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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board of directors (the "Board") of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the "Company" or "Hepalink") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group", "we", "our" or "us") for the six months ended June 30, 2024 (the "Reporting Period"), together with comparative figures for the same period in 2023.

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2024, the Group recorded the following unaudited results:

	For the six months ended June 30,		
	2024	2023	% Changes
	RMB'000	RMB'000	
Revenue	2,828,657	2,706,246	4.5%
Gross profit	999,274	958,958	4.2%
Gross profit margin (%)	35.3%	35.4%	NA
Profit attributable to equity holders of the parent	663,684	123,349	438.1%
Cash and cash equivalents	2,202,718	1,765,645	24.8%
Asset-liability Ratio	34.3%	37.6%	NA
Net cash flows generated from/(used in) operating activities	1,294,842	(542,752)	NA

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

		Six months ended June 30,	
		2024	2023
	Notes	RMB'000 (unaudited)	RMB'000 (unaudited)
REVENUE	4	2,828,657	2,706,246
Cost of sales		<u>(1,829,383)</u>	<u>(1,747,288)</u>
Gross profit		999,274	958,958
Other income and gains	5	406,625	206,541
Selling and distribution expenses		(191,911)	(310,492)
Administrative expenses		(279,610)	(322,303)
Reversal of impairment/(impairment losses) on financial assets		11,446	(4,222)
Other expenses		(15,906)	(2,238)
Finance costs	6	(84,504)	(126,230)
Share of losses of associates		(77,765)	(232,286)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>662,836</u>	<u>122,366</u>
OTHER COMPREHENSIVE INCOME		

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024

	Notes	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,648,093	2,628,121
Right-of-use assets		203,977	220,883
Goodwill		2,336,835	2,322,375
Other intangible assets		366,955	389,423
Long-term equity investments		508,835	1,004,046
Financial assets at fair value through other comprehensive income – Non-current		606,221	503,565
Financial assets at fair value through profit or loss		817,111	1,006,367
Deferred tax assets		259,425	320,503
Other non-current assets		117,400	203,865
Bank time deposits – Non-current		107,022	–
Total non-current assets		<u>7,971,874</u>	<u>8,599,148</u>
CURRENT ASSETS			
Inventories		6,022,241	6,654,111
Account receivables	11	1,314,094	1,263,584
Contract assets		11,015	10,947
Prepayments and other receivables		648,765	364,429
Due from related parties outside the Group		45,653	45,371
Financial assets at fair value through profit or loss – Current		332,872	414,184
Derivative financial instruments		548	–
Pledged deposits		2,280	80
Time deposits		21,450	85,918
Cash and cash equivalents		<u>2,202,718</u>	<u>1,765,645</u>
Total current assets		<u>10,601,636</u>	<u>10,604,269</u>
Total assets		<u>18,573,510</u>	<u>19,203,417</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Founded in Shenzhen in 1998, Hepalink is a leading multinational pharmaceutical company with A+H dual financing platform. Our main business includes the investment, development and commercialization of the heparin industry chain, bio-macromolecule Contract Development and Manufacturing Organization (“CDMO”) and innovative drugs. The Group’s three business segments are synergistic and driven by unmet clinical needs; committing to providing high quality, safe and effective drugs and services for global patients to protect their health.

The Group’s businesses cover the manufacture and sales of pharmaceutical products, development of CDMO services and innovative drugs. Our sales of pharmaceutical products consist of (i) finished dose pharmaceutical products, which mainly include enoxaparin sodium injection; (ii) active pharmaceutical ingredients (“API”) products, which mainly include heparin sodium API and enoxaparin sodium API; and (iii) other products, which mainly include pancreatin API. In the field of heparin industry chain, Hepalink is one of the leaders in the industry and market. The finished dose enoxaparin sodium pharmaceutical products of the Group are currently sold in more than 40 countries worldwide. Since the approval of finished dose enoxaparin sodium pharmaceutical product by European Medicines Agency (“EMA”) through the Centralized Procedure (CP) in 2016, relying on excellent product quality and stable efficacy, the Group leads among domestic companies in the industry; and as the finished dose enoxaparin sodium pharmaceutical product obtained the consistency evaluation on generic drug quality and efficacy from National Medical Products Administration of China in October 2020, the Group is the first evaluation-passed supplier of finished dose enoxaparin sodium pharmaceutical products.

We operate a CDMO business providing research and development (“R&D”), manufacturing, quality management and program management services, through our wholly-owned subsidiaries Cytovance Biologics, Inc. (“Cytovance”), which specializes in the development and manufacture of recombinant pharmaceutical products and critical non-viral vectors and intermediates for gene therapy, and SPL Acquisition Corp. (“SPL”), which provides services in the development and manufacture of naturally derived pharmaceutical products.

The Group has obtained exclusive development and commercial rights in the People’s Republic of China (the “PRC”) for certain clinical stage innovative drug candidates which are being developed for the treatment of diseases with an immune system axis. We are also developing a self-discovered proprietary drug candidate which is currently at preclinical stage.

