# 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, 2021

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, 2021 (the "**Reporting Period**"), together with comparative figures for the same period in 2020.

## FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2021, the Group recorded the following unaudited results:

| | **For the six months ended June 30,** | | |
|---|---|---|---|
| | **2021** | 2020 | Changes |
| | ***RMB'000*** | *RMB'000* | |
| Revenue | **3,111,164** | 2,635,599 | 18.0% |
| Gross profit | **976,907** | 1,085,833 | -10.0% |
| Profit attributable to equity holders of the parent | **338,159** | 581,059 | -41.8% |
| Adjusted profit attributable to equity holders of the parent[(1)] | **402,907** | 577,049 | -30.2% |

*Note:*

(1) There is no deduction of structured after-tax foreign exchange losses of RMB64.7 million.

— The Group recorded revenue of approximately RMB3,111.2 million, representing an increase of approximately 18.0% as compared to the same period of last year. Gross profit was approximately RMB976.9 million, among the total revenue, the Group's gross profit from the finished dose pharmaceutical products segment has exceeded that of API business, marking the success of Hepalink's transformation from heparin industry chain to the downstream of the finished doses pharmaceutical products;

— The profit attributable to equity holders of the parent was RMB338.2 million, representing a year-on-year decrease of approximately 41.8% as compared to the same period of last year; and

— The adjusted profit attributable to equity holders of the parent (without deduction of structured after-tax foreign exchange losses of RMB64.7 million) was RMB402.9 million, representing a year-on-year decrease of approximately 30.2% as compared to the same period of last year.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended June 30, 2021*

| | Notes | Six months ended June 30, 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
|---|---|---|---|
| **REVENUE** | *4* | **3,111,164** | 2,635,599 |
| Cost of sales | | **(2,134,257)** | (1,549,766) |
| **Gross profit** | | **976,907** | 1,085,833 |
| Other income and gains | *5* | **5,990** | 142,227 |
| Selling and distribution expenses | | **(195,059)** | (205,118) |
| Administrative expenses | | **(259,307)** | (244,177) |
| Impairment losses on financial assets | | **(10,640)** | (5,945) |
| Other expenses | | **(4,189)** | (1,088) |
| Finance costs | *6* | **(108,369)** | (155,434) |
| Share of profits and losses of associates | | **9,485** | 76,092 |
| **PROFIT BEFORE TAX** | *7* | **414,818** | 692,390 |
| Income tax expense | *8* | **(78,322)** | (113,126) |
| **PROFIT FOR THE PERIOD** | | **336,496** | 579,264 |
| Attributable to: | | | |
| Owners of the parent | | **338,159** | 581,059 |
| Non-controlling interests | | **(1,663)** | (1,795) |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *10* | | |
| Basic | | | |
| — for profit for the period | | **RMB0.23** | RMB0.47 |
| Diluted | | | |
| — for profit for the period | | **RMB0.23** | RMB0.47 |

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

*For the six months ended June 30, 2021*

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **PROFIT FOR THE PERIOD** | **336,496** | 579,264 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax): | | |
| Exchange differences on translation of foreign operations | **(2,946)** | 24,536 |
| Share of other comprehensive loss of associates | **(10,602)** | — |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | **(13,548)** | 24,536 |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax): | | |
| Net gains/(losses) on equity investments designated at fair value through other comprehensive income | **5,978** | 10,148 |
| Remeasurement gains on defined benefit pension schemes | **3,262** | 4,975 |
| Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods | **9,240** | 15,123 |
| Other comprehensive income for the period (net of tax) | **(4,308)** | 39,659 |
| Total comprehensive income for the period (net of tax) | **332,188** | 618,923 |
| Attributable to: | | |
| Owners of the parent | **334,014** | 620,697 |
| Non-controlling interests | **(1,826)** | (1,774) |

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*June 30, 2021*

| | Notes | **June 30, 2021** ***RMB'000*** **(unaudited)** | December 31, 2020 *RMB'000* (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **2,572,170** | 2,623,449 |
| Right-of-use assets | | **176,152** | 186,191 |
| Goodwill | | **2,180,691** | 2,202,566 |
| Other intangible assets | | **491,785** | 512,370 |
| Investments in associates | | **1,527,887** | 1,631,183 |
| Equity investments designated at fair value through other comprehensive income | | **702,548** | 619,953 |
| Financial assets at fair value through profit or loss | | **867,696** | 1,747,437 |
| Deferred tax assets | | **75,615** | 83,936 |
| Other non-current assets | | **207,040** | 290,086 |
| Total non-current assets | | **8,801,584** | 9,897,171 |
| **CURRENT ASSETS** | | | |
| Inventories | | **3,612,396** | 3,168,249 |
| Trade and bills receivables | *11* | **1,711,946** | 1,666,216 |
| Contract assets | | **20,291** | 20,477 |
| Prepayments, other receivables and other assets | | **762,293** | 697,600 |
| Due from related parties | | **48,122** | 49,235 |
| Financial assets at fair value through profit or loss | | **643,823** | 821,257 |
| Derivative financial instruments | | **1,914** | 6,949 |
| Pledged deposits | | **10,806** | 80 |
| Time deposits | | **1,518,750** | 1,368,416 |
| Cash and cash equivalents | | **1,845,334** | 1,330,245 |
| Total current assets | | **10,175,675** | 9,128,724 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *12* | **382,628** | 239,218 |
| Other payables and accruals | | **471,284** | 526,140 |
| Dividends payable | | **220,094** | — |
| Contract liabilities | | **387,751** | 256,950 |
| Interest-bearing bank and other borrowings | | **1,960,636** | 2,481,977 |
| Tax payable | | **160,024** | 74,836 |
| Due to related parties | | **7,061** | 8,113 |
| Lease liabilities | | **23,472** | 25,600 |
| Total current liabilities | | **3,612,950** | 3,612,834 |

