

Stock code: 000963 Stock abbreviation: Huadong Medicine Announcement No.: 2023-075

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

### **Third Quarterly Report 2023**

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, the officer in charge of accounting, and the head of accounting department (accounting supervisor) hereby declare that the financial information in this quarterly report is authentic, accurate and complete.

3. Has the Third Quarterly Report been audited?

Yes No

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

## I. Key Financial Data

### (I) Key accounting data and financial indicators

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

Yes  No

	Current reporting period	Change of the current reporting period over the same period last year (%)	Beginning of the year to the end of the reporting period	Change from the beginning of the year to the end of the reporting period over the end of last year
Operating revenue (yuan)	10,009,186,220.70	3.61%	30,394,530,509.51	9.10%
Net profit attributable to shareholders of listed companies (yuan)	755,222,215.06	17.84%	2,189,046,844.62	10.48%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	732,567,027.72	16.43%	2,160,054,898.69	13.62%
Net cash flow from operating activities (yuan)	-	-	2,249,277,883.81	70.37%
Basic earnings per share (yuan/share)	0.4316	17.83%	1.2510	10.47%
Diluted earnings per share (yuan/share)	0.4313	17.73%	1.2503	10.41%
Weighted average return on equity (ROE)	3.79%	0.17%	11.21%	-0.18%
	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)	33,992,685,509.48	31,192,203,406.84	8.98%	
Owners' equity attributable to the listed company (yuan)	20,298,210,883.66	18,577,919,237.39	9.26%	

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

The Company's total share capital as of the trading day prior to disclosure (share)	1,754,425,348.00
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Fully diluted earnings per share based on the latest share capital:

Paid preference dividends (yuan)	0.00
Paid perpetual bond interest (yuan)	0.00
Fully diluted earnings per share based on the latest share capital (yuan/share)	1.2477

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

Applicable  N/A

Unit: yuan

Item	Amount during the reporting period	Amount from the beginning of the year to the end of the reporting period	Explanation
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	-132,485.80	-1,535,664.50	
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)	35,815,661.30	68,060,746.87	Mainly due to the confirmation of government grants for subsidiaries in the current period
Gains/losses caused by fair value changes for holding financial assets for trading and financial liabilities for trading, and investment income for handling financial assets for trading, financial liabilities for trading and AFS securities, excluding hedging business related to operating activities	138,601.36	-4,962,097.02	
Other non-operating revenue or expenditure expect above-mentioned items	-6,855,407.81	-26,420,236.87	
Other profit and loss items satisfying the definition of non-recurring gain/loss	-1,316,601.56	2,121,729.06	
Minus: Amount affected by income tax	4,831,298.52	7,901,962.26	
Amount affected by minority interest (after tax)	163,281.63	370,569.35	
Total	22,655,187.34	28,991,945.93	--

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

Applicable  N/A

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

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

Applicable  N/A

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

### (III) Details and reasons for changes in key accounting data and financial indicators

Applicable  N/A

Unit: ten thousand yuan

<b>Balance sheet accounts</b>	<b>Amount at the end of the period</b>	<b>Amount at the beginning of the period</b>	<b>Percentage change</b>	<b>Reasons for changes</b>
Notes receivable	3,000.00	842.50	256.08%	Mainly due to the increase in trade acceptance in the current period
Other receivables	51,113.44	28,371.10	80.16%	Mainly due the increase in receivable suspense payment
Other current assets	2,800.90	5,269.26	-46.84%	Mainly due to the decrease in VAT to be deducted
Other non-current assets	153,297.34	103,727.99	47.79%	Mainly due to the increase in prepaid technology transfer payment
Trading financial liabilities	897.03	1,484.19	-39.56%	Mainly due to the impact of hedging exchange rate of net investment in foreign operations
Notes payable	200,246.46	102,940.97	94.53%	Mainly due to the increase in bill settlement
Dividend payable	22.42	1,492.42	-98.50%	Mainly due to the payment of dividends minority shareholders of the subsidiaries in the current period
Other non-current liabilities due within one year	29,935.42	14,783.55	102.49%	Mainly due to the unpaid acquisition funds transferred from long-term payables
Long-term borrowings	72,850.61	105,145.77	-30.71%	Mainly due to the debt repayment in the current period
Long-term payables	8,726.61	28,749.72	-69.65%	Mainly due to the transfer of unpaid acquisition funds to non-current liabilities due within one year
Deferred income	17,594.18	12,612.35	39.50%	Mainly due to the increase in asset-related governmental subsidy
<b>Income statement accounts</b>	<b>Amount in the current period</b>	<b>Amount in the previous period</b>	<b>Percentage change</b>	<b>Reasons for changes</b>
Financial expenses	6,403.32	1,937.15	230.55%	Mainly due to the increase in net interest expenses
Other income	7,061.76	11,608.89	-39.17%	Mainly due to the decrease in income-related governmental subsidy
Investment gains	-16,884.29	-9,917.35	-70.25%	Mainly due to the decrease in investment income confirmed by joint ventures in the current period
Credit impairment loss	-4,202.25	-7,196.56	41.61%	Mainly due to the decrease in bad-debt reserve for account receivables
Gains on asset disposal	358.76	557.80	-35.68%	Mainly due to the decrease in income from the disposal of fixed assets
Income tax expenses	49,456.08	35,822.27	38.06%	Mainly due to the increase in profits in the current period
<b>Cash flow statement accounts</b>	<b>Amount in the current period</b>	<b>Amount in the previous period</b>	<b>Percentage change</b>	<b>Reasons for changes</b>
Net cash flow from operating activities	224,927.79	132,025.29	70.37%	Mainly due to the increase in cash received from the sale of goods
Net cash flow from investing activities	-94,792.15	-218,383.16	56.59%	Mainly due to the decrease in investment in the current period
Net cash flow from financing activities	-121,831.50	-11,486.52	-960.65%	Mainly due to the year-on-year increase in debt repayment in the current period

