Stock code: 000963 Stock abbreviation: Huadong Medicine Announcement No.: 2023-028

Huadong Medicine Co., Ltd.

First 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 First 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

Is the Company required to adjust or restate retroactively the accounting data in previous years?

□ Yes ☑No

	For the reporting period	For the same period last year	Increase/decrease for the reporting period as compared with the same period last year (%)
Operating income (CNY)	10,114,531,331.77	8,932,579,251.75	13.23%
Net profit attributable to shareholders of the listed company (CNY)	755,284,976.47	704,364,775.13	7.23%

Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss (CNY)	757,542,618.01	698,524,004.62	8.45%
Net cash flow from operating activities (CNY)	-246,152,770.16	-260,603,628.32	5.55%
Basic earnings per share (CNY/per share)	0.4316	0.4025	7.23%
Diluted earnings per share (CNY/share)	0.4315	0.4025	7.20%
Weighted average return on equity (ROE)	3.99%	4.17%	-0.18%
	As at the end of the reporting period	As at the end of last year	Increase/decrease as at the end of the reporting period as compared with the end of last year (%)
Total assets (CNY)	32,115,200,767.26	31,192,203,406.84	2.96%
Owners' equity attributable to shareholders of the listed company (CNY)	19,314,073,760.97	18,577,919,237.39	3.96%

Total share capital of the Company as at the trading date prior to disclosure:

Total share capital of the Company as at the trading date prior to disclosure (shares)	1,753,995,348.00

Fully diluted earnings per share calculated with the latest share capital:

Preferred stock dividends paid (CNY)	0.00
Interest on perpetual bonds paid (CNY)	0.00
Fully diluted earnings per share calculated with the latest share capital (CNY/share)	0.4306

(II) Non-recurring profit or loss items and amounts

☑Applicable □ Not applicable

Unit: CNY

Item	For the reporting period	Description
Profit or loss from disposal of non-current assets (including the written-off portion for which provision for impairment of assets is made)	-2,020,270.17	
Tax returns and exemption with approval exceeding one's authority or without formal approval document	3,225,285.68	
Government grants included in current profit or loss (excluding those closely related to the normal operations of the Company granted on an ongoing basis in fixed amount or fixed quota in accordance with national policies and regulations)	11,357,170.62	
Other non-operating revenue or expenditure	-13,443,089.32	
Less: Effect on income tax	1,140,865.86	

Effect on minority interests (after tax)	235,872.49	
Total	-2,257,641.54	

Details of other profit or loss items conforming to the definition of non-recurring profit or loss

□Applicable ☑Not applicable

The Company had no other profit or loss item conforming to the definition of non-recurring profit or loss.

If an item listed as non-recurring profit or loss item in the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1: Non-Recurring Profits and Losses* is defined as a recurring profit or loss item, please describe the details.

□Applicable ☑Not applicable

The Company did not define any item listed as non-recurring profit or loss item in the *Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1: Non-Recurring Profits and Losses* as a recurring profit or loss item.

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

☑Applicable □ Not applicable

Items in the balance sheet	Ending balance	Opening balance	Amount of variation	Reason for change
Monetary funds	2,375,152,352.20	3,996,302,178.41	-40.57%	Mainly due to the loan repayment and investment spending in the current period
Other receivables	426,378,917.15	283,710,955.63	50.29%	Mainly due to the increase in receivable temporary payments
Other current assets	154,239,503.07	52,692,618.78	192.72%	Mainly due to the increase in value-added tax to be deducted
Short-term borrowing	563,013,919.12	947,516,383.37	-40.58%	Mainly due to the loan repayment in the current period
Notes payable	1,360,474,461.93	1,029,409,686.81	32.16%	Mainly due to the increase in the settlement of bills
Contract Liabilities	192,637,694.45	146,488,489.07	31.50%	Mainly due to the increase in sales revenue received in advance
Employee remuneration payable	175,666,718.25	256,883,423.68	-31.62%	Mainly due to the payment of employee remuneration in the current period
Dividends payable	224,219.60	14,924,219.60	-98.50%	Mainly due to the payment of dividends to minority shareholders in the current period
Long-term borrowings	677,604,268.25	1,051,457,747.44	-35.56%	Mainly due to the loan repayment in the current period
Other current liabilities	24,158,784.99	15,788,164.30	53.02%	Mainly due to the increase in output tax to be transferred
Other comprehensive incomes	-119,904,045.95	-88,552,636.42	-35.40%	Mainly due to the translation balance of foreign currency statements
Items in the income statement	**Amount of current period**	**Amount of prior period**	**Amount of variation**	**Reason for change**
Financial expense	29,150,841.84	8,060,234.62	261.66%	Mainly due to the increase in net interest expenses
Income from disposal of assets	-2,199,859.71	557,821.07	-494.37%	Mainly due to the decrease in income from disposal of fixed assets
Investment incomes	-61,752,708.66	-27,961,493.36	-120.85%	Mainly due to the decrease in recognized income from investment in associates in the current period
Other incomes	14,582,456.30	10,669,007.70	36.68%	Mainly due to the increase in government grant in the current period as compared with the same

				period last year
Non-operating incomes	1,389,195.74	831,619.81	67.05%	Mainly due to the increase in income from waste disposal
Profits and losses of minority shareholders	4,640,513.86	9,667,799.11	-52.00%	Mainly due to the decrease in net profit of partly-owned subsidiaries in the current period as compared with the same period last year
Items in the cash flow statement	**Amount of current period**	**Amount of prior period**	**Amount of variation**	**Reason for change**
Net cash flows generated from financing activities	-849,412,643.67	-5,561,294.58	-15173.65%	Mainly due to the increase in loan repayment in the current period as compared with the same period last year

II. Shareholder Information

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

Unit: Shares

Total number of ordinary shareholders as at the end of the reporting period		72,114	Total number of preferred shareholders with restored voting rights as at the end of the reporting period (if any)			0
Shareholdings of top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding proportion (%)	Number of shares held	Number of shares with trading moratorium held	Pledged, marked or locked-up status	
					Status of shares	Quantity
China Grand Enterprises, Inc.	Domestic non-state-owned legal person	41.67%	730,938,157.00	0.00	Pledged	138,110,000.00
Hangzhou Huadong Medicine Group Co., Ltd.	State-owned legal person	16.42%	288,000,000.00	0.00		
Hong Kong Securities Clearing Company Limited	Overseas legal person	3.11%	54,522,678.00	0.00		
Industrial and Commercial Bank of China Limited–China EU Medical Health Hybrid Securities Investment Fund	Others	2.80%	49,178,041.00	0.00		
China Securities Finance Co., Ltd.	Domestic non-state-owned legal person	1.26%	22,186,818.00	0.00		
China Construction Bank Corporation–ICBC Credit Suisse Frontier Medical	Others	1.14%	20,000,078.00	0.00		

Securities Investment Fund						
National Social Security Fund Portfolio 110	Others	0.59%	10,380,842.00	0.00		
Industrial and Commercial Bank of China Limited–China EU Medical Innovation Securities Investment Fund	Others	0.55%	9,577,584.00	0.00		
National Social Security Fund Portfolio 503	Others	0.51%	9,000,067.00	0.00		
China Construction Bank Corporation–E Fund CSI300 Medicine and Health Exchange Traded Fund	Others	0.47%	8,306,632.00	0.00		

Shareholding of top 10 holders of shares without trading moratorium			
Name of shareholder	Number of shares without trading moratorium held	Type of share	
		Type of share	Quantity
China Grand Enterprises, Inc.	730,938,157.00	Ordinary share in CNY	730,938,157.00
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000.00	Ordinary share in CNY	288,000,000.00
Hong Kong Securities Clearing Company Limited	54,522,678.00	Ordinary share in CNY	54,522,678.00
Industrial and Commercial Bank of China Limited–China EU Medical Health Hybrid Securities Investment Fund	49,178,041.00	Ordinary share in CNY	49,178,041.00
China Securities Finance Co., Ltd.	22,186,818.00	Ordinary share in CNY	22,186,818.00
China Construction Bank Corporation–ICBC Credit Suisse Frontier Medical Securities Investment Fund	20,000,078.00	Ordinary share in CNY	20,000,078.00
National Social Security Fund Portfolio 110	10,380,842.00	Ordinary share in CNY	10,380,842.00
Industrial and Commercial Bank of China Limited–China EU Medical Innovation Securities Investment Fund	9,577,584.00	Ordinary share in CNY	9,577,584.00
National Social Security Fund Portfolio 503	9,000,067.00	Ordinary share in CNY	9,000,067.00
China Construction Bank Corporation–E Fund CSI300 Medicine and Health Exchange Traded Fund	8,306,632.00	Ordinary share in CNY	8,306,632.00
A description of the relationship or concerted action of the above shareholders	The Company did not know whether the shareholders mentioned above were related parties with each other or whether they were acting-in-concert parties with each other.		
Description of top 10 shareholders engaging in securities margin trading business (if any)	As at the end of the reporting period, none of the top 10 ordinary shareholders held the Company's shares via a securities margin trading		

	account.

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

□Applicable ☑Not applicable

III. Other Important Matters

☑Applicable □ Not applicable

(I) Overview of the Company's overall operations during the reporting period

In the first quarter of 2023, the Company, with a sharp focus on the overall strategic planning and annual business objectives, continued to thoroughly implement its unique business philosophy and the business principles of "High-quality Innovation, High-efficiency Operation" in the new era, continuously improved the average labor efficiency per capita, enriched the pipeline layout, strengthened the construction of the R&D ecosystem, improved the R&D speed and quality, and actively expanded the international market. Moving forward steadily along the road of transformation and innovation with Huadong Medicine's characteristics, the Company has achieved an all-round recovery of overall operating performance and a steady improvement in growth and quality, laying a solid foundation for achieving the overall business objectives for the year.