Industry Review

In 2024, global economic activities operated in anticipation of a slowdown, with economic foundations becoming more stable. However, inflation trends in the United States and Europe and different countries' monetary policies have progressed at different pace, which has led to differences in economic performance across regions. In the first quarter, world economic activity gradually stabilized, showing momentum for continued growth. According to data from the World Bank, the global composite Purchasing Managers' Index (PMI) rose above 50 in November 2023 and above 52 in February and March 2024. Manufacturing continued to strengthen since January 2024, while the service sector was even more robust, with the PMI for the global service sector continuing to rise, reflecting regional expansion in the vast majority of the world's major economies. According to the forecast of the Organization for Economic Cooperation and Development (OECD), the economies of the Group of Twenty (G20) recorded a 0.9% period-on-period increase and a year-on-year increase of over 3% in the first quarter of 2024. A figure that reflects the overall picture of the world economy as G20 encompasses more than 80% of the world's economies. In the second quarter of 2024, the world economy maintained its buoyant momentum, but there was some divergence in the manufacturing sector, with developing countries maintaining strong growth, while developed countries slowing down overall. The Global Composite PMI rose to 52.4 in April 2024 and 53.7 in May, signaling a continued strengthening of business confidence. Global service sector PMIs improved further, while manufacturing PMIs declined. Developed country PMIs began to turn downwards in April 2024, with manufacturing PMIs in Europe and the US in contractionary territory at around 49 in May 2024. Economic activities in emerging markets were robust, with the PMIs for new orders manufacturing continuing to rise to 53.3, its highest level since December 2020. In the first half of 2024, China's economy showed resilience. In the first quarter, the national GDP grew by 5.3% year-on-year, exceeding market expectations. The economic recovery continued in the second quarter, with positive economic data and tourism indicators. Industrial production grew steadily year-to-date and exports returned to positive territory.

During the Reporting Period, the operating environment of the heparin industry chain improved slightly as compared to the same period of last year. The Group was determined to promote globalization development, actively implement a strategy for its brand to go global and leverage the advantages of its domestic and overseas marketing network. The heparin finished doses business displayed a promising trend, with sales volume of finished dose enoxaparin sodium pharmaceutical products in both overseas and domestic markets maintaining growth and the global market share further increasing. The demand in the API market improved as compared with the same period of last year, which was driven by the end market. The Group insisted on the premise of product quality and competitiveness and made great efforts to uphold the pricing system, and achieved certain results. During the Reporting Period, the average selling price of the Group's products was higher than the overall average export price, and the sales volume increased by over 40% year-on-year. Coupled with factors such as significant cost reductions, the overall performance of the API business was favorable. During the Reporting Period, through the two-pronged strategy of finished doses and APIs, the Group focused on its high quality positioning to consolidate its advantages in overseas markets. On the other hand, we have actively strengthened our commercial and operational capabilities in the United States and Europe to further increase our global market share. The CDMO business continued its recovery from last year, and the Group's CDMO business achieved higher growth in revenue and profit during the Reporting Period. The Group closely scrutinized its investment strategy and flexibly adjusted its investment portfolio and investment ratio during the Reporting Period. By adjusting its investment strategy, the Group was able to focus more on the development of its core business and continue to optimize its asset portfolio and rate of return, thereby enhancing corporate efficiency and creating more value for shareholders. During the Reporting Period, the Group has completed the reduction of part of its shareholding in an associate, HighTide Therapeutics, Inc. ("HighTide"), in order to steadily advance its investment strategy. During the Reporting Period, the Group adjusted the proportion of its shareholding in HighTide to realize investment returns, and to minimize the uncertainties of non-primary businesses. During the Reporting Period, the adjustments to the investment strategy resulted in an investment gain of RMB272.0 million for the Group, which has been recognized as non-recurring profit or loss. During the Reporting Period, the Group attached great attention to financial stability, proactively managed the coordination and allocation of funds, continuously improved the capital and debt structure, and strengthened the control of costs and expenses, with a view to balancing the financial risks and reducing the cost of capital. The Group achieved a net operating cash inflow of RMB1,294.8 million during the Reporting Period, representing an increase of 338.6% year-on-year.

During the Reporting Period, the Group achieved sales revenue of RMB2,828.7 million (the same period of last year: RMB2,706.2 million), representing a year-on-year increase of 4.5% and gross profit of RMB999.3 million (the same period of last year: RMB959.0 million), representing an increase of 4.2%. Gross profit margin was 35.3% (the same period of last year: 35.4%). During the Reporting Period, the Group recorded a net profit attributable to shareholders of the parent company of RMB663.7 million (the same period of last year: RMB123.3 million).

Sales

The Group mainly operates three main business segments, including (i) heparin industrial chain business; (ii) CDMO business; and (iii) innovative drugs and innovative business.

Heparin Industrial Chain Business

During the Reporting Period, the Group's heparin industrial chain business achieved sales revenue of RMB2,245.3 million (the same period of last year: RMB2,289.5 million).

During the Reporting Period, the Group remained stable in sales of finished dose pharmaceutical products, achieving sales revenue of RMB1,453.5 million (the same period of last year: RMB1,547.3 million). Gross profit was RMB494.8 million (the same period of last year: RMB706.9 million), with gross profit margin of 34.0% (the same period of last year: 45.7%), which was mainly due to the structural impact of the centralized drug procurement in the PRC during the Reporting Period. In the first half of 2024, the sales volume of the Group's products in the PRC market increased significantly as we won the bidding for centralized drug procurement, but the price of centralized drug procurement had a significant downward adjustment as compared with the selling price for the same period in the first half of 2023, which resulted in a relatively large impact on the overall gross profit and gross profit margin of the finished dose pharmaceutical products business.

The European market remained a key area for our finished dose enoxaparin sodium pharmaceutical products business in the Reporting Period. Our products' sales volume ranked second in market share in this region. The Group's self-operated sales team in Europe continued to consolidate its existing market share and actively explore untapped markets in Europe during the Reporting Period. The team continued to strengthen market expansion efforts and closely followed up on tenders in various countries, striving to achieve breakthrough in uncovered markets with deeper and wider development, thereby further increasing market share and consolidating our market position in Europe. During the Reporting Period, the Group succeeded in making breakthroughs in certain regions in Europe, securing new orders and commencing supply of such in the fourth quarter of 2024.