## II. Shareholder Information

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

Unit: Share

Total number of common shareholders at the end of the reporting period		81,155	Total number of preference shareholders with restored voting rights at the end of the reporting period (if any)		0	
Shareholdings of top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held	Number of shares with trading restrictions held	Pledged, marked or locked-up status	
					Status of shares	Quantity
China Grand Enterprises, Inc.	Domestic non-state-owned corporation	41.66%	730,938,157	0	Pledged	121,130,000
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned corporation	16.42%	288,000,000	0		
Hong Kong Securities Clearing Company Ltd.	Overseas corporation	2.60%	45,538,784	0		
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	Others	2.15%	37,694,848	0		
China Securities Finance Co., Ltd.	Domestic non-state-owned corporation	1.26%	22,186,818	0		
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	Others	1.14%	20,000,021	0		
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	Others	0.79%	13,857,532	0		
National Social Security Fund - Profile 0	Others	0.65%	11,377,042	0		
National Social Security Fund - Profile 503	Others	0.46%	8,000,000	0		
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	Others	0.42%	7,290,613	0		
Shareholdings of top 10 shareholders without trading restrictions						
Name of Shareholder	Number of shares without trading restrictions held			Type of shares and quantity		
				Type of shares	Number of shares	
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.	45,538,784	RMB common shares	45,538,784
Industrial and Commercial Bank of China Limited - China-Europe Healthcare Hybrid Securities Investment Fund	37,694,848	RMB common shares	37,694,848
China Securities Finance Co., Ltd.	22,186,818	RMB common shares	22,186,818
China Construction Bank Co., Ltd. - ICBC Credit Suisse Frontier Medical Equity Fund	20,000,021	RMB common shares	20,000,021
China Construction Bank Corporation - E Fund CSI 300 Healthcare Exchange Traded Fund	13,857,532	RMB common shares	13,857,532
National Social Security Fund - Profile 0	11,377,042	RMB common shares	11,377,042
National Social Security Fund - Profile 503	8,000,000	RMB common shares	8,000,000
Bank of Shanghai Co., Ltd. - Yinhua CSI Innovative Medicine Exchange Traded Fund	7,290,613	RMB common shares	7,290,613
Explanation on associated relationships or concerted actions among the above-mentioned shareholders	The Company does not know whether the above-mentioned shareholders are related parties or whether they are acting-in-concert parties with one another.		
Description of the participation in margin trading business of the top 10 shareholders (if any)	At the end of the reporting period, the Company had no shareholders holding its shares through margin trading and securities lending accounts among the top 10 common shareholders.		

## (II) Total number of preferred shareholders of the Company and shareholdings of top 10 shareholders

Applicable  N/A

## III. Other Important Matters

Applicable  N/A

### (I) Overview of the Company's operations

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

During the reporting period, the Company continued to overcome pressures and challenges from various aspects, vigorously deepened its transformation and innovation, actively facilitated the management of various businesses, and continuously spurred its vitality for operation and growth, witnessing stable and robust growth in main operational indicators.

From January to September 2023, the Company achieved the operating revenue of 30.395 billion yuan, up 9.10% year on year (up 13.23% year on year in the first quarter and 12.02% year on year in the first half of 2023), and the net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses of 2.160 billion yuan, up 13.62% year on year (up 8.45% year on year in the first quarter and 12.24% year on year in the first half of 2023). During the reporting

period, after deducting the equity incentive expenses and the profits and losses of participating and holding R&D institutions, the Company achieved the net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses of 2.462 billion yuan, up 19.36% year on year.

In Q3 2023, the Company achieved the operating revenue of 10.009 billion yuan, up 3.61% year on year. The net profit after deducting non-recurring profit and loss attributable to shareholders of listed companies was 733 million yuan, up 16.43% year on year.

In face of complicated and fierce market competitions and uncertainties, the Company continued to seek improvement in stability and achieved robust business resilience and favorable development prospect, laying a solid foundation for the attainment of its annual goals.

During the reporting period, the pharmaceutical industry segment actively improved its operation and management levels and continued to facilitate the cost reduction and expense control, seeing steady improvement in operational quality and efficiency. From January to September 2023, the pharmaceutical industry segment achieved the operating revenue of 8.994 billion yuan (including that of CSO business), up 9.48% year on year, and the net profit attributable to the parent company after deducting non-recurring gains/losses of 1.835 billion yuan, up 13.41% year on year. Among them, in Q3 2023, the pharmaceutical industry segment achieved the operating revenue of 2.940 billion yuan (including that of CSO business), up 8.34% year on year, and the net profit attributable to the parent company after deducting non-recurring gains/losses of 609 million yuan, up 10.13% year on year.