From January to March 2023, the Company achieved an operating income of CNY 10.115 billion, the first time that the operating income exceeded CNY 10 billion in a single quarter, an increase of 13.23% year on year and an increase of 2.62% from the fourth quarter of 2022; during the reporting period, with the equity incentive cost and the profit or loss from shareholding and controlling R&D institutions deducted, it achieved the net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss of CNY 855 million, a year-on-year increase of 14.99%.

During the reporting period, the overall operation of Zhongmei Huadong, a core subsidiary of the Company, continued to maintain a steady growth trend, achieving operating income (including CSO business) of CNY 3.075 billion, a year-on-year increase of 10.19%, and realizing consolidated net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss of CNY 667 million, an increase of 15.90% year on year and an increase of 39.98% from the fourth quarter of 2022.

During the reporting period, except for the orders for nucleoside intermediates affected by the decline in international market demand, the products and businesses in the Company's industrial microbiology sector maintained a steady growth. The Company will continue to improve its business layout, enhance its overall operating functions and strengthen its marketing capabilities, in an effort to make new breakthroughs in domestic and international market expansion, and fulfil the business

objectives of maintaining rapid growth of operating income for the year of 2023.

Affected by the periodical increase in demand for medicinal products, the growth of the Company's pharmaceutical business during the reporting period accelerated year on year; the overall operating income amounted to CNY 6.844 billion, a year-on-year increase of 15.67%, and the cumulative net profit increased by 15.06% year on year.

During the reporting period, the Company's domestic and international aesthetic medicine business continued to maintain a sound momentum of growth. The total operating income of aesthetic medicine sector was CNY 503 million (excluding internal offsets), a year-on-year increase of 10.86%. Sinclair, a wholly-owned subsidiary in the United Kingdom, continued to expand the global aesthetic medicine market. During the reporting period, it achieved a consolidated operating income of GBP 33.8 million (approximately CNY 284 million), a year-on-year increase of 8.89%, and an EBITDA of GBP 2.99 million (the year-on-year slowdown was mainly due to the delay of orders in some regions, and the growth rate is expected to pick up gradually from the second quarter).

During the reporting period, Sinclair (Shanghai), a domestic wholly-owned aesthetic medicine subsidiary of the Company, actively seized the opportunity of gradually recovering domestic aesthetic medicine market, and continued to expand the regenerative aesthetic medicine market on the premise of compliance with relevant regulations, based on the concept of "Medicine First", and with patient experience as the core. It achieved an operating income of CNY 210 million, an increase of 33.83% year on year and an increase of 10.51% as compared with the fourth quarter of 2022. As the domestic consumer market continues to recover, the Company is expected to achieve better performance in domestic aesthetic medicine business in the second quarter.

(II) R&D and BD progress of the Company during the reporting period

The Company attaches great importance to innovative R&D and continues to maintain a high proportion of R&D investment. During the reporting period, the Company's R&D investment in pharmaceutical industry was CNY 387 million, including CNY 306 million in direct R&D expenditure, and CNY 81 million in product introduction and R&D equity investment. As at the release date of the report, the important progresses made by the Company in the R&D and BD of medicinal products, innovative medical devices, aesthetic medicine products were as follows:

1. R&D progress

(1) Oncology

ELAHERE™ (mirvetuximab soravtansine-gynx, R&D code: IMGN853, HDM2002): In July 2022, the subject enrollment for the PK pharmacokinetic study in Phase I clinical trial in China was completed. In November 2022, ImmunoGen, a US partner of the Company, announced the accelerated approval of ELAHERE™ by the U.S. FDA. It is the first ADC (antibody-drug conjugate)

drug approved by the U.S. FDA for platinum-resistant ovarian cancer. It is used for the treatment of platinum-resistant epithelial ovarian cancer, fallopian tube cancer, or primary peritoneal cancer in adults who are folate receptor α (FRα)-positive and have previously received first to third-line systemic therapy. In December 2022, the subject enrollment for Phase III single-arm clinical trial in China was completed. In March 2023, the pre-BLA submission was completed after the preset primary endpoint of study was reached; and the BLA application is planned to be submitted within this year. Based on the good clinical performance of this product, the Company and its partner will promote the front-line treatment of ovarian cancer through further clinical study, to support the use of ELAHERE™ as the first choice in combination therapy for ovarian cancer.

Mefatinib: It is used for the treatment of advanced non-small cell lung cancer with sensitive EGFR mutations. In June 2021, the enrollment of last subject for Phase III clinical trial was completed; and the subjects were been followed up for the number of PFS events. It is expected to submit the NDA application after the number of PFS events in the Phase III study is obtained in the second quarter of 2023.

(2) Autoimmunity

HDM3002 (PRV-3279): It is used to treat systemic lupus erythematosus (SLE) and prevent or reduce the immunogenicity of gene therapy. Provention Bio, a US partner of the Company, is currently conducting Phase IIa clinical trial of the product for SLE indication in the United States and Hong Kong, China. The Company submitted the IND application in China in February 2023.

HDM3001: It is a biosimilar of ustekinumab for the treatment of moderate to severe plaque psoriasis in adults. The Phase III clinical study has reached the preset primary endpoint. The Company completed the pre-BLA submission in April 2023.

(3) Endocrinology and metabolism

HDM1002: It is a small molecule GLP-1 receptor agonist independently developed by the Company. The Company submitted the IND application in China in February 2023, and completed the submission of IND application in the United States in April 2023.

Liraglutide Injection: It is a GLP-1 receptor agonist. The marketing authorization application for diabetes indication was approved by NMPA in March 2023. The marketing authorization application for obesity or overweight indication was accepted in July 2022 and it is expected to be approved within this year.

Semaglutide Injection: The Phase I study has been completed and reached the endpoint of the equivalence study. Phase III clinical study is expected to be initiated in the second half of 2023.

Insulin Degludec Injection: The Phase I study has been completed and reached the endpoint of the equivalence study. Phase III clinical study is expected to be initiated in the second half of 2023.

(4) Innovative medical device

HD-NP-102 (Transdermal Glomerular Filtration Rate Measurement System and MB-102 Injection): It is jointly developed by the Company and MediBeacon, Inc. in the United States, and is used to continuously measure the glomerular filtration rate (GFR) of patients with normal or impaired renal function in a non-invasive manner based on the changes in fluorescence over time emitted by the intravenously injected MB-102. In July 2022, the medical device registration application for the system was formally accepted by NMPA, which is currently under review. The MB-102 Injection (Relmapirazin) used in conjunction with the system is a global innovative drug. The subject enrollment for Phase III multi-regional clinical trial (MRCT) was completed in February 2023, and the pre-NDA submission in China was completed in April 2023.

(5) Registration and commercialization progress of aesthetic medicine products

During the reporting period, the Company continued to push ahead the registration and promotion of core products in the global market:

1) Injectables

- Ellansé® series

The subject enrollment for clinical trial of Ellansé®-M in China has been successfully completed, and the follow-up has been started. In addition, Sinclair has initiated the registration of Ellansé® products, a range of injectable polycaprolactone microsphere-based dermal fillers, in the United States.

- MaiLi® series

The subject enrollment for clinical trial of MaiLi Extreme in China has been successfully completed, and the follow-up has been started. In addition, Sinclair has initiated the registration of MaiLi® series products, a new range of injectable premium lidocaine-containing hyaluronic acid fillers, in the United States.

2) Energy-based devices

- Sculpt & Shape

In the first quarter of 2023, Sinclair launched Sculpt & Shape, a new energy-based device for body shaping and facial rejuvenation, in the European market. Featuring innovative RotateRF technology, the product received good market feedback immediately after it was launched.

- Reaction®

The Company has initiated the pre-marketing preparations for Reaction®, a bipolar radio frequency anti-aging device, in China, and has established a national energy-based device sales team. In April 2023, a pre-marketing clinical application seminar was held in China, when 6 authoritative

experts in dermatology and plastic surgery were invited to conduct exchanges and discussions. The product is planned to be marketed in the second quarter of 2023 in China.

2. Pharmaceutical BD cooperation of the Company

In January 2023, Huadong Medicine (Hangzhou) Co., Ltd., a wholly-owned subsidiary of the Company, signed an exclusive commercialization cooperation agreement with Kaixing Life Science, a wholly-owned subsidiary of CARsgen Therapeutics Co., Ltd. Huadong Medicine (Hangzhou) has been granted by Kaixing Life Science the exclusive rights for commercialization of zevorcabtagene autoleucel (R&D code: CT053), a fully human anti-autologous BCMA (B cell maturation antigen) CAR-T (chimeric antigen receptor T cell) candidate for the treatment of relapsed/refractory multiple myeloma. As a product with great potential, zevorcabtagene autoleucel will further enrich the Company's product line in the field of blood diseases. In terms of marketing, it will share expert networks, research and clinical resources with existing key product varieties in this field, to achieve mutual promotion and development and generate effective synergies. After this transaction, the Company will form a multi-dimensional pipeline layout of chemotherapeutic drugs, ADC products and CAR-T products in the treatment of hematological tumors. For details, please refer to the *Announcement on Exclusive Commercialization Cooperation Agreement Signed by a Wholly-owned Subsidiary* (Announcement No.: 2023-004) disclosed by the Company at http://www.cninfo.com.cn.

