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SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.
(深圳市海普瑞藥業集團股份有限公司)

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 9989)

2022 THIRD QUARTERLY REPORT

The Company and all the members of the board of directors confirm that all the information contained in this information disclosure is true, accurate and complete and that there is no false and misleading statement or material omission in this information disclosure.

This announcement is published in accordance with Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The following is the 2022 third quarterly report of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the “**Company**” or “**Hepalink**”, together with its subsidiaries referred to as the “**Group**”, “**we**” or “**our**”) for the nine months ended September 30, 2022 (the “**Reporting Period**”). Its financial report was prepared in accordance with the PRC Accounting Standards and Accounting Regulations for Business Enterprises and was unaudited.

By order of the Board
Shenzhen Hepalink Pharmaceutical Group Co., Ltd.
Li Li
Chairman

Shenzhen, the PRC
October 28, 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan and Mr. Shan Yu; and the independent non-executive directors are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.

IMPORTANT NOTICE:

1. The board of directors, supervisory committee, directors, supervisors and senior management of the Company undertake that the contents of the quarterly report are true, accurate and complete, without any false record, misrepresentation or material omission, and individually and jointly bear legal liabilities in this respect.
2. The person in charge of the Company, the person in charge of the accounting function and the person in charge of accounting department, declare that they guarantee the financial information in the quarterly report is true, accurate and complete.
3. Whether the third quarterly report has been audited
 Yes No

All directors attended the meeting of the board of directors held on October 28, 2022 at which the Company's third quarterly report for 2022 was considered and approved.

I. KEY FINANCIAL INFORMATION

(1) Major Accounting Information and Financial Indicators

Whether the Company is required to retroactively adjust or restate prior years' accounting information

Yes No

	The third quarter of 2022	Increase/ decrease for the third quarter of 2022 over same period of last year	From the beginning of the year to the end of the Reporting Period	Increase/ decrease from the beginning of the year to the end of the Reporting Period over same period of last year
Operating revenue (RMB)	1,636,515,303.73	7.83%	5,395,177,444.06	16.49%
Net profit attributable to the shareholders of the listed company (RMB)	141,118,351.11	14.41%	652,257,852.66	41.33%
Net profit attributable to the shareholders of the listed company, net of extraordinary profits and losses (RMB)	122,989,129.35	-0.23%	627,286,620.28	53.72%
Net cash flows from operating activities (RMB)	—	—	-719,281,089.84	-686.10%
Basic earnings per share (RMB/share)	0.0962	14.39%	0.4445	41.34%
Diluted earnings per share (RMB/share)	0.0962	14.39%	0.4445	41.34%
Weighted average return on net assets	1.14%	0.08%	5.49%	1.53%
	As at the end of the Reporting Period	As at the end of last year	Increase/decrease for the end of the Reporting Period over the end of last year	
Total assets (RMB)	21,469,099,221.29	19,108,175,266.78	12.36%	
Owners' equity attributable to the shareholders of the listed company (RMB)	12,361,047,485.93	11,411,354,455.88	8.32%	

(2) Items and Amounts of Extraordinary Profits and Losses

√ Applicable □ Not Applicable

Currency: RMB Unit: Yuan

Items	Amounts from the third quarter of 2022	Amounts from the beginning of the year to the end of the Reporting Period	Description
Gains or losses from disposal of non-current assets (including the write-off of the assets impairment provision)	720,970.62	658,736.95	
Government grants through profit or loss (except for the government grants closely related to the normal operation of the Company, which are in compliance with national policies and are provided continuously according to certain standard quota or ration)	18,326,556.95	32,719,975.34	
Gains and losses from change in the fair value of the held-for-trading financial assets and held-for-trading financial liabilities held by the Company and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets other than the valid hedging services related to the normal operating activities of the Company	10,159,565.30	4,939,360.65	Including gains and losses from changes in fair value of wealth management products, derivative financial assets, convertible bonds, equity investments and fund investments totaling RMB1,465,524.49, and investment income from dividends, gains on transfers and interest on wealth management products, equity investments, fund investments and bond investments totaling RMB3,473,836.16 that were disposed of and acquired during the holding period
Other non-operating income and expenses apart from those stated above	96,962.26	-700,513.72	
Minus: Effect on income tax	11,461,246.04	12,910,314.71	
Effect on interest of minority shareholders (after tax)	-286,412.67	-263,987.87	
Total	18,129,221.76	24,971,232.38	—

Other profit and loss items that meet the definition of extraordinary profit and losses are as follows:

Applicable Not Applicable

The Company has no other specific profit and loss items that meet the definition of extraordinary profit and losses.