The Company continued to implement the industrial microbiology development strategy, kept improving its industrial distribution, endeavored to improve the overall operation capabilities, and put more efforts in fostering its marketing capacity. During the reporting period, the industrial microbiology segment of the Company achieved positive progress in expanding the markets of ADC raw materials and featured APIs, reached strategic and business cooperation agreements with multiple overseas clients, and facilitated its product pipeline layout and market promotion in the field of animal health. The overall sales revenue of the Company's industrial microbiology segment deducting that of specific commercial products businesses achieved a year-on-year increase of 36.22%. In August 2023, the Company established its holding subsidiary Zhejiang Shengji Material Technology Co., Ltd., in a bid to build a R&D technology platform that is capable of undertaking global aesthetic medicine CMC businesses of Huadong Medicine, practice and improve its capabilities in R&D of systematic products and industrial chain control, create three major technology platforms for the polymerization of biodegradable materials, microsphere formulations, as well as innovative carrier raw materials for Nano-sunscreen and skin care products, enable the commercialization of pipelines, and incubate global innovative products. In October 2023, the Company's holding subsidiary Jiangsu

NAU Animal Pharmaceutical Co., Ltd. obtained the exclusive distribution, market promotion and sales rights of Butorphanol Tartrate Injection (trade name: 保适宁®) in China. Butorphanol Tartrate Injection is a kind of central analgesia drug for pets of Beijing Saiersi Medicine Technology Co., Ltd. that has been approved for marketing and also the first opiates new animal drug approved in China. This cooperation will further improve the Company's layout in professional products for pet health care.

During the reporting period, the Company's pharmaceutical business segment witnessed continuous and stable growth as a whole. From January to September 2023, the segment achieved the operating revenue of 20.291 billion yuan, up 6.99% year on year, and the net profit of 316 million yuan, up 6.03% year on year.

During the reporting period, the Company's aesthetic medicine segment witnessed rapid growth as a whole and achieved the total operating revenue of 1.874 billion yuan (excluding internal offsetting factors), up 36.99% year on year.

Its wholly-owned subsidiary Sinclair actively overcame the negative impact of the slowing global economic growth and kept expanding the global aesthetic medicine market. During the reporting period, Sinclair achieved the sales revenue of 110 million pounds (about 973 million yuan, up 23.27% year on year), and the EBITDA of 17.29 million pounds (about 148 million yuan), attaining continuous operating profits. It is expected that Sinclair will maintain a relatively fast growth as a whole throughout 2023, making increasingly more contribution to the Company's profits.

In the field of domestic aesthetic medicine, the Company's wholly-owned subsidiary Sinclair (Shanghai) continued to expand its Chinese market and continuously developed and improved Ellansé, its core star product, playing a leading role in the regenerative aesthetic medicine market in China. In the meantime, Sinclair (Shanghai) created its "one-stop" facial rejuvenation and shaping solution to satisfy the growing demands of Chinese consumers for anti-aging in combination with its two newly-launched products of Reaction®, a kind of RF product that features dual effects of "anti-aging and skin tightening" on fine parts, and Glacial Spa®, a functional skin color management device developed on the basis of cryomodulation. From January to September 2023, Sinclair (Shanghai) achieved the operating revenue of 824 million yuan, up 88.79% year on year, and made more contribution to the Company's overall profits while achieving favorable profitability. It is expected that Sinclair (Shanghai) will maintain its excellent performance and satisfactorily attain its annual business goals.

## **2. R&D progress of the Company**

### **(1) Pharmaceutical industry**

### **1) Overall R&D situation**

During the reporting period, being “Scientific Research-based and Patient-centered”, the Company continuously increased the R&D input, kept enriching the layout of innovative medicine R&D, enhanced the construction of Global innovative R&D ecology and technological platform, and actively advanced the progress of clinical trials, with multiple major staged achievements made. As of the date of the Report, the Company has formed 60 innovative product lines, with 50% of the products researched and developed independently. During the reporting period, the Company input 1.65 billion yuan in R&D in the pharmaceutical industry segment. Among them, 1.022 billion yuan were used as direct R&D expenditures, up 17.29% year on year.

### **2) Innovative R&D strategy**

As for innovative medicines, the Company insisted on its differentiated R&D strategy with the focus placed on unsatisfied clinical needs of global patients, giving priority to the layout of three key fields of endocrinology, autoimmunity and oncology, and is committed to becoming a leading company in the field of comprehensive metabolic diseases. As its product lines are continuously enriched, the Company has expanded its innovative medicine field to multiple types of medicine products including small molecule medicines, polypeptides, ADCs, bispecific or multispecific antibody medicines, as well as the exploration towards innovative therapies for diseases in the fields of endocrinology, autoimmunity and oncology.