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*June 30, 2021*

| | Note | **June 30, 2021** ***RMB'000*** **(unaudited)** | December 31, 2020 *RMB'000* (audited) |
|---|---|---|---|
| **NET CURRENT ASSETS** | | **6,562,725** | 5,515,890 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **15,364,309** | 15,413,061 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | | **3,101,205** | 3,085,857 |
| Deferred income | | **17,708** | 18,744 |
| Deferred tax liabilities | | **316,628** | 427,673 |
| Long-term employee benefits | | **131,213** | 130,936 |
| Other non-current liabilities | | **9,157** | 9,218 |
| Lease liabilities | | **45,593** | 51,643 |
| Total non-current liabilities | | **3,621,504** | 3,724,071 |
| **Net assets** | | **11,742,805** | 11,688,990 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | *13* | **1,467,296** | 1,467,296 |
| Reserves | | **10,157,664** | 10,102,096 |
| Total equity attributable to owners of the parent | | **11,624,960** | 11,569,392 |
| Non-controlling interests | | **117,845** | 119,598 |
| Total equity | | **11,742,805** | 11,688,990 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

Founded in Shenzhen in 1998, Hepalink is a leading multinational pharmaceutical company with A+H dual financing platform. The main business includes the investment, development and commercialization of the heparin industry chain, bio-macromolecule CDMO and innovative drugs. The Company is devoted to bringing safe and effective drugs and services with high quality for global patients to protect their health.

The Group's businesses span the manufacture and sales of pharmaceutical products, development of Contract Development and Manufacturing Organization ("**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 ingredient ("**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 EMA through the Centralized Procedure (CP) in 2016, relying on excellent product quality and stable efficacy, the accumulated sales volume of the Group's finished dose enoxaparin sodium pharmaceutical products has exceeded 400 million, of which the sales volume in the first half of 2021 was 79 million, being the lead 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 NMPA 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 Greater China 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 currently at preclinical stage.

### Business Review

In 2021, the launch and vaccination of COVID-19 vaccines have brought hope to economic resumption and promoted the growth prospect of the global economy. However, the resumption of the global economy was still subject to uncertainties in the first half of 2021. As the Delta variant wreaked havoc around the world, there was an obvious resurgence of the pandemic that has originally slowed down, which may cause delay in economic resumption. Furthermore, uneven vaccination coverage exists in various countries, among which good vaccination progress and positive promotion of resumption have been seen in China, Europe as well as America, while the vaccination in some developing countries is unsatisfactory, resulting in unevenness in the resumption of various economies.

During the Reporting Period, the Group achieved double-digit business growth. The Group recorded revenue of approximately RMB3,111.2 million (the same period of last year: RMB2,635.6 million), representing an increase of approximately 18.0% as compared to the same period of last year. Gross profit was approximately RMB976.9 million (the same period of last year: RMB1,085.8 million), among which, the Group's gross profit from the finished dose pharmaceutical products segment has exceeded that of API business, marking the success of Hepalink's transformation from heparin industry chain to the downstream of the finished doses pharmaceutical products. During the Reporting Period, we further strictly controlled the expenses. The selling and distribution expenses, management expenses and interest expenses decreased by 4.9%, 3.4% and 26.4% compared to the same period of last year and decreased by 4.3%, 9.3% and 3.2% compared to the period from July 1 to December 31, 2020. During the Reporting Period, the Group recorded the net profit attributable to owner of the parent of RMB338.2 million (the same period of last year: RMB581.1 million), and the adjusted net profit attributable to owners of the parent of RMB402.9 million (without deduction of structured after-tax foreign exchange losses of RMB64.7 million) (the same period of last year: RMB577.0 million).

During the Reporting Period, the operating income for each business segment is as follows:

| | **For the six months ended June 30,** | | |
|---|---|---|---|
| **Business Segment** | **2021 In RMB millions (unaudited)** | **2020 In RMB millions (unaudited)** | **Year-on-year increase/ decrease (%)** |
| Sales of products | 2,737.6 | 2,237.2 | 22.4% |
| Finished dose pharmaceutical products | 1,128.7 | 631.3 | 78.8% |
| API | 1,534.5 | 1,459.1 | 5.2% |
| Others[(1)] | 74.4 | 146.8 | (49.3%) |
| CDMO service | 355.4 | 386.8 | (8.1%) |
| Others[(2)] | 18.2 | 11.6 | 56.9% |
| Total | 3,111.2 | 2,635.6 | 18.0% |

*Notes:*

(1) Other products mainly include pancreatin API.
(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

## Sales

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

**Heparin Industrial Chain Business**

During the Reporting Period, the heparin industrial chain business of the Group increased by 22.4% and achieved sales revenue of RMB2,737.6 million (the same period of last year: RMB2,237.2 million). By actively promoting the transformation of the core business of the heparin industrial chain to the side of finished dose pharmaceutical products all the time, the Group tenaciously promotes global vertical industry integration, and relying on the high product quality and strong sales platform, it is committed to becoming a new leader of the global heparin finished doses industry.

During the Reporting Period, the sales performance of finished dose pharmaceutical products of the Group was optimal and sales increased by 78.8% compared with the same period of last year, and increased by 28.4% compared with the period from July 1 to December 31, 2020, accounting for 36.3% of the Group's total revenue, and sales revenue increased by approximately RMB497.4 million to approximately RMB1,128.7 million compared with the same period of last year.

