreign Economy and Trade Trust Co., Ltd. – Foreign Trade Trust – Gaoyi Xiaofeng Hongyuan Collective Fund Trust Plan	Others	0.34%	5,923,200	0		

Shares held by the top 10 shareholders of non- restricted shares			
Name	Number of shares held without sale restrictions	Type of shares	
		Type	Number
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.	45,881,785	RMB common shares	45,881,785
China Securities Finance Co., Ltd.	22,186,818	RMB common shares	22,186,818
China Construction Bank Corporation - ICBC Credit Suisse Frontier Medical Equity Investment Fund	18,000,094	RMB common shares	18,000,094
Industrial and Commercial Bank of China Limited – Zhong Ou Healthcare Hybrid Securities Investment Fund	10,051,704	RMB common shares	10,051,704

National Social Security Fund Portfolio 503	9,499,905	RMB common shares	9,499,905
Perseverance Asset Management L.l.p.– Gaoyi Xiaofeng No. 2 Zhixin Fund	7,453,020	RMB common shares	7,453,020
Norges Bank－own funds	6,560,791	RMB common shares	6,560,791
China Foreign Economy and Trade Trust Co., Ltd. – Foreign Trade Trust – Gaoyi Xiaofeng Hongyuan Collective Fund Trust Plan	5,923,200	RMB common shares	5,923,200
Notes on relations and concerted actions among the shareholders mentioned above	The Company does not know whether the shareholders mentioned above are related parties with each other or whether they are acting-in-concert parties with each other.		
Notes on financing and securities loan conducted by top 10 shareholders (if any)	At the end of the reporting period, among the top 10 common shareholders, no shareholders held the Company's shares via a securities margin trading account.		

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

□ Applicable √ N/A

III. Other important matters

√ Applicable □ N/A

(I) Overview of operations

1. The Company's operations during the reporting period

In the first quarter of 2022, all work of the Company was carried out as planned. With the pharmaceutical industry and domestic aesthetic medicine business overcoming the impact of the Covid-19 pandemic at home, the Company's operations were steadily improving on the whole, with business indicators witnessing an increase from the same period in 2021. From January to March 2022, the Company realized operating income of RMB8,933 million, up 0.4% year on year, and net profit attributable to listed company shareholders after deduction of non-recurring gains or losses of RMB699 million, up 0.39% year on year. Calculated by the same standard of the previous year's annual report after excluding the controlling subsidiary Huadong Ningbo, operating income increased by 3.79% year on year, and net profit attributable to listed company shareholders after deduction of non-recurring gains or losses went up by 1.74% year on year.

The core subsidiary Zhongmei Huadong implemented work closely centering on its strategic objectives and annual business plan during the reporting period. Its overall operations were stable and sales of major products maintained growth. Affected by decreases in prices of some products, it realized operating income of RMB2,791 million, down 9.73% year on year while up 19.45 % from the fourth quarter of 2021. Its net profit after deduction of non-recurring gains or losses registered RMB580 million, down 13.41% year on year while significantly up 48.08% quarter on quarter. Zhongmei Huadong is expected to maintain growth momentum throughout the year. During the reporting period, Zhongmei Huadong continued to deeply engage in the pharmaceutical business in the Zhejiang market, expanded out-of-hospital markets and accelerated expansion of agency business. Its operating income after digesting the impact of the liquidation of Huadong Ningbo went up by 5.8% year on year. It maintained stable growth (the controlling subsidiary Huadong Ningbo, which went into liquidation during this reporting period, realized operating income of RMB290 million in the same period last year including RMB96 million operating income from aesthetic medicine agency business, and net profit attributable to the Company's consolidated statements of RMB9,265,000).