The Company’s early R&D team actively followed up the latest progress of researches on medicines/targets and conducted deep investigations from such aspects as target mechanism, medicine screening, druggable potential and selection of indications, in a bid to facilitate the implementation of the Company’s innovation and internationalization strategies, and to follow up the industrial development trend featuring anterior target shift. Since 2023, the Company has implemented the early exploratory project mechanism, accelerated its innovation, placed its focus on three key fields of endocrinology, autoimmunity and oncology. The Company has launched 11 early exploratory and prospective projects to date since 2023, expecting to developing the first-in-class or best-in-class innovative medicines.

The Company’s clinical R&D team has always dedicated to breaking through the differentiated bottleneck in innovation in accordance with the orientation of high efficiency and high quality, endeavoring to achieve the leap-forward development of diversified innovation in clinical R&D. The

clinical R&D team has charged and supported clinical projects from such dimensions as clinical study, operation, registration and pharmaco-vigilance from multiple dimensions.

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

#### **Oncology**

The Company developed more than 30 innovative antineoplastic medicines covering targeted small molecule medicines, ADCs, antibodies, PROTAC, etc. through discovery, screening and verification of new targets in preliminary R&D of medicines.

The BLA in China of mirvetuximab soravtansine injection (ELAHERE®, R&D code: IMG853, HDM2002), the world's first-in-class ADC drug introduced by the Company from ImmunoGen in the U.S., is expected to be accepted in Q4 2023. It was included in the priority review by CDE in July 2023 and is expected to be approved for marketing in 2024. In July 2023, ELAHERE® was approved to be introduced in Hainan province thanks to the "Pioneering in Pilot Zone" licensed medical devices policies in Hainan Bo'ao Lecheng International Medical Tourism Pilot Zone, which is expected to help Chinese PROC patients with platinum-resistant ovarian epithelial cancer, fallopian tube cancer or primary peritoneal cancer who are folate receptor  $\alpha$  (FR $\alpha$ ) positive in time. In the future, the Company plans to participate in the international multi-center PSOC clinical research to advance its application in front-line treatment of ovarian cancer and support to use ELAHERE™ as the medicine combination for treatment of ovarian cancer.

Mefatinib Tablet, the Company's innovative medicine, was included as the variety for breakthrough treatment in May 2023, which is used for treating advanced non-small cell lung cancer with rare EGFR mutations. The phase III clinical trial for advanced non-small cell lung cancer with EGFR-sensitive mutation has successfully reached the main end point.

HDM2005, an ADC product independently developed by the Company, has completed PCC confirmation in Q1 2023 and IND development is now in progress. It is planned to apply for clinical trial within 2024.

HDM2006, a PROTAC product independently developed by the Company, has been confirmed as PCC in September 2023 and entered the IND development.

In Q4 2023, one independent innovative product for tumors is expected to receive PCC confirmation.

## Endocrinology

With GLP-1 target as the core, the Company has established eight products of GLP-1 and related targets that cover oral medicines, and injections, including long-acting and multi-target global innovative and biosimilar medicines. In the future, the Company will keep exploring innovative projects related to GLP-1 targets, expanding its coverage to such indications as weight management, dyslipidemia, non-alcoholic steatohepatitis (NASH), cardiovascular disease, chronic kidney disease (CKD), and constantly develop innovative medicines with higher iterability and more clinical advantages.

HDM1002 (oral small molecule GLP-1 receptor agonist), an innovative medicine for diabetic mellitus that is developed by the Company independently, has obtained IND approvals in the U.S. and China, with the administration of the first subject achieved in the beginning of June 2023. The IND application for obesity in China was approved in September 2023. To date, there is no oral small molecule GLP-1 receptor agonist approved for marketing in the world. HDM1002 will further enrich the Company's product lines in the field of endocrine therapy, accelerate the Company's integration into the global innovative pharmaceutical industry, and further enhance its comprehensive competitiveness.

HDM1005, a GLP-1R and GIPR long-acting polypeptide dual-target agonist independently developed by the Company, has entered the research stage of IND. To date, the project is smoothly advanced and clinical batch of medicines is manufactured as scheduled. It is expected to submit the IND application in early 2024.

DR10624, a GLP-1R/GCGR/FGF21R multi-target agonist developed by the Company's holding subsidiary Doer Biologics, completed its first subject administration in phase I Multiple Ascending Dose (MAD) clinical trial for the treatment of obesity in New Zealand in July 2023. DR10624's IND application for weight management of overweight or obese people in China was approved in July 2023. The first cohort (12 subjects) administration in phase I Single Ascending Dose (SAD) clinical trial in China was completed in October 2023. The IND application for diabetes mellitus in China was approved in September 2023. The IND for severe hypertriglyceridemia in China was submitted in August 2023.

Semaglutide Injection has now launched the phase III clinical trial, with the enrollment of the first subject completed in September 2023.

Insulin Degludec Injection has now launched the phase III clinical trial, with the enrollment of the first subject completed in September 2023.

### **Autoimmunity**

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

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

HDM3002 (PRV-3279), an innovative medicine used for the treatment of systemic lupus erythematosus (SLE), has been formally included in Ila phase MRCT (PREVAIL-2).

