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Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6826)

2023 THIRD QUARTERLY REPORT

This announcement is made by Shanghai Haohai Biological Technology Co., Ltd.* (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Part XIVA of The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to provide shareholders of the Company and the public with the updated financial information of the Company. This announcement is also published on the website of the Shanghai Stock Exchange simultaneously.

The unaudited results (the “**Third Quarterly Report**”) of the Group for the three and nine months ended 30 September 2023 are provided. The financial information contained in the Third Quarterly Report has been prepared in accordance with the Chinese Accounting Standards for Business Enterprises, and contains accounting data which has not been audited. Potential investors and shareholders of the Company are advised to pay attention to the underlying investment risks.

The Third Quarterly Report is written in both Chinese and English. In the case of any discrepancies, the Chinese version of the Third Quarterly Report shall prevail.

By order of the Board
Shanghai Haohai Biological Technology Co., Ltd.*
Chairman
Hou Yongtai

Shanghai, the PRC, 25 October 2023

As at the date of this announcement, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive directors of the Company are Ms. You Jie and Mr. Huang Ming; and the independent non-executive directors of the Company are Mr. Guo Yongqing, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* For identification purpose only

IMPORTANT NOTICE

The board of directors (the “**Board**”), the supervisory committee, the directors, supervisors and senior management of the Company, hereby warrant the truthfulness, accuracy and completeness of the contents of the Third Quarterly Report, guarantee that there are no false representations, misleading statements or material omissions contained in the Third Quarterly Report, and are jointly and severally responsible for the liabilities of the Company.

The legal representative of the Company, the person in charge of accounting affairs of the Company and the person in charge of the accounting department of the Company, warrant the truthfulness, accuracy and completeness of the financial information contained in the Third Quarterly Report.

The Third Quarterly Report is audited

Yes No

I. MAJOR FINANCIAL DATA

(I) Major accounting data and financial indicators

Unit: Yuan Currency: RMB

Items	The Reporting Period	Increase/ decrease for the Reporting Period over the corresponding period of last year (%)	From the beginning of the year to the end of the Reporting Period	Increase/ decrease for the period from the beginning of the year to the end of the Reporting Period as compared to the corresponding period of last year (%)
Revenue	668,887,006.49	8.80	1,981,789,458.11	25.23
Net profit attributable to shareholders of the Company	121,568,232.09	34.00	326,802,993.69	102.04
Net profit after deducting nonrecurring profit or loss attributable to shareholders of the Company	116,784,584.36	33.84	304,572,750.34	116.86
Net cash flows from operating activities	N/A	N/A	391,564,343.48	116.37
Basic earnings per share (RMB/share)	0.71	36.54	1.91	105.38
Diluted earnings per share (RMB/share)	0.71	36.54	1.91	105.38
Weighted average return on net assets (%)	2.10	Increased by 0.47 percentage points	5.83	Increased by 2.97 percentage points
Total research and development ("R&D") expenses	52,763,351.61	18.54	154,154,668.27	27.17
R&D expenses as a percentage of revenue (%)	7.89	Increased by 0.65 percentage points	7.78	Increased by 0.12 percentage points
		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 over the end of last year (%)
Total assets		7,089,426,530.74	6,892,398,253.88	2.86
Equity attributable to shareholders of the Company		5,704,966,947.12	5,514,610,290.63	3.45

Note: "Reporting Period" refers to the three-month period from the beginning of this quarter to the end of this quarter and the same meaning applies to the contents below.

