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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)

2023 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 2023 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, 2023 (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 30, 2023

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan, Mr. Shan Yu and Mr. Zhang Ping; and the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Huang Peng and Mr. Yi Ming.

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 30, 2023 at which the Company's third quarterly report for 2023 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

Currency: RMB Unit: Yuan

	The third quarter of 2023	Increase/ decrease for the third quarter of 2023 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 (Yuan)	1,350,333,671.41	-17.49%	4,063,233,063.48	-24.69%
Net profit attributable to the shareholders of the listed company (Yuan)	19,820,280.08	-85.95%	143,170,121.26	-78.05%
Net profit attributable to the shareholders of the listed company, net of extraordinary profits and losses (Yuan)	5,738,544.66	-95.33%	85,350,300.20	-86.39%
Net cash flows from operating activities (Yuan)	-	-	-233,988,970.92	67.47%
Basic earnings per share (Yuan/share)	0.0135	-85.97%	0.0976	-78.04%
Diluted earnings per share (Yuan/share)	0.0135	-85.97%	0.0976	-78.04%
Weighted average return on net assets	0.16%	-0.98%	1.14%	-4.35%
	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 (Yuan)	20,120,561,011.47	20,814,206,782.52	-3.33%	
Owners' equity attributable to the shareholders of the listed company (Yuan)	12,406,158,857.12	12,310,918,546.22	0.77%	

(2) Items and Amounts of Extraordinary Profits and Losses
 Applicable Not Applicable

Currency: RMB Unit: Yuan

Items	Amounts from the third quarter of 2023	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)	-1,013,901.56	6,515,088.00	
Government grants through profit or loss (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)	8,613,365.42	20,383,283.61	
Except for the effective hedging business related to the normal business operations of the Company, the changes in fair value gains and losses arising from holding financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, as well as investment income from disposing financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and available-for-sale financial assets	10,643,479.20	38,283,673.36	Including gains and losses from changes in fair value of wealth management products, derivative financial assets, convertible bonds, equity investments and fund investments totaling RMB37,143,775.77, and investment income from wealth management products, equity investments and fund investments totaling RMB1,139,897.59 that were disposed of and acquired during the holding period
Other non-operating income and expenses apart from those stated above	-1,414,460.79	2,556,456.64	
Minus: Effect on income tax	2,737,235.91	9,865,080.55	
Effect on non-controlling interest (after tax)	9,510.94	53,600.00	
Total	14,081,735.42	57,819,821.06	—

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

1. Balance sheet items

Currency: RMB Unit: Yuan

Items	As at the end of the Reporting Period	As at the end of last year	Year-on-year increase/decrease	Reasons for changes
Financial assets at fair value through profit or loss	474,182,329.41	1,311,642,406.30	-63.85%	Decrease in balance was mainly due to the redemption of wealth management and interest during the Reporting Period
Contract assets	10,623,409.64	19,534,410.51	-45.62%	Mainly due to the decrease in contract assets of CDMO service during the Reporting Period
Other current assets	266,104,811.21	148,694,191.98	78.96%	Mainly due to the increase in deductible VAT during the Reporting Period
Investment in associates	666,685,804.22	989,386,329.32	-32.62%	Mainly due to the increase in investment loss recognized from investment in associates accounted for under the equity method during the Reporting Period
Other non-current assets	88,275,110.64	223,455,053.81	-60.50%	Mainly due to the recovery of the guarantee deposit when the bonds matured during the Reporting Period
Accounts payable	213,336,725.01	427,433,123.57	-50.09%	Mainly due to the decrease in procurement amounts during the Reporting Period
Short-term employee benefits	117,087,892.28	170,971,187.79	-31.52%	Mainly due to the payment of short-term employee benefits during the Reporting Period
Dividends payable	122,690,265.17	31,808,587.27	285.71%	Mainly due to the increase in shareholders' dividends during the Reporting Period
Bonds payable	-	496,497,087.43	-100.00%	Mainly due to the maturity and repayment of bonds during the Reporting Period
Other comprehensive income	226,528,230.35	125,522,718.53	80.47%	Mainly due to the fluctuations in exchange rates during the Reporting Period