Being listed as *Overseas New Medicine in Urgent Need for Clinical Purpose (First Batch)* by CDE, ARCALYST®, a global innovative product introduced from Kiniksa in the U.S., is used for the treatment of Cryo-Pyrin-Associated Periodic Syndromes (CAPS). Moreover, the Company has submitted the Pre-BLA for recurrent pericarditis (RP) in China at the end of June 2023. In September 2023, recurrent pericarditis was included in the *Second Batch of Rare Diseases Catalogue* jointly issued by the National Health Commission and other ministries. In the future, the Company will facilitate the registration and launching of this product in China relying on relevant evaluation procedures for rare diseases, thus solving the problem of drug accessibility of patients as soon as possible.

The Company developed multiple new target and biological mechanism immune disease early projects, which are all smoothly advanced. In Q4 2023, a type of independently-developed innovative product for autoimmunity will receive PCC confirmation.

### **Innovative pharmaceutical devices**

HD-NP-102 (Dynamic Monitoring System of Glomerular Filtration Rate and MB-102 Injection): The Dynamic Monitoring System of Glomerular Filtration Rate and MB-102 Injection jointly developed by the Company and MediBeacon, Inc of the U.S. can continuously measure the glomerular filtration rate (GFR) of patients with normal or impaired renal functions by non-invasive monitoring of the fluorescence emitted by MB-102 through intravenous injection. In July 2022, NMPA formally accepted the pharmaceutical device registration application for the system and is now reviewing the application. The MB-102 injection (Relmapirazin) used in conjunction with this

system is a global innovative medicine that completed the enrollment of all subjects for international multi-center phase III clinical trial in February 2023. The pre-NDA has submitted in China in April 2023. The PMA has been submitted in the U.S. in June 2023, which has been accepted by FDA in July 2023.

#### 4) Approval of generic medicines

S/N	Field	Item	Specification	Time of Approval
1	Endocrine	Pioglitazone Hydrochloride and Metformin Hydrochloride Tablets	15/850mg	Approved by NMPA in September 2023
2	Immunity	Tacrolimus Ointment	0.03%, 0.1%	Approved by NMPA in August 2023
3	Angiocarpy	Macitentan Tablets	10mg	Approved by NMPA in October 2023

## 2. Aesthetic medicine business

### 1) R&D and registration of aesthetic medicine products in China

S/N	Type	Product Name	Purpose	Latest Progress
1	Injections	MaiLi Extreme Hyaluronic acid	Facial filling	Collection of efficacy measures of all subjects for clinical trial in China completed in August 2023.
2	Injections	MaiLi Precise Hyaluronic acid	Facial filling	Registration testing in China completed and preparatory work for launching of clinical trial in China in progress.
3	Injections	Ellans éM	Facial filling	Enrollment of all subjects for clinical trial in China completed in March 2023 and follow-up in progress.
4	Injections	LanlumaV Poly-L-lactic Acid	Facial filling	Testing for registration formally launched in August 2023 and preparatory work for clinical trial in progress.
5	Energy based devices	Glacial Rx (F1)	Removing benign pigmented lesions of skin, etc.	Registration testing in China and preparation of technical data in progress.
6	Energy based devices	V series products (V20, V30)	Skin tightening, body and facial shaping, skin rejuvenation, hair removal, etc.	Application for registration of V20 submitted and accepted by the Center for Medical Device Evaluation, NMPA in September 2023. Registration testing of V30 and preparation of technical data in progress.
7	Energy based devices	Préme DermaFacial	Facial skin management	Notice of Classification and Definition of Non-medical Devices issued by Medical Equipment Standard Management Center, NMPA received in September 2023.

### 2) R&D and registration of aesthetic medicine products out of China

KiOmed skinbooster, a global innovative chitosan aesthetic medicine introduced by the Company from a Belgian company KiOmed Pharma SA (hereinafter referred to as “KiOmed”) is now under clinical trial and its overseas registration application is expected to be submitted in Q4 2023.

Moreover, KiOmed is now developing multiple types of global innovative products for facial (KiOmed Moderate lines, KiOmed Volumizer) and lip (KiOmed Lips) filling. In the meantime, the Company is actively facilitating the R&D of Silhouette 16 cone short line, a thread lifting product, and multiple types of new products.

### **3. Overseas investment and cooperation of the Company from Q3 to the date of the Report**

1) On August 10, 2023, the Company's wholly-owned subsidiary Zhongmei Huadong signed the Exclusive Product License Agreement with the American listed company Arcutis. According to the agreement, Zhongmei Huadong obtained the exclusive license of the globally innovative topical roflumilast (including Roflumilast Cream ZORYVE® and Roflumilast Foam ARQ-154) of Arcutis in Greater China (including Chinese mainland, Hong Kong SAR, Macao SAR and Taiwan Province) and Southeast Asia (Indonesia, Singapore, Philippines, Thailand, Myanmar, Brunei, Cambodia, Laos, Malaysia and Vietnam), including rights for development, registration, production and commercialization. (Please refer to relevant announcement (Announcement No.: 2023-061) disclosed by the Company on Cninfo (<http://www.cninfo.com.cn>) for details).

2) On August 30, 2023, the Company's wholly-owned subsidiary Zhongmei Huadong signed the Exclusive Product License Agreement with MC2 Therapeutics Ltd., a wholly-owned subsidiary of a Danish company MC2 Therapeutics A/S (hereinafter referred to as "MC2"). According to the agreement, Zhongmei Huadong obtained the exclusive license of the globally innovative product Wynzora® in Greater China (including Chinese mainland, Hong Kong SAR, Macao SAR and Taiwan Province), including rights for development, registration, production and commercialization.