During the reporting period, the Company's industrial microbiology business maintained good development momentum. External order demand maintained a rapid growth, driving up the operating income from the business by 99% during the reporting period. Hubei Meiqi Health Technology Co., Ltd. ("Meiqi"), a joint venture established by the Company and Hubei Angel Biological Group, has already started construction, and it will focus on the R&D, manufacturing and sales of ingredients of nutritional and health food and functional ingredients for personal care. Anhui Huachang High-tech Pharmaceuticals Co., Ltd. ("Huachang"), all of whose equity has been acquired by the Company, has completed equity change registration at the administration for industry & commerce and has been included in the Company's consolidated statements. It recently started trial production, with a focus on the industrialization of nucleoside series products, semisynthetic antiparasitic drugs with microbial origins and other drugs. It aims to become a wholly new industrialization platform of the Company in the field of industrial microbiology. The commencement of the construction of Meiqi and the trial production of Huachang mark an important step of the Company on its development path of industrial microbiology. This year the Company will continue to accelerate development of relevant products in this field, expand layout, increase product scale, promote business development, and further explore the new blue ocean of industrial microbiology.

In February 2022, Sinclair, the Company's wholly-owned subsidiary in the United Kingdom, completed the acquisition of 100% equity of Viora, an energy-based aesthetic devices company, and

officially included it into the Company's consolidated statements. Viora has advanced product portfolios with technologies like laser, intense pulsed light, radio frequency, high-pressure jet and microdermabrasion. Its Reaction™, V series (V10, V20, V30), EnerJet and Pristine™ and Infusion™ are currently sold overseas. In 2015, Reaction™ was granted the registration certificate of Class III medical devices by the National Medical Products Administration (NMPA). Viora's products can effectively complement the Company's existing energy-based product line, so the Company will have business layout in all types of energy-based aesthetic medical devices. Through efficient integration, High Tech will make full use of the channel resources accumulated by Viora to expand the U.S. market. Based on the acquisition, the Company has creatively put forward the product concept of "V Women Tech" that focuses on professional care for women with leading aesthetic medical technology.

During the reporting period, the Company saw rapid growth in aesthetic medicine business at both home and abroad. The dual circulation strategy has produced initial mutual facilitation effect. The Company's aesthetic medicine business realized total operating income of RMB453 million, up 226.8% year on year on a comparable basis (excluding Huadong Ningbo). Integration and synergy effects were seen in the injection and EBD segment of the wholly-owned subsidiary in the United Kingdom, Sinclair. With the lift of pandemic containment measures in a number of countries in the European market and the push of strong sales in the Asian Pacific market, it realized consolidated operating income of GBP31.04 million (about RMB260 million) during the reporting period, up 163.1% year on year, a record high in a single quarter. It turned around year on year and realized operating profit for the first time in history. After acquiring Viora, Sinclair has continued to implement operation integration. With a good number of orders in hand for the second quarter, it is expected to maintain the rapid growth trend on the whole, making a good start for the subsidiary to maintain rapid growth in operating income throughout the year and realize the first annual operating benefit since the subsidiary completed acquisition.

During the reporting period, the Company's domestic wholly-owned aesthetic medicine company Sinclair (Shanghai) realized operating income of RMB157 million and demonstrated strong profitability, which exceeded the contribution of Huadong Ningbo's agency business income to the Company's profit in the same period last year. Sinclair (Shanghai) has actively expanded the coverage of partner hospitals and promoted products. Currently it has signed a cooperation agreement with more than 400 hospitals, and has more than 700 certified doctors. Since its launch, Ellansé® has maintained great market attention, enjoyed good reputation, and led the regenerative aesthetic medicine market. The subsidiary has actively launched the genuine product traceability campaign. It has included aesthetic medicine institutions that sell the unofficially certified products

into its cooperation blacklist and released it to the public, to urge beauty seekers to enhance self-protection awareness and protect their legal rights and interests.