In terms of the United States market, the Group's impressive growth in sales revenue during the Reporting Period mainly benefitted from the Group's two-pronged engines of self-operation and agency in the U.S., which added growth momentum to the stable sales revenue base. During the Reporting Period, our self-operated team in the U.S. made great efforts to fill the market gap through the construction of its own sales network on one hand, and effectively promoted the sales growth of finished dose enoxaparin sodium pharmaceutical products and standard heparin finished doses on the other. The Group's U.S. self-operated sales team has established partnerships with various healthcare systems and distributors to initiate supply to drive growth in the U.S. business. In addition, we are working to commercialize Fosaprepitant Dimeglutide in the U.S. market. The Group will leverage our self-operated sales resources and platforms to enhance synergies and create new sources of income.

In terms of the PRC market, the Group continued to maintain sales growth through the national centralized drug procurement platform with double-digit growth in sales volume, however, the price restrictions of centralized drug procurement had a greater impact on sales revenue and gross profit in the PRC. During the Reporting Period, we leveraged the advantage of centralized drug procurement to continually increase our market share in China. Additionally, we actively filled market gaps and accelerated the pace of the Group's expansion in the Chinese market through the marketing efforts of our self-operated sales team.

The non-European and American overseas markets have recovered in an orderly manner, with markets and channels gradually being reorganized and orders being made. The Group's non-European and American overseas markets experienced significant sales growth during the Reporting Period, with sales volume doubling. During the Reporting Period, the Group actively explored other new markets, and further strengthened our market access and registration work, so as to increase the number of countries where our products are sold. The Group continued to actively explore sales channels, closely keep track of the bidding process, seek cooperation with local sales partners, and supplement our operations through multi-channel collaboration to promote market development and marketing. We will continue to strengthen our communication with existing customers and actively seek opportunities to explore new markets in Asia, South America, and other regions to boost non-European and American overseas markets. During the Reporting Period, the Group obtained market access to Thailand and New Zealand, which is favorable to further expand the Group's overseas market coverage.

The Group's sales revenue from its API business during the Reporting Period amounted to approximately RMB747.6 million (the same period of last year: RMB698.1 million), representing a year-on-year increase of 7.1% in revenue, while sales volume increased by over 40% year-on-year, and gross profit margin was 41.7%, representing a year-on-year increase of 17 percentage points. During the Reporting Period, demand for APIs rebounded, but overall raw material prices fell sharply year-on-year, and the market became more competitive and showed a developing trend of price wars, which caused API selling prices to remain at a low level during the Reporting Period. Faced with challenges posed by market competition, the Group has responded calmly and tackled difficulties amid market impacts, adhering to the strategy of building quality and brand with products. While maintaining the pricing system, the Group focused on mature regulated markets and has successfully secured orders from high-quality overseas customers. The Group's API business has recorded a significant improvement in terms of revenue, sales volume and gross profit during the Reporting Period. The Group will continue to promote diversified marketing strategies and broaden its sales territory in order to expand its sales to overcome the current challenges.

CDMO Business

During the Reporting Period, the sales revenue of CDMO business was approximately RMB560.4 million (the same period of last year: RMB395.4 million) while the gross profit margin rebounded to 31.2% (the same period of last year: 18.3%). The Group's CDMO business continued its recovery from last year. During the Reporting Period, the Group continued to consolidate and deepen its strategic partnerships with existing customers, actively explored the development of new customer bases, and consolidated internal resources to build up diversified commercial capabilities, contributing to the increase in profitability of the CDMO business. The Group's CDMO business continues to be driven by its wholly-owned subsidiaries, Cytovance and SPL, creating synergies. During the Reporting Period, the Group actively integrated the R&D resources and capacity allocation of the two platforms, and invested more holistically in the drug development process to help customers complete their projects faster and better, increasing customer retention rate and deepening and broadening cooperation. During the Reporting Period, the Group actively enhanced the marketing efforts of the two subsidiaries, engaged in acquisition and business development activities for potential front-end customers, explored both new business and customers, accumulated early-stage project reserves, as well as promoting the expansion layout of ongoing projects, laying a foundation for the continued development of the Group's CDMO business in the future.

Innovative Drugs and Innovative Business

The Group, successfully entered into a distribution agreement with Chia Tai Tianqing Pharmaceutical Group Co. Ltd. (CTTQ”), pursuant to which CTTQ agreed to grant to the Group a license to commercialize Fosaprepitant Dimeglutide in the United States. The Group’s US self-operated team is responsible for the commercialization of Fosaprepitant Dimeglutide in the United States market, including marketing, promotion, sale and distribution of the product. During the Reporting Period, the Group, by leveraging its own US sales network and channels, advanced the sales of Fosaprepitant Dimeglumine in the US market, fully demonstrating the Group’s commitment to international operations and supporting Chinese pharmaceutical companies to export their products to the European and American markets. The Group has established comprehensive self-operated teams in five European countries and the United States with sales networks and channels, we are actively identifying pharmaceutical products with high potential and synergistic value to join us in our quest for new business growth.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by our shareholding subsidiary OncoQuest Inc. It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The Group has exclusive development and commercial rights for Oregovomab in the Greater China region. During the Reporting Period, an interim analysis of Oregovomab Phase III clinical trials suggested that the study did not meet its intended objectives and a patient follow-up on survival statistics is being conducted as recommended by the Data and Safety Monitoring Board (DSMB). The Group will actively explore options to advance the development of new drugs for Oregovomab. The Group’s majority-controlled subsidiary, Shenzhen OncoVent Biomedical Technology Co., Ltd., has also entered into a license agreement for Oregovomab with Orient EuroPharma Co., Ltd. (a biotechnology company). We will continue to explore cooperation opportunities, accelerate the strategic layout of innovative drugs and build up diversified commercialization capabilities.