In April 2023, Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (hereinafter referred to as "Zhongmei Huadong"), a wholly-owned subsidiary of the Company, signed the *Agreement on Equity Transfer and Capital Increase in Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd.* with Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd. (hereinafter referred to as "Nanjing Nongda Animal Pharmaceutical"), Zhai Zhongshu and Nanjing Jiuheng Pharmaceutical LP (Limited Partnership). Zhongmei Huadong will invest no more than CNY 265,333,300 in total and acquire 70% of the equity in Nanjing Nongda Animal Pharmaceutical in the form of equity transfer and capital increase, to become a controlling shareholder of the latter. This acquisition of Nanjing Nongda Animal Pharmaceutical further improves the industrial layout of the Company in industrial microbiology. Nanjing Nongda Animal Pharmaceutical is at a stage of rapid growth. The average annual growth rate of sales revenue in the past three years has exceeded 50%.The preliminary construction has laid a solid foundation for its rapid development. After this transaction, Nanjing Nongda Animal Pharmaceutical will become an important platform for Huadong Medicine to develop its animal health business in industrial microbiology sector, while making full use of Huadong Medicine’s advantages in industrial ecological chain and financial support capabilities to achieve coordinated development in R&D, manufacturing, marketing, selling and other dimensions. For details, please refer to the *Announcement on Acquisition of 70% Equity in Jiangsu Nanjing Nongda*

Animal Pharmaceutical Co., Ltd. Through Equity Transfer and Capital Increase (Announcement No.: 2023-024) disclosed by the Company at http://www.cninfo.com.cn.

(III) Reception of research, communication, interview and other activities during the reporting period

Reception time	Reception location	Way of reception	Type of visitor	Visitor	Main contents of discussion and materials provided	Basic condition index of investigation
January 17, 2023	Meeting room of the Company	Others	Institution, individual	CICC, TF Securities, Industrial Securities, China Securities, etc.	Huadong Medicine & CARsgen Therapeutics Commercialization Project Exchange	For details, please refer to the *Record of Investor Relations Activities on January 17, 2023* published by the Company on the websites of irm.cninfo.com.cn of Shenzhen Stock Exchange and www.cninfo.com.cn.
February 15 and 16, 2023	Meeting room of the Company	Field research	Institutions	China Securities, Zheshang Securities, etc.	Investor communication	For details, please refer to the *Record of Investor Relations Activities on February 15 and 16, 2023* published by the Company on the websites of irm.cninfo.com.cn of Shenzhen Stock Exchange and www.cninfo.com.cn.
March 2 and 3, 2023	Meeting room of the Company	Field research	Institution, individual	Kaiyuan Securities, CICC, GF Securities, etc.	Investor communication	For details, please refer to the *Record of Investor Relations Activities on March 2 and 3, 2023* published by the Company on the websites of irm.cninfo.com.cn of Shenzhen Stock Exchange and www.cninfo.com.cn.

(IV) Innovation progress of the Company

1. Pharmaceutical industry

Huadong Medicine's R&D of innovative drugs are aimed to build excellent innovative drug discovery capabilities, strong biotechnological R&D capabilities, and efficient clinical development capabilities to address the unmet clinical needs of global patients. With the continuous enrichment of product pipeline, the Company has continuously expanded in the field of innovative drugs to cover the R&D of small molecule drugs, polypeptide drugs, antibody-drug conjugates (ADCs), bispecific or multi-specific antibody drugs and other types of drugs, while exploring the innovative therapies for metabolic, autoimmune, neoplastic and other diseases.

(1) Continuous improvement of innovative R&D ecosystem with Huadong Medicine's characteristics

The Company has established an international capable and efficient innovative drug R&D team consisting of various high-level talents from the whole industry chain, and has more than 500 core technical talents in the innovative drug R&D ecosystem. The enterprises in the ecosystem cooperate closely with each other to implement the research and development projects smoothly as follows:

1) Qyuns Therapeutics is one of the companies with the most comprehensive pipeline of biological drugs and the most advanced overall development schedule in the field of autoimmune and allergic diseases in China. At present, Qyuns Therapeutics' product pipeline covers skin, respiratory, digestive, and rheumatic diseases, including psoriasis, atopic dermatitis, ankylosing spondylitis, inflammatory bowel disease, systemic lupus erythematosus and asthma. It has a leading API production base, including four 2000L disposable bioreactors and a downstream purification/production line, with an annual production capacity of approximately 300KG therapeutic antibodies. In March 2023, Qyuns Therapeutics submitted an application for IPO on the Stock Exchange of Hong Kong Limited. The Phase III study of Project HDM3001 has reached the preset primary endpoint. The Company completed the pre-BLA submission in April 2023 and is expected to submit the BLA application in the third quarter of 2023.

2) Heidelberg Pharma is a global biopharmaceutical company focusing on the research and development of anticancer ADC drugs. Heidelberg Pharma has a proprietary ATAC® (Antibody Targeted Amanitin Conjugates) technology platform and is the first company in the world to develop amanitin and its derivatives for cancer treatment. At present, clinical progress is made in Project HDP-101; the IND development is advanced in Project HDP-103; and an early study on a new generation of ADCs based on the ATAC® platform is undergoing.

3) Doer Biologics focuses on the development of multi-domain-based multi-specific innovative fusion proteins, antibody drugs and polypeptide drugs. At present, it has xLONGylation, a

recombinant PEGylation (rPEG) platform for long-acting transformation of biological drugs, MultipleBody, a multi-domain fusion protein technology platform, AccuBody, a precision tumor treatment technology platform, and HTS-VHHBody, a high-throughput discovery and engineering platform for domain antibodies. The Project DR30303 in oncology is currently at Phase I clinical trial in China; the Project DR10624 in Metabolism is currently at Phase I clinical trials in New Zealand, and the Phase I multiple ascending dose (MAD) phase will be started soon.

4) Chongqing PEG-BIO is specialized in the independent R&D of genetically engineered recombinant proteins and polypeptide drugs. At present, it has MAS-PEG, a platform that employs a variety of key technologies to solve major defects such as short half-life and high immunogenicity of macromolecular drugs in vivo and finally realizes long-acting, low immunogenicity and long-term macromolecular drugs (therapeutic enzymes), and TE-Peptides, a polypeptide tandem recombination high-efficiency expression platform that adopts unique patented design, high-density fermentation, unique enzyme digestion, modification technology and purification technology to obtain products, and has the advantages of no optical isomers, no missing peptides, short production cycle, high yield and much lower manufacturing cost. In terms of Semaglutide Injection, the Phase I study has been completed and reached the endpoint of the equivalence study. It is expected to initiate Phase III clinical study in the second half of 2023.

The Company will continue to strengthen the construction of Huadong Medicine's R&D ecosystem. In the future, it will focus on the layout centering on a new generation of nucleic acid drugs, drugs used in cell and gene therapy, etc., expand the technology platform of R&D ecosystem, and continuously enrich the pipeline of differentiated and leading innovative pharmaceutical products.

(2) Enriching the ADC product pipeline and creating a differentiated independent R&D platform of Huadong Medicine

As at the end of the reporting period, the introduced ADC projects, including HDM2002 (ELAHERE™), HDP-101 and HDP-103, were implemented smoothly, among which HDM2002 (ELAHERE™) is the world's first ADC being developed by Huadong Medicine and ImmunoGen for the treatment of folate receptor alpha (FRα)-positive ovarian cancer. In November 2022, ImmunoGen, a strategic partner of the Company, announced the accelerated approval of ELAHERE™ by the U.S. FDA. It is the first ADC drug approved by the U.S. FDA for platinum-resistant ovarian cancer. The Company completed the Pre-BLA submission in China in March 2023, and plans to submit a BLA application within this year. HDP-101, a BCMA-targeted ADC drug for multiple myeloma, is introduced from Heidelberg Pharma and is currently at the stage of Phase I/II clinical study overseas; HDP-103, a PSMA-targeted ADC drug for prostate cancer, is introduced from Heidelberg Pharma and is at the stage of preclinical study.

So far, Huadong Medicine's innovative R&D ecosystem has formed a system and has begun to continuously introduce new pipeline projects. The Company established an independent ADC R&D center last year, which is aimed to gradually build a differentiated independent ADC R&D platform, strengthen and optimize the ecological chain in the ADC field, develop no less than 10 innovative ADC products in 2022-2024, and actively promote registered clinical studies. Up to now, 6 preclinical or exploratory newly-targeted ADC projects have been established independently. It is expected that at least 4 additional independently-developed products will be confirmed for PCC and 2 independently-developed ADC projects will be approved for IND before 2025. By now, the first original ADC project has completed PCC confirmation and is undergoing IND development; it is planned to apply for clinical study within 2024. The Company will continue to enlarge the layout in the field of anti-tumor ADC drugs, and continue to develop differentiated and iterative ADC products for different cancer types based on unmet clinical needs.

(3) Pipeline progress

1) Oncology

The Company strives to build a world-leading innovative anti-tumor drug R&D platform. Through the discovery, screening and validation of new targets in the early stage of drug development, it has established a product pipeline that covers more than 20 innovative anti-tumor drugs, including targeted small molecule drugs, ADCs, antibodies, and PROTACs, of which 4 clinical projects and 4 IND development projects have clinical competitive advantages in related indications including solid tumors and hematological tumors. As the Company continues to explore and validate more innovative targets, more drugs under development will be included in the development pipeline in the future, which provides an impetus for innovation, drives the continuous development of innovative drugs with better safety and clinical effect and offers patients more hope for a cure.