2. Income statement items

Items	From the beginning of the year to the end of the Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Taxes and surcharges	12,802,583.40	9,205,121.29	39.08%	Mainly due to the impact of the increase in surtax during the Reporting Period
Finance costs	74,150,405.74	-53,515,004.12	238.56%	Mainly due to the decrease in foreign exchange gains during the Reporting Period
Other gains	20,383,283.61	32,719,975.34	-37.70%	Mainly due to the decrease in government grants during the Reporting Period
Gains/Losses from investments	-274,834,971.73	-81,921,282.69	-235.49%	Mainly due to the increase in investment loss recognized from investment in associates accounted for under the equity method during the Reporting Period
Gains/Losses on fair value changes	37,143,775.77	-14,746,578.38	351.88%	Mainly due to the year-on-year increase in gains on fair value changes of financial assets during the Reporting Period
Provision for impairment loss on financial assets	-3,097,694.49	-17,111,917.61	-81.90%	Mainly due to the decrease in provision for impairment loss on financial assets of accounts receivable and other receivables during the Reporting Period
Reversal of/ (Provision for) impairment losses on assets	5,551,276.16	-4,475,259.23	224.04%	Mainly due to the reversal of impairment losses on assets during the Reporting Period
Losses/Gains from disposal of assets	-549,392.43	777,184.39	-170.69%	Mainly due to the increase in loss from disposal of assets during the Reporting Period

Items	From the beginning of the year to the end of the Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Operating profit	178,819,355.74	841,914,322.53	-78.76%	Mainly due to the decrease in the gross profit, the increase in investment loss and the year-on-year decrease in exchange gain during the Reporting Period
Non-operating income	6,458,415.02	234,280.43	2,656.70%	Mainly due to the increase in insurance claims during the Reporting Period
Non-operating expense	4,102,908.74	1,053,241.59	289.55%	Mainly due to the increase in non-operating expense during the Reporting Period
Total profit	181,174,862.02	841,095,361.37	-78.46%	Please refer to the analysis of reasons for changes in operating profit
Income tax expense	39,289,379.06	191,031,762.00	-79.43%	Decrease in tax expense was mainly due to the decrease in operating profit during the Reporting Period
Net profit	141,885,482.96	650,063,599.37	-78.17%	Please refer to the analysis of reasons for changes in operating profit

3. Cash flow items

Items	From the beginning of the year to the end of the Reporting Period	Same period of last year	Year-on-year increase/decrease	Reasons for changes
Net cash flows from operating activities	-233,988,970.92	-719,281,089.84	67.47%	Mainly because of the year-on-year decrease in cash received from the sale of goods and rendering of services was significantly less than the year-on-year decrease in cash paid for the purchase of goods and services during the Reporting Period, and that net cash flows from operating activities showed a positive trend compared with the same period of last year
Net cash flows from investing activities	1,312,338,280.10	2,353,780.24	55,654.49%	Mainly due to an increase in redemptions of wealth management products during the Reporting Period
Net cash flows from financing activities	-672,098,505.03	970,216,608.77	-169.27%	Mainly due to a year-on-year decrease in maturity and repayment of the corporate bonds and net borrowing during the Reporting Period

BUSINESS REVIEW

During the Reporting Period, global economic growth remained sluggish, with inflationary pressures and geopolitical tensions continuing to cloud the global economic outlook. Although overall inflation has eased slightly, it remained above the historical average and the target interest rates currently announced by the central banks of the United States, Europe and the United Kingdom. Ongoing supply-side risks, including tight labor markets and fluctuating commodity prices, suggest that high inflation may persist for an extended period and is unlikely to fall quickly. Meanwhile, high interest rates and tight credit in major markets in Europe and the United States posed numerous challenges to growth. Amidst the relatively subdued global economy, China's macroeconomic performance has been on the upswing, recovering at a sustained pace since the beginning of the year. However, the recovery has been unevenly distributed across different industry sectors, resulting in corporate earnings falling short of expectations, increased pressure on youth employment, and a lack of consumer enthusiasm, causing the current market to hover between resilience and challenges.

Faced with macroeconomic environment and industry challenges, on one hand, the Group continues to strategically improve management efficiency, reallocate resources and reduce unnecessary expenses on one hand; on the other hand, the Group actively strengthens sales in its core areas, consolidates its market position in finished dose enoxaparin sodium pharmaceutical products and expands its market coverage in both overseas and domestic markets, and also intensifies its marketing efforts in APIs and CDMOs in order to develop new sales customers. In addition, the Group continues to deepen its presence in domestic and overseas markets and actively seek cooperation opportunities with third parties to ensure high-quality business development. However, during the Reporting Period, the Group continued to face disruptions caused by the delayed procurement from API customers, the impact of the post-pandemic normalization on CDMO business and the application of listing on the Hong Kong Stock Exchange by HighTide Therapeutics, Inc., an associate of the Company, which contributed to the further increase of net losses. Challenges in the API market resulted in a lower contribution from the Group's heparin API business compared to the same period of last year. The recovery of the CDMO business took time as we focused on increasing project reserves and milestone revenue conversion, which had a significant impact on the revenue front.