During the reporting period, Glacial Spa® (F0, life cosmetology version of a frozen freckle-removing medical device), a cold-touch cosmetic instrument introduced by the Company from R2 Company (the USA), officially entered the Chinese market, and its sales and services were carried out by the first group of vanguard partners in five major Chinese cities in March. Meanwhile, the Company has worked actively despite the pandemic, leveraging its online advantages to expand business. It has opened the online "Glacial Flagship Shop" on TMall, to run synchronously with offline institutions. In terms of business model, Glacial Spa® originated the DTC (Direct to Customer) model. After buying a care program online, consumers choose offline contracted cooperative institutions to provide specific services. By standardizing the purchase and consumption procedures, the Company has made prices transparent, thus providing consumers with high-quality services. Besides, the Company will take over Reaction™ (used for body and face shaping and skin firming), a product of Viora that has already been on the domestic market, and plans to integrate domestic EBD market resources and channels to realize resource coordination and sharing and actively promote the rapid growth of the product in the domestic market.

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

In the reporting period, the Company accelerated the R&D work and continued to increase the R&D investment. The total R&D investment in the pharmaceutical industry was RMB 410 million, with a year-on-year increase of 46.49%.

As of the report release period, the innovative drug and biosimilar business of the Company has achieved a number of milestones, with the main progress as follows:

(1) Endocrine

The last subject completed the study in the phase II clinical trial of TTP273, a global innovative small molecule oral GLP-1 receptor agonist, in the first quarter of 2022.

DR10624, a multi-agonist targeting GLP-1R/GCGR/FGF21R being developed by Doer Biologics, a holding subsidiary of the Company, has been approved for phase I clinical trials in New Zealand in April 2022 for the treatment of type 2 diabetes, obesity and metabolic syndrome.

Liraglutide Injection, a GLP-1 receptor agonist, has been completed the drug registration inspection for diabetes indication, and it is expected to be approved for marketing by the end of 2022. The phase III clinical study on weight loss indication has been completed in China, it is in the pre-NDA stage now, and it is expected to submit the New Drug Application in the second quarter of 2022.

The Investigational New Drug Application (IND) for Semaglutide Injection, a GLP-1 receptor agonist, has been accepted in April 2022.

Insulin Aspart Injection: The clinical trial approval notice has been obtained in April 2022.

Insulin Degludec Injection is in the preclinical phase, of which a pre-IND application has been submitted in March 2022.

(2) Tumor

HDM2002 (Mirvetuximab), the world's first ADC (in development) for folate receptor α (FRα)-positive ovarian cancer, is used to treat platinum-resistant ovarian cancer with high FRα expression. On March 20, 2022, ImmunoGen, the Company's R&D partner, announced all the results of its pivotal single-arm clinical trial (SORAYA Trial) in the U.S.: The trial has reached its primary endpoint, with a confirmed objective response rate (ORR) of 32.4%, including 5 cases of complete response. The updated median duration of response (DOR) was 6.9 months, and the clinical trial results showed that it had clinically significant antitumor activity, consistent safety and good tolerability for platinum-resistant ovarian cancer with a high expression of folate receptor α (FRα). On March 29, 2022, ImmunoGen announced the submission of a Biological License Application (BLA) for this product to the U.S. Food and Drug Administration (FDA). In addition to SORAYA trial, MIRASOL, an international multi-center randomized controlled phase III study, is being conducted now, and it is expected for ImmunoGen to obtain the top-line data from its MIRASOL trial in the third quarter of 2022.

DR30303, an investigational product targeting Claudin 18.2 of the holding subsidiary Doer Biologics, was designed for the treatment of solid tumors, for which the clinical trial approval notice was obtained in January 2022, and the phase I clinical trial has been officially initiated.

HDM2003 (AB002) is a double-target fusion protein targeting PD-L1/L2 and IL15 for the treatment of solid tumors. AKSO, a U.S. partner of the Company, is conducting preclinical studies on HDM2003.

Heidelberg Pharma, a Germany partner of the Company, is currently conducting a phase I/IIa clinical trial on HDP-101, an ATAC® drug (Antibody Targeted Amanitin Conjugate) targeting B cell maturation antigen (BCMA), for the treatment of relapsed/refractory multiple myeloma, and the first patient was dosed on February 15, 2022.