(II) Non-recurring profit or loss items and amount*Unit: Yuan Currency: RMB*

Items	Amount for the Reporting Period	Amount from the beginning of the year to the end of the Reporting Period	Note
Profit or loss on disposal of non-current assets	-366,687.03	518,614.32	
Government grant included in profit or loss for the current period (excluding government grant closely related to the Company's normal operation, and entitled in fixed amounts or quantities on a continuous basis according to national policies)	8,059,414.78	26,879,505.45	
Profit or loss arising from change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities, other debt investments, other than effective hedging business conducted in the course of normal business of the Company	1,620,773.72	2,414,534.34	
Other non-operating income and expenses other than abovementioned items	-418,463.53	746,124.97	
Less: Effect of income tax	1,376,403.16	4,389,487.28	
Effect of non-controlling interests (after tax)	2,734,987.05	3,939,048.45	
Total	<u>4,783,647.73</u>	<u>22,230,243.35</u>	

Description of non-recurring profit or loss items listed in the Explanatory Announcement No. 1 on Information Disclosure by Public Issuers – Non-recurring Profit or Loss Items (《公開發行證券的公司信息披露解釋性公告第 1 號 – 非經常性損益》) being defined as recurring profit or loss items

Applicable Not applicable

(III) Changes in major accounting data and financial indicators and reasons for changes

Applicable Not applicable

Items	Percentage change (%)	Key reasons
Net profit attributable to shareholders of the Company for the Reporting Period	34.00	Net profit attributable to shareholders of the Company for the Reporting Period increased by 34.00% as compared to the corresponding period of last year, mainly due to the growth of the gross profit in line with the increase in revenue. As the pharmaceutical end market in China has been gradually returning to normal, the Group's operation, especially the Group's sales performance of HA dermal filler products, has shown a steady upward trend. Revenue of HA dermal filler products for the Reporting Period increased by over 50% as compared with the corresponding period of last year, which drove the overall growth of operating revenue and gross profit.
Net profit attributable to shareholders of the Company from the beginning of the year to the end of the Reporting Period	102.04	From the beginning of the year to the end of the Reporting Period, the net profit attributable to shareholders of the Company increased by 102.04% as compared to the corresponding period of last year. This was mainly due to the growth of the gross profit in line with the increase in operating revenue. In addition, during the corresponding period in 2022, Aaren Scientific Inc. ("Aaren", a subsidiary of the Company in the USA) showed signs of impairment due to the need to reorganize its business, and the Company accordingly recorded an asset impairment loss of approximately RMB25.00 million on the goodwill and intangible assets of Aaren business, whereas no such impairment loss was recorded during the Reporting Period. As a result of the above factors, the net profit attributable to shareholders of the Company from the beginning of the year to the end of the Reporting Period increased considerably as compared to the corresponding period of last year.

Items	Percentage change (%)	Key reasons
Net profit after deducting nonrecurring profit or loss attributable to shareholders of the Company for the Reporting Period	33.84	Mainly due to the year-on-year increase in net profit attributable to shareholders of the Company for the Reporting Period mentioned above, and the slight increase in the non-recurring profit or loss during the Reporting Period as compared to the corresponding period of last year.
Net profit after deducting nonrecurring profit or loss attributable to shareholders of the Company from the beginning of the year to the end of the Reporting Period	116.86	Mainly due to the significant increase in net profit attributable to shareholders of the Company from the beginning of the year to the end of the Reporting Period mentioned above as compared to the corresponding period of last year, and because the non-recurring profit or loss from the beginning of the year to the end of the Reporting Period remained basically stable as compared to the corresponding period of last year.
Net cash flows from operating activities from the beginning of the year to the end of the Reporting Period	116.37	The net cash flows from operating activities from the beginning of the year to the end of the Reporting Period increased by 116.37% as compared to the corresponding period of last year, mainly due to the significant increase in operating cash inflow in line with the surge in operating revenue.
Basic earnings per share for the Reporting Period	36.54	Mainly due to the increase in net profit attributable to shareholders of the Company for the Reporting Period as compared to the corresponding period of last year.
Diluted earnings per share for the Reporting Period	36.54	
Basic earnings per share from the beginning of the year to the end of the Reporting Period	105.38	Mainly due to the significant increase in net profit attributable to shareholders of the Company from the beginning of the year to the end of the Reporting Period as compared to the corresponding period of last year.
Diluted earnings per share from the beginning of the year to the end of the Reporting Period	105.38	