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets *S. aureus* alpha-toxin. It is being developed by our shareholding subsidiary Aridis Pharmaceuticals, Inc. ("Aridis"). The Group has exclusive development and commercial rights in the Greater China region. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the European Medicines Agency (EMA). During the Reporting Period, the Global Phase III Study of Tosatoxumab (AR-301) in Combination with Antibiotics (SOC) for the Treatment of Staphylococcus aureus Ventilator-associated Pneumonia did not reach the primary study endpoint, however data from the study revealed that Tosatoxumab significantly improves outcomes for patients over 65 years old with ventilator-associated pneumonia, and also demonstrates efficacy against Methicillin-resistant Staphylococcus aureus (MRSA) infections. Based on this finding, Aridis has discussed with and obtained guidance from the FDA and the EMA on the design of a second Phase III study for the treatment of hospitalized patients who are diagnosed with pneumonia caused by Staphylococcus aureus and require mechanical ventilation by combining it with standard of care antibiotics.

RVX-208 (Apabetalone)

RVX-208 is a selective inhibitor of bromodomain and BET proteins with selectivity for the second bromodomain. It is the first small molecule drug being developed by the shareholding subsidiary Resverlogix Corp. (a public company listed on the Toronto Stock Exchange, stock code: RVX). RVX-208 has completed phase III clinical trial (BETonMACE) in combination with standard treatment to reduce major adverse cardiovascular events among high-risk cardiovascular disease patients with type II diabetes mellitus, recent acute coronary syndrome, and low levels of high-density lipoprotein (HDL). RVX-208 was granted Breakthrough Therapy Designation by the FDA in February 2020 and the clinical plan for pivotal phase III was approved by the FDA in June 2020. Apabetalone, the first drug in its class to receive FDA Breakthrough Therapy approval for a major cardiovascular indication, will further advance its drug development progress, including the planned clinical trials, and the implementation of an accelerated development strategy. The Group has exclusive development and commercial rights in the Greater China region.

H1710

H1710 is a potent acetyl heparinase inhibitor self-developed by the Group. The inhibitor's chain length is suitable for binding to both heparin binding domains (HBDs) of heparanase, and its unique flexible chain and structure enable penetration into the heparanase catalytic bag and prevent its degradation. H1710 reduces the accessibility of the heparanase catalytic bag and its ability to degrade the natural matrix acetyl heparan sulfate (HS) in this manner. The drug candidate is currently in the preclinical stage with non-clinical pharmacodynamic studies demonstrating significant tumor suppression in multiple tumor models compared to standard therapies. We are preparing for the IND filing of H1710 in China and the United States. The Group has exclusive worldwide development and commercial rights.

Outlook

The macro-economic and operating environment will continue to be challenged by complexity, competitiveness and uncertainty, and the Group will maintain a high level of operational resilience to ensure sound business development. The road to global economic recovery is difficult and full of twists and turns. With the global healthcare market and drug usage returning to normal, the end demand for the heparin industry chain will recover in an orderly manner, but it will take some time for the demand to be reflected in the API market and stimulate the increase in its selling price. The Group will closely monitor the market situation and respond appropriately in a timely manner, and will remain prudent in the process of expanding sales outlets. The Group will take advantage of the trend of market demand returning to normal, focus on its main business, strengthen marketing construction and maintain its determination, expand and strive for progress. By seizing and creating opportunities from the current challenges, the Group will refine its professional capabilities by strengthening risk prevention and control and optimizing its asset structure, reducing its liabilities, strengthening cash management and strictly controlling its operating costs, thereby enhancing its management effectiveness and continuously improving its operation level.

In the finished dose pharmaceutical products business, as a leading global operator in the heparin industry, we will seize the development opportunities and capitalize on the Group's advantages in global sales and scale of the industry chain, focusing on the development of key regions and coverage of key channels in the global market to continue to enhance the competitiveness of our products and the brand influence. In the Chinese market, we are taking advantage of the eighth national volume-based procurement, collaborating with local sales teams, strengthening the channel and market layout, and giving full play to the radiation-driven effect of volume procurement, in order to accelerate the development and expansion of the Chinese market. In the European and the U.S. markets, the Group will further strengthen and streamline management by leveraging our long-established global sales management system, local marketing teams, and strategic partners to capitalize on our respective sales advantages. We will actively increase sales in new markets with enhanced marketing promotion efforts, and ensure the long-term growth of our business in the European and the U.S. markets. In other overseas markets, the Group will seize market opportunities to consolidate existing sales markets while accelerating channelization efforts in new markets to actively develop markets; at the same time, we will continue to expand international markets by complying with the requirements of local laws and regulations and advancing the processes of market access, tendering and hospitalization in each region; and we will actively participate in international medical conferences and industry exhibitions to help doctors recognize and familiarize themselves with the Group's products, with a goal to enhance our global brand power.

In respect of API business, the Group expects the overall API selling price to remain at the bottom of the range, with abundant overall supply, and the wait-and-see sentiment of customers with large orders is still relatively strong; however, the above factors are expected to subside with time following the reflection of end-use demand in the APIs and the inventory of raw materials of the customers bottoms out. The Group will continue to explore new customers and markets and establish more diversified sales channels. At the same time, we will closely follow up with our existing customers to better understand their operational needs and conditions, and strive to secure sales contracts as soon as possible. We expect that after the negative factors subside, our diversified production capacity, excellent quality and strong operational capabilities will enable us to capitalize on the rebound of the industry and become the preferred supplier of our customers.

In terms of CDMO business, the Group will continue to support the long-term development of the Cytovance and SPL platforms. We have integrated production capacity and coordinated the progress for undertaking projects for management improvement to better meet customer needs, improving retention rates and promoting overall scale enhancement of our CDMO business. Moreover, the Group will continue to strengthen and expand customer channels, increase the penetration rate of our polymer CDMO business, as well as analyzing and exploring existing and new customer needs in depth to expand our service scope, and enhance customer stickiness. At the same time, we will further enhance the management and promotion of our marketing team, identify the needs of potential customers, and increase our project reserves with more new customers.