Descriptions should be given for items that are defined as extraordinary profit and loss in accordance with the extraordinary profit and loss stated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss.

Applicable Not Applicable

No extraordinary profit and loss stated in accordance with the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public — Extraordinary Profit and Loss was defined as the items of extraordinary profit and loss in the Company.

(3) Changes in Key Accounting Data and Financial Indicators and Reasons

Applicable Not Applicable

Note: If the above-mentioned major accounting data and financial indicators of a listed company show an increase or decrease of more than 30% as compared with the end of the previous year in respect of balance sheet items and an increase or decrease of more than 30% as compared with the corresponding period of the previous year in respect of profit statement items, the change(s) and the main reason(s) shall be explained.

1. Balance sheet items

Items	As at the end of the Reporting Period	As at the end of last year	Year-on-year increase/decrease	Reasons for changes
Bills receivables	6,070,007.38	10,009,758.86	-39.36%	Mainly due to the due collection of bills receivables during the Reporting Period
Inventories	6,503,409,988.32	4,707,548,592.43	38.15%	Mainly due to the strategic stockpiling of raw materials and an increase in in-process and in-stock commodities in anticipation of growing market demand
Contract assets	20,557,358.51	14,992,821.58	37.11%	Mainly due to the increase in contract assets of CDMO service at the end of the Reporting Period
Other non-current assets	301,261,305.28	204,063,838.27	47.63%	Mainly due to the year-on-year increase in prepayment for construction equipment during the Reporting Period
Short-term borrowings	3,046,828,803.75	1,886,284,700.56	61.53%	Mainly due to the increase in short-term bank borrowings during the Reporting Period
Bonds payable	496,111,943.19	862,232,161.16	-42.46%	Mainly due to the combined effect of the resale of RMB700 million corporate bonds and the addition of RMB500 million corporate bonds during the Reporting Period
Long-term staff remuneration payable	69,187,918.91	138,020,099.00	-49.87%	Mainly due to the suspension of defined benefit plans during the Reporting Period

Items	As at the end of the Reporting Period	As at the end of last year	Year-on-year increase/decrease	Reasons for changes
Deferred income tax liabilities	383,481,900.37	275,358,306.24	39.27%	Mainly due to the increase in temporary differences during the Reporting Period
Other comprehensive income	192,462,995.09	-183,356,155.51	204.97%	Mainly due to the impact of fluctuations in international exchange rates during the Reporting Period

2. Income statement items

Items	The Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Research and development expenses	166,593,528.66	108,939,733.97	52.92%	Due to the increase in direct input of research and development expenses during the Reporting Period
Finance costs	-53,515,004.12	230,919,441.37	-123.17%	Due to the combined result of the year-on-year increase in interest expense during the Reporting Period and the year-on-year increase in foreign exchange gain due to the appreciation of foreign currencies held by the Company during the Reporting Period as compared to the depreciation of foreign currencies during the same period of the previous year
Other gains	32,719,975.34	22,166,104.73	47.61%	Due to the year-on-year increase in government subsidies received during the Reporting Period

Items	The Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Investment income	-81,921,282.69	26,785,894.69	-405.84%	Due to the year-on-year decrease in investment income from long-term equity investments accounted for under the equity method during the Reporting Period
Gains on fair value changes	-14,746,578.38	-6,884,547.46	114.20%	Due to the year-on-year decrease in gains on fair value changes of financial assets during the Reporting Period
Credit impairment loss	-17,111,917.61	-11,795,249.80	45.07%	Due to the increase of expected credit losses as a result of the change in the aging of accounts receivable and other receivables during the Reporting Period
Asset impairment losses	-4,475,259.23	-2,923,549.16	53.08%	Due to the provision for decline in value of inventories during the Reporting Period
Gains from disposal of assets	777,184.39	1,928,388.85	-59.70%	Due to the year-on-year decrease in gain from disposal of fixed assets during the Reporting Period
Operating profit	841,914,322.53	560,025,657.66	50.33%	Due to the combined effect of the increase in the Company's gross profit and the year-on-year increase in exchange gain during the Reporting Period
Non-operating income	234,280.43	78,206.49	199.57%	Due to the increase in income unrelated to operating activities during the Reporting Period

Items	The Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Non-operating expense	1,053,241.59	6,437,623.23	-83.64%	Mainly due to the retirement of non-current assets and the decrease in expenditure for public welfare donations during the Reporting Period
Total profit	841,095,361.37	553,666,240.92	51.91%	Please refer to the analysis of reasons for changes in operating profit
Income tax expense	191,031,762.00	96,603,693.55	97.75%	Mainly due to the year-on-year increase in total profit for the Reporting Period and the reversal of deferred income tax as a result of the conversion of debt to equity in subsidiaries
Net profit	650,063,599.37	457,062,547.37	42.23%	Please refer to the analysis of reasons for changes in operating profit and income tax expense

