

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

## **The First Quarterly Report 2020**

**April 2020**

## **Section I Important Declaration**

**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.**

**All directors have attended the board of directors meeting to review this quarterly report.**

**Lyu Liang, the Company’s legal representative and the officer in charge of accounting, and Qiu Renbo, head of accounting department (accounting supervisor) hereby declare and guarantee that the financial statements in this quarterly report are authentic, accurate and complete.**

**According to “Stock Listing Rules of the Shenzhen Stock Exchange”, if listed companies have both Chinese or 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.**

## Section II Company Profile

### I. Key Accounting Data and Financial Indicators

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

Yes  No

	The current reporting period	Same period last year	Change of the current reporting period over the same period last year
Operating revenue (yuan)	8,598,069,911.29	9,705,148,188.21	-11.41%
Net profit attributable to shareholders of listed companies (yuan)	1,147,278,457.64	907,244,647.77	26.46%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains/losses (yuan)	856,930,262.10	856,031,343.59	0.11%
Net cash flow from operating activities (yuan)	218,779,623.89	-433,890,841.71	150.42%
Basic earnings per share (yuan/share)	0.6557	0.5185	26.46%
Diluted earnings per share (yuan/share)	0.6557	0.5185	26.46%
Weighted average return on equity (ROE)	8.89%	8.35%	0.54%
	End of the current reporting period	End of last year	Change of the end of the current reporting period over the end of last year
Total assets (yuan)	23,527,736,775.30	21,463,974,146.63	9.62%
Net assets attributable to shareholders of listed companies (yuan)	13,482,042,877.17	12,309,477,308.00	9.53%

Total share capital of the Company as of the trading day before disclosure:

Total share capital of the Company as of the trading day before disclosure (share):	1,749,809,548
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Fully diluted earnings per share calculated using the latest share capital

Dividends paid on preferred shares	0.00
Fully diluted earnings per share calculated using the latest share capital (yuan/share)	0.6557

Items and amounts of non-recurring gains/losses

√ Applicable □ N/A

Unit: RMB yuan

Item	Amount (from the beginning of the year to the end of the reporting period)	Note
Gains/losses on disposal of non-current assets (including the written-off part of the accrued assets impairment reserve)	306,108,982.13	Mainly due to the transfer of market distribution rights of related products in Western Europe by Sinclair, a wholly owned subsidiary of the Company in the UK
Government grants included in current gains/losses (excluding those closely related to operating activities, or regular government grants)	20,044,478.23	
Other non-operating income or expenditure	-5,345,565.75	
Less: Amount affected by income	31,742,841.97	
Amount affected by minority interest (after tax)	-1,283,142.90	
Total	290,348,195.54	--

If the Company recognizes an item as a non-recurring gain/loss based on the “Interpretation Announcement on Information Disclosure Criteria for Public Companies No. 1 – Non-Recurring Profit/Loss” or recognizes an item satisfying the definition of non-recurring profit/loss in the announcement as a recurring profit/loss, reasons should be specified.

□ Applicable √ N/A

No such case during the reporting period.

## II. Total number of shareholders at the end of the reporting period and information of top 10 shareholders

### 1. Total number of shareholders of common shares and number of shareholders of preferred shares with voting rights restored, as well as information about top 10 shareholders

Unit: share

Total number of shareholders of common shares at the end of the reporting period	127,673	Total number of shareholders of preferred shares whose voting rights have been restored at the end of the reporting period (if any)	0			
Information about top 10 shareholders						
Name	Nature	Shareholding ratio	Number of shares held	Number of shares held with sale restrictions	Pledged or frozen	
					Status	Number
中国远大集团有	Domestic	41.77%	730,938,157	0	Pledged	247,963,999

限责任公司 ( China Grand Enterprises, Inc. )	non-state-owned legal person					
杭州华东医药集团有限公司 ( Hangzhou Huadong Medicine Group Co., Ltd. )	State-owned legal person	16.46%	288,000,000	0		
香港中央结算有限公司 ( Hong Kong Securities Clearing Company Ltd. )	Overseas legal person	2.47%	43,297,248	0		
中国证券金融股份有限公司 ( China Securities Finance Co., Ltd. )	Other	1.27%	22,186,818	0		
全国社保基金一零六组合 ( National Social Security Fund Portfolio 106 )	Other	1.26%	22,095,713	0		
泰康资产管理有限责任公司 – 积极配置投资产品 Taikang Asset Management Co., Ltd. – active allocation of investment products	Other	0.93%	16,298,609	0		
泰康人寿保险有限责任公司 – 投连 – 积极成长 ( Taikang Life Insurance Co., Ltd. – Unit-linked – Proactive growth )	Other	0.63%	11,108,211	0		
#易建东 ( #Yi Jiandong )	Domestic natural person	0.57%	10,006,080	0		