During the Reporting Period, the Group achieved sales revenue of RMB4,063.2 million (the same period of last year: RMB5,395.2 million) and gross profit of RMB1,342.6 million (the same period of last year: RMB1,740.6 million) with a gross profit margin of 33.0% (the same period of last year: 32.3%). During the Reporting Period, the Group recorded a net profit attributable to shareholders of the parent of RMB143.2 million (net profit of the same period of last year: RMB652.3 million).

Heparin Industrial Chain Business

During the Reporting Period, the Group upgraded and optimized its management and operation system under the operating principles of exploring markets for finished dose enoxaparin sodium pharmaceutical products in various regions, expanding into untapped channels, increasing our market coverage with strengthened cost control and efficiency to ensure the continued resilience of the Group's finished dose enoxaparin sodium pharmaceutical products business. During the Reporting Period, the Group expanded its sales in the PRC market by winning the bid first place in China's 8th national volume-based procurement, taking full advantage of the favorable market conditions and continuing to increase its domestic sales scale and market share. The European market is a key market for the Group's finished dose enoxaparin sodium pharmaceutical products business. During the Reporting Period, the Group's finished dose enoxaparin sodium pharmaceutical products continued to rank second in Europe in terms of sales scale. Through our own supply chain layout in Europe, we have, on one hand, given full play to our production advantages with reasonable profit margins; on the other hand, our self-operated sales team in Europe has also been proactively consolidating and expanding the existing markets and channels. We have focused on increasing market penetration, exploring untapped markets with strengthening marketing promotion efforts in various countries, closely tracking hospital tender opportunities and driving sales growth in uncovered areas, so as to further increase the market share and solidify our position in the European market. During the Reporting Period, Hepalink also further strengthened its sales presence in other markets. In terms of the U.S. market, the Group continued to collaborate with its U.S. partners to better utilize its established presence and sales advantages in the local market. At the same time, we are actively filling the market gaps by selling enoxaparin sodium and standard heparin finished doses products through our self-operated team, so as to expand our market coverage in the United States. In addition, we are working to commercialize Fosaprepitant Dimeglutide to better optimize our sales and product structure as well as enhance operational efficiency and synergies among products. Lastly, in the non-European and American overseas markets, we continued to strengthen communication with existing customers and actively seek opportunities to develop new markets in Asia, South America and other regions in order to achieve continuous expansion in the non-European and American overseas markets.

During the Reporting Period, the operating environment of the heparin API business remained severe. The downstream end of the channel of heparin APIs in certain regions continued to absorb the inventory. In addition, major customers of heparin APIs still maintained the strategy of delaying purchases, therefore, the overall demand for APIs and the shipment volume of the industry were weak, and the shipment volume of the heparin APIs industry in the PRC was under pressure, which had a significant impact on the Group. During the Reporting Period, the Group actively engaged with customers to provide supply solutions and promote sales. At the same time, we actively explored and expanded into incremental markets, diversified our marketing strategies and expanded our sales footprint to cope with the downward pressure on the industry.

CDMO BUSINESS

The Group's CDMO business continues to be driven by the synergies of the Group's wholly-owned subsidiaries Cytovance Biologics, Inc. and SPL Acquisition Corp. During the Reporting Period, the Group continued to strengthen cooperation with existing customers by exploring opportunities to extend service chain and tapping into the added value with the aim of building long-term relationships. At the same time, the Group dedicated efforts to expand our customer base by actively pursuing collaboration and project opportunities with small and medium-sized customers, diversifying our order structure. In addition, we have expanded our production capacity by integrating the research and development (R&D) resources and capacity allocation of the two platforms, aiming to enhance the quality and efficiency of the clinical trial process as well as the efficiency of resource allocation and management, thereby supporting the future business landscape.