II. SHAREHOLDERS OF THE COMPANY

(I) Total number of ordinary shareholders and preferred shareholders with voting rights resumed and shareholding of the top ten shareholders of the Company

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period	7,901	Total number of preferred shareholders with voting rights resumed at the end of the Reporting Period (if any)	Not applicable
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Shareholding of the top ten shareholders

Name of shareholders	Nature of shareholders	Number of shares held	Proportion of shareholding (%)	Number of shares subject to selling restrictions	Number of restricted shares including lending shares for securities financing	Status of shares (pledged, marked or frozen)	
						Status	Number
Jiang Wei	Domestic natural person	44,449,000	25.94	0	0	None	0
HKSCC NOMINEES LIMITED	Other	32,819,889	19.16	0	0	Unknown	-
You Jie	Domestic natural person	28,800,000	16.81	0	0	None	0
Lou Guoliang	Domestic natural person	6,151,186	3.59	0	0	None	0
Wu Jianying	Domestic natural person	6,033,964	3.52	0	0	None	0
Hou Yongtai	Domestic natural person	6,006,260	3.51	0	0	None	0
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership)	Domestic non-state-owned legal person	4,741,000	2.77	0	0	None	0
Peng Jinhua	Domestic natural person	2,830,000	1.65	0	0	None	0
Industrial and Commercial Bank of China Limited – China – Europe Medical and Health Hybrid Securities Investment Fund	Other	2,011,459	1.17	0	0	None	0
Liu Yuanzhong	Domestic natural person	2,000,000	1.17	0	0	None	0

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of shares not subject to selling restrictions	Class and number of shares	
		Class	Number
Jiang Wei	44,449,000	RMB ordinary shares	44,449,000
HKSCC NOMINEES LIMITED	32,819,889	Overseas listed foreign shares	32,819,889
You Jie	28,800,000	RMB ordinary shares	28,800,000
Lou Guoliang	6,151,186	RMB ordinary shares	6,151,186
Wu Jianying	6,033,964	RMB ordinary shares	6,033,964
Hou Yongtai	6,006,260	RMB ordinary shares	6,006,260
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership)	4,741,000	RMB ordinary shares	4,741,000
Peng Jinhua	2,830,000	RMB ordinary shares	2,830,000
Industrial and Commercial Bank of China Limited – China – Europe Medical and Health Hybrid Securities Investment Fund	2,011,459	RMB ordinary shares	2,011,459
Liu Yuanzhong	2,000,000	RMB ordinary shares	2,000,000

Description of the above shareholders' related party relationship or party acting in concert

Among the top ten shareholders as shown above, Jiang Wei and You Jie are in spousal relationship, and they are the controlling shareholders and de facto controllers of the Company. Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) is a company controlled by Jiang Wei. Apart from the above, the Company is not aware of any related party relationship between the other shareholders or whether they are parties acting in concert as defined under the rules.

Description of the top ten shareholders and top ten shareholders not subject to selling restrictions participating in securities margin trading and refinancing business (if any)

Not applicable

Note: HKSCC NOMINEES LIMITED holds shares on behalf of various customers.

III. OTHER REMINDERS

The investors should be reminded of other important information about the Company's operation during the Reporting Period

Applicable Not applicable

IV. THE QUARTERLY FINANCIAL STATEMENTS

(I) The category of audit opinion

Applicable Not applicable

(II) Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

Prepared by: Shanghai Haohai Biological Technology Co., Ltd.