3. Cash flow items

Items	The Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Net cash flows from operating activities	-719,281,089.84	122,722,548.80	-686.10%	Mainly due to the year-on-year increase in cash paid on the purchase of goods and services was greater than the year-on-year increase in cash received from the sale of goods and rendering of services during the Reporting Period

Items	The Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Net cash flows from investing activities	2,353,780.24	1,037,327,922.77	-99.77%	Mainly due to the higher net cash flows from investing activities in the same period of the previous year resulting from the receipt of the equity transfer of Kymab in the same period of the previous year
Net cash flows from financing activities	970,216,608.77	-467,723,955.63	307.43%	Mainly due to the year-on-year increase in cash received for loans during the Reporting Period
Effect of fluctuations in exchange rates on cash and cash equivalents	10,585,080.37	-27,395,494.60	138.64%	Due to the fluctuations in international exchange rates during the Reporting Period
Net decrease in cash and cash equivalents	263,874,379.54	664,931,021.34	-60.32%	Due to the combined effect of the decreased net cash flows from operating activities and net cash flows from investing activities as well as the increased net cash flows from financing activities during the Reporting Period

BUSINESS REVIEW

During the Reporting Period, the Chinese government efficiently coordinated the prevention and control of the pandemic with sound economic and social development, and implemented timely policies to stabilize the economy for stable macroeconomic operations. However, the long-term negative impact of the Russo-Ukrainian conflict is gradually emerging. As the outlook of the conflict remains uncertain, the export sanctions against Russia have put Europe under economic and market pressure, and energy and commodity prices remain high and volatile. These factors have led to a rapid rise in inflation in Europe, with the inflation rate reaching its highest level in decades. Central banks in developed economies have attempted to respond to inflationary pressures by tightening monetary policy and raising benchmark interest rates, but measures such as interest rate hikes have increased volatility in financial markets or may have failed to tighten the global financial conditions, further complicating the outlook for global monetary policy. During the Reporting Period, the Group's operating environment was still subject to many uncertainties and influences.

Nonetheless, the Group has demonstrated exceptional resilience in the face of numerous adverse factors in the general environment, with revenue and profit growing for three consecutive quarters. During the Reporting Period, the Group achieved comprehensive business development with growth recorded in active pharmaceutical ingredient (“**API**”) business, finished dose pharmaceutical products and contract development and manufacturing organization (“**CDMO**”) segments. During the period, the Group adjusted its different business segments and integrated sales strategies to flexibly adapt to changes in local market conditions and provide strong support to our growth objectives. We have strengthened our relationships with existing customers, including multinational pharmaceutical companies, sales agents and innovative pharmaceutical companies in various countries, to effectively manage and implement orders for continuous sales growth. In line with the rapid development of our business, the Group adhered to our established supply chain strategy, continued to promote strategic procurement and inventory management as well as stable upstream supplier relationships, actively enhanced strategic procurement channels, and leveraged our supply chain management advantages to ensure production demand. Meanwhile, through the global supply chain system management, we were able to optimize the business quality of the heparin industry chain with improvement in our products' gross profit, and strove to achieve the goal of growing our revenue and profit.

During the Reporting Period, the Group achieved a strong operational performance with sales revenue of RMB5,395.2 million (the same period of last year: RMB4,631.3 million) and gross profit of RMB1,740.6 million (the same period of last year: RMB1,456.6 million). During the Reporting Period, the Group recorded net profit attributable to shareholders of the parent of RMB652.3 million (the same period of last year: RMB461.5 million), net profit net of extraordinary gains and losses of RMB627.3 million (the same period of last year: RMB408.1 million).

Heparin Industrial Chain Business

During the Reporting Period, the Group's heparin industrial chain business achieved sales revenue of RMB4,611.3 million (the same period of last year: RMB4,054.5 million). Sales revenue from finished dose pharmaceutical products accounted for 50.2% (the same period of last year: 43.5%) and sales revenue from API accounted for 49.8% (the same period of last year: 56.5%) of the revenue from the heparin industrial chain business. At the beginning of 2022, the Group continued to lead the market by further strengthening global customer relationships and deepening sales channels, and actively promoted the integration of Heparlink's global vertical heparin industry chain to achieve rapid growth well above the market level.