OUTLOOK

As set out in the first quarterly and interim report of 2023, the Group continued to adjust its business strategies with prudent resource allocation in light of the different development potentials and operating conditions of each major business. Leveraging on its own strengths, the Group integrated the supply chain and production streamlining management to enhance its competitiveness, consolidated its market share, and promoted the development of channels and customers. In the finished dose pharmaceutical products business, the Group paid close attention to the changes in demand in different regions and markets and adjusted its operations accordingly. Focusing on its core markets with optimization of our presence and positioning in Europe and the United States, the Group consolidated and increased its domestic and overseas market shares to strengthen its advantages in its core markets. The Group also built up its core competence in finished dose enoxaparin sodium pharmaceutical products in the PRC and monitored the progress of sales in other regions. Meanwhile, we will strengthen the sales layout and promotion of new products. The Group will maintain product platforms, supply chain platforms and development models that surpass industry benchmarks, focusing on enhancing the Company's organizational capabilities across the entire value chain to increase the scale of its business. In respect of the API business, the Group adhered to a prudent business strategy and established strategic directions. We are fully committed to strengthening the advantages of its API business to support customer demands, actively exploring and expanding the incremental markets. Through structural and balanced adjustments, we have managed the challenges posed by a downturn in the industry, ensuring the overall stability of our operations. In terms of CDMO, we are actively expanding our customer and project portfolio, and engaging with customers from the early stages of development to participate in the R&D of projects to fill the gaps in production capacity, in order to accelerate the release of business value. The Group continues to strengthen refined management and integrates refined concepts into every department, entire process and every aspect of its operations and management. Sort out the allocation efficiency of key business areas, capital liquidity, information management and other key links to better strengthen resource management and control; firmly establish cost control awareness, improve the level of precise accounting, and continue to promote upgrading to improve quality and efficiency. At the same time, we continue to actively explore new opportunities, build differentiated competitive advantages, continue to achieve high-quality and stable development, and consolidate Hepalink's market position as a global pharmaceutical company.

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		27,307		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			
Xiamen Jintiantu Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	27.81%	408,041,280	0			
HKSCC NOMINEES LIMITED ^(Note 1)	Foreign legal person	15.00%	220,035,480	0			
Xiamen Shuidi Shichuan Investment Partnership (Limited Partnership)	Domestic non-state-owned legal person	3.16%	46,425,600	0			
Xiamen Feilaishi Investment Co., Ltd.	Domestic non-state-owned legal person	2.75%	40,320,000	0			
Hong Kong Securities Clearing Company Limited	Foreign legal person	1.39%	20,342,133	0			
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme II	Others	1.03%	15,118,035	0			
Lu Yang	Domestic natural person	0.38%	5,539,800	0			
Huang Quanwei	Domestic natural person	0.28%	4,086,065	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
Xiamen Jintiantu Investment Partnership (Limited Partnership)	408,041,280	RMB ordinary shares	408,041,280
HKSCC NOMINEES LIMITED ^(Note 1)	220,035,480	Overseas listed foreign shares	220,035,480
Xiamen Shuidi Shichuan Investment Partnership (Limited Partnership)	46,425,600	RMB ordinary shares	46,425,600
Xiamen Feilaishi Investment Co., Ltd.	40,320,000	RMB ordinary shares	40,320,000
Hong Kong Securities Clearing Company Limited	20,342,133	RMB ordinary shares	20,342,133
Shenzhen Hepalink Pharmaceutical Co., Ltd. — Employee Share Scheme II	15,118,035	RMB ordinary shares	15,118,035
Lu Yang	5,539,800	RMB ordinary shares	5,539,800
Huang Quanwei	4,086,065	RMB ordinary shares	4,086,065
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 Xiamen Jintiantu Investment Partnership (Limited Partnership) are Li Li and Li Tan, the shareholder of Xiamen Feilaishi Investment Co., Ltd. is Li Li, and the partners of Xiamen Shuidi Shichuan 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. Lu Yang held 530,000 shares of the Company through client account of collateral securities for margin trading at China CICC Wealth Management Securities Company Limited, accounting for 0.04% 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.