Unit: Yuan Currency: RMB Type of audit: Unaudited

Items	30 September 2023	31 December 2022
Current assets:		
Cash and bank balance	2,653,986,828.30	2,544,591,061.46
Financial assets held for trading	15,900,365.51	6,748,894.55
Accounts receivable	376,326,374.24	381,526,389.55
Prepayments	63,883,554.04	58,636,434.39
Other receivables	14,304,521.19	12,160,236.43
Including: Interest receivable	—	—
Dividends receivable	—	—
Inventories	565,139,979.54	485,238,796.88
Assets classified as held for sale	9,476,383.56	9,159,013.70
Other current assets	16,777,666.54	34,054,339.96
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Total current assets	3,715,795,672.92	3,532,115,166.92
	<hr/>	<hr/>
Non-current assets:		
Long-term equity investments	3,438,764.13	3,028,473.17
Other investments in equity instruments	632,450,274.46	668,412,006.37
Fixed assets	724,408,176.20	758,969,465.25
Construction in progress	675,778,206.87	518,981,443.22
Right-of-use assets	44,825,147.72	59,325,225.32
Intangible assets	740,123,890.20	783,532,272.42
Goodwill	412,248,030.38	411,198,930.20
Long-term prepayments	6,548,376.84	8,444,562.89
Deferred tax assets	60,423,434.25	59,322,868.05
Other non-current assets	73,386,556.77	89,067,840.07
	<hr/>	<hr/>
Total non-current assets	3,373,630,857.82	3,360,283,086.96
	<hr/>	<hr/>
TOTAL ASSETS	<u>7,089,426,530.74</u>	<u>6,892,398,253.88</u>

Items	30 September 2023	31 December 2022
Current liabilities:		
Short-term borrowings	10,000,000.00	5,314,102.97
Accounts payable	88,485,847.79	54,532,881.65
Contract liabilities	49,989,121.49	32,648,249.11
Employee benefits payable	97,558,272.10	103,334,024.76
Tax payable	51,939,624.22	52,080,654.75
Other payables	243,115,870.43	234,300,283.01
Including: Interest payable	—	—
Dividends payable	1,200,000.00	1,200,000.00
Non-current liabilities due within one year	<u>38,967,140.39</u>	<u>29,063,539.97</u>
Total current liabilities	<u>580,055,876.42</u>	<u>511,273,736.22</u>
Non-current liabilities:		
Long-term borrowings	235,020,150.50	43,979,665.36
Lease liabilities	29,988,371.14	39,899,559.36
Long-term payables	4,500,000.00	4,500,000.00
Provision	1,193,868.42	792,892.98
Deferred income	4,806,545.74	5,500,252.31
Deferred tax liabilities	155,503,750.64	163,507,871.75
Other non-current liabilities	<u>—</u>	<u>220,559,760.00</u>
Total non-current liabilities	<u>431,012,686.44</u>	<u>478,740,001.76</u>
TOTAL LIABILITIES	<u>1,011,068,562.86</u>	<u>990,013,737.98</u>
Equity attributable to equity holders (or shareholders):		
Paid-up capital (or issued capital)	171,331,156.00	174,130,000.00
Capital reserve	2,961,088,354.39	3,002,853,667.58
Less: Treasury shares	90,883,160.03	74,041,553.32
Other comprehensive income	-62,999,845.39	-46,755,457.60
Surplus reserve	88,922,650.00	88,922,650.00
Retained earnings	<u>2,637,507,792.15</u>	<u>2,369,500,983.97</u>
Total equity attributable to equity holders (or shareholders) of the parent company	5,704,966,947.12	5,514,610,290.63
Non-controlling interests	<u>373,391,020.76</u>	<u>387,774,225.27</u>
TOTAL EQUITY	<u>6,078,357,967.88</u>	<u>5,902,384,515.90</u>
TOTAL LIABILITIES AND EQUITY	<u>7,089,426,530.74</u>	<u>6,892,398,253.88</u>

Legal representative:
Hou Yongtai

Person in charge of
accounting affairs:
Tang Minjie

Person in charge of the
accounting department:
Bian Yiping

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

January to September 2023

Prepared by: Shanghai Haohai Biological Technology Co., Ltd.