Leveraging efficacy and quality as well as greater market recognition, the finished dose pharmaceutical products business has achieved strong growth. The Group sold a total of 79 million units of finished dose enoxaparin sodium pharmaceutical products during the Reporting Period, which become the core driving force of the Group's continued growth. During the Reporting Period, the sales in American market and non-European and American overseas markets also increased substantially, and the sales volume and price achieved rapid growth. Among which, the sales volume increased by 67.4% compared with the same period of last year and 30.5% compared with the period from July 1 to December 31, 2020; the unit selling price increased by 5.4% compared with the same period of last year. During the Reporting Period, the gross profit of finished dose enoxaparin sodium pharmaceutical products recorded double-digit growth and amounted to RMB451.5 million (the same period of last year: RMB272.8 million), representing an increase of approximately 65.5%. It became the product making the largest contribution to the Group's gross profit, accounting for 46.2% of the Group's total gross profit. And the gross profit margin of finished dose pharmaceutical products was 40.0%.

During the Reporting Period, the sales in European market continued to grow. The sales volume increased by 44.1% compared with the same period of last year, and the unit selling price increased by 15.1% compared with the same period of last year. On the one hand, the Group obtained more European market bidding contracts, and commenced to supply product during the Reporting Period; on the other hand, with the mitigation of pandemic in Europe, economic activities and medical services tended to normalize, and the drug demand of hospitals and terminals started to gradually recover. Meanwhile, due to shortage and imbalance of product supply in individual regions and markets, the Group seized the opportunity and successfully expanded and deeply developed its sales network, which increased the sales and further expanded its market share.

Relying on the strength of being the first to obtain consistency evaluation in China, the five specifications of finished dose pharmaceutical products of the Group won the bid in the centralized procurement of Shandong Province during the Reporting Period which is conducive to further promote the sale growth in the China market. Meanwhile, with the Group's sales in the United States market commencing from the fourth quarter of the last year, the Group made a high volume of sales during the Reporting Period, which has become a new sales market and revenue source. Since the realization of sales in the fourth quarter of 2020, the Group's supply of enoxaparin sodium finished doses has gone smoothly during the Reporting Period and the sales volume of finished doses in American market exceeded 6 million units. The sales in China and the United States had also become growth momentum for sales of finished dose enoxaparin sodium pharmaceutical products during the Reporting Period.

In addition, during the Reporting Period, sales in non-European and American overseas markets maintained the growth momentum last year, the business kept growing, and sales volume and revenue reached new highs. The sales revenue in non-European and American overseas markets increased by over 400% compared with the same period of last year. During the Reporting Period, the Group had successively obtained access to the markets in Bosnia and Herzegovina, Bolivia, Brazil and North Macedonia, which the Directors believe will further accelerate full coverage in the global market for Hepalink.

In connection with the efficacy of enoxaparin sodium in the treatment of COVID-19, the Group has conducted clinical studies in Italy, and the patient enrollment has been completed. In February 2021, the last patient enrollment was completed. The clinical study aims at verifying whether hospitalized patients with COVID-19 can benefit significantly from finished dose enoxaparin sodium pharmaceutical products.

Finished dose enoxaparin sodium pharmaceutical product is one type of low molecular weight heparin ("**LMWH**") finished doses, which is widely used in clinical practice. Its main indications include prophylaxis of venous thromboembolic disease (prophylaxis of venous thrombosis), especially thrombosis related to orthopedics or general surgery; treatment of developed deep vein embolism with or without pulmonary embolism; used in hemodialysis and extracorporeal circulation to prevent thrombosis, etc. Finished dose enoxaparin sodium pharmaceutical product of the Group is the first generic drug in the European Union and was approved by the European Medicines Agency (the "**EMA**") through the Centralized Procedure (CP) in 2016. According to the Clinical Guidelines issued by the World Health Organization and the National Institute for Health and Care Excellence of the United Kingdom, LMWH can also be used to prevent complications caused by COVID-19.

During the Reporting Period, heparin API business performed steadily with the sales increasing by 5.2% compared with the same period of last year, and the sales revenue was approximately RMB1,534.5 million (the same period of last year: RMB1,459.1 million), accounting for 49.3% of the Group's total revenue, and the gross profit margin was 26.5%.

The Group has always strictly regularized and focused on strengthening quality management, actively maintained product quality and given play to the integration advantages, so that the API business will maintain a stable development. During the Reporting Period, the sales of enoxaparin API were in line with expectations, with double-digit increases in unit price and sales volume, mainly due to the high consistency of the manufacturing process and product quality of enoxaparin API products produced by the Group, which continues to consolidate and maintain its leading advantage and prominent position in the market.

Heparin is a type of anticoagulant drug with various functions such as anticoagulation and antithrombosis. The heparin industry consists of the initial upstream procurement of porcine small intestines, the upstream extraction of crude heparin, the midstream manufacture of heparin APIs and the downstream manufacture and supply of enoxaparin finished dose. Heparin Sodium API is mainly used for the manufacture of standard heparin finished doses and LMWH APIs, which in turn are used for the manufacture of LMWH finished doses. The Group has two major manufacture bases for Heparin Sodium API in China and the United States. Apart from being partly supplied to Shenzhen Techdow Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Group, the Heparin Sodium APIs are mainly sold to overseas customers, including a number of world-renowned multinational pharmaceutical enterprises.

**CDMO Business**

During the Reporting Period, sales revenue of CDMO business decreased by 8.1% compared with the same period of last year, with sales revenue of approximately RMB355.4 million (the same period of last year: RMB386.8 million), and its gross profit margin was 25.9%.