基本养老保险基金一五零四一组合 ( Basic Endowment Insurance Fund Portfolio 15041 )	Other	0.44%	7,623,568	0		
国泰君安证券资管-光大银行-国泰君安君得明混合型集合资产管理计划 ( Guotai Junan Securities Asset Management – China Everbright Bank – Guotai Junan Jundeming Hybrid Collective Assets Management Plan )	Other	0.41%	7,200,000	0		
Shares held by the top 10 shareholders of Non- restricted shares						
Name	Number of shares held without sale restrictions	Type of shares				
		Type	Number			
China Grand Enterprises, Inc.	730,938,157	RMB common shares	730,938,157			
Hangzhou Huadong Medicine Group Co., Ltd.	288,000,000	RMB common shares	288,000,000			
Hong Kong Securities Clearing Company Ltd.	43,297,248	RMB common shares	43,297,248			
China Securities Finance Co., Ltd.	22,186,818	RMB common shares	22,186,818			
National Social Security Fund Portfolio 106	22,095,713	RMB common shares	22,095,713			
Taikang Asset Management Co., Ltd. – active allocation of investment products	16,298,609	RMB common shares	16,298,609			
Taikang Life Insurance Co., Ltd. – Unit-linked – Proactive growth	11,108,211	RMB common shares	11,108,211			

# Yi Jiandong	10,006,080	RMB common shares	10,006,080
Basic Endowment Insurance Fund Portfolio 15041	7,623,568	RMB common shares	7,623,568
Guotai Junan Securities Asset Management – China Everbright Bank – Guotai Junan Jundeming Hybrid Collective Assets Management Plan	7,200,000	RMB common shares	7,200,000
Notes on relations and concerted actions among the shareholders mentioned above	The Company does not know whether the shareholders mentioned above are related parties with each other or whether they are acting-in-concert parties with each other.		
Notes on financing and securities loan conducted by top 10 shareholders (if any)	At the end of the current reporting period, Yi Jiandong, the eighth shareholder of the Company, held 10,006,080 shares of the Company through financing and securities loan.		

Does any of the Company's top 10 shareholders of common shares or top 10 shareholders without sale restrictions on common shares conduct any agreed repurchase transaction during the reporting period?

Yes  No

No such case during the reporting period.

## 2. Total number of shareholders of preferred shares and information about top 10 shareholders of preferred shares

Applicable  N/A

## Section III Substantial Matters

### I. Changes in key financial data and financial indicators during the reporting period and their causes

√ Applicable □ N/A

Unit: RMB yuan

Balance sheet item	End of the period	Beginning of the period	Change rate	Notes on cause of changes
Accounts receivable financing	1,281,939,687.52	683,884,625.14	87.45%	Mainly due to the increase of notes collection in the current period
Long-term equity investments	324,944,910.36	222,595,018.54	45.98%	Mainly due to 100 million yuan of additional fund to Peg-Bio Biopharm Co., Ltd (Chongqing) in the current period
Advance receipts	41,219,252.83	254,888,911.30	-83.83%	Mainly due to the decrease of advance receipts of medicine sales
Taxes and fees payable	758,947,157.69	532,802,157.61	42.44%	Mainly due to the increase of value-added tax and income tax in the current period
Other payables	2,042,401,059.01	1,365,152,290.99	49.61%	Mainly due to the increase in temporary receipts payable
Income statement item	Amount of the current period	Amount of the previous period	Change rate	Notes on cause of changes
R&D expenses	263,330,349.34	157,466,270.46	67.23%	Mainly due to the increase of R&D investment in the current period
Financial expenses	15,759,648.63	31,261,376.41	-49.59%	Mainly due to the increase of deposit interest in the current period
Gains on assets disposal	306,269,024.44	66,519,528.98	360.42%	Mainly due to the transfer of market distribution rights of related products in Western Europe by Sinclair, a wholly owned subsidiary of the Company in the UK
Other income	20,044,478.23	3,421,536.71	485.83%	Mainly due to the year-on-year increase of government grants in the current period
Non-operating expenditure	8,912,738.92	4,175,197.47	113.46%	Mainly due to the increase of donations
Non-controlling profit and loss	6,147,332.28	30,575,585.30	-79.89%	Mainly due to the decrease of net profits of non-wholly owned subsidiaries in the current period
Cash flow statement item	Amount of the current period	Amount of the previous period	Change rate	Notes on cause of changes
Net cash flows from operating activities	218,779,623.89	-433,890,841.71	150.42%	Mainly due to the increase of repayment and the decrease of purchase payment in the current period
Net cash flows from investing	-21,112,417.22	-438,440,235.76	95.18%	Mainly due to the transfer of market distribution



activities				rights of related products in Western Europe by Sinclair, a wholly owned subsidiary of the Company in the UK
Net cash flows from financing activities	110,977,513.38	244,161,977.11	54.55%	Mainly due to the year-on-year decrease of loans obtained in the current period

## II. Progress and influence of significant events, and explanatory notes of corresponding solutions

Applicable  N/A

Implementation progress of share repurchase

Applicable  N/A

Progress in the implementation of reducing repurchased shares by centralized price bidding

Applicable  N/A

## III. Unfulfilled and overdue commitments from the related committed parties such as the Company's actual controller, shareholders, related parties, acquirer(s), and the Company during the reporting period

Applicable  N/A

No such case during the reporting period.