Heidelberg Pharma, a Germany partner of the Company, is currently conducting preclinical trials on HDP-103, an ATAC® drug targeting prostate-specific membrane antigen (PSMA), of which the target indication is metastatic castration-resistant prostate cancer (mCRPC).

(3) Autoimmunity

ARCALYST® (Rilonacept), a recombinant dimer fusion protein that can block IL-1α and IL-1β signaling, was introduced by the Company in February 2022 under a partnership agreement with Kiniksa. ARCALYST® is already available in the U.S. market for the treatment of cryopyrin-associated periodic syndromes, deficiency of IL-1 receptor antagonist, and recurrent pericarditis. ARCALYST® has been listed in the *List of the First Batch of Overseas New Drugs Urgently Needed in Clinical Practice* by CDE for the treatment of cryopyrin-associated periodic syndromes. The Company will actively communicate with CDE, and promote the registration and marketing of this product in China as soon as possible.

Mavrilimumab is a fully humanized monoclonal antibody targeting GM-CSFRα, for which Kiniksa, a partner of the Company, is preparing the phase II overseas clinical trial for GM-CSF related cardiovascular disease.

HDM3002 (PRV-3279) is a drug used to treat systemic lupus erythematosus (SLE) and prevent or reduce the immunogenicity of gene therapy. In January 2022, Provention Bio (USA), a partner of the Company, announced that it would launch a phase IIa clinical trial for SLE indication in the U.S. and Hong Kong, China, and the subject screening is currently underway in the U.S. Domestic pre-IND application has been submitted and feedback has been obtained.

HDM5001 (OP-101), an investigational product jointly developed by the Company and its joint-stock company Ashvattha Therapeutic, Inc (U.S.) for the treatment of hyperinflammation in hospitalized adult patients with severe COVID-19, is currently undergoing phase II clinical trial in the U.S. The product is undergoing preparation for clinical application in China, and it is expected to submit an IND application in the second quarter of this year.

HDM3001 (QX001S), a biosimilar of Stelara®, is a product being jointly developed by the Company and Qyuns Therapeutics for the treatment of moderate to severe plaque psoriasis in adult patients, and the subject enrollment for phase III clinical trial has been completed ahead of schedule in February 2022.

3. BD cooperation of the Company during the reporting period

During the reporting period, the Company focused on innovative varieties with excellent clinical value and great market potential, continued the in-depth layout around the core therapeutic fields, and further enriched the autoimmune and tumor innovation pipeline.

(1) In February 2022, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, signed a product exclusive license agreement with Kiniksa Pharmaceuticals (UK), Ltd. (hereinafter referred to as "Kiniksa"), a wholly-owned

subsidiary of Kiniksa Pharmaceuticals, Ltd. (Nasdaq: KNSA). Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. obtained the exclusive license of Kiniksa's two globally innovative autoimmunology products namely ARCALYST® and Mavrilimumab in 24 Asia-pacific countries and regions (excluding Japan), including China, South Korea, Australia, New Zealand and India. ARCALYST® is already available in the U.S. market for the treatment of cryopyrin-associated periodic syndromes, deficiency of IL-1 receptor antagonist, and recurrent pericarditis, obtaining good clinical feedback. The product is the first and only drug approved by FDA available for the treatment of recurrent pericarditis in people aged 12 years and above. In China, ARCALYST® has been listed in the *List of the First Batch of Overseas New Drugs Urgently Needed in Clinical Practice* by CDE for the treatment of cryopyrin-associated periodic syndromes. The introduction of the first-in-class biological drugs above is expected to accelerate to meet the clinical needs of domestic autoimmune and rare disease patients, and it also reflects that the Company has been accelerating the process of innovation and internationalization, and deepening the layout of immune products.