During the Reporting Period, finished dose enoxaparin sodium pharmaceutical products continued the growth momentum with sales revenue of approximately RMB2,315.2 million, representing an increase of 31.1% over RMB1,765.6 million in the same period of last year, and sales volume increased by 32.7% year-on-year. Europe has been a key market for the Group's finished dose pharmaceutical products business. During the Reporting Period, our sales team in Europe performed well in meeting the demand for our products across the region, while closely monitoring sales and tenders in the region and strengthening our regional distribution capabilities. During the Reporting Period, there were significant fluctuations in the Euro and pound sterling, which posed certain challenges to the Group's sales in Europe. However, benefiting from the solid marketing in recent years, the Group adjusted prices in its core European markets to protect future sales margins and to reduce the negative impact of currency fluctuations. On the other hand, the Group actively increased sales in the retail pharmacy channel through the regional recognition of the brand and the spillover effect from hospitals. In addition, we actively seized the opportunity to further develop new markets and continued to increase market share and brand influence in different European regions. During the Reporting Period, the Group's sales volume in Europe continued to gain momentum with a 26.2% increase. Sales volume of finished dose pharmaceutical products in the U.S. market grew by 144.6% through both partnership and proprietary sales models, with sales plans progressing as expected and the end-market share steadily increasing. Sales in the non-European and U.S. markets was similar to that of the same period of last year. During the Reporting Period, we focused on market development to stimulate future sales growth. Lastly, in the China market, despite the disruption to sales channel expansion caused by the pandemic prevention and control, sales continued to be strong, with volume growth of 77.5% as compared to the same period of last year.

During the Reporting Period, sales of heparin API business amounted to approximately RMB2,208.6 million (the same period of last year: RMB2,176.0 million), representing an increase of 1.5% over the same period of last year. During the period under review, orders for the heparin API business progressed on schedule with sales recorded, resulting in stable but improving operating efficiency. At the same time, through our global resource advantage, the Group took another step forward in the implementation of overseas sales and production contracts, and continued to make progress towards achieving our target for the year. In addition, we continued to strengthen the market development of enoxaparin API, enhanced the promotion and marketing, and actively increased the sales volume of enoxaparin API to become a new growth driver of the heparin API business.

CDMO Business

During the Reporting Period, sales of CDMO business amounted to approximately RMB749.9 million (the same period of last year: RMB545.0 million). During the Reporting Period, the Group's CDMO business was mainly driven by our wholly-owned subsidiaries Cytovance Biologics, Inc. (“**Cytovance**”) and SPL Acquisition Corp. Benefiting from Cytovance's accurate market insight and business development capabilities, as well as its high quality delivery record achieved by excellent research and development (R&D), operation and project management capabilities, Cytovance's revenue maintained a 19.5% growth, of which service revenue maintained a 21.3% growth. During the Reporting Period, we actively expanded horizontally and vertically on the basis of the orders of our core products, and stepped up our efforts to explore customer resources. Leveraging our international CDMO technical team and business development team, we have been following up on potential customer projects to increase the number of CDMO projects at each stage.

OUTLOOK

Looking ahead to the fourth quarter of 2022, the macroeconomic and industry environment in which the Group operates is expected to remain uncertain. The Russo-Ukrainian conflict shows no signs of abating in the near term, and the high inflation and aggressive interest rate hike cycles in Europe and the U.S. are expected to continue for some time, making the global economy expected to remain volatile. All of these factors may have an impact on the path of global economic recovery and bring severe challenges to various industries.

In the face of these challenges, the Group will insist on promoting its supply chain value strategy, continue to strengthen its professional and large-scale supply chain management with regular analysis and evaluation as well as effectively coordinate and allocate resources to ensure the completion of production, sales and supply tasks. The Group will strengthen the operation and adjustment of each business segment on the basis of the existing operation, and cope with all possible changes in the market with the global supply chain layout of Hepalink; we will continue to consolidate our cost advantage and increase profit margins, thereby achieving the goal of improving financial performance and profitability.

In terms of the business segments, the Group will further strengthen its marketing and market development efforts for enoxaparin sodium finished dose pharmaceutical products, participate frequently in domestic and overseas industry conferences for the maintenance of existing customer relationships while vigorously expanding new customer bases to solidify its leading market position; in addition, the Group will increase its sales efforts in Europe with the optimization of the hospital sales and retail layout in various regions in Europe, enhance the spillover effect of the hospital channel to boost the sales in the retail market, further expanding the sales scale in Europe. In the U.S. market, the Group will continue to advance the sales process according to the established plan with the collaboration of local sales offices and strategic partners in the region. In the China market, the Group will continue to strengthen its market development efforts, continue to drive sales and increase its market share, and be prepared to advance its centralized procurement efforts. In terms of API, we will continue to drive high quality sales development and maintain growth momentum on the basis of the existing foundation; in terms of CDMO business, the Group will strive to explore new opportunities for cooperation with new customers and potential customers, and strengthen our service capability in the field of cutting-edge microbiology technology; at the same time, we will actively secure new customer orders while maintaining the existing foundation to promote the long-term stable development of the business segment.