## IV. Securities investment

Applicable  N/A

Unit: RMB yuan

Type of stock	Stock code	Stock for short	Initial investment cost	Accounting measurement model	Book value at the beginning of the period	Profit and loss from fair value changes in the current period	Accumulative fair value changes included in equity	Purchase amount in the current period	Selling amount in the current period	Gain/loss during the reporting period	Book value at the end of the period	Accounting item	Capital source
Domestic and overseas stock	RAPT	RAPT	20,207,400.00	Fair value measurement	42,009,254.79	-1,372,747.73	20,429,107.06	0.00	0.00	-1,372,747.73	40,636,507.06	Other equity instruments investment	Own funds
Other securities investment held at the end of the			0.00	--								--	--

period											
Total	20,207,400.00	--	42,009,254.79	-1,372,747.73	20,429,107.06	0.00	0.00	-1,372,747.73	40,636,507.06	--	--
Date of announcement of the board of directors on securities investment approval											
Date of announcement of the board of shareholders on securities investment approval (if any)											

Notes: Huadong Medicine Investment Holding (Hong Kong) Limited, a subsidiary of the Company, subscribed for the C-2 series preferred shares of FLX Bio (now RAPT Therapeutics, Inc.) for USD 3 million in 2019. FLX Bio was listed on the NASDAQ Stock Exchange (stock code: RAPT) in October 2019. Huadong Medicine Investment Holding (Hong Kong) Limited holds 218,102 shares, or 0.91% of its total shares.

## V. Entrusted financial management

Applicable  N/A

No such case during the reporting period.

## VI. Derivatives investment

Applicable  N/A

No such case during the reporting period.

## VII. Registration form of receptions, including research, communication and interview, undertaken during the reporting period

Applicable  N/A

Date	Method	Type of caller	Index of basic information of the research
January 19, 2020	Communication by phone	Institutional and individual investors	Please refer to the "000963 Huadong Medicine communication with investors Activity: January 20, 2020" presented on the websites of <a href="http://rs.p5w.net/">http://rs.p5w.net/</a> and <a href="http://cninfo.com.cn">cninfo.com.cn</a> for details.

## VIII. Illegal provision of guarantees for external parties

Applicable  N/A

No such case during the reporting period.

## **IX. The Company's funds used by the controlling shareholder or its related parties for non-operating purposes**

Applicable  N/A

No such case during the reporting period.

## **X. Overview of the Company's operations from January to March, 2020**

During the reporting period, the numbers of visits and prescriptions in domestic hospitals were greatly reduced due to the COVID-19 outbreak; however, patients' overall demand for the core products of Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (hereinafter referred to as "Zhongmei Huadong"), a wholly owned subsidiary of the Company, remained stable. Zhongmei Huadong continued to develop well in the out-of-hospital, grass-roots and retail markets, and its business performance continued to grow, achieving operating income (consolidated) of 3.619 billion yuan, with a year-on-year growth of 9.61%, and net profit of 854 million yuan, with a year-on-year growth of 11.14%.

During the COVID-19 outbreak in China, the amount of medicines, consumables and medical devices purchased by medical institutions dropped significantly, which had a significant impact on the Company's pharmaceutical commerce. In the reporting period, the growth rate of the Company's pharmaceutical commerce income has decreased by about 18% year on year. However, the Company made efforts to improve its operations through a variety of measures to keep its operating profit stable.

The outbreak and spread of COVID-19 at home and abroad have had a significant impact on the operation of aesthetic medicine institutions. In the reporting period, the Company's domestic and oversea aesthetic medicine business income and net profit both decreased significantly compared with the same period last year due to the sharp decline in periodic demand, which has a corresponding impact on the Company's overall net profit. The demand for aesthetic medicine is not urgent, but it is rigid to some extent. At present, there is less domestic consumption of aesthetic medicine; the continuation of the outbreak and its subsequent impact on the Company's international aesthetic medicine business remain to be seen. The Company expects consumer demand for aesthetic medicine to recover after the outbreak ends.