Unit: Yuan Currency: RMB Type of audit: Unaudited

Items	First three quarters of 2023 (January to September)	First three quarters of 2022 (January to September)
I. Total revenue	1,981,789,458.11	1,582,558,810.68
Including: Operating revenue	1,981,789,458.11	1,582,558,810.68
II. Total operating costs	1,616,376,970.69	1,368,176,550.14
Including: Cost of sales	561,894,893.98	473,851,372.45
Taxes and surcharges	9,137,846.36	9,297,431.70
Selling expenses	625,680,738.33	497,717,415.93
Administrative expenses	313,459,534.56	324,258,465.99
R&D expenses	154,154,668.27	121,221,455.33
Financial expenses	-47,950,710.81	-58,169,591.26
Including: Interest expenses	4,561,329.20	2,945,145.23
Interest income	57,628,382.13	62,272,758.70
Add: Other income	26,879,505.45	28,029,330.02
Investment income (Loss denoted in “-”)	1,208,895.19	5,945,912.51
Including: Gains from investment in associates and joint ventures	520,444.16	3,733,263.92
Gains from changes in fair value (Loss denoted in “-”)	2,151,444.34	-2,328,958.69
Credit impairment losses (Loss denoted in “-”)	-2,707,738.09	-10,556,569.49
Assets impairment losses (Loss denoted in “-”)	-4,859,981.21	-25,387,624.31
Gains on disposal of assets (Loss denoted in “-”)	518,614.32	-23,770.49
III. Operating profit (Loss denoted in “-”)	388,603,227.42	210,060,580.09
Add: Non-operating income	1,316,600.76	376,316.96
Less: Non-operating expenses	570,475.79	925,430.21
IV. Total profit (Total loss denoted in “-”)	389,349,352.39	209,511,466.84
Less: Income tax expenses	62,381,911.37	43,252,040.77

Items	First three quarters of 2023 (January to September)	First three quarters of 2022 (January to September)
V. Net profit (Net loss denoted in “-”)	<u>326,967,441.02</u>	<u>166,259,426.07</u>
(I) According to operating continuity		
1. Net profit from continuing operations (Net loss denoted in “-”)	326,967,441.02	166,259,426.07
2. Net profit from discontinued operations (Net loss denoted in “-”)	<u>—</u>	<u>—</u>
(II) According to ownership		
1. Net profit attributable to shareholders of parent company (Net loss denoted in “-”)	326,802,993.69	161,749,504.38
2. Non-controlling interests (Net loss denoted in “-”)	<u>164,447.33</u>	<u>4,509,921.69</u>
VI. Other comprehensive income, net of tax	-2,992,987.87	-53,103,567.30
(I) Other comprehensive income attributable to equity holders of the parent company, net of tax	-6,525,383.70	-53,401,994.50
1. Other comprehensive income that cannot be reclassified to profit or loss	-27,978,245.34	-58,520,816.47
(3) Changes in fair value of other equity instrument investments	-27,978,245.34	-58,520,816.47
2. Other comprehensive income to be reclassified to profit or loss	21,452,861.64	5,118,821.97
(6) Exchange differences on foreign currency translations	21,452,861.64	5,118,821.97
(II) Other comprehensive income attributable to non-controlling interests, net of tax	3,532,395.83	298,427.20
VII. Total comprehensive income	323,974,453.15	113,155,858.77
(I) Total comprehensive income attributable to equity holders of the parent company	320,277,609.99	108,347,509.88
(II) Total comprehensive income attributable to non-controlling interests	3,696,843.16	4,808,348.89
VIII. Earnings per share:		
(I) Basic earnings per share (<i>RMB/share</i>)	1.91	0.93
(II) Diluted earnings per share (<i>RMB/share</i>)	1.91	0.93

For business combination under common control conducted during the period, the acquiree achieved a net profit of RMB0 before the combination; the acquiree achieved a net profit of RMB0 during the previous period.