(2) In February 2022, the Company and its wholly-owned subsidiaries Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. and Huadong Medicine Investment Holding (Hong Kong) Limited signed the *Equity Investment Agreement* and *Exclusive Product License Agreement* with Heidelberg Pharma AG (" Heidelberg Pharma "), a German listed company, and its shareholders' representatives. Through its wholly-owned subsidiary Huadong Medicine Investment Holding (Hong Kong) Limited, the Company will subscribe for the secondary public offering of Heidelberg Pharma and acquire part of the equity from the counterparty, ultimately acquiring a total of 35% of equity of Heidelberg Pharma and becoming its second largest shareholder. Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. has obtained the exclusive license (including exclusive development and commercialization) from Heidelberg Pharma for its 2 products under research, i.e., HDP-101 and HDP-103, in 20 Asian countries and regions including Chinese Mainland, Hong Kong SAR, Macao SAR, Taiwan Region, Korea and Singapore. In addition, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. will obtain the exclusive opt-in rights for two additional products under research of Heidelberg Pharma namely HDP-102 and HDP-104, as well as the right of first negotiation (ROFN) for two additional products in development. Heidelberg Pharma is the first company in the world that has successfully developed the toxin Amanitin and its derivatives for cancer treatment through its proprietary ATAC® (Antibody Targeted Amanitin Conjugate) technology platform. Amanitin, the only known RNA polymerase II inhibitor in the world, is of a novel mechanism of action. The cooperation will enable the Company to fully integrate its own ADC research technology with Heidelberg Pharma's advanced and proprietary ATAC® technology

platform, further enriching the Company's global ADC R&D ecosystem.

Mirvetuximab, the world's first ADC being developed by Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (a wholly-owned subsidiary of the Company) and ImmunoGen for the treatment of FRα -positive ovarian cancer, is in smooth clinical progress, and the pivotal single-arm clinical trial in the U.S. has reached its primary endpoint. The first subject enrollment and administration has been completed for phase I PK study and phase III clinical trial of Mirvetuximab in China, and related clinical work is progressing on schedule. To date,the exemption from the duty to make an offer issued by the Federal Financial Supervisory Authority (BaFin) have been obtained; the Company has also obtained the *Certificate of Non-Objection* from the German Federal Ministry for Economic Affairs and Climate Action (BMWK) regarding the transaction; and the approval or filing of relevant overseas investment in China for this transaction is progressing on schedule. The successful cooperation with ImmunoGen, Heidelberg Pharma and other leading global ADC technology companies has further enhanced the Company's R&D technology and clinical registration capabilities in the ADC field. The Company will gradually build a differentiated ADC independent R&D platform, strengthen and optimize the oncology product innovation chain and ADC eco-chain, and plan to develop at least 10 ADC innovative products and actively promote registered clinical studies within three years.

(3) In February 2022, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, signed an exclusive strategic cooperation agreement with AKSO Biopharmaceutical, Inc., U.S. ("AKSO") for the clinical development and commercialization rights of AB002 in the Asia-pacific region (excluding Japan). AB002, a double-target fusion protein targeting PD-L1/L2 and IL15 in preclinical development, can be used for the treatment of solid tumors by inhibiting immune checkpoints and activating natural killer cells (NK cells). The Company believes that AB002's unique mechanism of action is of great potential in the immunotherapy of cancer, and this cooperation will also further enrich the Company's oncology product pipeline.

(4) In January 2022, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, signed an exclusive product marketing agreement with Beijing Shenogen Pharmaceutical Co., Ltd. and Hainan Shenogen Pharmaceutical Co., Ltd., two wholly-owned subsidiaries of Beijing Shenogen Pharma Group Ltd. ("Shenogen"), and obtained the exclusive marketing rights of "Icaritin Soft Capsule", a first-in-class national innovative drug for small molecule immunoregulation in the treatment of advanced hepatocellular carcinoma, in 27 provinces in Chinese Mainland. The Company has a complete pharmaceutical service system and a

wide range of market resources in the pharmaceutical industry, and this cooperation is just an affirmation of the Company's commercialization ability in the local market, which will help to build a win-win cooperation model that can achieve mutual complementarity and collaborative development. Moreover, it is expected to continuously improve the Company's market competitiveness in the oncology field.