Since the outbreak, the Company has actively carried out related work to fight against the virus. As an emergency equipment reserve unit of Zhejiang Province and Hangzhou, the Company was in charge of laborious material distribution, efficiently implemented the allocation and distribution task of Zhejiang Economy and Information Technology Department, worked day and night, sent the anti-epidemic medicine and equipment to the forefront, and provided reliable material support for epidemic prevention and control. The Company has taken the initiative to fulfill its social responsibility and donated drugs and related materials to the front-line medical personnel and the health commissions at all levels with a cumulative value of more than 20 million yuan. After the full resumption of production and work, the Company actively endeavored to gradually restore normalcy to all its work.

During the reporting period, the Company continued to promote R&D in all aspects, and the R&D expenses of the pharmaceutical manufacturing amounted to 260.31 million yuan, with a year-on-year growth of 69.04%. The application for registration of Zhongmei Huadong Metformin Hydrochloride and Empagliflozin Tablets was submitted to and accepted by the National Medical Products Administration. The phase I clinical trial of Liraglutide Injection (indications for weight loss) has been completed and all preparations for the phase III trial have been completed. The phase III clinical trial is expected to begin in the second quarter of this year.

During the reporting period, Zhongmei Huadong invested 150 million yuan to increase its shareholding in Peg-Bio Biopharm Co., Ltd. (Chongqing) by acquiring minority shareholders' equity; the shareholding ratio was raised to 39.8%, and Zhongmei Huadong remained the second largest shareholder (as of the disclosure date of this reporting period, it has actually contributed 130 million yuan). In the future, the Company will deepen cooperation with Peg-Bio Biopharm Co., Ltd. (Chongqing) in the R&D of biosimilars and innovative biopharmaceuticals, industrial layout and other aspects. With the help of PEGylation platform and high-efficiency polypeptide tandem expression platform technology of Peg-Bio Biopharm Co., Ltd. (Chongqing) with proprietary intellectual property rights, the Company will accelerate the technical improvement and project reserve in biomedicine.

During the reporting period, the Acarbose Tablets of Zhongmei Huadong failed to win the bid in the

second national centralized drug purchase due to the price, which brought new challenges to the future development of the Company's acarbose products. The Company will comprehensively conduct market analysis and planning, and actively develop the sales of Acarbose Tablets in the markets other than centralized purchase (including grass-roots and community markets, private hospitals and OTC markets). Meanwhile, it will expand the promotion of Acarbose Chewable Tablets in large and medium-sized hospitals in China through market differentiation.

Sinclair, a wholly owned subsidiary of the Company in the UK, has actively enriched product channels and optimized the structure: (1) During the reporting period, it reached an agreement with Galderma, a world-renowned Swiss dermatological pharmaceutical company, on the transfer of market distribution rights for Sculptra (poly-L-lactic acid microsphere) products in Western Europe and has completed the transaction. According to the agreement, the specific information of the transaction is regarded as trade secret, and the Company has the confidentiality obligation under the condition of non-mandatory disclosure. The transaction brought Sinclair gains from assets disposal of approximately GBP 30.65 million (after tax), which had a positive impact on Sinclair's net profit, balance sheet structure, cash flow and the Company's net profit in consolidated statements in the reporting period; (2) During the reporting period, Sinclair and Kylane Laboratoires, a Swiss professional R&D company in the field of aesthetic medicine, formally signed an agreement based on the cooperation intention reached earlier; Sinclair obtained the exclusive global license for Kylane Laboratoires' MaiLi series new lidocaine hyaluronic acid fillers (hyaluronic acid). The MaiLi series products are aimed at the high-end market. The lidocaine components in the MaiLi series reduce the pain of injection and greatly improve the comfort of use. The MaiLi series products can be applied to different parts of the face with differentiated formulation, providing consumers with an overall solution of cosmetic facial fillings, which can last for 12~18 months after injection. This series is expected to become the core products of the Company's aesthetic medicine business. The products are expected to obtain the CE certification in Europe and be successively launched in every country this year.

## Section IV Financial Statements

### I. Financial Statements

#### 1. Consolidated balance sheet

Prepared by Huadong Medicine Co., Ltd.

March 31, 2020

Unit: RMB yuan

Item	March 31, 2020	December 31, 2019
Current assets:		
Monetary funds	2,705,353,661.31	2,402,730,395.39
Settlement reserve		
Lending to other banks and other financial institutions		
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	7,096,262,043.82	6,092,305,184.47
Accounts receivable financing	1,281,939,687.52	683,884,625.14
Advance payments	332,283,548.35	363,246,612.94
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	75,749,112.24	92,201,271.22
Including: Interests receivable		
Dividends receivable	815,965.44	815,965.44
Financial assets purchased for resale		
Inventories	4,036,053,414.00	4,038,975,496.93
Contract assets		
Assets held for sale		
Non-current assets due within one year		