As a leading player in the heparin industry, the Group has been focusing on long-term development and has been deeply cultivating the heparin industry chain in planning its business strategies and resource allocation. Leveraging on our market insights, precise marketing capabilities and reliable international reputation for quality assurance, we will actively identify pharmaceutical products with potential and synergistic value for the international market to magnify the advantages and value of the Group's global presence, further strengthening the Company's brand image and competitiveness in the regional market. The Group will also continue to optimize its organizational structure, enhance the efficiency of team execution, invest resources to improve its operations and supply chain efficiency, and strive to improve the quality of its systems so as to effectively monitor its operational data and increase the level of visibility of its operations for the purpose of formulating appropriate operational strategies. At the same time, the Group will continue to strengthen its budgetary management and supply chain management. The Group is actively pursuing expenditure control and cost reduction to safeguard a healthy and steady free cash flow, in order to promote an all-round improvement in operational efficiency and to build a foundation and guarantee for long-term sustainable development.

Financial Review

Revenue

	For the six months ended June 30,				Year-on-year increase/ decrease (%)
	2024 sales amount RMB'000 (unaudited)	2024 % of revenue	2023 sales amount RMB'000 (unaudited)	2023 % of revenue	
Sale of goods	2,245,298	79.4%	2,289,526	84.6%	(1.9%)
Finished dose pharmaceutical products	1,453,516	51.4%	1,547,336	57.2%	(6.1%)
API	747,599	26.4%	698,062	25.8%	7.1%
Others ⁽¹⁾	44,183	1.6%	44,128	1.6%	0.1%
CDMO services	560,378	19.8%	395,381	14.6%	41.7%
Others ⁽²⁾	22,981	0.8%	21,339	0.8%	7.7%
Total	<u>2,828,657</u>	<u>100%</u>	<u>2,706,246</u>	<u>100%</u>	<u>4.5%</u>

Notes:

(1) Other products mainly include Pancreatin API.

(2) Other businesses mainly include manufacture and marketing services, processing services, technical support services and other services.

Revenue from manufacturing and sales of goods decreased by RMB44.23 million to RMB2,245.3 million, accounting for 79.4% of the total revenue during the Reporting Period, as compared with RMB2,289.5 million, accounting for 84.6% of the Group's revenue in the corresponding period in 2023. The decrease in revenue from

For the six months ended June 30, 2024, gross profit increased by RMB40.3 million to RMB999.3 million (the same period of last year: RMB959.0 million). During the Reporting Period, gross profit margin was 35.3% (the same period of last year: 35.4%). The change in gross profit was minimal.

Finance Costs

The Group's finance costs consist of interest on bank borrowings and corporate bonds and finance costs. For the six months ended June 30, 2024, finance costs decreased by RMB41.7 million to RMB84.5 million (the same period of last year: RMB126.2 million), representing a decrease of 33.0%. The decrease in finance costs is mainly attributable to corporate bonds being repayable during the Reporting Period and a year-on-year decrease in net borrowings.

Taxation

For the six months ended June 30, 2024, income tax expense was RMB104.8 million (the same period of last year: RMB45.4 million), representing an increase of approximately 131.1%.

Profit Attributable to Equity Holders of the Company

For the six months ended June 30, 2024, profit attributable to equity holders of the Company was RMB663.7 million (the same period of last year: RMB123.3 million), representing an increase of approximately 438.1%.

Earnings per Share

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six months ended June 30, 2024. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six

Liquidity and Financial Resources

Treasury Policies

The primary objective of the Group's capital management is to maintain its ability to continue as a going concern so that the Group can constantly provide returns for shareholders of the Company and benefits for other stakeholders by implementing proper product pricing and securing access to financing at reasonable costs. The Group actively and regularly reviews and manages its capital structure and makes adjustments by taking into account the changes in economic conditions, its future capital requirements, prevailing and expected profitability and operating cash flows, expected capital expenditures and expected strategic investment opportunities. The Group closely monitors its debt-to-asset ratio, which is defined as total borrowings divided by total assets.

Foreign Currency Risk

For the six months ended June 30, 2024, the Group's primary source of revenue is from sales in overseas markets, and major currencies of settlement are Euro and U.S. dollar. There are many overseas companies within the scope of consolidation, involving Euro, U.S. dollar, Hong Kong dollar, etc., and drastic fluctuation of the international exchange rate may have a significant impact on the Company's foreign exchange gains and losses. The Group's foreign exchange gains and losses include unrealized foreign exchange gains and losses related to its internal foreign currency borrowings due to the fact that the reporting currency is different in the domestic and overseas companies, and the foreign currency statement translation differences are not accounted through foreign exchange gains and losses. Therefore, there were unrealized foreign exchange gains and losses in the domestic and overseas companies themselves that cannot be offset in the statement of profit or loss. Such after tax unrealized foreign exchange losses during the Reporting Period were RMB31.9 million. The Company will use financial market tools in a more flexible way, including export bill purchase, foreign exchange derivatives and other tools to reduce the risk of foreign exchange losses caused by exchange rate fluctuations, and will actively promote the approval procedures for the conversion of internal borrowings to lower the effect of unrealized foreign exchange gains and losses caused by internal transactions on the results.

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary business operations. As at June 30, 2024, the Group's cash and bank balances were approximately RMB2,202.7 million (December 31, 2023: approximately RMB1,765.6 million).

Capital Structure

As at June 30, 2024, the Group recorded short-term loans of approximately RMB2,992.8 million (December 31, 2023: approximately RMB3,624.6 million) and long-term loans of approximately RMB1,496.6 million (December 31, 2023: approximately RMB1,810.0 million).