4. Miscellaneous

During the reporting period, the Company's controlled subsidiary Huadong Ningbo officially went into liquidation due to expiry of operating period. The Company and Huadong Ningbo's natural person shareholders submitted an application to Ningbo Beilun District People's Court ("Beilun District Court") respectively, requesting the court to preside over the liquidation of Huadong Ningbo. On March 14, 2022, the Company received the electronic civil ruling paper numbered (2022) Zh. 0206 Q.S. No. 1 from Beilun District Court. The ruling is as follows: The court accepts the application regarding the liquidation of Huadong Ningbo, and the ruling shall come into immediate effect.

The liquidation of Huadong Ningbo is one presided over by a court. Currently, Beilun District Court has completed the selection and appointment of an intermediary to establish a liquidation team according to relevant procedures, and the liquidation team will preside over the liquidation of Huadong Ningbo. In the process of liquidation of Huadong Ningbo, the Company does not have dominance over the liquidation work or control Huadong Ningbo. According to the *Company Law* and the *Accounting Standards for Business Enterprises*, Huadong Ningbo is no longer included in the Company's consolidated financial statements beginning on December 31, 2021. The Company will assign special personnel to actively participate in and cooperate in the subsequent liquidation work of Huadong Ningbo. The matter is unlikely to have a significant impact on the Company's operations.

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

Date	Place	Method	Type of visitor	Reception target	Main contents of discussion and materials provided	Index of basic information of the research
January 5, 2022	Company	Online	Institution,	Huatai	Communication	Please refer to the

	conference room	conferencing	individual	Securities, etc.	Meeting on Industrial Microbiology of Huadong Medicine	"Record of Investor Relations Activities on January 5, 2022" published by the company on the Shenzhen Stock Exchange Interactive Easy website and cninfo.com.cn for details.
January 7, 10, 2022	Company conference room	Communication by phone	Institution	Industrial Securities, Horizon Insights, etc.	Investor Exchange Meeting	Please refer to the "Record of Investor Relations Activities on January 7、10, 2022" published by the company on the Shenzhen Stock Exchange Interactive Easy website and cninfo.com.cn for details.
February 9, 2022	Company conference room	Online conferencing	Institution, individual	Zheshang Fund, etc.	Communication Meeting on Aesthetic Medicine of Huadong Medicine and Interpretation of Overseas EBD Trading	Please refer to the "Record of Investor Relations Activities on February 9, 2022" published by the company on the Shenzhen Stock Exchange Interactive Easy website and cninfo.com.cn for details.
March 1, 2022	Company conference room	Online conferencing	Institution, individual	Industrial Securitiess, etc.	Communication Meeting on Recent Innovative BD Projects of Huadong Medicine	Please refer to the "Record of Investor Relations Activities on March 1, 2022" published by the company on the Shenzhen Stock Exchange Interactive Easy website and cninfo.com.cn for details.

IV. Quarterly financial statements

(I) Financial Statements

1. Consolidated balance sheet

Prepared by Huadong Medicine Co., Ltd.

March 31,2022

Unit: RMB yuan

Item	Balance at the end of the reporting period	Balance at the beginning of the year
Current assets:		
Monetary funds	3,277,119,559.03	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	8,276,463,607.40	6,430,482,175.97
Accounts receivable financing	524,344,158.22	509,190,888.54
Advance payments	358,007,960.17	275,353,134.69
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	361,937,153.49	223,707,267.30
Including: Interests receivable		
Dividends receivable	877,734.45	877,734.45
Financial assets purchased for resale		
Inventories	3,919,092,799.43	3,974,549,648.96
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	34,962,736.44	40,907,922.76