Other current assets	71,686,499.81	62,526,471.96
Total current assets	15,599,327,967.05	13,735,870,058.05
Non-current assets:		
Loans and prepayments issuance		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	324,944,910.36	222,595,018.54
Other equity instrument investments	240,302,964.32	241,675,712.05
Other non-current financial assets		
Real estate properties for investment	21,470,209.97	21,701,908.75
Fixed assets	2,176,447,708.09	2,175,216,842.65
Constructions in progress	1,959,751,440.53	1,829,808,233.19
Biological assets for production		
Oil & gas assets		
Right-of-use assets		
Intangible assets	1,371,393,017.31	1,454,900,160.45
Development expenditures		
Goodwill	1,469,617,262.10	1,469,617,262.10
Long-term unamortized expenses	11,474,753.47	12,289,677.31
Deferred income tax assets	116,157,614.49	116,157,614.47
Other non-current assets	236,848,927.61	184,141,659.07
Total non-current assets	7,928,408,808.25	7,728,104,088.58
Total assets	23,527,736,775.30	21,463,974,146.63
Current liabilities:		
Short-term borrowing	805,041,426.38	655,549,973.27
Borrowing from the Central bank		
Borrowing from other banks and other financial institutions		
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	680,294,256.61	613,374,356.61
Accounts payable	3,782,012,016.18	3,789,054,234.58

Advance receipts	41,219,252.83	254,888,911.30
Contract liabilities		
Financial assets sold for repurchase		
Absorbing deposits and due from banks		
Receipts for buying and selling securities as proxy		
Receipts for underwriting securities as proxy		
Employee benefits payable	150,113,044.38	132,584,982.71
Taxes and fees payable	758,947,157.69	532,802,157.61
Other payables	2,042,401,058.99	1,365,152,290.99
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Handling fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	1,063,535,474.95	1,053,231,727.73
Other current liabilities		
Total current liabilities	9,323,563,688.01	8,396,638,634.80
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables	34,857,575.89	48,080,030.00
Long-term employee benefits payable		
Provision	50,739,356.15	52,066,643.01
Deferred gains	61,826,236.03	60,960,255.68
Deferred income tax liabilities	38,231,709.58	39,604,343.27



Other non-current liabilities		
Total non-current liabilities	185,654,877.65	200,711,271.96
Total liabilities	9,509,218,565.66	8,597,349,906.76
Ownership interest:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,157,862,037.14	2,158,080,661.07
Less: Treasury shares		
Other comprehensive income	48,298,224.27	22,792,488.80
Special reserve		
Surplus reserve	710,359,967.51	710,359,967.51
General risk reserve		
Undistributed profit	8,815,713,100.25	7,668,434,642.62
Total ownership interest attributable to the parent company	13,482,042,877.17	12,309,477,308.00
Minority interest	536,475,332.47	557,146,931.87
Total ownership interest	14,018,518,209.64	12,866,624,239.87
Total liabilities & ownership interest	23,527,736,775.30	21,463,974,146.63

Legal representative: Lyu Liang

Officer in charge of accounting: Lyu Liang

Head of accounting department : Qiu Renbo

## 2. Balance sheet of the parent company

Unit: RMB yuan

Item	March 31, 2020	December 31, 2019
Current assets:		
Monetary funds	1,163,618,887.92	893,939,724.56
Financial assets for trade		
Derivative financial assets		
Notes receivable		
Accounts receivable	3,896,212,553.19	3,601,796,850.84
Accounts receivable financing	414,618,169.64	102,285,661.94

Advance payments	90,938,710.63	183,776,687.98
Other receivables	1,158,557,203.10	857,127,207.17
Including: Interests receivable		
Dividends receivable	400,000,000.00	
Inventories	1,780,183,507.56	1,726,815,773.41
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	18,206,486.26	4,529,331.87
Total current assets	8,522,335,518.30	7,370,271,237.77
Non-current assets:		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	4,812,052,039.45	4,809,521,228.65
Other equity instrument investments	92,108,957.26	92,108,957.26
Other non-current financial assets		
Real estate properties for investment	8,475,251.02	8,591,809.18
Fixed assets	146,014,043.26	144,102,366.02
Constructions in progress	15,970,543.05	15,728,406.26
Biological assets for production		
Oil & gas assets		
Right-of-use assets		
Intangible assets	44,090,063.16	45,226,361.12
Development expenditures		
Goodwill		
Long-term unamortized expenses	893,242.36	975,689.14
Deferred income tax assets	48,849,165.52	48,849,165.52
Other non-current assets	8,076,419.28	8,076,419.28
Total non-current assets	5,176,529,724.36	5,173,180,402.43
Total assets	13,698,865,242.66	12,543,451,640.20
Current liabilities:		