Also, the introduction of Wynzora® cream, ZORYVE® cream and ARQ-154 (roflumilast foam) will further supplement the Company's product lines of external preparations. In the meantime, the Company has established its featured topical preparation platform that is specialized in the differentiated R&D of topical preparations for skin, built a professional R&D team, equipped with laboratory research-type and pilot-scale production complicated preparation equipment, as well as imported quality evaluation equipment, and fostered three topical preparation production lines in its holding company Huadong Medicine (Xi'an) Bohua Pharmaceutical Co., Ltd. to facilitate the launching of R&D products. With multiple years of experience in R&D and platform development, the team has gotten the key points for development of ointments, creams, gels and other external preparations and established professional quality evaluation systems for topical preparations, which

cannot only guarantee the fast and efficient research, production conversion and registration application of products, but also satisfy the development of the industrial development chain that integrates R&D, production and sales. (Please refers to relevant announcement (Announcement No.: 2023-067) disclosed by the Company on Cninfo (<http://www.cninfo.com.cn>) for details).

3) On October 17, 2023, the Company's wholly-owned subsidiary Huadong Medicine Aesthetics Investment (Hong Kong) Limited (hereinafter referred to as "Aesthetics Investment") signed the Exclusive Product License Agreement with ATGC Co., Ltd. (hereinafter referred to as "ATGC") in the Republic of Korea. According to the agreement, Aesthetics Investment obtained the global exclusive license of ATCG-110, an injection containing botulinum toxin type A of ATGC, in China, the U.S., Europe, etc. (excluding India), and the non-exclusive license in the Republic of Korea, including the clinical development, registration and commercialization rights for aesthetic medicines and all of its indications.

The agreement for ATGC-110 is a strategic supplement to the Company's global aesthetic medicine products, which is beneficial for the Company to build diversified aesthetic medicine brand and product clusters. After this transaction, the Company will have 37 types of international high-end "noninvasive and micro-invasive" aesthetic medicine products that cover improvement of frown lines, facial and body filling, thread lifting, skin management, body shaping, hair removal, private repair and other non-operative mainstream aesthetic medicine fields, including 14 types of injection products, 22 types of energy based devices, and one type of thread lifting product. With comprehensive product clusters formed, the Company has ranked in the forefront of the industry in terms of product quantity and coverage. (Please refers to relevant announcement (Announcement No.: 2023-072) disclosed by the Company on Cninfo (<http://www.cninfo.com.cn>) for details).

**(II) Receptions, including research, communication and interview, during the reporting period**

Reception date	Reception address	Reception method	Type of visitor	Reception object	Main content of discussion and information provided	Index of basic information of the research
August 16, 2023	Conference Room of the Company	Online meeting	Institution and individual	China Securities, CICC, Industrial Securities,	2023 Semi-annual Operating Results Conference	Please refer to the <i>Record of Investor Relations Activities on August 16, 2023</i> presented on the

				etc.	of Huadong Medicine	websites of irm.cninfo.com.cn and cninfo.com.cn for details.
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## IV. Quarterly Financial Statements

### (I) Financial statements

#### 1. Consolidated balance sheet

Prepared by: Huadong Medicine Co., Ltd.

September 30, 2023

Unit: yuan

Item	September 30, 2023	January 1, 2023
Current assets:		
Monetary funds	3,930,055,822.33	3,996,302,178.41
Settlement reserve		
Lending funds		
Trading financial assets		
Derivative financial assets	23,781,330.81	29,907,470.68
Notes receivable	30,000,000.00	8,424,980.99
Accounts receivable	8,603,990,884.53	7,198,746,788.59
Accounts receivable for financing	1,179,728,033.75	1,002,511,208.21
Prepayments	391,738,025.42	500,083,953.14
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	511,134,375.07	283,710,955.63
Including: Interests receivable		
Dividends receivable	223,747.65	223,747.65
Financial assets purchased for resale		
Inventories	4,889,550,535.88	4,495,483,328.54
Contract assets		
Assets held for sale		
Other non-current assets expiring within one year		
Other current assets	28,009,025.30	52,692,618.78
Total current assets	19,587,988,033.09	17,567,863,482.97
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investment	1,547,325,882.94	1,659,076,538.78
Other equity instrument investments	409,199,420.17	360,910,876.41
Other non-current financial assets		
Investment real estate	12,957,377.00	13,648,240.14
Fixed assets	3,752,658,948.42	3,981,653,265.52
Constructions in progress	1,106,218,018.42	873,159,427.47
Biological assets for production		
Oil & gas assets		
Right-of-use assets	141,069,398.00	166,505,297.17
Intangible assets	2,327,531,779.99	2,280,064,207.30