Pledge of Assets

As at June 30, 2024, the Group's assets of approximately RMB2,989.9 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2023: approximately RMB2,995.5 million).

Contingent Liabilities

As at June 30, 2024, neither the Group nor the Company had material contingent liabilities (December 31, 2023: nil).

Asset-liability Ratio

As at June 30, 2024, the Group's total assets amounted to approximately RMB18,573.5 million, (December 31, 2023: approximately RMB19,203.4 million), whereas the total liabilities amounted to approximately RMB6,364.1 million (December 31, 2023: approximately RMB7,215.0 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 34.3% (December 31, 2023: approximately 37.6%).

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates to the interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage our interest cost using a mix of fixed and variable rate debts. As at June 30, 2024, the Group had approximately 99.0% interest-bearing borrowings bore interest at fixed rates (December 31, 2023: approximately 96.6%).

Indebtedness

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Interest-bearing bank and other borrowings	4,489,348	5,434,596
Lease liabilities	107,084	128,220
Total financial indebtedness	4,596,432	5,562,816
Pledged bank deposits	(2,280)	(80)
Net financial indebtedness	4,594,152	5,562,736

The maturity profile of the Group's interest-bearing bank and other borrowings is set out as follows:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Repayable:		
Within one year or on demand	2,992,776	3,624,575
After one year but within two years	823,328	772,003
After two years but within five years	124,652	642,237
After five years	<u>548,592</u>	<u>395,781</u>
Total	<u><u>4,489,348</u></u>	<u><u>5,434,596</u></u>

The Group's bank borrowings as at June 30, 2024 were approximately RMB3,739.3 million (December 31, 2023: RMB4,365.9 million). As at June 30, 2024, the Group had no remaining corporate bond (December 31, 2023: RMB512.7 million). As at June 30, 2024, the Group's total amount of other borrowings was RMB750.0 million (December 31, 2023: RMB556.0 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2024

1. Corporate Information

The Company is a joint stock company with limited liability established in the People's Republic of China (hereafter, the PRC") on April 21, 1998. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and was listed on the Shenzhen Stock Exchange (stock code: 002399.SZ) on May 6, 2010. The Company completed its public offering in Hong Kong and its H shares were listed on The Stock Exchange of Hong Kong Limited (the 'Hong Kong Stock Exchange') (stock code: 9989) on July 8, 2021. The registered address of the office of the Company in the PRC is No. 21 Langshan Road, Nanshan District, Shenzhen. The Company's principal place of business in Hong Kong is at Room 4724, 47/F, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong. The Company is ultimately controlled by Mr. Li Li and Ms. Li Tan who are acting in concert.

The Company and its subsidiaries (collectively referred to as the Group") are principally engaged in biopharmaceutical production, biopharmaceutical services, biopharmaceutical trading and biopharmaceutical research and development in Asia, Europe, North America and Australia, and investment business in Asia, Europe and North America.

This interim condensed consolidated financial information was approved for issuance by the Audit Committee and the Board on August 30, 2024.

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2023, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, derivative financial instruments and financial assets at fair value through profit or loss which have been measured at fair value. The Group's interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended June 30, 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023.

The financial information relating to the six months ended June 30, 2023 that is included in the interim condensed consolidated financial information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to IAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the

3. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the finished dose pharmaceutical products segment, which includes enoxaparin sodium injection;
- (b) the API segment, which includes heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients;
- (c) the CDMO segment, which includes R&D, manufacturing, quality management, program

For the six months ended June 30, 2023 (unaudited)

Segment	Finished dose pharmaceutical products RMB'000	API RMB'000	CDMO RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,547,336	698,062	395,381	65,467	2,706,246
Intersegment sales	<u>1,390,029</u>	<u>1,062,594</u>	<u>414</u>	<u>132,733</u>	<u>2,585,770</u>
	<u>2,937,365</u>	<u>1,760,656</u>	<u>395,795</u>	<u>198,200</u>	<u>5,292,016</u>
Reconciliation:					
Elimination of intersegment sales					(2,585,770)
Revenue from contracts with customers					<u>2,706,246</u>
Segment results:	622,953	253,256	71,588	52,552	1,000,349
Reconciliation:					
Elimination of intersegment results					(41,391)
Other income and gains					206,541
Selling and distribution expenses					(310,492)
Administrative expenses					(322,303)
Impairment losses on financial assets					(4,222)
Other expenses					(2,238)
Finance costs					(126,230)
Share of losses of associates					<u>(232,286)</u>
Group's profit before tax					<u><u>167,728</u></u>

Geographical information

(a) Revenue from external customers

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Hong Kong	6,678	4,668
United States of America	580,353	535,379
Europe	1,390,708	1,220,912
Mainland China	187,627	294,443
Other countries/regions	663,291	650,844
	<u>2,828,657</u>	<u>2,706,246</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	2,825,277	2,878,234
United States of America	3,305,483	3,356,795
Europe	157,000	126,362
Hong Kong	1,357	407,322
	<u>6,289,117</u>	<u>6,768,713</u>
Total	<u>6,289,117</u>	<u>6,768,713</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the period ended June 30, 2023, revenue of approximately RMB298,513,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the period ended June 30, 2024, revenue of approximately RMB287,352,000 derived from a single external customer accounted for more than 10% of the total revenue.