Legal representative:
Hou Yongtai

Person in charge of
accounting affairs:
Tang Minjie

Person in charge of the
accounting department:
Bian Yiping

CONSOLIDATED STATEMENT OF CASH FLOWS

January to September 2023

Prepared by: Shanghai Haohai Biological Technology Co., Ltd.

Unit: Yuan Currency: RMB Type of audit: Unaudited

Items	First three quarters of 2023 (January to September)	First three quarters of 2022 (January to September)
I. Cash flows from operating activities:		
Cash received from sales of goods or rendering of services	2,153,855,868.18	1,688,544,097.45
Refund of taxes and surcharges	10,992,059.81	17,332,395.20
Cash received relating to other operating activities	37,364,334.85	24,128,787.87
Sub-total of cash inflows from operating activities	<u>2,202,212,262.84</u>	<u>1,730,005,280.52</u>
Cash paid for goods and services	565,808,850.30	480,993,764.17
Cash paid to and on behalf of employees	453,096,753.74	401,991,443.39
Payments of taxes and surcharges	129,875,252.07	128,915,939.83
Cash paid relating to other operating activities	661,867,063.25	537,136,000.77
Sub-total of cash outflows from operating activities	<u>1,810,647,919.36</u>	<u>1,549,037,148.16</u>
Net cash flows from operating activities	<u>391,564,343.48</u>	<u>180,968,132.36</u>
II. Cash flows from investing activities:		
Cash received from disposal of investments	1,058,215,993.92	931,367,288.35
Cash received from returns on investments	30,474,165.68	41,162,042.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	733,467.53	55,555.87
Net cash received from disposal of subsidiaries and other business units	—	17,585,868.31
Sub-total of cash inflows from investing activities	<u>1,089,423,627.13</u>	<u>990,170,755.22</u>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	198,270,762.51	172,323,334.66
Cash paid for investments	1,288,975,929.16	1,303,358,695.17
Net cash paid for acquisition of subsidiaries and other business units	—	2,935,760.42
Sub-total of cash outflows from investing activities	<u>1,487,246,691.67</u>	<u>1,478,617,790.25</u>
Net cash flows from investing activities	<u>-397,823,064.54</u>	<u>-488,447,035.03</u>

Items	First three quarters of 2023 (January to September)	First three quarters of 2022 (January to September)
III. Cash flows from financing activities:		
Cash received from absorbing investment	106,963,507.19	12,000,000.00
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	47,000,000.00	12,000,000.00
Cash received from borrowings	<u>222,722,778.12</u>	<u>30,856,797.57</u>
Sub-total of cash inflows from financing activities	<u>329,686,285.31</u>	<u>42,856,797.57</u>
Cash paid for repayment of borrowings	10,617,887.15	30,667,020.05
Cash paid for dividends or profits distribution or repayment of interests	84,423,769.33	132,214,803.99
Including: Dividends or profits paid to non-controlling shareholders of subsidiaries	13,887,136.16	16,100,000.00
Cash paid relating to other financing activities	<u>392,533,370.81</u>	<u>179,077,701.55</u>
Sub-total of cash outflows from financing activities	<u>487,575,027.29</u>	<u>341,959,525.59</u>
Net cash flows from financing activities	<u>-157,888,741.98</u>	<u>-299,102,728.02</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	<u>11,313,076.02</u>	<u>5,578,342.39</u>
V. Net increase in cash and cash equivalents	-152,834,387.02	-601,003,288.30
Add: Opening balance of cash and cash equivalents	<u>559,197,476.03</u>	<u>1,283,892,952.34</u>
VI. Closing balance of cash and cash equivalents	<u><u>406,363,089.01</u></u>	<u><u>682,889,664.04</u></u>

Legal representative:
Hou Yongtai

Person in charge of
accounting affairs:
Tang Minjie

Person in charge of the
accounting department:
Bian Yiping

Adjustments to the financial statements at the beginning of the year due to initial adoption of new accounting standards or interpretations of standards since 2023

Applicable Not applicable