In addition, the Group will carefully monitor the external environment, develop its business in a rational manner, explore potential products and markets as well as new cooperation or development opportunities, and leverage its competitive advantages to achieve a long-term sustainable profit model; we will continue to optimize our global industrial chain deployment, coordinate and harmonize the development of various regions and segments based on changes in the situation, while on the basis of our existing business experience and global distribution advantages, we will comprehensively upgrade the mechanisms, platforms, products and services, continuing to achieve high quality and stable development.

II. INFORMATION OF THE SHAREHOLDERS

(1) Table of total number of ordinary shareholders, the number of preferred shareholders whose voting rights have been restored and shareholdings of the top 10 shareholders

Unit: Share(s)

Total number of ordinary shareholders as at the end of the Reporting Period		26,203		Total number of preferred shareholders (if any) whose voting rights have been restored as at the end of the Reporting Period		0	
Shareholding of the top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares held	Number of shares held subject to selling restrictions	Status of shares pledged, marked or frozen		
					Status of shares	Number	
#Shenzhen Leren Technology Co., Ltd.	Domestic non-state-owned legal person	32.31%	474,029,899	0			
Urumqi Jintiantu Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	27.81%	408,041,280	0			
HKSCC NOMINEES LIMITED	Foreign legal person	14.98%	219,848,480	0			
Urumqi Shuidi Shichuan Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	3.16%	46,425,600	0			
Urumqi Feilaishi Equity Investment Co., Ltd.	Domestic non-state-owned legal person	2.75%	40,320,000	0			
Hong Kong Securities Clearing Company Limited	Foreign legal person	1.64%	24,130,651	0			
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme II	Others	1.03%	15,118,035	0			
Industrial Bank Co., Ltd. — Boshi Huixing Return One-Year Flexible Allocation Hybrid Securities Investment Fund	Others	0.71%	10,468,729	0			
Huang Quanwei	Domestic natural person	0.27%	3,997,265	0			
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme III	Others	0.26%	3,886,264	0			

Shareholding of the top 10 shareholders who are not subject to selling restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Type of shares	
		Type of shares	Number
# Shenzhen Leren Technology Co., Ltd.	474,029,899	RMB ordinary shares	474,029,899
Urumqi Jintiantu Equity Investment Partnership (Limited Partnership)	408,041,280	RMB ordinary shares	408,041,280
HKSCC NOMINEES LIMITED ^(Note 1)	219,848,480	Overseas listed foreign shares	219,848,480
Urumqi Shuidi Shichuan Equity Investment Partnership (Limited Partnership)	46,425,600	RMB ordinary shares	46,425,600
Urumqi Feilaishi Equity Investment Co., Ltd.	40,320,000	RMB ordinary shares	40,320,000
Hong Kong Securities Clearing Company Limited	24,130,651	RMB ordinary shares	24,130,651
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme II	15,118,035	RMB ordinary shares	15,118,035
Industrial Bank Co., Ltd. — Boshi Huixing Return One-Year Flexible Allocation Hybrid Securities Investment Fund	10,468,729	RMB ordinary shares	10,468,729
Huang Quanwei	3,997,265	RMB ordinary shares	3,997,265
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme III	3,886,264	RMB ordinary shares	3,886,264
Explanations of the related relationships or acting in concert among above shareholders	<p>The shareholders (partners) of Shenzhen Leren Technology Co., Ltd. and Urumqi Jintiantu Equity Investment Partnership (Limited Partnership) are Li Li and Li Tan, the shareholder of Urumqi Feilaishi Equity Investment Co., Ltd. is Li Li, and the partners of Urumqi Shuidi Shichuan Equity Investment Partnership (Limited Partnership) are Shan Yu and Li Tan. Li Li and Li Tan are the spouse of each other. Shan Yu is the elder brother of Li Tan. Shan Yu has participated in Employee Share Scheme II of the Company with a participation share of 38.88% of that Employee Share Scheme. Save for the aforesaid information, the Company is not aware of any related relationship among the other top 10 shareholders or parties acting in concert.</p> <p>Note 1: HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司)'s shares are held on behalf of multiple clients.</p>		
Description of the top 10 shareholders' participation in financing and securities lending business (if any)	<p>Among the top 10 ordinary shareholders, Shenzhen Leren Technology Co., Ltd. holds 60,000,000 shares of the Company's shares through the customer credit transaction guarantee securities account of CITIC Securities Co., Ltd., accounting for 4.09% of the Company's total share capital.</p>		

(2) Statement of the total number of preferred shareholders of the Company and shareholdings of the top 10 preferred shareholders

Applicable Not Applicable

III. OTHER IMPORTANT EVENTS

Applicable Not Applicable

IV. QUARTERLY FINANCIAL STATEMENTS

(1) Financial Statements

1. Consolidated Balance Sheet

Prepared by Shenzhen Hepalink Pharmaceutical Group Co., Ltd.