During the Reporting Period, with its good performance, sales amount of Cytovance under the Group's CDMO business was approximately RMB314.6 million, and gross profit margin of service revenue reached up to 42.8%; the scale of service revenue and gross profit of Cytovance increased by 22.4% and 104.2% compared to the same period of last year, respectively. During the Reporting Period, the Group further improved operation and management efficiency of Cytovance, and established a clearer KPI and quarterly incentive system targeted on the two key indicators of the punctuality and success for the CDMO project, ensuring that the milestone revenue from CDMO service revenue can show a better growth momentum. During the Reporting Period, the Group's CDMO continues to drive the advancement for the supply chain of the mRNA COVID-19 vaccines and supports the large-scale production of commercialized mRNA vaccines worldwide. However, due to the delay in relevant projects resulted from delay of the SPL project and maintenance of key workshop parts, the CDMO business suffered certain impact during the Reporting Period. During the Reporting Period, we actively continued with gradual horizontal and vertical expansion on the basis of keeping the orders of core varieties. We also enhanced efforts to develop our customer base, and by relying on the international CDMO technical team and business development team, we actively followed up on the projects of potential customers to increase the number of CDMO projects in each stage.

**New Drug Pipelines**

***Oregovomab***

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by the joint-stock subsidiary OncoQuest Inc. ("**OncoQuest**"). It has completed a Phase II clinical trial as a treatment combined with chemotherapy in patients with advanced primary ovarian cancer. The results of the Phase II clinical trial have proven the safety and efficacy of Oregovomab in such combined treatment regime for advanced primary ovarian cancer patients. The Phase II clinical results have shown a significant prolongation of median progression-free survival (PFS), with a median PFS of 41.8 months, compared with 12.2 months in patients treated by chemotherapy alone ($p = 0.0027$). It also showed a significant improvement in overall survival (OS) ($p = 0.0043$). Oregovomab has obtained Orphan Drug Designation from the United States

Food and Drug administration (the "**FDA**") and the European Medicines Agency (the "**EMA**"). In October 2020, the first patient in a Phase III clinical trial of Oregovomab was dosed in the United States. This global pivotal trial is expected to enroll 602 patients from 140 clinical sites in 17 countries. In addition, the application for the Phase III clinical trial (IND) of Oregovomab has been accepted by the National Medical Products Administration of China.

***RVX-208 (Apabetalone)***

RVX-208 is a selective inhibitor of bromodomain and BET proteins with selectivity for the second bromodomain. It is being developed by the joint-stock 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 of care to reduce major adverse cardiovascular events among high-risk cardiovascular disease patients with type 2 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.

***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 the joint-stock subsidiary Aridis Pharmaceuticals, Inc. (a company listed on the NASDAQ, stock code: ARDS). It is currently in a global Phase III clinical trial as an adjunctive therapy to standard of care antibiotics in patients diagnosed with ventilator associated pneumonia (VAP) caused by S. aureus. Results of a Phase I/II trial completed in the United States in the earlier stage have shown that patients treated with AR-301 consistently demonstrated less time spent under mechanical ventilation and higher rates of S. aureus eradication as compared to those treated with antibiotics alone. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the EMA. Our controlled subsidiary Shenzhen Arimab Biomedical Co., Ltd. will soon initiate a Phase III clinical trial of AR-301 in China as part of the global multi-regional clinical trial (MRCT). So far, 124 patients in aggregate have been enrolled in 240 centers of AR-301 globally. All of the 16 centers in the PRC were activated and able to enroll patients. The first patient in the Phase III clinical trial of AR-301 (a fully human monoclonal antibody drug of the Group) as an adjunctive therapy to antibiotics in the treatment of ventilator-associated pneumonia caused by S. aureus (AR-301-002) in Greater China was dosed on June 23, 2021. This pivotal trial in Greater China is expected to enroll 30 patients from a total of 26 clinical sites.

*Other Progress*

Kymab, based in Cambridge, the United Kingdom, is a clinical stage biopharmaceutical company focused on the discovery and development of fully human monoclonal antibody drugs using its proprietary antibody platforms (IntelliSelect®), which contains the entire repertoire of human antibodies. The Group holds 8.66% of Kymab's equity interest through its wholly-owned subsidiary, namely Hepalink (Hong Kong) Limited ("**Hepalink Hong Kong**"), and Hepalink Hong Kong entered into a share transfer agreement on January 11, 2021 with, among others, Sanofi Foreign Participations BV pursuant to which Hepalink Hong Kong conditionally agreed to sell its entire interests in Kymab to Sanofi Foreign Participations BV at the milestone consideration of no more than US$350 million. The settlement of the aforementioned equity transfer was completed on April 9, 2021. The Group received the first instalment of the consideration. Please refer to the announcements dated January 11, 2021 and April 9, 2021, respectively, of the Company for transaction details.

**Outlook**

Notwithstanding the further stability of the global economy, the emergence of variant viruses incurred differentiation of the resumption progress from different countries and industries with significant challenge and uncertainty again. In such case, the Group adheres to the implementation and promotion of its strategic layout to maintain stable core business development, with our operating effectiveness further enhanced and profitability constantly improved. The Group also focuses on facilitating the development of its heparin industrial chain business and CDMO business, and expects to continue to grow at the current pace and achieve stable performance for the full year 2021.