Total current assets	16,751,927,974.18	15,486,615,593.44
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	999,348,054.71	984,927,398.68
Other equity instrument investments	251,734,330.18	257,815,844.68
Other non-current financial assets		
Real estate properties for investment	14,309,609.42	14,569,533.94
Fixed assets	3,018,883,552.71	3,077,227,759.84
Constructions in progress	1,668,374,105.38	1,582,125,201.25
Biological assets for production		
Oil & gas assets		
Right-of-use assets	143,374,053.51	153,724,197.81
Intangible assets	2,225,881,462.23	2,233,450,369.34
Development expenditures		
Goodwill	2,138,808,037.01	2,138,808,037.01
Long-term unamortized expenses	13,311,191.85	12,425,364.03
Deferred income tax assets	143,651,186.84	143,651,186.84
Other non-current assets	1,067,290,076.67	911,062,879.83
Total non-current assets	11,684,965,660.51	11,509,787,773.25
Total assets	28,436,893,634.69	26,996,403,366.69
Current liabilities:		
Short-term borrowing	749,826,858.51	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	1,241,696,835.09	671,964,504.00
Accounts payable	3,929,295,600.85	3,847,719,574.86
Advance receipts	1,164,793.56	1,147,425.45

Contract liabilities	129,862,570.81	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	130,760,380.15	168,210,088.82
Taxes and fees payable	1,162,848,852.85	1,029,610,563.41
Other payables	2,030,591,181.07	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	238,567,736.86	244,256,705.59
Other current liabilities	15,546,972.37	11,386,267.11
Total current liabilities	9,630,161,782.12	9,265,596,283.78
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowing	478,247,000.00	139,178,905.04
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	95,759,850.89	80,889,403.39
Long-term payables	257,654,001.35	261,903,489.09
Long-term employee benefits payable		
Provision	38,645,813.86	39,086,238.25
Deferred gains	81,180,000.29	83,521,649.96
Deferred income tax liabilities	184,908,391.50	184,908,391.50
Other non-current liabilities		

Total non-current liabilities	1,136,395,057.89	789,488,077.23
Total liabilities	10,766,556,840.01	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	2,229,868,312.11	2,229,868,312.11
Less: Treasury shares		
Other comprehensive income	-62,783,011.05	-47,768,225.80
Special reserve		
Surplus reserve	1,021,670,687.31	1,021,670,687.31
General risk reserve		
Undistributed profit	12,330,158,776.59	11,625,794,001.46
Total ownership interest attributable to the parent company	17,268,724,312.96	16,579,374,323.08
Minority interest	401,612,481.72	361,944,682.60
Total ownership interest	17,670,336,794.68	16,941,319,005.68
Total liabilities & ownership interest	28,436,893,634.69	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

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Total operating income	8,932,579,251.75	8,896,632,277.36
Including: Operating income	8,932,579,251.75	8,896,632,277.36
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	8,028,129,305.85	8,007,420,920.98
Including: Operating cost	5,914,898,927.47	5,805,133,494.78

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	49,868,639.14	47,690,370.04
Selling expenses	1,433,493,143.24	1,648,517,354.06
Administrative expenses	302,601,116.29	277,542,542.53
R&D expenses	319,207,245.09	220,005,691.36
Financial expenses	8,060,234.62	8,531,468.21
Including: Interests paid	20,956,363.85	21,152,531.52
Interests received	24,163,304.15	19,057,526.99
Add: Other gains	10,669,007.70	76,459,624.41
Investment gains (Losses are indicated by “-”)	-27,961,493.36	-26,664,999.81
Including: Investment gains from associates and joint ventures	-20,764,035.59	-11,551,820.09
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 loss (Losses are indicated by “-”)		
Assets impairment loss (Losses are indicated by “-”)		
Gains on assets disposal (Losses are indicated by “-”)	557,821.07	304,336.80