2) Endocrinology

With the GLP-1 target as the core, the Company has built a world-leading innovative drug R&D platform for obesity, diabetes and diabetic complications. By now, the Company has established a product pipeline of GLP-1 and related targets that combines long-acting and multi-target global innovative drugs and biosimilars of oral, injectable and other dosage forms, including 4 clinical projects and 2 IND development projects, some of which have the potential to become a best-in-class drug. As the in-depth research and development of GLP-1 drugs continues, the range of indications will be expanded to a greater extend beyond diabetes. Based on the advantages of the existing pipeline, the Company will continue to explore innovative projects related to GLP-1 targets, expand to include weight loss, lipid lowering, NASH and other related indications, continue to develop innovative drugs with higher bioavailability and more clinical value, and offer patients a more convenient medication

experience.

3) Autoimmunity

Up to now, the Company has had nearly 10 biological drugs and small molecule innovative products in the field of autoimmune diseases. Among them, for ARCALYST® and Mavrilimumab, two global innovative products in the field of autoimmunity, introduced from Kiniksa in the United States, the Company will formally submit the BLA application to NMPA in 2023; and for HDM3001, a biosimilar of ustekinumab (Stelara®) jointly developed by the Company and Qyuns Therapeutics, it is expected to submit a BLA application in the third quarter of 2023. Furthermore, the Company's global innovative drug R&D center has independently developed a number of early new target and biological mechanism projects for immune diseases, all of which are progressing smoothly. In the second half of 2023, it will move from PCC to IND development for one independently-developed innovative product.

HDM3002 (PRV-3279): It is used to treat systemic lupus erythematosus (SLE) and prevent or reduce the immunogenicity of gene therapy. Provention Bio, a US partner of the Company, is currently conducting Phase IIa clinical trial of the product for SLE indication in the United States and Hong Kong, China. The Company submitted the IND application in China in February 2023.

4) Progress of key registered clinical projects in 2023

HDM3001 (QX001S): It is a biosimilar of the original drug ustekinumab (Stelara®,) being jointly developed by the Company and Qyuns Therapeutics for the treatment of moderate to severe plaque psoriasis in adults; its Phase III study has reached the preset primary endpoint. The Company completed the pre-BLA submission in April 2023, and is expected to submit the BLA application in the third quarter of 2023.

HDM2002 (ELAHERE™): In July 2022, the subject enrollment for the PK pharmacokinetic study in Phase I clinical trial in China was completed. In November 2022, ImmunoGen, a US partner of the Company, announced the accelerated approval of ELAHERE™ by the U.S. FDA. It is the first ADC (antibody-drug conjugate) drug approved by the U.S. FDA for platinum-resistant ovarian cancer. It is used for the treatment of platinum-resistant epithelial ovarian cancer, fallopian tube cancer, or primary peritoneal cancer in adults who are folate receptor α (FRα)-positive and have previously received first to third-line systemic therapy. In December 2022, the subject enrollment for Phase III single-arm clinical trial in China was completed. In March 2023, the pre-BLA submission was completed after the preset primary endpoint of study was reached; and the BLA application is planned to be submitted within this year. Based on the good clinical performance of this product, the Company and its partner will promote the front-line treatment of ovarian cancer through further clinical study, to support the use of ELAHERE™ as the first choice in combination therapy for ovarian cancer.

Mefatinib: It is used for the treatment of advanced non-small cell lung cancer with sensitive EGFR mutations. In June 2021, the enrollment of last subject for Phase III clinical trial was completed; and the subjects were been followed up for the number of PFS events. It is expected to submit the marketing application after the number of PFS events in the Phase III study is obtained in the second quarter of 2023.

HD-NP-102 (Transdermal Glomerular Filtration Rate Measurement System and MB-102 Injection): It is jointly developed by the Company and MediBeacon, Inc. in the United States, and is used to continuously measure the glomerular filtration rate (GFR) of patients with normal or impaired renal function in a non-invasive manner based on the changes in fluorescence over time emitted by the intravenously injected MB-102. In July 2022, the medical device registration application for the system was formally accepted by NMPA, which is currently under review. The MB-102 Injection used in conjunction with the system is a global innovative drug. The subject enrollment for Phase III multi-regional clinical trial (MRCT) was completed in February 2023, and the pre-NDA submission in China was completed in April 2023.

(4) Technology platform

1) New target discovery platform

Relying on the independent information platform, the Target Validation and Drug Screening Laboratory has established its own target database to explore targets related to neoplastic, autoimmune, and metabolic diseases. At early stage, the target biological mechanism team has established a related technology platform at gene and protein levels, which can be used to discover new disease targets. The existing platform technologies of the R&D laboratory include: High-throughput gene expression technology, cDNA overexpression technology, gene knockout technology; yeast two-hybrid system, proteomics, and other protein-level technologies; transgenic animal construction technology.

2) Drug screening and evaluation research platform

The Company has established a relatively complete pre-clinical evaluation solution for drugs in treatment of neoplastic, autoimmune, and endocrine and metabolic diseases. The platform has been able to cover the three dimensions of molecules, cells, and animals, and gradually developed from traditional screening method to high-throughput screening mode featuring high speed, trace amount and large scale. The current innovation team has built the full-chain drug R&D and post-marketing support capabilities ranging from the early drug discovery, PCC confirmation, IND enabling study and clinical development to drug marketing.

3) AIDD platform

The Company's CADD/AIDD platform combines industrial research progress, strengthens the

computing power and algorithm system construction, and intelligently processes the generated and accumulated data. Furthermore, the Company has accumulated rich data on the properties of patent medicines, laying a foundation for the continuous optimization and the iterative property prediction model of patent medicines, and greatly improving the R&D progress of multiple projects at different stages. At present, the Company's CADD/AIDD platform is also extensively applied in the research and development of polypeptide drugs, ADC drugs, protein drugs and nucleic acid drugs.

4) PROTAC technology platform

PROTAC is a new bifunctional targeted protein degradation technology, which can completely degrade the targeted protein when compared with traditional small molecules. According to the technical characteristics and advantages of PROTAC, we conduct differentiated PROTAC target selection based on un-druggable targets, scaffold protein targets, drug resistance mutations, protein subtype selectivity and protein complexes, apply artificial intelligence, molecular simulation, chemistry-proteomics and combinatorial chemistry and other technologies in the R&D of new PROTAC drugs, combine AIDD/CADD and medicinal chemistry in the structure design of PROTAC molecules, construct Warhead and E3 ligase ligands with independent patents, and constantly expand and enrich the independent Linker database, so as to effectively optimize the PROTAC druggability and the PK characteristics after oral administration. Based on the existing platform technology, the global innovative drug R&D center has initiated the differentiated R&D for a number of PROTAC projects, which have shown excellent PK characteristics and efficacy.

(5) Cumulative innovative drug R&D results as at the end of the reporting period

1) R&D results

The Company continuously enriches the product pipeline, persistently explores the combination therapy of drugs, invests corresponding R&D expenses as the R&D projects process, rapidly promotes the implementation of existing clinical projects and the development of early R&D projects, and accelerates a number of product pipelines that are characterized by source innovations (first-in-class, best-in-class) or has differentiated/iterative development value. Since its establishment 3 years ago, the Global Innovative Drug R&D Center has established more than 40 innovative drug R&D pipeline projects, obtained 6 independently-developed PCC molecules in terms of innovative drugs, received approval for 6 IND applications, and submitted 3 pre-NDA /pre-BLA applications.

2) Intellectual property rights

The Company strengthens the intellectual property protection for key core technologies, and carries out intellectual property protection and patent layout for core technologies at different levels and from different aspects. It improves intellectual property risk assessment and early warning mechanisms, strengthens tracking and monitoring of intellectual property protection in key areas, and

improves patent early warning and risk response and prevention capabilities.

The Company builds and continuously improves a comprehensive intellectual property protection system, integrates intellectual property rights into R&D activities, and safeguards the development, product value and future market of scientific research projects.

The Global Innovative Drug R&D Center attaches great importance to the protection of intellectual property rights, focusing on the intellectual property management throughout the life cycle of drugs and the formulation of patent strategies. The intellectual property BP is set up to be responsible for the early warning, declaration and maintenance of domestic and foreign patents, so as to improve the overall competitiveness of products. Since its establishment, the Global Innovative Drug R&D Center has submitted a total of more than 80 patent applications for inventions, of which 21 are formal and PCT patents. The patents cover the new drug structure, preparation process, use, formulation and other aspects.

3) Academic publication

In the past year, the innovation team published 5 abstracts about research results on new drug design, drug efficacy evaluation and clinical trials in the field of neoplastic and metabolic diseases at ASCO, WCLC, EASD and ESMO conferences; among others, the Phase II clinical study on Mefatinib as first-line treatment of patients with rare EGFR-mutant non-small-cell lung cancer was published in the form of POSTER at the 2022 ASCO Annual Meeting.