Through its strategic layout and integration of the global heparin industrial chain, the Group has made achievements in the transformation into high value-added finished dose pharmaceutical products business. The finished dose pharmaceutical products business has become the core and crucial growth driver of the Group, and its coverage in the global market is continuously expanding. During the Reporting Period, we witnessed a strong performance and rapid growth in our finished dose pharmaceutical products business. We expect that the finished dose pharmaceutical products business will lead the Company to maintain a stable growth momentum. In respect of the CDMO business, benefiting from efficient management and optimal operation, the sales and operations of Cytovance developed at a rapid pace during the Reporting Period and maintained a positive momentum. The Group will continue to actively maintain its technological leadership in this sector by improving efficiency and further enhancing the effort on R&D to ensure the stability of product quality and supply, thereby actively expanding customer base and tapping into greater potential.

In addition, despite the uncertainties in the short term, our long-term operation philosophy and values remain the same. Our abiding vision is to focus on developing and commercializing innovative drugs to benefit more patients. In order to accelerate and promote the clinical trials and R&D of new drugs, during the Reporting Period, the Group further optimized the management of new drugs, built an advanced management system and promoted new drugs into clinical trial stage through an efficient new drug optimization platform, which provided strong support for the clinical trials and R&D of new drugs. In order to achieve better commercialization value, the Group will also pay more attention to evaluating the competitive landscape of new drugs in the market and the ranking for priority of R&D, and preferentially supporting the clinical pipeline most likely to produce patent medicine, in order to realize return for investors. Meanwhile, the

Group will investigate into the weaknesses in its business management, persistently enhance the construction of systems for corporate governance such as the institutional system, organizational system, responsibility system, execution system and evaluation system, comprehensively improve management ability and professional skill, achieve further improvement of quality and efficiency for the overall management and promote the sustainable growth of its business.

In the second half of 2021, the Group will strive to promote higher-quality development in accordance with its annual operating goals by accelerating the conversion of old growth drivers into new growth drivers and delivering a solid performance across operations and expansion of the existing businesses and clinical trials and other key works of our new drugs pipeline. At the same time, the Group will seize the favorable opportunity of the pharmaceutical industry structural adjustment to further improve its domestic and overseas market layout.

In terms of the Group, we will continue to achieve orderly growth in our performance and expand steadily in the ever-changing domestic and global market environment to replenish resources and capture appropriate opportunities and to actively expand and continuously strengthen our existing businesses. Hepalink is ready to pursue all developments beneficial to the Group with the production, sales and management conditions for sustainable development despite the current uncertainties. We are full of confidence in our future prospects.

## Financial Review

### *Revenue*

| | For the six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | 2021 Sales amount RMB'000 (unaudited) | 2021 % of Revenue | 2020 Sales amount RMB'000 (unaudited) | 2020 % of Revenue | Year-on-year increase/ decrease (%) |
| Sale of goods | 2,737,621 | 88.0% | 2,237,236 | 84.9% | 22.4% |
| Finished dose pharmaceutical products | 1,128,746 | 36.3% | 631,337 | 24.0% | 78.8% |
| API | 1,534,467 | 49.3% | 1,459,111 | 55.4% | 5.2% |
| Others[(1)] | 74,408 | 2.4% | 146,788 | 5.6% | (49.3%) |
| CDMO services | 355,406 | 11.4% | 386,772 | 14.7% | (8.1%) |
| Others[(2)] | 18,137 | 0.6% | 11,591 | 0.4% | 56.5% |
| **Total** | **3,111,164** | **100.0%** | **2,635,599** | **100.0%** | **18.0%** |

*Notes:*

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

Revenue from manufacturing and sales of goods increased by RMB500.4 million to RMB2,737.6 million, accounting for 88.0% of the total revenue during the Reporting Period, as compared with RMB2,237.2 million, accounting for 84.9% of the Group's revenue in the corresponding period in 2020. The increase in revenue from manufacturing and sales of goods was mainly due to the year-on-year increase in sales revenue of API and finished dose pharmaceutical products during the Reporting Period. Although the sales of finished dose pharmaceutical products in the European market, the world's leading market, gradually recovered from the ideal of expanding the United States and non-European and American markets, the increase of sales volume and average sales price jointly led to a year-on-year increase of 78.8% in the sales revenue of finished dose pharmaceutical products business.

### *Cost of sales*

For the six months ended June 30, 2021, cost of sales increased by RMB584.5 million to RMB2,134.3 million (the same period of last year: RMB1,549.8 million). The increase in cost of sales was mainly due to the increase in cost of sales of finished dose pharmaceutical products and API during the Reporting Period.

## Operating Costs

### *Gross profit*

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2021** | **2021** | **2020** | **2020** |
| | **Gross profit RMB'000 (unaudited)** | **Gross profit margin *(%)*** | **Gross profit RMB'000 (unaudited)** | **Gross profit margin *(%)*** |
| Sale of goods | 867,168 | 31.7% | 951,241 | 42.5% |
| Finished dose pharmaceutical products | 451,499 | 40.0% | 272,781 | 43.2% |
| API | 407,115 | 26.5% | 656,309 | 45.0% |
| Others[(1)] | 8,554 | 11.5% | 22,151 | 15.1% |
| CDMO services | 92,182 | 25.9% | 123,212 | 31.9% |
| Others[(2)] | 17,557 | 96.8% | 11,380 | 98.2% |
| **Total** | **976,907** | **31.4%** | **1,085,833** | **41.2%** |

*Notes:*

(1) Other products mainly include Pancreatin API.

(2) Other business mainly includes manufacture and marketing services, processing services, technical support services and other services.

For the six months ended June 30, 2021, gross profit decreased by RMB108.9 million to RMB976.9 million (the same period of last year: RMB1,085.8 million). During the Reporting Period, gross profit margin was 31.4% (the same period of last year: 41.2%). The decrease in gross profit margin was mainly due to the increase in the cost of sales of finished dose pharmaceutical products and API during the Reporting Period.