Short-term borrowing	250,182,163.24	55,000,000.80
Financial liabilities for trade		
Derivative financial liabilities		
Notes payable	251,797,671.37	81,036,745.94
Accounts payable	2,303,300,252.85	2,469,675,798.54
Advance receipts	44,293,704.23	52,914,932.34
Contract liabilities		
Employee benefits payable	4,716,249.36	3,203,215.95
Taxes and fees payable	37,342,228.23	32,881,935.68
Other payables	409,339,976.29	638,551,969.04
Including: Interests payable		
Dividends payable	224,219.60	224,219.60
Liabilities held for sale		
Non-current liabilities due within one year	1,040,399,054.43	1,028,002,952.88
Other current liabilities		
Total current liabilities	4,341,371,300.00	4,361,267,551.17
Non-current liabilities:		
Long-term borrowing		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities		
Deferred gains	42,623,317.14	43,264,785.87
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	42,623,317.14	43,264,785.87
Total liabilities	4,383,994,617.14	4,404,532,337.04
Ownership interest:		
Share capital	1,749,809,548.00	1,749,809,548.00
Other equity instruments		

Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,168,451,528.01	2,168,451,528.01
Less: Treasury shares		
Other comprehensive income	847,526.06	847,526.06
Special reserve		
Surplus reserve	788,215,726.95	788,215,726.95
Undistributed profit	4,607,546,296.50	3,431,594,974.14
Total ownership interest	9,314,870,625.52	8,138,919,303.16
Total liabilities & ownership interest	13,698,865,242.66	12,543,451,640.20

### 3. Consolidated income statement

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Total operating income	8,598,069,911.29	9,705,148,188.21
Including: Operating income	8,598,069,911.29	9,705,148,188.21
Interests received		
Premiums earned		
Handling fees and commissions received		
II. Total operating cost	7,564,443,071.57	8,644,836,746.18
Including: Operating cost	5,095,658,368.85	6,323,022,089.39
Interests paid		
Handling fees and commissions paid		
Surrender value		
Net payment of insurance claims		
Net appropriation of policy reserve		
Policy dividends paid		
Reinsurance expenses		
Taxes and surcharges	56,323,252.14	67,692,820.71
Selling expenses	1,936,667,262.56	1,858,882,516.36
Administrative expenses	196,704,190.05	206,511,672.85

R&D expenses	263,330,349.34	157,466,270.46
Financial expenses	15,759,648.63	31,261,376.41
Including: Interests paid	26,067,525.96	29,093,368.24
Interests received	13,915,252.93	5,700,539.51
Add: Other gains	20,044,478.23	3,421,536.71
Investment gains (Losses are indicated by “-”)	-1,256,335.99	-3,643,248.51
Including: Investment gains from associates and joint ventures	2,349,891.83	1,200,000.00
Gains from the derecognition of financial assets measured at amortized cost		
Gains on exchange (Losses are indicated by “-”)		
Gains on net exposure hedging (Losses are indicated by “-”)		
Gains on changes in fair value (Losses are indicated by “-”)		
Credit impairment loss (Losses are indicated by “-”)		
Assets impairment loss (Losses are indicated by “-”)		
Gains on assets disposal (Losses are indicated by “-”)	306,269,024.44	66,519,528.98
III. Operating profit (Losses are indicated by “-”)	1,358,684,006.40	1,126,609,259.21
Add: Non-operating income	3,389,386.17	2,542,382.25
Less: Non-operating expenditure	8,912,738.92	4,175,197.47
IV. Total profit (Total losses are indicated by “-”)	1,353,160,653.65	1,124,976,443.99
Less: Income tax expenses	199,734,863.73	187,156,210.92
V. Net profit (Net losses are indicated by “-”)	1,153,425,789.92	937,820,233.07
(I) Categorized by the continuity of operations		
1. Net profit from continued operations (Net deficit is indicated by “-”)	1,153,425,789.92	937,820,233.07

2. Net profit from discontinued operations (Net deficit is indicated by “-”)		
(II) Categorized by attribution of the ownership		
1. Net profit attributable to owners of the parent company	1,147,278,457.64	907,244,647.77
2. Gains/losses of minority shareholders	6,147,332.28	30,575,585.30
VI. Net amount after tax of other comprehensive income	25,505,735.47	-32,032,857.46
Net amount after tax of other comprehensive income attributable to owners of the parent company	25,505,735.47	-32,032,857.46
(I) Other comprehensive income that cannot be reclassified into gains/losses	-1,372,747.73	
1. Changes in remeasurement on the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments	-1,372,747.73	
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses	26,878,483.20	-32,032,857.46
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		

5. Cash flow hedging reserve		
6. Exchange differences arise from translation of foreign currency financial statements	26,878,483.20	-32,032,857.46
7. Others		
Net amount after tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	1,178,931,525.39	905,787,375.61
Total comprehensive income attributable to owners of the parent company	1,172,784,193.11	875,211,790.31
Total comprehensive income attributable to minority shareholders	6,147,332.28	30,575,585.30
VIII. Earnings per share (EPS):		
(I) Basic EPS	0.6557	0.5185
(II) Diluted EPS	0.6557	0.5185