September 30, 2023

Currency: RMB Unit: Yuan

Items	September 30, 2023	January 1, 2023
Current assets:		
Cash and bank	1,791,292,771.63	2,138,779,146.48
Provision of settlement fund		—
Placements with banks and other financial institutions		—
Financial assets at fair value through profit or loss	474,182,329.41	1,311,642,406.30
Derivative financial assets	—	—
Bills receivable	6,208,009.76	8,118,247.83
Accounts receivable	1,241,350,011.62	1,598,311,315.68
Receivables financing	—	—
Prepayments	153,083,541.29	185,836,532.00
Premiums receivable		—
Reinsurance accounts receivable		—
Reinsurance contract reserves receivable		—
Other receivables	110,912,922.00	134,824,645.65
Including: Interests receivable	—	—
Dividends receivable	—	—

Items	September 30, 2023	January 1, 2023
Financial assets held under resale agreements		–
Inventories	7,805,326,066.17	6,843,906,474.31
Contract assets	10,623,409.64	19,534,410.51
Assets held for sale		
Non-current assets due within one year		
Other current assets	266,104,811.21	148,694,191.98
Total current assets	11,859,083,872.73	12,389,647,370.74
Non-current assets:		
Loans and advances to customers		
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	1,070,390.11	1,495,069.97
Investment in associates	666,685,804.22	989,386,329.32
Equity investment designated at fair value through other comprehensive income	515,024,324.71	507,145,758.77
Other non-current financial assets	1,054,981,140.44	967,575,617.72
Investment properties	–	–
Fixed assets	2,150,962,742.89	1,947,059,377.79
Construction in progress	352,770,797.25	394,534,161.30
Biological assets for production	–	–
Oil and gas assets	–	–
Right-of-use assets	118,796,156.63	135,695,815.02
Intangible assets	490,667,506.89	522,865,927.96
Development costs	53,090,539.67	48,789,704.57
Goodwill	2,423,635,646.83	2,350,992,064.67
Long-term prepaid expenses	190,843,267.93	195,915,855.64
Deferred income tax assets	154,763,710.53	169,945,708.90
Other non-current assets	88,275,110.64	223,455,053.81
Total non-current assets	8,261,477,138.74	8,454,856,445.44
Total assets	20,120,561,011.47	20,844,503,816.18

Items	September 30, 2023	January 1, 2023
Current liabilities:		
Short-term borrowings	1,820,787,926.49	2,385,309,303.58
Borrowing from the central bank		
Placements from banks and other financial institutions		
Financial liabilities at fair value through profit or loss	–	–
Derivative financial liabilities	–	–
Bills payable	34,670,511.89	–
Accounts payable	213,336,725.01	427,433,123.57
Receipts in advance	–	–
Contract liabilities	403,990,704.82	433,883,653.20
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		
Short-term employee benefits	117,087,892.28	170,971,187.79
Taxes payable	127,715,875.39	141,769,864.18
Other payables	398,847,341.16	345,264,416.74
Including: Interests payable	–	–
Dividends payable	122,690,265.17	31,808,587.27
Fees and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	1,880,754,618.38	1,671,164,751.97
Other current liabilities	–	–
Total current liabilities	4,997,191,595.42	5,575,796,301.03
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings	2,116,802,507.02	1,800,182,823.09
Bonds payable	–	496,497,087.43
Including: Preferred shares	–	–
Perpetual bonds	–	–

Items	September 30, 2023	January 1, 2023
Lease liabilities	92,624,776.83	110,748,616.71
Long-term payables	395,725.24	353,785.60
Long-term employee benefits	40,293,108.90	51,937,985.50
Contingent liability	9,876,817.34	9,580,779.70
Deferred income	29,751,781.75	32,546,907.77
Deferred income tax liabilities	334,582,068.96	357,390,393.59
Other non-current liabilities	–	–
Total non-current liabilities	2,624,326,786.04	2,859,238,379.39
Total liabilities	7,621,518,381.46	8,435,034,680.42
Owners' equity:		
Share capital	1,467,296,204.00	1,467,296,204.00
Other equity instruments	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Capital reserves	5,854,583,773.47	5,858,616,276.96
Less: Treasury stock	–	–
Other comprehensive income	226,528,230.35	125,522,718.53
Special reserves		–
Surplus reserves	545,376,458.31	545,376,458.31
Provision for general risks		–
Retained earning	4,312,374,190.99	4,315,933,690.13
Total equity attributable to owners of the parent company	12,406,158,857.12	12,312,745,347.93
Non-controlling interest	92,883,772.89	96,723,787.83
Total owners' equity	12,499,042,630.01	12,409,469,135.76
Total liabilities and owners' equity	20,120,561,011.47	20,844,503,816.18