**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, 2021, finance costs decreased by RMB47.0 million to RMB108.4 million (the same period of last year: RMB155.4 million), representing a decrease of 30.3%. The decrease in finance costs was mainly due to a decrease in interest-bearing loans and borrowings as compared with the corresponding period in 2020.

**Taxation**

For the six months ended June 30, 2021, income tax expense was RMB78.3 million (the same period of last year: RMB113.1 million), representing a decrease of approximately 30.8%.

**Profit Attributable to Equity Holders of the Company**

For the six months ended June 30, 2021, profit attributable to equity holders of the Company was RMB338.2 million (the same period of last year: RMB581.1 million), representing a decrease of approximately 41.8%.

**Non-IFRS Measures**

To supplement our consolidated financial information, which is presented in accordance with the International Financial Reporting Standards (the "**IFRSs**"), we also use adjusted net profit as additional financial measures, which is unaudited and not required by, or presented in accordance with, IFRSs. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-IFRSs measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management compare our financial results across accounting periods and with those of our counterparts.

The Company believes that the adjusted non-IFRS net profit attributable to owners of the parent is useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted non-IFRS financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of the adjusted non-IFRS net profit attributable to owners of the parent is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. The adjusted non-IFRS net profit attributable to owners of the parent does not have a standardized definition prescribed under the IFRSs and therefore may not be comparable to similar measures presented by other companies. Shareholders and potential investors should not view the adjusted non-IFRS net profit attributable to owners of the parent on a stand-alone basis or as a substitute for results under the IFRSs, or as being comparable to results reported or forecasted by other companies.

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit attributable to equity holders of the parent | **338,159** | 581,059 |
| Non-recurring profit and loss | | |
| Gains or losses from disposal non-current assets | **1,657** | (14) |
| Government grants through profit or loss | **17,255** | 32,797 |
| In addition to 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 for trading, derivative financial assets, financial liabilities for trading and derivative financial liabilities, as well as investment income from disposing financial assets for trading, derivative financial assets, financial liabilities for trading, derivative financial liabilities and other debt investments | **51,892** | 54,731 |
| Other non-operating income and expenses apart from those stated above | **(4,167)** | (1,040) |
| Effect on enterprise income tax | **(13,235)** | (9,726) |
| Effect on interest of minority shareholders (after tax) | **(43)** | (253) |
| Total | **53,359** | 76,495 |
| Adjusted non-IFRS net profit attributable to owners of the parent (net of non-recurring profit and loss) | **284,800** | 504,564 |

**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, 2021. 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 months ended June 30, 2021 (with adjustments made for all potential dilution effect of the ordinary shares).

For the six months ended June 30, 2021, both basic earnings per share and diluted earnings per share were RMB0.23 (the same period of last year: RMB0.47), representing a decrease of approximately 50.5%.

## 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 consideration 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, 2021, 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 unrealized foreign exchange losses during the Reporting Period were RMB75.8 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, 2021, the Group's cash and bank balances were approximately RMB1,845.3 million (December 31, 2020: approximately RMB1,330.2 million).

***Capital Structure***

As at June 30, 2021, the Group recorded short-term loans of approximately RMB1,960.6 million (December 31, 2020: approximately RMB2,482.0 million) and long-term loans of approximately RMB3,101.2 million (December 31, 2020: approximately RMB3,085.9 million).

***Pledge of Assets***

As at June 30, 2021, the Group's assets of approximately RMB2,501.1 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2020: approximately RMB2,563.4 million).

***Contingent Liabilities***

As at June 30, 2021, neither the Group nor the Company had material contingent liabilities (December 31, 2020: nil).

***Asset-liability Ratio***

As at June 30, 2021, the Group's total assets amounted to approximately RMB18,977.3 million, (December 31, 2020: approximately RMB19,025.9 million), whereas the total liabilities amounted to approximately RMB7,234.5 million (December 31, 2020: approximately RMB7,336.9 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 38.1% (December 31, 2020: approximately 38.6%).

***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, 2021, the Group had approximately 93.4% interest-bearing borrowings bore interest at fixed rates (December 31, 2020: approximately 86.7%).

***Indebtedness***

| | **As at June 30, 2021** ***RMB'000*** **(unaudited)** | As at December 31, 2020 *RMB'000* (audited) |
|---|---|---|
| Interest-bearing bank and other borrowings | **5,061,841** | 5,567,834 |
| Lease liabilities | **69,065** | 77,243 |
| Total financial indebtedness | **5,130,906** | 5,645,077 |
| Pledged bank deposits, cash and cash equivalents | **(10,806)** | (80) |
| Net financial indebtedness | **5,120,100** | 5,644,997 |

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

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Repayable: | | |
| Within one year or on demand | **1,960,636** | 2,481,977 |
| After one year but within two years | **891,283** | 885,698 |
| After two years but within five years | **1,684,934** | 1,652,246 |
| After five years | **524,988** | 547,913 |
| Total | **5,061,841** | 5,567,834 |

The Group's bank borrowings as at June 30, 2021 were approximately RMB3,168.0 million (December 31, 2020: RMB3,675.5 million). As at June 30, 2021, the Group's corporate bond was approximately RMB1,578.8 million (December 31, 2020: RMB1,612.3 million). As at June 30, 2021, the Group's total amount of other borrowings was RMB315.0 million (December 31, 2020: RMB280.0 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended June 30, 2021*

## 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 26, 2021.

## 2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020, which has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

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, 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

The financial information relating to the six months ended June 30, 2020 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, 2020, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform — Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond June 30, 2021 (early adopted)* |

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a

temporary relief to entities from having to meet the separately identifiable requirement when a RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at June 30, 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on January 1, 2021 and applied the practical expedient during the period ended June 30, 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before June 30, 2022 as a direct consequence of the COVID-19 pandemic.