III. Operating profit (Losses are indicated by "-")	887,715,281.31	939,310,317.78
Add: Non-operating income	831,619.81	338,562.61
Less: Non-operating expenditure	5,355,930.46	3,024,042.00
IV. Total profit (Total losses are indicated by "-")	883,190,970.66	936,624,838.39
Less: Income tax expenses	169,158,396.42	162,150,853.94
V. Net profit (Net losses are indicated by "-")	714,032,574.24	774,473,984.45
(I) Categorized by the continuity of operations		
1. Net profit from continued operations (Net deficit is indicated by "-")	714,032,574.24	774,473,984.45
2. Net profit from discontinued operations (Net deficit is indicated by "-")		
(II) Categorized by attribution of the ownership		
1. Net profit attributable to owners of the parent company	704,364,775.13	758,380,756.56
2. Gains/losses of minority shareholders	9,667,799.11	16,093,227.89
VI. Net amount after tax of other comprehensive income	-15,014,785.25	118,964,837.49
Net amount after tax of other comprehensive income attributable to owners of the parent company	-15,014,785.25	118,964,837.49
(I) Other comprehensive income that cannot be reclassified into gains/losses		3,113,977.59
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments		3,113,977.59
4. Changes in fair value of		

credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-15,014,785.25	115,850,859.90
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	-15,014,785.25	115,850,859.90
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	699,017,788.99	893,438,821.94
Total comprehensive income attributable to owners of the parent company	689,349,989.88	877,345,594.05
Total comprehensive income attributable to minority shareholders	9,667,799.11	16,093,227.89
VIII. Earnings per share (EPS):		
(I) Basic EPS	0.4025	0.4334
(II) Diluted EPS	0.4025	0.4334

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

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Cash flows from operating activities:		
Cash from the sale of goods and provision of services	8,140,456,622.41	8,756,095,736.42
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	4,056,067.04	625,547.43
Other cash receipts in relation to operating activities	74,818,262.98	196,821,042.17
Total cash inflows from operating activities	8,219,330,952.43	8,953,542,326.02
Cash payments for goods and services	5,856,237,111.49	6,125,835,203.59
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	719,758,010.16	653,692,760.67
Payment of taxes and fees	477,339,851.40	456,958,349.66
Other cash payments in relation to operating activities	1,426,599,607.70	1,414,741,847.62
Total cash outflows for operating activities	8,479,934,580.75	8,651,228,161.54
Net cash flows from operating activities	-260,603,628.32	302,314,164.48
II. Cash flows from investing activities		
Cash from recovery of investments		
Cash from investment gains		
Net cash from disposal of fixed assets, intangible assets and other long-term assets	1,439,970.00	50,504.23
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities		
Total cash inflows from investing activities	1,439,970.00	50,504.23
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	193,143,577.15	302,645,383.17
Cash payments for investment	29,400,000.00	105,706,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	284,030,413.64	
Other cash payments in relation to investing activities	100,000,000.00	78,680,000.00
Total cash outflows for investing	606,573,990.79	487,031,383.17

activities		
Net cash flows from investing activities	-605,134,020.79	-486,980,878.94
III. Cash flows from financing activities:		
Cash from absorbing investments	30,000,000.00	
Including: Cash from absorption of minority shareholders' investments by subsidiaries		
Cash from borrowing	709,751,200.00	852,692,161.43
Other cash receipts in relation to financing activities	109,951,775.00	
Total cash inflows from financing activities	849,702,975.00	852,692,161.43
Cash for repayment of debt	815,271,409.82	710,289,400.95
Cash payments for dividends, profits or interests	38,336,990.15	28,945,045.60
Including: Payment of dividends and profits by subsidiaries to minority shareholders	1,960,000.00	
Other cash payments in relation to financing activities	1,655,869.61	261,000.00
Total cash outflows for financing activities	855,264,269.58	739,495,446.55
Net cash flows from financing activities	-5,561,294.58	113,196,714.88
IV. Influence of exchange rate fluctuations on cash and cash equivalents	10,811,591.15	-2,854,862.94
V. Net increase in cash and cash equivalents	-860,487,352.54	-74,324,862.52
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	2,719,653,285.63	3,083,082,210.74

(II)Audit report

Has the first quarterly report been audited?

□ Yes √ No

The first quarterly report has not been audited.

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

April 28, 2022