Legal representative:
Li Li

Person in charge of
accounting function:
Chen Juan

Person in charge of
accounting department:
Chen Juan

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	4,063,233,063.48	5,395,177,444.06
Including: Operating revenue	4,063,233,063.48	5,395,177,444.06
Interest income		
Insurance premiums earned		
Fee and commission income		
II. Total operating costs	3,669,009,984.63	4,468,505,243.35
Including: Operating costs	2,720,675,046.08	3,654,541,872.16
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	12,802,583.40	9,205,121.29
Selling expenses	402,920,606.39	369,120,331.69
Administration expenses	306,237,517.82	322,559,393.67
Research and development expenses	152,223,825.20	166,593,528.66
Finance costs	74,150,405.74	-53,515,004.12
Including: Interest expenses	172,185,286.54	168,243,833.81
Interest income	34,032,251.07	40,909,565.34
Add: Other gains	20,383,283.61	32,719,975.34
Gain from investments (losses are represented by “-”)	-274,834,971.73	-81,921,282.69
Including: Investment income of associates and joint ventures	-283,240,300.17	-83,386,807.18
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 “-”)	37,143,775.77	-14,746,578.38
Provision for impairment loss on financial assets (losses are represented by “-”)	-3,097,694.49	-17,111,917.61
Reversal of/(Provision for) impairment losses on assets (losses are represented by “-”)	5,551,276.16	-4,475,259.23
Gains from disposal of assets (losses are represented by “-”)	-549,392.43	777,184.39
III. Operating profit (losses are represented by “-”)	178,819,355.74	841,914,322.53
Add: Non-operating income	6,458,415.02	234,280.43
Less: Non-operating expenses	4,102,908.74	1,053,241.59
IV. Total profit (total losses are represented by “-”)	181,174,862.02	841,095,361.37
Less: Income tax expense	39,289,379.06	191,031,762.00
V. Net profit (net losses are represented by “-”)	141,885,482.96	650,063,599.37
(I) Classification by continuous operation		
1. Net profit from continuous operations (net losses are represented by “-”)	141,885,482.96	650,063,599.37
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 “-”)	143,170,121.26	652,257,852.66
2. Profit or loss attributable to non-controlling interests (net losses are represented by “-”)	-1,284,638.30	-2,194,253.29
VI. Other comprehensive income, net of tax	101,092,675.13	377,190,878.62
Other comprehensive income attributable to owners of the parent company, net of tax	101,005,511.82	375,819,150.60
(I) Other comprehensive income that cannot be reclassified into the profit or loss	-3,008,947.26	49,442,159.49
1. Changes arising from re-measurement of defined benefit plans	2,251,161.67	56,813,153.88
2. Other comprehensive income that cannot be transferred into profit or loss under equity method	-	-

Items	Amount for current period	Amount for previous period
3. Changes in fair value of equity investment designated at fair value through other comprehensive income	-5,260,108.93	-7,370,994.39
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	104,014,459.08	326,376,991.11
1. Other comprehensive income that can be transferred into profit or loss under equity method	180,002.99	14,161,222.65
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	103,834,456.09	312,215,768.46
7. Others		
Other comprehensive income attributable to non-controlling interests, net of tax	87,163.31	1,371,728.02
VII. Total comprehensive income	242,978,158.09	1,027,254,477.99
(I) Total comprehensive income attributable to owners of the parent company	244,175,633.08	1,028,077,003.26
(II) Total comprehensive income attributable to non-controlling interests	-1,197,474.99	-822,525.27
VIII. Earnings per share:		
(I) Basic earnings per share	0.0976	0.4445
(II) Diluted earnings per share	0.0976	0.4445

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:
Chen Juan

Person in charge of
accounting department:
Chen Juan

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	4,603,550,675.54	5,636,346,156.36
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	206,974,609.19	375,424,510.04
Cash received from other related operating activities	47,790,265.82	72,009,536.97
Sub-total of cash inflows from operating activities	4,858,315,550.55	6,083,780,203.37
Cash paid on purchase of goods and services	3,633,091,884.41	5,322,980,702.09
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		
Cash paid to and on behalf of employees	673,352,520.02	717,088,081.77
Cash paid for all types of taxes	210,215,294.50	211,193,118.23
Cash paid to other operation related activities	575,644,822.54	551,799,391.12
Sub-total of cash outflows from operating activities	5,092,304,521.47	6,803,061,293.21
Net cash flows from operating activities	-233,988,970.92	-719,281,089.84