## 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 includes enoxaparin sodium injection;

(b) the active pharmaceutical ingredient segment includes heparin sodium active pharmaceutical ingredients, and enoxaparin sodium active pharmaceutical ingredients;

(c) the CDMO segment includes R&D, manufacturing, quality management, program management and commercial manufacture under customers' specific order; and

(d) the "others" segment.

***Segment revenue and results***

For the six months ended June 30, 2021 (unaudited)

| Segment | Finished dose pharmaceutical products *RMB'000* | Active pharmaceutical ingredients *RMB'000* | CDMO *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| Segment revenue: | | | | | |
| Sales to external customers | **1,128,746** | **1,534,467** | **355,406** | **92,545** | **3,111,164** |
| Intersegment sales | **945,006** | **1,387,257** | **951** | **96,370** | **2,429,584** |
| | **2,073,752** | **2,921,724** | **356,357** | **188,915** | **5,540,748** |
| Reconciliation: | | | | | |
| Elimination of intersegment sales | | | | | **(2,429,584)** |
| Revenue from contracts with customers | | | | | **3,111,164** |
| Segment results: | **296,214** | **430,466** | **92,357** | **32,439** | **851,476** |
| Reconciliation: | | | | | |
| Elimination of intersegment results | | | | | **125,431** |
| Other income and gains | | | | | **5,990** |
| Selling and distribution expenses | | | | | **(195,059)** |
| Administrative expenses | | | | | **(259,307)** |
| Impairment losses on financial assets | | | | | **(10,640)** |
| Other expenses | | | | | **(4,189)** |
| Finance costs | | | | | **(108,369)** |
| Share of profits and losses of associates | | | | | **9,485** |
| Group's profit before tax | | | | | **414,818** |

For the six months ended June 30, 2020 (unaudited)

| Segment | Finished dose pharmaceutical products *RMB'000* | Active pharmaceutical ingredients *RMB'000* | CDMO *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| Segment revenue: | | | | | |
| Sales to external customers | 631,337 | 1,459,111 | 386,772 | 158,379 | 2,635,599 |
| Intersegment sales | 870,732 | 966,250 | 15,524 | 81,635 | 1,934,141 |
| | 1,502,069 | 2,425,361 | 402,296 | 240,014 | 4,569,740 |
| Reconciliation: | | | | | |
| Elimination of intersegment sales | | | | | (1,934,141) |
| Revenue from contracts with customers | | | | | 2,635,599 |
| Segment results: | 299,272 | 680,467 | 125,585 | 46,885 | 1,152,209 |
| Reconciliation: | | | | | |
| Elimination of intersegment results | | | | | (66,376) |
| Other income and gains | | | | | 142,227 |
| Selling and distribution expenses | | | | | (205,118) |
| Administrative expenses | | | | | (244,177) |
| Impairment losses on financial assets | | | | | (5,945) |
| Other expenses | | | | | (1,088) |
| Finance costs | | | | | (155,434) |
| Share of profits and losses of associates | | | | | 76,092 |
| Group's profit before tax | | | | | 692,390 |

***Geographical information***

*(a) Revenue from external customers*

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Hong Kong | **92,907** | 19,419 |
| United States of America | **332,186** | 474,028 |
| Europe | **1,906,642** | 1,449,211 |
| Mainland China | **273,928** | 322,778 |
| Other countries/regions | **505,501** | 370,163 |
| | **3,111,164** | 2,635,599 |

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

*(b) Non-current assets*

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Mainland China | **3,620,502** | 3,725,102 |
| United States of America | **3,376,360** | 3,546,915 |
| Europe | **156,487** | 171,057 |
| Hong Kong | **2,376** | 2,771 |

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, 2020, revenue of approximately RMB511,035,000 derived from a single external customer accounted for more than 10% of the total revenue.

During the period ended June 30, 2021, revenue of approximately RMB560,616,000 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, 2021 (unaudited)**

| Segment | Finished dose pharmaceutical products *RMB'000* | Active pharmaceutical ingredients *RMB'000* | CDMO *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Type of goods or services** | | | | | |
| Sale of products | **1,128,746** | **1,534,467** | **—** | **74,408** | **2,737,621** |
| CDMO services | **—** | **—** | **355,406** | **—** | **355,406** |
| Others | **—** | **—** | **—** | **18,137** | **18,137** |
| Total revenue from contracts with customers | **1,128,746** | **1,534,467** | **355,406** | **92,545** | **3,111,164** |
| **Geographical markets** | | | | | |
| Hong Kong | **3,299** | **89,608** | **—** | **—** | **92,907** |
| United States of America | **96,560** | **28,997** | **187,135** | **19,494** | **332,186** |
| Europe | **812,551** | **950,735** | **124,731** | **18,625** | **1,906,642** |
| Mainland China | **104,760** | **126,217** | **—** | **42,951** | **273,928** |
| Other countries/regions | **111,576** | **338,910** | **43,540** | **11,475** | **505,501** |
| Total revenue from contracts with customers | **1,128,746** | **1,534,467** | **355,406** | **92,545** | **3,111,164** |
| **Timing of revenue recognition** | | | | | |
| Products transferred at a point in time | **1,128,746** | **1,534,467** | **—** | **74,408** | **2,737,621** |
| Services transferred at a point in time | **—** | **—** | **43,511** | **4,232** | **47,743** |
| Services transferred over time | **—** | **—** | **311,895** | **13,905** | **325,800** |
| Total revenue from contracts with customers | **1,128,746** | **1,534,467** | **355,406** | **92,545** | **3,111,164** |