4) Government funding

Up to now, the Global Innovative Drug R&D Center has received the approval for a total of 11 government funds, with an approved amount of CNY 27.25 million. In 2021, it was appraised as the "Leading Innovation Team" in Zhejiang Province. In 2021 and 2022, it was granted the funds under the "Pioneering Soldier" and "Leading Wild Goose" Projects in Zhejiang Province. Besides, it won awards in provincial and municipal science and technology projects for HDM1002, TTP273 and other projects and received funds for Mefatinib under the "Special Project for High-Quality Development of Biomedical Industry in Hangzhou". Focusing on scientific and technological innovation and internationalization strategy, the Global Innovative Drug R&D Center continues to promote high-quality and high-efficiency work style of teams, increases their attractiveness to high-end talents, and has successfully introduced (recognized) 2 experts from the "115" Foreign (Overseas) Intelligence Introduction Project in Hangzhou City. The Global Innovative Drug R&D Center continues to provide support for the establishment and operation of the Huadong Pharmaceutical Innovation and Development Joint Fund of the Natural Science Foundation of Zhejiang Province.

In the future, the Company, adhering to the concept of "Based on Scientific Research and Centered on Patients" and with "clinical value, pharmacoeconomic value, and commercial value" as

the starting point, will continue to deeply engage in the three core therapeutic areas of oncology, endocrinology and autoimmunity. Focusing on self-development and external introduction, it will continue to discover new targets, explore the multi-indication development of existing projects, continuously increase investment in technology platforms, and strengthen cooperation with domestic and foreign pharmaceutical and biological companies. The unique R&D ecosystem system and multiple core R&D platforms of the Company are expected to quickly achieve a number of blockbuster pipeline products, realize the update and iteration of the Company's core varieties in near future, accelerate the marketing of innovative drug products, and provide new momentum for the medium and long-term development of the Company.

2. Industrial microbiology

The Company has been deeply engaged in the field of industrial microbiology for more than 40 years, successfully developed and produced a variety of microbial drugs, and built a key technology system for the development and production of microbial products. The scale and technical level of the existing major microbial fermentation products are in the leading position in the industry, with a solid industrial foundation.

The Company's industrial microbiology business is guided by market demand, driven by R&D technology, and coordinated with industrial resources. It focuses on the two business scenarios, i.e., the systematic application of synthetic biology technologies and the biomedical innovation and development, and has established differentiated product pipelines and business solutions in the fields of raw materials for innovative drugs, such as nucleic acid & ADC, pharmaceutical APIs & intermediates, and raw materials for comprehensive health & aesthetic medicine.

(1) Building R&D industrial clusters to enhance international competitiveness in an all-round way

The Company has established the Industrial Microbiology Division to lead the overall business development in the field of industrial microbiology, and has formed a complete independent management system in the links of operation, research and development, investment, human resources and marketing. Under the business division, a R&D cluster centered on Zhongmei Huadong Industrial Microbiology Research and Development, Huadong Institute of Technology in Synthetic Biology, Huida Biotech and Hizyme Biotech has been established, as well as Hangzhou Xiangfuqiao, Qiantang New Area, Jiangsu Joyang, Hubei Maiggic, Anhui Meihua and Wuhu Huaren industrialization bases.

There are up to more than 130 R&D projects in the field of industrial microbiology, mainly including 17 projects about raw materials for innovative drugs such as nucleic acid and ADC (including 71 sub-projects), 30 about pharmaceutical APIs and intermediates, 18 projects about raw

materials for comprehensive health and aesthetic medicine, animal health care, biological materials and others. As at the end of March 2023, the Company had 78 authorized patents and 51 pending patents in this field.

The industrial microbiology team has both experience and vitality. Mr. Wu Hui, Deputy General Manager, is the main person in charge of the Company's industrial microbiology business and a business leader with a deep technical foundation. He has more than 30 years of experience in the field of industrial microbiology and has won the second prize of the National Prize for Progress in Science and Technology twice. Mr. Zheng Linghui, Chief Scientist of the Industrial Microbiology Division, is a well-known expert in microbial drug technology in China, responsible for or participating in a number of major national science and technology projects and major new drug discovery projects. In terms of research and development, the Industrial Microbiology Division is committed to forming an efficient R&D team with high-quality talents as the core. At present, there are 335 research and development personnel, of which 23% are masters and doctorates.

The Industrial Microbiology Division has established an international marketing team of nearly 50 members, formed a business structure consisting of the sales team of Industrial Microbiology Division and the market management system + the professional sales teams of subsidiaries, and has further established overseas localized marketing teams to enhance overseas customer service capabilities. In the future, the Industrial Microbiology Division will further seek to increase the proportion of international business, and take R&D, quality, service and regulatory registration as the main dimensions of competitiveness to form the competitive advantages of international business.

(2) Making arrangements for synthetic biology in detail to build a leading edge in industrial technology

On the basis of systems biology, synthetic biology integrates the principles of engineering science, and reprograms natural or designs and synthesizes new biological systems using the bottom-up strategy to reveal the laws of life and establish a “convergent” emerging discipline for the new generation of bioengineering system, and it is an important technological path to promote the great leap from "knowing life" to "designing life". With the core idea of “creation for infinite knowledge and creation for practical use", synthetic biology technology and its application have led the third biotechnology revolution, building a broad application prospect in the fields of medicine and health, materials, and chemicals.

Being engaged in the field of synthetic biology, Huadong Medicine, on the one hand, has made embedded research and development achievements in the fields of macromolecular drugs and microbial drugs, providing effective technical support for existing related businesses. On the other hand, it is also focusing on the development of new ongoing business, and seeking industrial

innovation breakthroughs on the basis of synthetic biology technology and in combination with the accumulated achievements in the industrial microbiology. With the development tasks of the Company in the field of synthetic biology research and development and application undertaken by the Industrial Microbiology Division, a leading systematic layout on the tool side, platform side and product side of synthetic biology has been formed in China.

On the tool side, with the businesses undertaken by Huaren Science and Technology and Meihua Hi-Tech, and nucleoside monomers and phosphorylated nucleosides serving as the main R&D and commercial product pipelines, the Industrial Microbiology Division serves the gene synthesis and sequencing companies at home and abroad, making industrial microbiology the most upstream industry in the field of synthetic biology.

On the platform side, the basic research and development capabilities in synthetic biology including genetic element design, chassis cell construction and expression, and metabolic engineering research have been built since the establishment of Huadong Institute of Technology in Synthetic Biology led by Academician Zheng Yuguo. With the pilot experiment, research and development and industrial development carried out by Huida Biotech affiliated to the Industrial Microbiology Division of the Company and the CMC technical platform of the Company, industrial development of products has been realized by virtue of systems microbial engineering development capabilities including bacteria fermentation, separation and purification established over the past 40 years. The Industrial Microbiology Division has set up a complete development system of enzyme design - evolution - bacteria construction - expression - catalysis, application and research and a technical platform for development of biocatalytic enzymes with the synthetic biology technology through the incorporation of Hizyme Biotech. Through the aforesaid platforms, it has also established a complete technology research and development system ranging from basic research and development to industrial development in the field of synthetic biology.

On the product side, the Industrial Microbiology Division has transformed synthetic biology technology products in the fields of comprehensive health and aesthetic medicine through Magic Health, forming relatively leading technical advantages in vitamin K2, ectoin, methoxatin and other products. For example, it has transformed vitamin K2 producing bacteria using the synthetic biology technology, which has solved the key technical problems of complex metabolism and low product expression rate of natural bacteria. In addition, through such bases as Jiangdong and Jiangsu Jiuyang Bio-pharmaceutical Co., Ltd., it has transformed the achievements in synthetic biology technology related to pharmaceutical APIs and intermediates, and has developed a relatively leading technology level and product pipeline in terms of anti-infective APIs for external use represented by mupirocin and Immunosuppressive APIs represented by tacrolimus. Based on the layout of more than 60 product

pipelines related to synthetic biology technology, it will further expand the application and development in the above product fields, as well as in the fields of medical biomaterials and raw materials for pet health in the future.

(3) Focusing on research, development and industrialization to facilitate the source innovation of biomedicine

In recent years, approval of nucleic acid drugs for marketing has been speeded up, and clinical data of a number of nucleic acid drugs that have the potential to become blockbuster drugs have been released, covering the fields of heart and metabolic diseases, liver diseases, and a variety of rare diseases, for which breakthroughs in key technologies of nucleic acid drugs have played an important role, including chemical modification and delivery system. Now, 13 nucleic acid drugs have been approved in the world, and the nucleic acid drugs mainly represented by small nucleic acid drugs and mRNA drugs may become a new development direction after antibody protein drugs. The Industrial Microbiology Division realizes mergers and acquisitions through Huaren Science and Technology, and serves the small nucleic acid drug and in vitro diagnostic reagent industries with modified and protected nucleosides and nucleoside monomers. Based on the service and tracking of nearly a thousand industry and scientific research customers, it continuously improves product quality and develops new product pipelines with the development of such customers. The introduction of industrial microbiology research and development strength and technical talents further promotes the establishment of a richer and more complex nucleoside product system and a "moat" for the product pipeline and quality system, which will make it effective to embrace the rapid development in the field of small nucleic acid drugs.

In January 2023, the Industrial Microbiology Division set up Hangzhou Huixin Biotechnology Co., Ltd. Huixin Biotechnology is mainly engaged in the development and production of chemical raw materials (e.g., modified nucleoside triphosphates, nucleotides, and cap structures) and biological raw materials (e.g., tool enzymes, and plasmids) required for manufacture of mRNA drugs, and also undertakes CRO/CDMO service business in the mRNA field. The establishment of Huixin Biotechnology and the introduction of the corresponding mRNA technology team will further integrate the research and development and industrialization strength of the Industrial Microbiology Division in the fields of upstream raw materials and services for mRNA drugs, and realize the mRNA drug raw material and service business layout of the Industrial Microbiology Division.