Currency: RMB Unit: Yuan

Items	September 30, 2022	January 1, 2022
Current assets:		
Monetary capital	2,947,231,848.07	2,944,257,086.12
Provision of settlement fund		
Placements with banks and other financial institutions		
Financial assets for trading	1,250,782,145.17	981,157,143.06
Derivative financial assets		
Bills receivable	6,070,007.38	10,009,758.86
Accounts receivable	1,586,989,756.41	1,518,444,482.00
Receivables financing		
Prepayments	201,578,118.74	198,230,689.39
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	173,625,047.99	243,811,414.25
Including: Interests receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventories	6,503,409,988.32	4,707,548,592.43
Contract assets	20,557,358.51	14,992,821.58
Assets held for sale		
Non-current assets due within one year		
Other current assets	193,439,468.14	151,201,475.27
Total current assets	12,883,683,738.73	10,769,653,462.96

Items	September 30, 2022	January 1, 2022
Non-current assets:		
Loans and advances to customers		
Debt investments		
Other debt investments		
Long-term receivables	1,457,874.01	1,952,092.09
Long-term equity investments	1,062,848,714.35	1,146,464,930.04
Other equity instrument investments	515,178,450.76	474,884,871.28
Other non-current financial assets	929,164,971.71	996,499,743.12
Investment properties		
Fixed assets	1,951,655,326.78	1,985,657,131.48
Construction in progress	462,164,179.21	425,347,319.01
Biological assets for production		
Oil and gas assets		
Right-of-use assets	125,780,302.18	126,152,058.86
Intangible assets	540,237,271.36	546,867,744.36
Development costs	48,560,405.23	39,802,850.72
Goodwill	2,396,630,597.70	2,152,201,146.76
Long-term prepaid expenses	115,225,316.41	116,910,345.50
Deferred income tax assets	135,250,767.58	121,717,732.33
Other non-current assets	301,261,305.28	204,063,838.27
Total non-current assets	8,585,415,482.56	8,338,521,803.82
Total assets	21,469,099,221.29	19,108,175,266.78
Current liabilities:		
Short-term borrowings	3,046,828,803.75	1,886,284,700.56
Borrowing from the central bank		
Placements from banks and other financial institutions		
Financial liabilities for trading		
Derivative financial liabilities		
Bills payable		

Items	September 30, 2022	January 1, 2022
Accounts payable	433,516,795.52	385,786,645.07
Receipts in advance		
Contract liabilities	461,708,853.20	383,792,185.25
Financial assets sold under repurchase agreements		
Receipt of deposits and deposits from other banks		
Customer deposits for trading in securities		
Customer deposits for undertaking securities		
Staff remuneration payable	150,212,971.31	156,261,108.68
Taxes payable	119,633,284.22	158,718,609.60
Other payables	357,096,121.20	403,221,557.47
Including: Interests payable		
Dividends payable	31,808,587.27	
Fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	1,669,376,634.61	1,413,635,355.93
Other current liabilities	3,364,908.32	3,769,490.51
Total current liabilities	6,241,738,372.13	4,791,469,653.07
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	1,672,602,948.04	1,388,037,756.96
Bonds payable	496,111,943.19	862,232,161.16
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	104,240,297.81	104,000,697.49
Long-term payables	339,805.72	297,866.08
Long-term staff remuneration payable	69,187,918.91	138,020,099.00
Estimated liabilities	9,766,766.17	8,770,665.53
Deferred income	19,742,990.60	16,672,645.68
Deferred income tax liabilities	383,481,900.37	275,358,306.24
Other non-current liabilities		
Total non-current liabilities	2,755,474,570.81	2,793,390,198.14
Total liabilities	8,997,212,942.94	7,584,859,851.21