Items	Amount for current period	Amount for previous period
II. Cash flows from investment activities:		
Cash received from disposal of investments	1,494,880,389.45	2,470,118,418.02
Cash received from investment income	32,344,822.97	93,980,404.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,323,756.31	151,844.45
Net cash received from disposal of subsidiaries and other operating entities	–	–
Cash received from other investment related activities	771,783,056.20	2,020,354,688.99
Sub-total of cash inflows from investing activities	2,301,332,024.93	4,584,605,355.61
Cash paid on purchase of fixed assets, intangible assets and other long-term assets	274,837,032.45	162,563,223.26
Cash paid for investments	683,038,740.26	2,749,695,820.61
Net increase in secured loans		
Net cash paid on acquisition of subsidiaries and other operating entities	–	–
Cash paid on other investment related activities	31,117,972.12	1,669,992,531.50
Sub-total of cash outflows from investing activities	988,993,744.83	4,582,251,575.37
Net cash flows from investing activities	1,312,338,280.10	2,353,780.24
III. Cash flows from financing activities:		
Cash received from capital contributions	–	–
Including: Cash received from capital contributions by non-controlling interests of subsidiaries	–	–
Cash received from borrowings	3,557,251,571.62	4,928,822,097.65
Cash received from other financing related activities	150,342,810.61	10,997,692.25
Sub-total of cash inflows from financing activities	3,707,594,382.23	4,939,819,789.90
Cash paid on repayment of borrowings	4,097,326,290.58	3,627,473,860.07
Cash paid on distribution of dividends, profits or interest expenses	250,602,018.90	209,613,269.79
Including: Dividend and profit paid to non-controlling interests by subsidiaries	–	–
Cash paid on other financing related activities	31,764,577.78	132,516,051.27
Sub-total of cash outflows from financing activities	4,379,692,887.26	3,969,603,181.13
Net cash flows from financing activities	-672,098,505.03	970,216,608.77
IV. Effect of fluctuations in exchange rates on cash and cash equivalents	31,821,093.12	10,585,080.37
V. Net increase in cash and cash equivalents	438,071,897.27	263,874,379.54
Add: Balance of cash and cash equivalents at the beginning of the period	1,319,707,185.95	1,479,633,434.04
VI. Balance of cash and cash equivalents at the end of the period	1,757,779,083.22	1,743,507,813.58

(2) **Adjustments to the opening financial statements of the year of initial implementation of the new accounting standards for the first time from 2023 onwards**

Applicable Not Applicable

Description of Adjustments

The interpretation for Accounting Standards and Accounting Regulations for Business Enterprises 16 “Accounting for deferred income tax relating to assets and liabilities arising from a single transaction not subject to the initial recognition exemption” in relation to the financial statements at the beginning of the year effective from January 1, 2023:

Consolidated Balance Sheet

Currency: RMB Unit: Yuan

Items	September 30, 2023	January 1, 2023	Adjustments	December 31, 2022
Current assets:				
Cash and bank	1,791,292,771.63	2,138,779,146.48		2,138,779,146.48
Provision of settlement fund				
Placements with banks and other financial institutions				
Financial assets at fair value through profit or loss	474,182,329.41	1,311,642,406.30		1,311,642,406.30
Derivative financial assets				
Bills receivable	6,208,009.76	8,118,247.83		8,118,247.83
Accounts receivable	1,241,350,011.62	1,598,311,315.68		1,598,311,315.68
Receivables financing				
Prepayments	153,083,541.29	185,836,532.00		185,836,532.00
Premiums receivable				
Reinsurance accounts receivable				
Reinsurance contract reserves receivable				
Other receivables	110,912,922.00	134,824,645.65		134,824,645.65

Items	September 30, 2023	January 1, 2023	Adjustments	December 31, 2022
Including: Interests receivable				
Dividends receivable				
Financial assets held under resale agreements				
Inventories	7,805,326,066.17	6,843,906,474.31		6,843,906,474.31
Contract assets	10,623,409.64	19,534,410.51		19,534,410.51
Assets held for sale				
Non-current assets due within one year				
Other current assets	266,104,811.21	148,694,191.98		148,694,191.98
Total current assets	11,859,083,872.73	12,389,647,370.74		12,389,647,370.74
Non-current assets:				
Loans and advances to customers				
Debt investments				
Other debt investments				
Long-term receivables	1,070,390.11	1,495,069.97		1,495,069.97
Investment in associates	666,685,804.22	989,386,329.32		989,386,329.32
Equity investment designated at fair value through other comprehensive income	515,024,324.71	507,145,758.77		507,145,758.77
Other non-current financial assets	1,054,981,140.44	967,575,617.72		967,575,617.72
Investment properties				
Fixed assets	2,150,962,742.89	1,947,059,377.79		1,947,059,377.79
Construction in progress	352,770,797.25	394,534,161.30		394,534,161.30
Biological assets for production				
Oil and gas assets				
Right-of-use assets	118,796,156.63	135,695,815.02		135,695,815.02
Intangible assets	490,667,506.89	522,865,927.96		522,865,927.96
Development costs	53,090,539.67	48,789,704.57		48,789,704.57
Goodwill	2,423,635,646.83	2,350,992,064.67		2,350,992,064.67
Long-term prepaid expenses	190,843,267.93	195,915,855.64		195,915,855.64
Deferred income tax assets	154,673,710.53	169,945,708.90	30,297,033.66	139,648,675.24
Other non-current assets	88,275,110.64	223,455,053.81		223,455,053.81
Total non-current assets	8,261,477,138.74	8,454,856,445.44	30,297,033.66	8,424,559,411.78
Total assets	20,120,561,011.47	20,844,503,816.18	30,297,033.66	20,814,206,782.52