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

Legal representative: Lyu Liang

Officer in charge of accounting: Lyu Liang

Head of accounting department : Qiu Renbo

#### 4. Income statement of the parent company

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Operating income	3,694,664,751.43	4,750,751,718.90
Less: Operating cost	3,497,138,685.81	4,519,692,455.89
Taxes and surcharges	1,742,409.45	6,135,847.99
Selling expenses	91,950,292.45	109,542,301.79
Administrative expenses	34,825,269.77	27,006,339.53
R&D expenses		
Financial expenses	14,360,429.84	20,870,555.66
Including: Interests paid	21,895,125.22	21,396,244.01
Interests received	5,644,762.49	1,609,862.67
Add: Other gains	5,462,052.44	1,910,068.73

Investment gains (Losses are indicated by “-”)	1,132,672,992.82	857,083,782.05
Including: Investment gains from associates and joint ventures		
Income from the derecognition of financial assets measured at amortized cost (Losses are indicated by “-”)		
Gains on net exposure hedging (Losses are indicated by “-”)		
Gains on changes in fair value (Losses are indicated by “-”)		
Credit impairment loss (Losses are indicated by “-”)		
Assets impairment loss (Losses are indicated by “-”)		
Gains on assets disposal (Losses are indicated by “-”)	-7,754.30	66,516,649.00
II. Operating profit (Losses are indicated by “-”)	1,192,774,955.04	993,014,717.82
Add: Non-operating income	2,525,818.53	2,316,802.22
Less: Non-operating expenditure	2,532,343.76	3,052,321.97
III. Total profit (Total losses are indicated by “-”)	1,192,768,429.81	992,279,198.07
Less: Income tax expenses	16,817,107.45	35,560,862.02
IV. Net profit (Net losses are indicated by “-”)	1,175,951,322.36	956,718,336.05
(I) Net profit from continued operations (Net losses are indicated by “-”)	1,175,951,322.36	956,718,336.05
(II) Net profit from discontinued operations (Net deficit is indicated by “-”)		
V. Net amount after tax of other comprehensive income		
(I) Other comprehensive income that cannot be reclassified into gains/losses		
1. Changes in remeasurement on the defined benefit		



plan		
2. Other comprehensive income that cannot be reclassified into gains/losses under equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
(II) Other comprehensive income to be reclassified into gains/losses		
1. Other comprehensive income that can be reclassified into gains/losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment reserve of other debt investments		
5. Cash flow hedging reserve		
6. Exchange differences arise from translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,175,951,322.36	956,718,336.05
VII. Earnings per share (EPS):		
(I) Basic EPS		
(II) Diluted EPS		

## 5. Consolidated cash flow statement

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Cash flows from operating activities:		

Cash from the sale of goods and provision of services	7,665,300,254.21	8,187,663,071.84
Net increase in customer deposits and due from banks		
Net increase in borrowing from the central bank		
Net increase in borrowing from other financial institutions		
Cash from the premium of the original insurance policy		
Net cash from reinsurance		
Net increase in deposits and investment of the insured		
Cash from interests, handling fees and commissions		
Net increase in borrowing from other banks and other financial institutions		
Net increase in funds for repurchase		
Net cash received for buying and selling securities as proxy		
Tax refund received	1,138,819.80	
Other cash receipts in relation to operating activities	362,756,808.71	154,228,462.86
Total cash inflows from operating activities	8,029,195,882.72	8,341,891,534.70
Cash payments for goods and services	5,172,908,493.72	6,321,052,081.64
Net increase in customer loans and prepayments		
Net increase in deposits of central bank and due from banks		
Cash for payment of original insurance claims		
Net increase in lending to other banks and other financial institutions		
Cash for payment of interests,		

handling fees and commissions		
Cash for payment of policy dividends		
Cash payments to and for employees	579,438,808.77	435,270,367.30
Payment of taxes and fees	453,422,088.98	501,157,690.76
Other cash payments in relation to operating activities	1,604,646,867.36	1,518,302,236.71
Total cash outflows for operating activities	7,810,416,258.83	8,775,782,376.41
Net cash flows from operating activities	218,779,623.89	-433,890,841.71
II. Cash flows from investing activities		
Cash from recovery of investments		
Cash from investment gains		
Net cash from disposal of fixed assets, intangible assets and other long-term assets	345,902,424.29	49,385.41
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities		30,000,000.00
Total cash inflows from investing activities	345,902,424.29	30,049,385.41
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	267,014,841.51	311,215,321.17
Cash payments for investment	100,000,000.00	30,150,000.00
Net increase in pledge loans		
Net cash paid for acquisition of subsidiaries and other business units		7,000,000.00
Other cash payments in relation to investing activities		120,124,300.00
Total cash outflows for investing activities	367,014,841.51	468,489,621.17
Net cash flows from investing activities	-21,112,417.22	-438,440,235.76
III. Cash flows from financing activities:		
Cash from absorbing investments		9,800,000.00