Items	September 30, 2022	January 1, 2022
Owners' equity:		
Share capital	1,467,296,204.00	1,467,296,204.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	5,916,624,759.22	5,943,653,365.29
Less: Treasury stock		
Other comprehensive income	192,462,995.09	-183,356,155.51
Special reserves		
Surplus reserves	536,799,924.51	536,799,924.51
Provision for general risks		
Undistributed profits	4,247,863,603.11	3,646,961,117.59
Total equity attributable to owners of the parent company	12,361,047,485.93	11,411,354,455.88
Minority interests	110,838,792.42	111,960,959.69
Total owners' equity	12,471,886,278.35	11,523,315,415.57
Total liabilities and owners' equity	21,469,099,221.29	19,108,175,266.78

Legal representative:
Li Li

Person in charge of
accounting function:
Xiang Xianqing

Person in charge of
accounting department:
Xiang Xianqing

2. Consolidated Income Statement from the beginning of the year to the end of the Reporting Period

Currency: RMB Unit: Yuan

Items	Amount for current period	Amount for previous period
I. Total operating revenue	5,395,177,444.06	4,631,282,401.56
Including: Operating revenue	5,395,177,444.06	4,631,282,401.56
Interest income		
Insurance premiums earned		
Fee and commission income		
II. Total operating costs	4,468,505,243.35	4,100,533,785.75
Including: Operating costs	3,654,541,872.16	3,174,693,008.79
Interest expenses		
Fee and commission expenses		
Insurance withdrawal payment		
Net claims expenses		
Net provisions withdrew for insurance liability contract		
Insurance policy dividend paid		
Reinsurance costs		
Taxes and surcharges	9,205,121.29	9,426,536.60
Selling expenses	369,120,331.69	294,068,061.43
Administration expenses	322,559,393.67	282,487,003.59
Research and development expenses	166,593,528.66	108,939,733.97
Finance costs	-53,515,004.12	230,919,441.37
Including: Interest expenses	168,243,833.81	151,662,318.69
Interest income	40,909,565.34	42,285,183.20
Add: Other gains	32,719,975.34	22,166,104.73
Gain from investments (losses are represented by “-”)	-81,921,282.69	26,785,894.69
Including: Investment income of associates and joint ventures	-83,386,807.18	-25,464,006.75
Derecognition income on financial assets measured at amortized cost		

Items	Amount for current period	Amount for previous period
Exchange gain (losses are represented by “-”)		
Gains on net exposure hedges (losses are represented by “-”)		
Gains on fair value changes (losses are represented by “-”)	-14,746,578.38	-6,884,547.46
Credit impairment losses (losses are represented by “-”)	-17,111,917.61	-11,795,249.80
Asset impairment losses (losses are represented by “-”)	-4,475,259.23	-2,923,549.16
Gains from disposal of assets (losses are represented by “-”)	777,184.39	1,928,388.85
III. Operating profit (losses are represented by “-”)	841,914,322.53	560,025,657.66
Add: Non-operating income	234,280.43	78,206.49
Less: Non-operating expenses	1,053,241.59	6,437,623.23
IV. Total profit (total losses are represented by “-”)	841,095,361.37	553,666,240.92
Less: Income tax expense	191,031,762.00	96,603,693.55
V. Net profit (net losses are represented by “-”)	650,063,599.37	457,062,547.37
(I) Classification by continuous operation		
1. Net profit from continuous operations (net losses are represented by “-”)	650,063,599.37	457,062,547.37
2. Net profit from discontinuous operations (net losses are represented by “-”)		
(II) Classification by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (net losses are represented by “-”)	652,257,852.66	461,505,654.17
2. Profit or loss attributable to minority shareholders (net losses are represented by “-”)	-2,194,253.29	-4,443,106.80
VI. Other comprehensive income, net of tax	377,190,878.62	2,970,487.52
Other comprehensive income attributable to owners of the parent company, net of tax	375,819,150.60	3,080,457.04
(I) Other comprehensive income that cannot be reclassified into the profit or loss	49,442,159.49	-1,008,659.95

Items	Amount for current period	Amount for previous period
1. Changes arising from re-measurement of defined benefit plans	56,813,153.88	3,261,531.31
2. Other comprehensive income that cannot be transferred into profit or loss under equity method		
3. Changes in fair value of investments in other equity instruments	-7,370,994.39	-4,270,191.26
4. Changes in fair value of credit risks of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into the profit or loss	326,376,991.11	4,089,116.99
1. Other comprehensive income that can be transferred into profit or loss under equity method	14,161,222.65	-10,602,429.21
2. Changes in fair value of other debt investments		
3. Reclassified financial assets that are credited to other comprehensive income		
4. Credit impairment provision for other debt investments		
5. Reserve for cash flow hedging		
6. Exchange differences on translation of financial statements denominated in foreign currencies	312,215,768.46	14,691,546.20
7. Others		
Other comprehensive income attributable to minority shareholders, net of tax	1,371,728.02	-109,969.52
VII. Total comprehensive income	1,027,254,477.99	460,033,034.89
(I) Total comprehensive income attributable to owners of the parent company	1,028,077,003.26	464,586,111.21

Items	Amount for current period	Amount for previous period
(II) Total comprehensive income attributable to minority shareholders	-822,525.27	-4,553,076.32
VIII. Earnings per share:		
(I) Basic earnings per share	0.4445	0.3145
(II) Diluted earnings per share	0.4445	0.3145

Net profit of the combined party before the combination in respect of business combination under common control during current period: RMB0.00, net profit of the combined party during previous period: RMB0.00.