Items	September 30, 2023	January 1, 2023	Adjustments	December 31, 2022
Current liabilities:				
Short-term borrowings	1,820,787,926.49	2,385,309,303.58		2,385,309,303.58
Borrowing from the central bank				
Placements from banks and other financial institutions				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities				
Bills payable	34,670,511.89			
Accounts payable	213,336,725.01	427,433,123.57		427,433,123.57
Receipts in advance				
Contract liabilities	403,990,704.82	433,883,653.20		433,883,653.20
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				
Short-term employee benefits	117,087,892.28	170,971,187.79		170,971,187.79
Taxes payable	127,715,875.39	141,769,864.18		141,769,864.18
Other payables	398,847,341.16	345,264,416.74		345,264,416.74
Including: Interests payable				
Dividends payable	122,690,265.17	31,808,587.27		31,808,587.27
Fees and commissions payable				
Reinsurance accounts payable				
Liabilities held for sale				
Non-current liabilities due within one year	1,880,754,618.38	1,671,164,751.97		1,671,164,751.97

Items	September 30, 2023	January 1, 2023	Adjustments	December 31, 2022
Other current liabilities				
Total current liabilities	4,997,191,595.42	5,575,796,301.03		5,575,796,301.03
Non-current liabilities:				
Provision for insurance contracts				
Long-term borrowings	2,116,802,507.02	1,800,182,823.09		1,800,182,823.09
Bonds payable		496,497,087.43		496,497,087.43
Including: Preferred shares				
Perpetual bonds				
Lease liabilities	92,624,776.83	110,748,616.71		110,748,616.71
Long-term payables	395,725.24	353,785.60		353,785.60
Long-term employee benefits	40,293,108.90	51,937,985.50		51,937,985.50
Contingent liability	9,876,817.34	9,580,779.70		9,580,779.70
Deferred income	29,751,781.75	32,546,907.77		32,546,907.77
Deferred income tax liabilities	334,582,068.96	357,390,393.59	28,470,231.95	328,920,161.64
Other non-current liabilities				
Total non-current liabilities	2,624,326,786.04	2,859,238,379.39	28,470,231.95	2,830,768,147.44
Total liabilities	7,621,518,381.46	8,435,034,680.42	28,470,231.95	8,406,564,448.47
Owners' equity:				
Share capital	1,467,296,204.00	1,467,296,204.00		1,467,296,204.00
Other equity instruments				
Including: Preferred shares				
Perpetual bonds				
Capital reserves	5,854,583,773.47	5,858,616,276.96		5,858,616,276.96
Less: Treasury stock				
Other comprehensive income	226,528,230.35	125,522,718.53		125,522,718.53

Items	September 30, 2023	January 1, 2023	Adjustments	December 31, 2022
Special reserves				
Surplus reserves	545,376,458.31	545,376,458.31		545,376,458.31
Provision for general risks				
Retained earning	4,312,374,190.99	4,315,933,690.13	1,826,801.71	4,314,106,888.42
Total equity attributable to owners of the parent company	12,406,158,857.12	12,312,745,347.93	1,826,801.71	12,310,918,546.22
Non-controlling interest	92,883,772.89	96,723,787.83		96,723,787.83
Total owners' equity	12,499,042,630.01	12,409,469,135.76	1,826,801.71	12,407,642,334.05
Total liabilities and owners' equity	20,120,561,011.47	20,844,503,816.18	30,297,033.66	20,814,206,782.52

(3) 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.

October 30, 2023