Development expenditures	784,251,157.61	641,354,586.80
Goodwill	2,577,647,986.71	2,441,387,413.59
Long-term unamortized expenses	20,477,284.51	16,457,278.57
Deferred tax assets	192,386,807.93	152,842,858.97
Other non-current assets	1,532,973,414.69	1,037,279,933.15
Total non-current assets	14,404,697,476.39	13,624,339,923.87
Total assets	33,992,685,509.48	31,192,203,406.84
Current liabilities:		
Short-term borrowings	813,198,243.24	947,516,383.37
Borrowing from the central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade	8,970,278.04	14,841,896.97
Derivative financial liabilities	490,500.00	
Notes payable	2,002,464,644.87	1,029,409,686.81
Accounts payable	4,995,617,599.40	4,873,029,466.44
Receipts in advance	1,975,312.86	1,154,243.42
Contract liabilities	167,826,339.02	146,488,489.07
Financial assets sold for repurchase		
Deposits from customers and due from banks		
Receipts for buying and selling securities as proxy		
Receipts for underwriting securities as proxy		
Employee benefits payable	236,487,492.70	256,883,423.68
Taxes payable	403,270,025.35	429,457,804.81
Other payables	2,693,327,807.81	2,290,407,022.05
Including: Interests payable		
Dividend payable	224,219.60	14,924,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Other non-current liabilities due within one year	299,354,234.55	147,835,514.81
Other current liabilities	20,429,422.29	15,788,164.30
Total current liabilities	11,643,411,900.13	10,152,812,095.73
Non-current liabilities:		
Insurance policy reserve		
Long-term borrowing	728,506,072.02	1,051,457,747.44
Bonds payable		
Include: Preferred stock		
Perpetual bond		
Lease liabilities	105,896,905.64	84,610,324.98
Long-term payables	87,266,061.32	287,497,209.49
Long-term employee remuneration payable		
Provision	35,577,667.62	37,925,549.41
Deferred income	175,941,782.72	126,123,512.71
Deferred tax liabilities	198,336,858.91	202,084,083.93
Other non-current liabilities	78,564,150.00	73,251,500.00
Total non-current liabilities	1,410,089,498.23	1,862,949,927.96
Total liabilities	13,053,501,398.36	12,015,762,023.69
Owners' Equity:		
Share capital	1,754,425,348.00	1,753,995,348.00
Other equity instrument investments		

Including: Preferred shares		
Perpetual bond		
Capital reserves	2,429,588,311.61	2,377,887,246.39
Less: Treasury shares	115,270,300.00	104,645,000.00
Other comprehensive income	-92,441,607.03	-88,552,636.42
Special reserve		
Surplus reserve	1,151,441,705.28	1,151,213,039.48
General risk reserve		
Undistributed profit	15,170,467,425.80	13,488,021,239.94
Total owners' equity attributable to owner of the parent company	20,298,210,883.66	18,577,919,237.39
Minority interest	640,973,227.46	598,522,145.76
Total owners' equity	20,939,184,111.12	19,176,441,383.15
Total liabilities & owners' equity	33,992,685,509.48	31,192,203,406.84

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

## 2. Consolidated income statements from the beginning of the year to the end of the reporting period

Unit: yuan

Item	Amount in the current period	Amount in previous period
I. Total operating revenue	30,394,530,509.51	27,858,507,079.10
Including: Operating revenue	30,394,530,509.51	27,858,507,079.10
Interests income		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	27,539,505,233.90	25,422,451,966.57
Including: Operating cost	20,711,433,505.92	19,006,828,172.00
Interest expenses		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Business taxes and surcharges	155,063,860.73	145,766,634.10
Sales expenses	4,662,350,509.65	4,503,511,492.02
Administrative expenses	1,105,836,120.39	958,816,065.06
R&D expenses	840,788,063.58	788,158,101.57
Financial expenses	64,033,173.63	19,371,501.82
Including: Interests expenses	84,321,926.54	55,731,896.99
Interests income	61,683,137.57	75,779,611.14
Add: Other income	70,617,560.34	116,088,889.07
Investment income (Losses are indicated by “-”)	-168,842,873.72	-99,173,464.90
Including: Investment gains	-145,314,249.10	-80,967,957.60

(losses) in associated enterprise and joint-venture enterprise		
Gains on the derecognition of financial assets measured at amortized cost		
Gains on exchange (Losses are indicated by “-”)		
Gains on net exposure hedging (Losses are indicated by “-”)		
Gains from changes in fair values (Losses are indicated by “-”)	-6,616,639.87	
Credit impairment losses (Losses are indicated by “-”)	-42,022,538.00	-71,965,559.59
Impairment gains (losses) of assets (Losses are indicated by “-”)	-3,175,583.57	
Asset disposal income (Losses are indicated by “-”)	3,587,637.81	5,578,009.76
III. Operating profit (Losses are indicated by “-”)	2,708,572,838.60	2,386,582,986.87
Add: Non-operating revenue	3,536,981.13	5,034,409.21
Less: Non-operating expenses	24,000,149.00	27,069,853.11
IV. Total profit (Total losses are indicated by “-”)	2,688,109,670.73	2,364,547,542.97
Less: Income tax expenses	494,560,848.37	358,222,730.61
V. Net profit (Net losses are indicated by “-”)	2,193,548,822.36	2,006,324,812.36
(I) Classification by business continuity		
1. Net profit from continuing operations (Net losses are indicated by “-”)	2,193,548,822.36	2,006,324,812.36
2. Net profit at terminational operation (Net losses are indicated by “-”)		
(II) Classification by attribution of ownership		
1. Net profit attributable to shareholders of the parent company (Net losses are indicated by “-”)	2,189,046,844.62	1,981,470,047.95
2. Profit or loss attributable to minority shareholders (Net losses are indicated by “-”)	4,501,977.74	24,854,764.41
VI. Other comprehensive income, net of income tax	-3,888,970.61	-19,030,402.76
Other comprehensive income attributable to owners of the parent company, net of tax	-3,888,970.61	-19,030,402.76
(I) Other comprehensive income that cannot be reclassified into gains/losses	-1,453,894.59	-4,775,671.98
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	-1,453,894.59	-4,775,671.98