Legal representative:
Li Li

Person in charge of
accounting function:
Xiang Xianqing

Person in charge of
accounting department:
Xiang Xianqing

3. Consolidated Cash Flow Statement from the beginning of the year to the end of the Reporting Period

Currency: RMB Unit: Yuan

Items	Amount for current period	Amount for previous period
I. Cash flows from operating activities:		
Cash received from the sale of goods and rendering of services	5,636,346,156.36	4,701,180,656.83
Net increase in customers and interbank deposits		
Net increase in borrowing from the central bank		
Net increase in placement from other financial institutes		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Cash received from interest, fee and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in cash received from repurchase operation		
Net cash received from securities trading agency services		
Refunds of taxes received	375,424,510.04	276,873,471.02
Cash received from other related operating activities	72,009,536.97	35,999,051.21
Sub-total of cash inflows from operating activities	6,083,780,203.37	5,014,053,179.06
Cash paid on purchase of goods and services	5,322,980,702.09	3,625,489,068.91
Net increase in loans and advances to customers		
Net increase in deposits with central bank and interbank		
Cash paid for compensation payments under original insurance contract		
Net increase in placements with banks and other financial institutions		
Cash paid for interest, fees and commissions		
Cash paid for insurance policy dividend		

Items	Amount for current period	Amount for previous period
Cash paid to and on behalf of employees	717,088,081.77	585,429,549.98
Cash paid for all types of taxes	211,193,118.23	185,176,083.71
Cash paid to other operation related activities	551,799,391.12	495,235,927.66
Sub-total of cash outflows from operating activities	6,803,061,293.21	4,891,330,630.26
Net cash flows from operating activities	-719,281,089.84	122,722,548.80
II. Cash flows from investment activities:		
Cash received from disposal of investments	2,470,118,418.02	2,427,269,378.42
Cash received from investment income	93,980,404.15	587,881,353.51
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	151,844.45	170,362.74
Net cash received from disposal of subsidiaries and other operating entities		
Cash received from other investment related activities	2,020,354,688.99	1,909,690,742.90
Sub-total of cash inflows from investing activities	4,584,605,355.61	4,925,011,837.57
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	162,563,223.26	144,755,500.41
Cash paid for investments	2,749,695,820.61	1,504,112,301.61
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities		
Cash paid on other investment related activities	1,669,992,531.50	2,238,816,112.78
Sub-total of cash outflows from investing activities	4,582,251,575.37	3,887,683,914.80
Net cash flows from investing activities	2,353,780.24	1,037,327,922.77
III. Cash flows from financing activities:		
Cash received from capital contributions		
Including: Cash received from capital contributions by minority shareholders of subsidiaries		
Cash received from borrowings	4,928,822,097.65	2,890,440,715.27
Cash received from other financing related activities	10,997,692.25	
Sub-total of cash inflows from financing activities	4,939,819,789.90	2,890,440,715.27
Cash paid on repayment of borrowings	3,627,473,860.07	2,939,917,957.11
Cash paid on distribution of dividends, profits or interest expenses	209,613,269.79	382,088,306.73

Items	Amount for current period	Amount for previous period
Including: Dividend and profit paid to minority shareholders by subsidiaries		
Cash paid on other financing related activities	132,516,051.27	36,158,407.06
Sub-total of cash outflows from financing activities	3,969,603,181.13	3,358,164,670.90
Net cash flows from financing activities	970,216,608.77	-467,723,955.63
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	10,585,080.37	-27,395,494.60
V. Net increase in cash and cash equivalents	263,874,379.54	664,931,021.34
Add: Balance of cash and cash equivalents at the beginning of the period	1,479,633,434.04	1,330,245,256.17
VI. Balance of cash and cash equivalents at the end of the period	1,743,507,813.58	1,995,176,277.51

(2) Audit Report

Whether the third quarterly report has been audited

Yes No

The third quarterly report of the Company has not been audited.

Board of Directors of Shenzhen Hepalink Pharmaceutical Group Co., Ltd.