Antibody-drug conjugates (ADCs) are compounds formed by linking antibodies and small-molecule cytotoxic drugs through specific linkers, and their main ingredients include antibodies, linkers, and small-molecule cytotoxic drugs. By the end of 2022, 15 different ADCs had been approved by FDA. As of August 2022, 587 new ADCs had been at the research and development

stage all over the world, and the clinical trial stage had been started for 281 of them. Since significant technical improvements have been made through selection of better cytotoxic drugs, bio-conjugation methods, better targeted antigens and optimized antibody engineering, ADCs have become an important track for innovative drugs. In the field of ADCs, Huida Biotech affiliated to the Industrial Microbiology Division has completed the commercial development of the existing major ADC cytotoxins and has submitted the DMFs for Exatecan and DM1 for registration in the US, and it plans to submit the DMF for MMAE for registration in the US, making it stand at the forefront in the field of ADC cytotoxins in China. Huida Biotech further expands the development of new toxins and Linker using synthetic biology technology and chemical modification technology, and also expands the production of small molecules of ADCs (toxin-Linker) downstream. In the future, a pattern of parallel progress in the development and production of toxins and the production of small molecules of ADCs will be formed.

The Industrial Microbiology Division will also explore business opportunities in other biomedical innovation fields because biomedical innovation is an eternal theme and an inexhaustible business source for the Industrial Microbiology Division. Based on the differentiation and the development in the specific fields of nucleic acid and ADCs, the Industrial Microbiology Division will form a "specialized and charming" business layout in the upstream field of biomedical innovation.

(4) Expanding the new field of animal health to gradually improve the industrial strategic layout

With animal health as one of the five major directions of the strategic layout of the Industrial Microbiology Division, the Company is gradually improving the industrial layout in accordance with the established strategic deployment. In April 2023, the Company acquired Jiangsu Nanjing Nongda Animal Pharmaceutical Co., Ltd. (hereinafter referred to as "Nanjing Nongda Animal Pharmaceutical"), and quickly entered the sub-track of pet and aquatic animal health. Started late in China, the pet and aquatic animal health industry is featured by a low degree of concentration, a shortage of varieties, and a large unmet demand space. Currently, the products of international animal health giants account for more than 80% of the market share, which means that substitution with domestic products is speeding up and that the market penetration of the products of domestic enterprises is expected to gradually increase. In recent years, the Ministry of Agriculture has successively unveiled policies on drugs for pets and aquatic animals to improve industry standards and encourage industry development, providing a good opportunity for rapid industry development. Being optimistic about the development of the animal health industry for a long time, the Company has reserved more than 10 kinds of high-end APIs for pet health, and has applied and developed a variety of raw materials required for comprehensive health in the field of animal health, and it has a

potential opportunity to transform more than 10 human medicines into pet medicines to realize the integrated development of raw materials and preparations in the future. Nanjing Nongda Animal Pharmaceutical will become an important platform for Huadong Medicine to develop its animal health business in the industrial microbiology sector, while making full use of Huadong Medicine's advantages in industrial ecological chain and financial support capabilities to achieve coordinated development in R&D, manufacturing, marketing, selling and other dimensions. In the next five years, it will develop and launch dozens of animal health products one after another to meet more market demands in the field of pet and aquatic animal health, and become an animal health benchmark enterprise in China.

Now, on the basis of synthetic biology, industrial fermentation, green chemical manufacturing and other technologies and in combination with the existing research and development foundation and industrial layout, the organizational structure and layout of "industrial microbiology division + innovative technology company + industrial manufacturing base" have been formed, and the overall layout in the fields of raw materials for innovative drugs such as nucleic acid & ADCs, APIs & intermediates, and raw materials for comprehensive health & aesthetic medicine has been completed in the industrial microbiology sector of the Company. Meanwhile, active efforts are made to expand the fields of animal health and biological materials to gradually improve the industrial strategic layout. By 2030, the Company will set up an "industrial, large-scale, and international" industry cluster and become the industry leader in the field of industrial microbiology in China.

3. Aesthetic medicine business

Adhering to the core concept of "focusing on beauty seekers", the Company, based on the comprehensive and differentiated product matrix, integrates "non-invasive technology + minimally invasive technology", "face + body", "product + technology", "injection + energy-based device" and other diversified combination therapies to provide more professional, safer, more efficient and more comprehensive solutions for beauty seekers, and it is committed to becoming the world's leading provider of comprehensive solutions in the field of aesthetic medicine. It always attaches great importance to the scientific and technological innovation in the field of aesthetic medicine, and always practices the operation philosophy of "high-tech research and development, high-quality positioning, and product globalization". With technology and leadership as the strategic focuses, it continuously increases investment in innovative technology, promotes breakthroughs and upgrades in the aesthetic medicine technologies, and enriches the innovative product pipelines. It has obtained

more than 200 patents related to aesthetic medicine business worldwide.

(1) Expand the global layout and build an international leading aesthetic medicine platform

The aesthetic medicine business focuses on the global high-end aesthetic medicine market. Sinclair, a wholly-owned subsidiary, is a global aesthetic medicine operation platform of the Company, and headquartered in the UK, it promotes and sells long-acting microspheres for injection, hyaluronic acid, and facial lifting and thread-embedding products in the global market. Huadong Medicine also develops and expands the business of energy-based devices in the field of aesthetic medicine in the global market through High Tech and Viora, its wholly-owned subsidiaries. Viora's good brand reputation, perfect market service personnel, complete marketing management system and extensive market resources accumulated in the American market will make it effective for Sinclair to further expand its EBD business in the American market. Through further integration of research and development resources and capabilities, the aesthetic medicine business is advantaged by six global research and development centers in the UK, Netherlands, France, Switzerland, Spain and Israel, and six global production bases in the Netherlands, France, US, Switzerland, Bulgaria and Israel. Sinclair (Shanghai), a wholly-owned subsidiary and a Chinese market operation platform, and R2 in the US and Kylane in Switzerland, the overseas technology research and development subsidiaries, are also included in the aesthetic medicine sector of the Company.

(2) Focus on high-end technology and arrange differentiated product matrix

The aesthetic medicine projects can be divided into surgical treatment projects and non-surgical treatment projects. The surgical treatment projects are intended to improve appearances through surgical treatments, mainly including the plastic surgery. The non-surgical treatment projects mainly include the injection therapies, energy-based therapies and other non-surgical treatments. The non-surgical treatment projects are highly recognized by consumers because of their high safety, short recovery time, and easy operation. According to the *Research Report on Aesthetic Medicine Industry in China 2022*, the market of non-surgical treatment projects, i.e., "light aesthetic medicine" projects, is expanding rapidly, with a market size of up to 75.2 billion yuan in 2021 and the CAGR expected to be 31.9% from 2021 to 2025, and it is expected to become the main market in the field of aesthetic medicine. Focusing on non-surgical treatment projects, the Company has 36 high-end products that are already on the market and under research in the field of aesthetic medicine featured by “non-invasive technology + minimally invasive technology", including 13 products for injection, 22 energy-based devices, and 1 thread embedding product. The product portfolio covers the mainstream field of aesthetic medicine characterized by non-surgical treatment projects such as facial and body filling, face cleansing, thread embedding, skin management, body shaping, hair removal and private

restoration, forming a comprehensive product cluster, with the number of products and covered fields ranking in the forefront of the industry.

In recent years, with the rise of the "beauty economy", the injection projects have witnessed rapid development, and the aesthetic medicine industry in China has been dominated by injection projects. The products for injection are the core driving force for the rapid growth of the revenue of the aesthetic medicine business, mainly including the followings:

1) Ellansé® - polycaprolactone microspheres for injection

As a high-end filler made of polycaprolactone (PCL) microspheres and carboxymethylcellulose (CMC), Ellansé® can be naturally metabolized in the body, and with good biocompatibility due to exclusive STAT patented technology, it has an immediate shaping effect and a long-lasting collagen regeneration mechanism. Now, Ellansé® has been registered and certified or approved for marketing in more than 60 countries or regions around the world. With a history of clinical use for more than 10 years worldwide, it has been widely recognized for its clinical safety and effectiveness.

Ellansé®-S has been widely recognized since it was officially launched in China in August 2021, leading the regenerative aesthetic medicine market. In the first quarter of 2023, all subjects for clinical trial of Ellansé®-M in China were enrolled successfully, and follow-up was started. During the reporting period, Sinclair started the registration of Ellansé® in the US market.

2) Lanluma® - poly-l-lactic acid collagen stimulator

Made of poly-l-lactic acid (PLLA), Lanluma® is a regenerative filler for face and body, and it is currently the only regenerative product approved for buttock and thigh filling in the world to provide a long-lasting filling effect for 18-24 months.

Granted the EU CE certification in 2020, Lanluma® has been approved for marketing in 32 countries and regions around the world so far. It was approved for launch in Boao Lecheng, Hainan in December 2022, and granted the "Best Body Filling Injection" award by the AMWC Monaco 2023, which shows the authoritative recognition of Lanluma® and its technology by the international aesthetic medicine industry.

3) MaiLi® series new high-end lidocaine containing hyaluronic acid

There are four products in MaiLi® series, all of which adopt the innovative OxiFree™ patented technology, and these products can make facial expressions more natural because of the Smart Spring property. Compared with similar products in the industry, these products are advantaged by excellent rheological property and good filling property, which can help to effectively reduce the injection volume, maximize the clinical efficacy, and obtain more durable and natural effect. Granted EU CE certification in June 2020, MaiLi® series have been continuously recognized by the market since their overseas launch. Currently, all subjects for clinical trial of MaiLi Extreme in China have been enrolled,

and follow-up is in progress. During the reporting period, Sinclair started the registration of MaiLi® in the US market.