4. Revenue

Revenue from contracts with customers

(i) Disaggregated revenue information

For the six months ended June 30, 2024 (unaudited)

Segment	Finished dose pharmaceutical products RMB'000	API RMB'000	CDMO RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of products	1,453,516	747,599	–	44,183	2,245,298
CDMO services	–	–	560,378	–	560,378
Others	–	–	–	22,981	22,981
Total revenue from contracts with customers	1,453,516	747,599	560,378	67,164	2,828,478

For the six months ended June 30, 2023 (unaudited)

Segment	Finished dose pharmaceutical products RMB'000	API RMB'000	CDMO RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of products	1,547,336	698,062	–	44,128	2,289,526
CDMO services	–	–	395,381	–	395,381
Others	–	–	–	21,339	21,339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>1,547,336</u>	<u>698,062</u>	<u>395,381</u>	<u>65,467</u>	<u>2,706,246</u>
Timing of revenue recognition					
Products transferred at a point in time	1,547,336	698,062	–	44,128	2,289,526
Services transferred at a point in time	–	–	133,593	6,682	140,275
Services transferred over time	–	–	261,788	14,657	276,445
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>1,547,336</u>	<u>698,062</u>	<u>395,381</u>	<u>65,467</u>	<u>2,706,246</u>

The following table shows the amounts of revenue recognised during the each of the periods ended June 30, 2023 and 2024 that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of period:		
Sale of products	22,859	13,072
CDMO services	425,851	119,540
	<u>448,710</u>	<u>132,612</u>

(ii) Performance obligations

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 180 days from delivery, except for PRC customers of the finished dose pharmaceutical products, where payment in advance is normally required.

CDMO services

For services under the Fee-for-service ("FFS") model, revenue is recognised over time and the performance obligation is part of a contract that has an original expected duration of one year or less. Therefore, under practical expedients allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligations under the FFS model.

For certain CDMO services, the directors of the Company have determined that performance obligations are satisfied upon acceptance of the deliverable products under customers' specific orders, and therefore, the performance obligation is recognised as revenue at a point in time.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30, 2024 and December 31, 2023 are as follows:

	As at June 30, 2024	As at December 31, 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Within one year	<u>355,242</u>	<u>752,604</u>

All the performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. Other Income and Gains

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income		
Bank interest income	18,596	24,519
Government grants related to		
– Assets*	1,281	1,376
– Income**	3,003	10,394
Dividend income from financial assets at fair value through profit or loss	207,876	–
	<u>230,756</u>	<u>36,289</u>
Other gains		
Foreign exchange (losses)/gains, net	(12,134)	126,847
Gains on disposal of financial assets at fair value through profit or loss	1,361	826
Fair value (losses)/gains, net:		
Fair value (losses)/gains on financial assets at fair value through profit or loss	(96,283)	28,928
Fair value gains/(losses) on derivative instruments	8,607	(2,114)
(Losses)/gains on disposal of items of property, plant and equipment	(583)	264
Gains on disposal of associates	272,018	7,265
Others	2,883	8,236
	<u>175,869</u>	<u>170,252</u>
	<u>406,625</u>	<u>206,541</u>

* The Group has received certain government grants related to assets to invest in laboratory equipment and plant. The grants related to assets were recognised in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's research and development costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognised in the statement of profit or loss on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed. Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

6. Finance Costs

An analysis of finance costs is as follows:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on:		
Bank borrowings	71,970	91,652
Corporate bonds	6,796	21,714
Lease liabilities	776	2,816
Other finance cost	4,962	10,048
	<u>84,504</u>	<u>126,230</u>

7. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	1,443,136	1,407,741
Cost of services provided	386,247	339,547
Depreciation of property, plant and equipment	128,038	126,064
Depreciation of right-of-use assets	18,686	19,270
Amortisation of other intangible assets	27,651	27,649
Research and development costs*	81,041	95,362
Auditor's remuneration	2,698	4,241
Employee benefit expense (including directors' and supervisors' remuneration):		
Salaries and other benefits	229,924	311,316
Pension scheme contributions, social welfare and other welfare**	52,627	49,212
Bank interest income	(18,596)	(24,519)
Finance costs	84,504	126,230
Foreign exchange losses/(gains), net	12,134	(126,847)
Gains on disposal of financial assets at fair value through profit or loss	(1,361)	(826)
Fair value (gains)/losses on derivative instruments	(8,607)	2,114
Fair value losses/(gains) on financial assets at fair value through profit or loss	96,283	(28,928)
Losses/(Gains) on disposal of items of property, plant and equipment	583	(264)
Gains on disposal of investments in associates	(272,018)	(7,265)
(Reversal of impairment)/impairment losses on financial assets	(11,446)	4,222
Write-down of inventories to net realisable value	(13,934)	(5,410)

* Research and development costs are included in "Administrative expenses" in the consolidated statements of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. Income Tax Expense

The major components of the income tax expense for the period are as follows:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax expense		
PRC	4,776	33,960
United States of America	58,720	(5,197)
Elsewhere	4,525	4,571
Underprovision in prior years	<u>(5,041)</u>	<u>8,043</u>
	<u>62,980</u>	<u>41,377</u>
Deferred tax expense		
PRC	50,552	139
United States of America	(2,020)	3,857
Elsewhere	<u>(6,699)</u>	<u>(11)</u>
	<u>41,833</u>	<u>3,985</u>
Total tax charge for the period	<u><u>104,813</u></u>	<u><u>45,362</u></u>

9. Dividends

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends declared by the Company	<u><u>—</u></u>	<u><u>146,730</u></u>

The Board has resolved not to declare interim dividend for the six months ended June 30, 2024.

10. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the each of the periods ended June 30, 2023 and 2024 as adjusted to reflect the subsequent changes in capital at nil consideration.