Including: Cash from absorption of minority shareholders' investments by subsidiaries		
Cash from borrowing	684,996,551.61	813,097,755.69
Other cash receipts in relation to financing activities		4,000,000.00
Total cash inflows from financing activities	684,996,551.61	826,897,755.69
Cash for repayment of debt	536,798,734.58	540,192,394.20
Cash payments for dividends, profits or interests	34,425,592.85	42,543,384.38
Including: Payment of dividends and profits by subsidiaries to minority shareholders	24,500,000.00	14,112,000.00
Other cash payments in relation to financing activities	2,794,710.80	
Total cash outflows for financing activities	574,019,038.23	582,735,778.58
Net cash flows from financing activities	110,977,513.38	244,161,977.11
IV. Influence of exchange rate fluctuations on cash and cash equivalents	7,174,858.69	-33,095,996.77
V. Net increase in cash and cash equivalents	315,819,578.74	-661,265,097.13
Add: Balance of cash and cash equivalents at the beginning of the period	2,231,771,546.50	2,398,709,506.06
VI. Balance of cash and cash equivalents at the end of the period	2,547,591,125.24	1,737,444,408.93

## 6. Cash flow statement of the parent company

Unit: RMB yuan

Item	Amount incurred during the current period	Amount incurred during the previous period
I. Cash flow from operating activities:		
Cash from the sale of goods and provision of services	3,511,097,388.40	3,725,034,236.17

Tax refunds received		
Other cash receipts in relation to operating activities	222,397,124.86	75,012,263.27
Total cash inflows from operating activities	3,733,494,513.26	3,800,046,499.44
Cash payments for goods and services	3,830,179,895.19	4,874,314,937.78
Cash payments to and for employees	74,881,392.11	59,381,893.15
Payment of taxes and fees	31,131,815.13	59,734,079.75
Other cash payments in relation to operating activities	99,668,377.06	5,520,387.64
Total cash outflow under operating activities	4,035,861,479.49	4,998,951,298.32
Net cash flow from operating activities	-302,366,966.23	-1,198,904,798.88
II. Cash flows from investing activities:		
Cash from recovery of investments		
Cash from investment gains	175,500,000.00	250,000,000.00
Net cash from disposal of fixed assets, intangible assets and other long-term assets	35,000.00	12,525.00
Net cash from disposal of subsidiaries and other business units		
Other cash receipts in relation to investing activities	217,902,741.44	40,000,000.00
Total cash inflows from investing activities	393,437,741.44	290,012,525.00
Cash payments for purchase and construction of fixed assets, intangible assets and other long-term assets	3,423,339.18	22,140,302.23
Cash payments for investment	2,530,810.80	204,814,300.00
Net cash paid for acquisition of subsidiaries and other business units		7,000,000.00
Other cash payments in relation to investing activities	160,000,000.00	142,900,000.00
Total cash outflows for investing activities	165,954,149.98	376,854,602.23
Net cash flows from investing activities	227,483,591.46	-86,842,077.23

III. Cash flows from financing activities:		
Cash from absorbing investments		
Cash from borrowing	310,202,546.78	630,487,956.25
Other cash receipts in relation to financing activities	218,391,068.03	45,000,000.00
Total cash inflows from financing activities	528,593,614.81	675,487,956.25
Cash for repayment of debt	115,202,547.58	339,022,441.10
Cash payments for dividends, profits or interest	3,495,155.18	11,409,844.26
Other cash payments in relation to financing activities	67,321,291.66	
Total cash outflows for financing activities	186,018,994.42	350,432,285.36
Net cash flows from financing activities	342,574,620.39	325,055,670.89
IV. Influence of exchange rate fluctuations on cash and cash equivalents	1,987,917.74	-858,503.05
V. Net increase in cash and cash equivalents	269,679,163.36	-961,549,708.27
Add: Balance of cash and cash equivalents at the beginning of the period	893,929,724.56	1,384,560,116.18
VI. Balance of cash and cash equivalents at the end of the period	1,163,608,887.92	423,010,407.91

## II. Notes on adjustments of financial statements

### 1. Adjustments of financial statements for the first time at the beginning of the year due to adoption of new income standards or new lease standards since 2020

Applicable  N/A

### 2. Notes on retrospective adjustments on comparative data in the previous period due to adoption of new income standards and new lease standards since 2020

Applicable  N/A

### **III. Audit report**

Has the first quarterly report been audited?

Yes  No

The first quarterly report has not been audited.

**Huadong Medicine Co., Ltd.**

**Chairman of the Board: Lyu Liang**

**April 30, 2020**