4) KiOmedine® skin booster and 3 fillers

KiOmedine® skin booster and 3 fillers are products under research developed by KiOmed. KiOmedine® skin booster is a high-purity natural (not animal derived) medical grade chitosan derivative developed using the exclusive patented technology, and its core ingredients can protect the skin from oxidative stress, effectively supplement skin moisture, and improve skin quality. As fillers for injection based on KiOmedine® and hyaluronic acid, the 3 KiOmedine® fillers can be used for lip filling and shaping, improving or correcting facial wrinkles and skin depressions, and facial filling and shaping.

The aesthetic medicine projects based on energy-based device are very popular among beauty seekers because of their safety and high efficiency, and the penetration of energy-based device continues to increase. According to data from iResearch, the non-invasive energy-based device market size reached 2.2 billion yuan in 2021, and the compound growth rate from 2016 to 2021 reached 15.6% in China. The Company has abundant product pipelines in the field of energy-based device, and the core products include the followings:

1) Glacial Spa®

Glacial Spa® is a high-tech beauty instrument which is researched and developed by the technical team with Rox Anderson, M.D., the father of modern laser medicine and director of Wellman Center for Photomedicine at Massachusetts General Hospital (a teaching hospital affiliated to Harvard Medical School, located in Boston) as the core member, and it is a scientific and technological achievement of a new generation in the field of cool skin care. Glacial Spa® achieves effective management of melanin expression through precise temperature control of semiconductors. The global debut of the product was successfully completed in China in the first quarter of 2022, and now commercial cooperation with more than 40 beauty institutions in China has been launched.

2) Reaction®

Provided with the CORE™ multi-channel RF technology, four adjustment modes for adjustment of RF energy, and the Vacuum negative pressure technology, Reaction® dual-stage RF instrument can better activate and heat autologous cells in the dermis and subcutaneous tissue to promote collagen regeneration and effectively tighten the skin and smooth the wrinkles. Registered with and certified by FDA, Reaction® has been on the market overseas for many years. In 2015, it was granted the third class medical device registration certificate by the NMPA. At present, the agent in China has been changed, and re-sales and promotions in China are going to be started in the second quarter of 2023.

3) V series (V10, V20, and V30)

The V series integrates all high-end application technologies of the Company (CORE, SVC, PCR, and Multi-CORE), and constitutes a multifunctional aesthetic medicine operation platform integrating such energy sources as radio frequency (RF), intense pulsed light (IPL), and Laser. Now, it is a leader in the medical laser, photon and energy-based device markets in Europe and America. At present, V10, V20, and V30 have been registered with and certified by FDA and granted EU CE certification.

4) Prême DermaFacial

Adopting the IoT (Internet of Things) technology, Prême DermaFacial is a multi-functional, intelligent and high-tech skin management platform integrating five advanced technologies including spiral vacuum, microdermabrasion, micro-current, radio frequency and ultrasound, and it can be used for face cleansing, exfoliating, and moisturizing to create a smooth and firm skin state for beauty seekers. The product was commercially available in major global aesthetic medicine markets such as in Europe and America in September 2022, and scheduled to be launched in China in 2023.

5) Sculpt & Shape

As an energy-based device adopting the innovative RotateRF technology, Sculpt&Shape® has 6 different rotating probes and integrates unipolar and bipolar radiofrequency, and it is used for body shaping, skin tightening, fat reduction, wrinkle reduction, and other facial rejuvenation treatments. The product was launched in the European market in the first quarter of 2023.

(3) Improve marketing capabilities to facilitate the commercial development of aesthetic medicine business

The aesthetic medicine business of the Company is provided with a professional marketing team of nearly 300 people. Moreover, a global aesthetic medicine marketing network has been established. At present, product distribution has covered more than 80 countries and regions around the world.

Sinclair, a wholly-owned subsidiary in the UK, is a global aesthetic medicine operation platform of the Company. It has direct sales teams in the EU, Brazil, Mexico, Colombia, the UAE, Hong Kong SAR and South Korea, as well as an international distribution network. During the reporting period, the Company continued to provide the doctors in the field of aesthetic medicine with technologies, and it was committed to providing high-quality training through practical operations and exchanges with experts.

As the operation center of the aesthetic medicine business of the Company in the Chinese market, Sinclair (Shanghai), a wholly-owned subsidiary, continues to be committed to the high-end injection market in the field of aesthetic medicine. By the end of 2022, the number of cooperative hospitals that have signed contracts with Sinclair (Shanghai) had exceeded 500, and the number of trained and

certified doctors had exceeded 1,100. By taking advantages of the medical resources of global experts through the official learning platform - "Sinclair Education Vision", it continues to provide Chinese doctors with more high-quality and innovative medical course contents to ensure that beauty seekers can be provided with professional and efficient services.

In the future, the Company will, with respect to the aesthetic medicine business, adhere to the strategy of "global operation layout, and dual-cycle operation and development", and continue to focus on the global high-end aesthetic medicine market in order to form an international aesthetic medicine business integrating research and development, manufacturing, and marketing. With Sinclair, the core subsidiary, as the global operation platform, it will also integrate scientific and technological innovation resources to realize the global operation layout of aesthetic medicine, and continue to introduce the "aesthetic medicine + skin care" products featured by high technology and great market potential into China and help the rapid localization and commercialization of international high-quality products by virtue of the registration and marketing strength of the Company in China to steadily expand the Chinese market and form a new pattern of domestic and international dual-cycle interactive development.

IV. Quarterly Financial Statements

(I) Financial Statements

1. Consolidated Balance Sheet

Prepared by: Huadong Medicine Co., Ltd.

March 31, 2023

Unit: CNY

Item	Balance at the end of the period	Balance at the beginning of the year
Current assets:		
Monetary funds	2,375,152,352.20	3,996,302,178.41
Balances with clearing companies		
Lending to banks and other financial institutions		
Financial assets held for trading		
Derivative financial assets	29,624,778.28	29,907,470.68
Notes receivable	8,424,980.99	8,424,980.99
Account receivable	8,634,543,140.84	7,198,746,788.59
Financing of receivables	1,072,015,668.04	1,002,511,208.21
Accounts prepayment	558,908,474.57	500,083,953.14
Premiums receivable		
Reinsurance accounts receivable		
Receivable from subcontracting reserves		
Other receivables	426,378,917.15	283,710,955.63

Including: Interest receivable		
Dividends receivable	223,747.65	223,747.65
Financial assets purchased under resale		
Inventories	5,055,660,372.20	4,495,483,328.54
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	154,239,503.07	52,692,618.78
Total current assets	18,314,948,187.34	17,567,863,482.97
Non-current assets:		
Loans and advances		
Debt investment		
Other debt investment		
Long-term accounts receivable		
Long-term equity investment	1,615,531,125.55	1,659,076,538.78
Other equity instrument investment	409,905,775.09	360,910,876.41
Other non-current financial assets		
Investment real estate	13,391,671.22	13,648,240.14
Fixed assets	3,932,528,399.48	3,981,653,265.52
Construction in progress	913,273,558.34	873,159,427.47
Productive biological assets		
Oil and gas assets		
Right-of-use asset	146,533,933.11	166,505,297.17
Intangible assets	2,250,237,369.24	2,280,064,207.30
Development expenditures	689,292,520.17	641,354,586.80
Goodwill	2,455,916,241.27	2,441,387,413.59
Long-term deferred expenses	20,514,237.77	16,457,278.57
Deferred income tax assets	153,369,860.61	152,842,858.97
Other non-current assets	1,199,757,888.07	1,037,279,933.15
total of Non-current assets	13,800,252,579.92	13,624,339,923.87
Total assets	32,115,200,767.26	31,192,203,406.84
Current liabilities:		
Short-term borrowing	563,013,919.12	947,516,383.37
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Financial assets held for liabilities	14,841,896.97	14,841,896.97
Derivative financial liabilities		
Notes payable	1,360,474,461.93	1,029,409,686.81
Accounts payable	4,990,423,949.03	4,873,029,466.44
Advance receipts	881,243.42	1,154,243.42
Contract Liabilities	192,637,694.45	146,488,489.07
Assets sold under agreements to repurchase		
Deposits from customers and interbank		
Receiving from vicariously traded securities		
Acting underwriting securities		
Employee remuneration payable	175,666,718.25	256,883,423.68
Taxes payable	479,789,639.50	429,457,804.81
Other payables	2,684,871,969.84	2,290,407,022.05
Including: Interest payable		
Dividends payable	224,219.60	14,924,219.60
Handling charges and commissions payable		