The calculation of basic and diluted earnings per share is based on:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	663,684	123,349
	<u>663,684</u>	<u>123,349</u>
	For the six months ended June 30,	
	2024	2023
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	1,467,296,204	1,467,296,204
	<u>1,467,296,204</u>	<u>1,467,296,204</u>

11. Account Receivables

	As at	As at
	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	1,342,426	1,300,441
Bill receivables	2,429	3,182
Allowance for expected credit losses	(30,761)	(40,039)
	<u>1,314,094</u>	<u>1,263,584</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at June 30, 2024 and December 31, 2023, based on the billing date and net of allowance for expected credit losses, is as follows:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Within one year	1,009,476	1,250,716
One to two years	304,769	29,080
Two to three years	7,400	10,992
Over three years	23,210	12,835
	<u>1,344,855</u>	<u>1,303,623</u>
Less: Allowance for expected credit losses	<u>30,761</u>	<u>40,039</u>
	<u><u>1,314,094</u></u>	<u><u>1,263,584</u></u>

The movements in the allowance for expected credit losses of trade receivables are as follows:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
At beginning of the year/period	40,039	114,464
Impairment (reversed)/losses, net	(8,491)	712
Write-off	—	(76,268)
Exchange realignment	(787)	1,131
	<u>30,761</u>	<u>40,039</u>

12. Account Payables

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Trade payables	<u>378,167</u>	<u>302,223</u>

An aging analysis of the trade payables as at December 31, 2023 and June 30, 2024, based on the invoice date, is as follows:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Within one year	373,914	299,729
One year to two years	3,276	355
Two years to three years	476	445
Over three years	<u>501</u>	<u>1,694</u>
	<u>378,167</u>	<u>302,223</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

13. Share Capital

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Registered, issued and fully paid 1,467,296,204 ordinary shares	<u>1,467,296</u>	<u>1,467,296</u>

Use of Proceeds from the H Share Listing of the Company

The H shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 8, 2020 (“Share Listing”), and the Company obtained its net proceeds of RMB3,538.4 million (Net Proceeds). According to the plan on use of proceeds as set out in the prospectus dated June 24, 2020 of the Company (the “Prospectus”), approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for improving capital structure and repaying the existing debt; approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance; and approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for investment in innovative drugs.

As disclosed in the announcement of the Company dated November 20, 2023 (the “Announcement”), the balance of the unutilized Net Proceeds as at the date of the Announcement amounted to RMB861.9 million and the Group announced the change in the use of the Net Proceeds pursuant to which a portion of the balance of the unutilized Net Proceeds will be utilized in accordance with, inter alia, the business needs of the Group and the prevailing market conditions, and approval of shareholders was obtained at the extraordinary general meeting of the Company held on December 15, 2023 for this purpose.

The unutilized Net Proceeds will be allocated and used in accordance with the purposes and proportions as set out in the Announcement. Details of the specific use are as follows:

Business objectives	Revised allocation of unutilized Net Proceeds as at the date of the Announcement (RMB million)	Unutilized Net Proceeds as at December 31, 2023 (RMB million)	Utilized Net Proceeds during the six months ended June 30, 2024 (RMB million)	Cumulative utilization of Net Proceeds as of June 30, 2024 (RMB million)	Unutilized Net Proceeds as at June 30, 2024 (RMB million)
(1) Improving capital structure and repaying the existing debt	–	–	–	1,034.4	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; in expanding production scale and organization, increasing procurement and reserves of production resources	528.9	482.2	234.9	766.5	247.3
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	203	92.1	27.8	247.3	64.3
(4) Investment in innovative drugs	80	80	–	90.3	80
(5) General working capital of the Company or, subject to permission under the PRC laws and regulations, the balance to be placed with PRC financial institutions as short-term deposits	50	50	50	1,008.3	–
Total:	<u>861.9</u>	<u>704.3</u>	<u>312.7</u>	<u>3,146.8</u>	<u>391.6</u>

As at June 30, 2024, an accumulative amount of RMB1,034.4 million had been used by the Company to improve capital structure and repay the existing debt; an accumulative amount of RMB766.5 million had been used to expand our sales and marketing network and infrastructure in the European Union and other global markets such as the PRC, and in expanding production scale and organization, increasing procurement and reserves of production resources; an accumulative amount of RMB247.3 million had been used to enhance our development and production capabilities and to expand our product and service offerings to Cytovance; an accumulative amount of RMB90.3 million had been used for investments in innovative drugs; an accumulative amount of RMB1,008.3 million had been used for general working capital of the Company; and the remaining

unutilized Net Proceeds of RMB391.6 million were deposited with licensed financial institutions as deposits in accordance with the use of Net Proceeds as disclosed in the Announcement. The Group expects to fully utilize the remaining Net Proceeds on or before November 30, 2025.

Significant Investments

As at June 30, 2024, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this announcement, the Group does not have any plan for significant investments or purchase of capital assets.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2024. The Company did not have any treasury shares (as defined under the Listing Rules) as at June 30, 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Events after the Reporting Period

The Company has no events after the Reporting Period that need to be brought to the attention of the shareholders of the Company.

Employee and Remuneration Policy

As at June 30, 2024, the Group had 1,928 employees, where their salaries, bonus and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Company or its subsidiaries) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Model Code”). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period. The Company will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

Review of Interim Results by the Audit Committee

The audit committee of the Company (the “Audit Committee”) has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2024.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited consolidated interim results of the Group for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

Interim Dividends

The Board has resolved not to declare interim dividends for the six months ended June 30, 2024 (the same period of last year: nil).

Publication of 2024 Interim Results Announcement and Interim Report

This announcement will be published on the websites of the Company (<http://www.hepalink.com>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2024 interim report of the Company will be made available to the shareholders of the Company in due course and will be published on the websites of the Company and the Hong Kong Stock Exchange.

Appreciation

On behalf of the Board, I would like to express my gratitude to all shareholders for their trust, support and understanding, as well as to all the staff of the Group for their unremitting efforts.

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

Shenzhen, the PRC
August 30, 2024

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.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company