equity instrument investments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	-2,435,076.02	-14,254,730.78
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	5,871,618.93	
6. Exchange differences from translation of foreign currency financial statements	-8,306,694.95	-14,254,730.78
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,189,659,851.75	1,987,294,409.60
(I) Total comprehensive income attributable to owners of the parent company	2,185,157,874.01	1,962,439,645.19
(II) Total comprehensive income attributable to minority shareholders	4,501,977.74	24,854,764.41
VIII. Earnings per share (EPS):		
(I) Basic EPS	1.2510	1.1324
(II) Diluted EPS	1.2503	1.1324

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

### 3. Consolidated cash flow statements from the beginning of the year to the end of the reporting period

Unit: yuan

Item	Amount in the current period	Amount in previous period
I. Cash flows from operating activities:		
Cash received from the sale of goods and the rendering of services	32,682,451,836.29	28,636,082,628.37
Net increase in customer deposits and due from banks		
Net increase in borrowing from the central bank		
Net increase in borrowing from other financial institutions		
Cash from the premium of the original insurance policy		
Net cash from reinsurance		
Net increase in deposits and investment of the insured		
Cash from interests, handling fees and		

commissions		
Net increase in borrowing from other banks and other financial institutions		
Net increase in funds for repurchase		
Net cash received for buying and selling securities as proxy		
Receipts of tax refund	53,209,369.56	48,130,176.60
Other cash receipts in relation to operating activities	594,342,751.13	519,344,662.31
Cash inflows from operating activities	33,330,003,956.98	29,203,557,467.28
Cash payments for goods purchased and services received	21,403,392,127.90	19,098,109,891.25
Net increase in customer loans and prepayments		
Net increase in deposits of central bank and due from banks		
Cash payments for original insurance claims		
Net increase in lending funds to other banks and other financial institutions		
Cash payments for interests, handling fees and commissions		
Cash payments for policy dividends		
Cash payments to and on behalf of employees	2,731,357,413.23	2,163,638,874.66
Payments of various types of taxes	2,018,766,158.13	2,310,543,611.37
Other cash payments in relation to operating activities	4,927,210,373.91	4,311,012,164.01
Cash outflows for operating activities	31,080,726,073.17	27,883,304,541.29
Net cash flow from operating activities	2,249,277,883.81	1,320,252,925.99
II. Cash flows from investing activities		
Cash receipts from recovery of investments		
Cash receipts from investment income	76,500,000.00	900,000.00
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	5,487,494.29	13,562,748.02
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	143,241,408.53	
Cash inflows from investing activities	225,228,902.82	14,462,748.02
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	960,170,505.01	838,159,013.91
Cash payments for investment	71,474,250.00	855,517,746.06
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units	137,922,688.09	404,617,574.25
Other cash payments in relation to investing activities	3,582,952.58	100,000,000.00
Sub-total of cash outflows of investment activities	1,173,150,395.68	2,198,294,334.22
Net cash flow from investing activities	-947,921,492.86	-2,183,831,586.20

III. Cash flows from financing activities:		
Cash receipts from absorbing investments	10,800,300.00	30,000,000.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries		30,000,000.00
Cash receipts from borrowing	3,618,149,860.84	3,625,643,992.66
Other cash receipts in relation to financing activities	725,958,879.33	598,142,418.56
Cash inflows from financing activities	4,354,909,040.17	4,253,786,411.22
Cash repayments of borrowings	4,202,280,794.93	3,141,986,846.06
Cash payments for distribution of dividends or profits or settlement of interest expenses	658,879,966.42	627,878,033.15
Including: Dividends and profits paid by subsidiaries to minority shareholders	15,728,000.00	1,960,000.00
Other cash payments in relation to financing activities	712,063,268.70	598,786,755.06
Cash outflows for financing activities	5,573,224,030.05	4,368,651,634.27
Net cash flow from financing activities	-1,218,314,989.88	-114,865,223.05
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents	-20,487,569.21	17,694,818.12
V. Net increase in cash and cash equivalents	62,553,831.86	-960,749,065.14
Add: Opening balance of cash and cash equivalents	3,416,910,702.33	3,580,140,638.17
VI. Closing balance of cash and cash equivalents	3,479,464,534.19	2,619,391,573.03

## (II) Adjustments to financial statement items at the beginning of the year of the first implementation of the new accounting standards implemented since 2023

Applicable  N/A

## (III) Audit report

Has the Third Quarterly Report been audited?

Yes  No

The Company's Third Quarterly Report has not been audited.

Board of Directors of Huadong Medicine Co., Ltd.

October 25, 2023