Dividends payable for reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within one year	140,795,971.83	147,835,514.81
Other current liabilities	24,158,784.99	15,788,164.30
Total Current Liabilities	10,627,556,249.33	10,152,812,095.73
Non-current liabilities:		
Reserve fund for insurance contracts		
Long-term borrowings	677,604,268.25	1,051,457,747.44
Bonds payable		
Including: preference shares		
Perpetual bonds		
Lease liabilities	105,228,290.55	84,610,324.98
Long-term accounts payable	289,977,495.12	287,497,209.49
Long-term employee remuneration payable		
Estimated liabilities	39,859,049.95	37,925,549.41
Deferred income	179,106,792.98	126,123,512.71
Deferred income tax liabilities	202,084,083.93	202,084,083.93
Other non-current liabilities	73,251,500.00	73,251,500.00
Total non-current liabilities	1,567,111,480.78	1,862,949,927.96
Total liabilities	12,194,667,730.11	12,015,762,023.69
Shareholder’s equity:		
Shareholder Equity	1,753,995,348.00	1,753,995,348.00
Other equity instruments		
Including: preference shares		
Perpetual bonds		
Capital reserves	2,387,821,545.06	2,377,887,246.39
Less: Treasury shares	104,645,000.00	104,645,000.00
Other comprehensive incomes	-119,904,045.95	-88,552,636.42
Special reserves		
Surplus reserves	1,151,441,705.28	1,151,213,039.48
General risk preparations		
Undistributed profits	14,245,364,208.58	13,488,021,239.94
Total owners' equities attributable to equity holders of the parent company	19,314,073,760.97	18,577,919,237.39
Equity of minority shareholders	606,459,276.18	598,522,145.76
Total owners' equity	19,920,533,037.15	19,176,441,383.15
Total of liabilities and Owners’ equities	32,115,200,767.26	31,192,203,406.84

Legal Representative: LYU Liang Officer in charge of accounting: LYU Liang Head of accounting department: QIU Renbo

2. Consolidated Profit Statement

Unit: CNY

Item	Amount of the current period	Amount of the previous period
I. Total operating revenue	10,114,531,331.77	8,932,579,251.75
Including: Operating income	10,114,531,331.77	8,932,579,251.75
Interest income		
Insurance premiums earned		
Handling charges and commissions income		
II. Total operating costs	9,111,221,456.77	8,028,129,305.85
Including: Operating cost	6,790,724,204.77	5,914,898,927.47
Interest expense		
Handling charges and		

commissions expenses		
Surrender value		
Net payments for insurance claims		
Net appropriation of deposit for duty		
Expenditures dividend policy		
Amortized reinsurance expenditures		
Taxes and surcharges	53,150,033.98	49,868,639.14
Sales expense	1,642,616,610.16	1,433,493,143.24
Administrative expenses	330,086,070.32	302,601,116.29
R&D expenses	265,493,695.70	319,207,245.09
Financial expense	29,150,841.84	8,060,234.62
Including: interest expenses	34,466,716.93	20,956,363.85
Interest income	12,491,377.82	24,163,304.15
Add: Other income	14,582,456.30	10,669,007.70
Investment income (loss is represented with “-”)	-61,752,708.66	-27,961,493.36
Including: Incomes from investment in associated enterprises and joint ventures	-52,816,907.73	-20,764,035.59
Gains from the derecognition of financial assets measured at amortized cost		
Exchange income (Loss is represented with “-“)		
Net exposure hedging income (loss is represented with “-”)		
Net income from changes in fair value (loss is represented with “-”)		
Credit impairment losses (Losses are indicated by “-”)		
Impairment loss of assets (loss is represented with “-”)		
Asset disposal income (loss is represented with “-”)	-2,199,859.71	557,821.07
III. Operating Profit (loss is represented with “-")	953,939,762.93	887,715,281.31
Add: Non-operating income	1,389,195.74	831,619.81
Less: Non-operating expenditure	6,049,187.60	5,355,930.46
IV. Total Profit (Total loss is represented with “-”)	949,279,771.07	883,190,970.66
Less: Income tax expenses	189,354,280.74	169,158,396.42
V. Net Profit (net loss is represented with “-”)	759,925,490.33	714,032,574.24
(I) Categorized by the continuity of operations		
1. Net profit from continued operations (net loss is represented with “-”)	759,925,490.33	714,032,574.24

2. Net profit from discontinued operations (net loss is represented with "-")		
(II) Categorized by attribution of the ownership:		
1. Net profits attributable to the parent company's owners	755,284,976.47	704,364,775.13
2. Profit And Loss of Minority Shareholders	4,640,513.86	9,667,799.11
VI. Net of tax from other comprehensive incomes	-31,351,409.53	-15,014,785.25
Net of tax from other comprehensive incomes attributable to the owner of the Parent Company	-31,351,409.53	-15,014,785.25
(I) Other comprehensive incomes not to be reclassified to profit or loss	693,671.15	
1. Re-measurement of the changes in the defined benefit plan		
2. Other comprehensive incomes not to be reclassified to profit or loss via equity method		
3. Changes in fair value of other equity instrument investment	693,671.15	
4. Changes in fair value concerning the enterprise's own credit risks		
5. Others		
(II) Other comprehensive incomes to be reclassified to profits and losses	-32,045,080.68	-15,014,785.25
1. Other comprehensive incomes to be reclassified to profit or loss via equity method		
2. Changes in fair value of the other debt investment		
3. Amount of financial assets which are reclassified to other comprehensive incomes		
4. Credit impairment reserves for other debt investment		
5. Cash flow hedging reserves		
6. Translation balance of foreign currency financial statements	-32,045,080.68	-15,014,785.25
7. Others		
Net of tax from other comprehensive incomes attributable to minority shareholders		
VII. Total amount of comprehensive income	728,574,080.80	699,017,788.99
Total comprehensive income attributable to Parent Company shareholders	723,933,566.94	689,349,989.88
Total comprehensive income attributable to the minority shareholder	4,640,513.86	9,667,799.11
VIII. Earnings per share:		
(I) Basic earnings per share	0.4316	0.4025
(II) Diluted earnings per share	0.4315	0.4025

As for the merger under the same control during this period, the merged part's net profit gained before the merger is CYN ___, and

its net profit gained during the previous period is CNY ___.
Legal Representative: LYU Liang Officer in charge of accounting: LYU Liang Head of accounting department: QIU Renbo

3. Consolidated Cash Flow Statement

Unit: CNY

Item	Amount of the current period	Amount of the previous period
I. Cash flows generated from operating activities:		
Cash received from sale of commodities or rendering of services	9,958,329,191.55	8,140,456,622.41
Net increase in deposits from customers and placements from corporations in the same industry		
Net increase in borrowings from the central bank		
Net increase amount in borrowing funds capital from other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from policyholders and investment funds		
Cash received from interests, handling charges and commissions		
Net increase in borrowings from banks and other financial institutions		
Net increase in repurchase business funds		
Net cash received from vicariously traded securities		
Refund of tax and levies	1,207,680.51	4,056,067.04
Other cash received relating to operating activities	166,606,563.49	74,818,262.98
Sub-total of cash inflows from the operating activities	10,126,143,435.55	8,219,330,952.43
Cash paid for purchasing commodities and receiving labor services	7,268,626,176.06	5,856,237,111.49
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash paid for indemnity of original insurance contract		
Net increase in lending to banks and other financial institutions		
Cash paid for interests, handling charges and commissions		
Commissions on insurance policies paid		

Cash paid to and paid for employees	845,672,966.99	719,758,010.16
Payments of all taxes and fees	609,699,664.95	477,339,851.40
Other Cash paid for operating activities	1,648,297,397.71	1,426,599,607.70
Sub-total of cash outflow of the operating activities	10,372,296,205.71	8,479,934,580.75
Net cash flows generated from operating activities	-246,152,770.16	-260,603,628.32
II. Cash flows generated from investment activities		
Cash received from disinvestment		
Cash received from returns on investments		
Net amount of cash recovered from disposal of fixed assets, intangible assets and other long-term assets	149,204.89	1,439,970.00
Net cash amount received from disposal of subsidiaries and other business units		
Cash received from other concerning investing activities	44,313,052.83	
Sub-total of cash flow-in from investment activities	44,462,257.72	1,439,970.00
Cash payments to acquisition & construction of fixed assets, intangible assets and other long-term assets	398,081,956.46	193,143,577.15
Cash paid for investment	51,794,250.00	29,400,000.00
Net increase in secured loans		
Net cash paid for acquirement of subsidiaries or other business units	34,641,364.12	284,030,413.64
Other cash paid which is related to investing activities		100,000,000.00
Sub-total of cash flow-out from investment activities	484,517,570.58	606,573,990.79
Net cash flow generated from investment activities	-440,055,312.86	-605,134,020.79
III. Cash flows generated from financing activities		
Cash received from investment absorption		30,000,000.00
Including: Cash from absorbing minority shareholders' equity investment by subsidiaries		30,000,000.00
Cash received from borrowings	907,116,269.61	709,751,200.00
Other cash received relating to financing activities	59,222,104.05	109,951,775.00
Sub-total of cash inflows from financing activities	966,338,373.66	849,702,975.00
Cash repayments of amounts borrowed	1,652,722,088.75	815,271,409.82
Cash payments for distribution of dividends or profits or settlement of interest expenses	64,853,544.08	38,336,990.15
Including: Dividends and profits paid by subsidiaries to minority shareholders	13,328,000.00	1,960,000.00

Other cash paid which is related to financing activities	98,175,384.50	1,655,869.61
Sub-total of cash outflows from financing activities	1,815,751,017.33	855,264,269.58
Net cash flows generated from financing activities	-849,412,643.67	-5,561,294.58
IV. Effects of foreign exchange rate changes on cash and cash equivalents	4,528,971.51	10,811,591.15
V. Net increment of cash and cash equivalents	-1,531,091,755.18	-860,487,352.54
Add: Opening balance of cash and cash equivalents	3,416,910,702.33	3,580,140,638.17
VI. Balance at the end of the year of the cash and cash equivalents	1,885,818,947.15	2,719,653,285.63

(II) Audit Report

Has the First Quarterly Report been audited?

□ Yes ☑No

The First Quarterly Report has not been audited.

Board of Directors of Huadong Medicine Co., Ltd.

April 21, 2023