**For the six months ended June 30, 2020 (unaudited)**

| Segment | Finished dose pharmaceutical products<br>*RMB'000* | Active pharmaceutical ingredients<br>*RMB'000* | CDMO<br>*RMB'000* | Others<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|
| **Type of goods or services** | | | | | |
| Sale of products | 631,337 | 1,459,111 | — | 146,788 | 2,237,236 |
| CDMO services | — | — | 386,772 | — | 386,772 |
| Others | — | — | — | 11,591 | 11,591 |
| Total revenue from contracts with customers | 631,337 | 1,459,111 | 386,772 | 158,379 | 2,635,599 |
| **Geographical markets** | | | | | |
| Hong Kong | 1,050 | 18,369 | — | — | 19,419 |
| United States of America | — | 75,021 | 292,517 | 106,490 | 474,028 |
| Europe | 490,059 | 890,702 | 59,104 | 9,346 | 1,449,211 |
| Mainland China | 118,465 | 171,908 | — | 32,405 | 322,778 |
| Other countries/regions | 21,763 | 303,111 | 35,151 | 10,138 | 370,163 |
| Total revenue from contracts with customers | 631,337 | 1,459,111 | 386,772 | 158,379 | 2,635,599 |
| **Timing of revenue recognition** | | | | | |
| Products transferred at a point in time | 631,337 | 1,459,111 | — | 146,788 | 2,237,236 |
| Services transferred at a point in time | — | — | 139,403 | 2,063 | 141,466 |
| Services transferred over time | — | — | 247,369 | 9,528 | 256,897 |
| Total revenue from contracts with customers | 631,337 | 1,459,111 | 386,772 | 158,379 | 2,635,599 |

The following table shows the amounts of revenue recognised during the each of the periods ended June 30, 2020 and 2021 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,** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Revenue recognised that was included in the contract liabilities balance at the beginning of period: | | |
| Sale of products | **4,463** | 3,557 |
| CDMO services | **67,760** | 159,691 |
| | **72,423** | 163,248 |

(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, 2021 and December 31, 2020 are as follows:

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within one year | **787,935** | 1,048,314 |

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, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Other income** | | |
| Bank interest income | **26,260** | 7,429 |
| Government grants related to | | |
| — Assets* | **1,036** | 1,126 |
| — Income** | **16,219** | 31,671 |
| Dividend income from financial assets at fair value through profit or loss | **28,592** | 357 |
| Dividend income from financial assets designated at fair value through other comprehensive income | **15,543** | 16,877 |
| | **87,650** | 57,460 |
| **Other gains** | | |
| Foreign exchange gains, net | **(93,654)** | 42,446 |
| Gains on disposal of financial assets at fair value through profit or loss | **4,677** | 11,816 |
| Fair value gains/(losses), net: | | |
| Fair value gains on financial assets at fair value through profit or loss | **7,073** | 35,736 |
| Fair value losses on derivative instruments | **(5,738)** | (13,309) |
| Gains/(losses) on disposal of items of property, plant and equipment | **1,657** | (14) |
| Interest income from debt investments | **1,744** | 3,254 |
| Others | **2,581** | 4,838 |
| | **(81,660)** | 84,767 |
| | **5,990** | 142,227 |

* 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, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interest expenses on: | | |
| Bank borrowings | **64,046** | 91,373 |
| Corporate bonds | **38,111** | 47,643 |
| Lease liabilities | **1,439** | 1,710 |
| Other finance cost | **4,773** | 14,708 |
| | **108,369** | 155,434 |

## 7. Profit before Tax

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Cost of inventories sold | **1,871,480** | 1,278,152 |
| Cost of services provided | **262,777** | 271,614 |
| Depreciation of property, plant and equipment | **108,778** | 104,539 |
| Depreciation of right-of-use assets | **16,840** | 16,942 |
| Amortisation of other intangible assets | **25,966** | 30,207 |
| Research and development costs* | **58,267** | 34,912 |
| Auditor's remuneration | **5,236** | 3,350 |
| Expense related to public offering | **—** | 31,966 |
| Employee benefit expense (including directors' and supervisors' remuneration): | | |
| Salaries and other benefits | **264,400** | 287,325 |
| Pension scheme contributions, social welfare and other welfare | **56,049** | 42,479 |
| Rental expenses from short-term leases | **897** | 270 |
| Bank interest income | **(26,260)** | (7,429) |
| Finance costs | **108,369** | 155,434 |
| Dividend income from financial assets at fair value through profit or loss | **(28,592)** | (357) |
| Dividend income from financial assets at fair value through other comprehensive income | **(15,543)** | (16,877) |
| Foreign exchange losses/(gains), net | **93,654** | (42,446) |
| Gains on disposal of financial assets at fair value through profit or loss | **(4,677)** | (11,816) |
| Fair value losses on derivative instruments | **5,738** | 13,309 |
| Fair value gains on financial assets at fair value through profit or loss | **(7,073)** | (35,736) |
| (Gains)/losses on disposal of items of property, plant and equipment | **(1,657)** | 14 |
| Interest income from debt investments | **1,744** | 3,254 |
| Impairment losses on financial assets | **10,640** | 5,945 |
| Write-down of inventories to net realisable value | **2,928** | 17,099 |

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

## 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, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current tax expense | | |
| PRC | **117,060** | 82,154 |
| United States of America | **44,113** | 52,211 |
| Elsewhere | **220** | 929 |
| Underprovision in prior years | **1,522** | 376 |
| | **162,915** | 135,670 |
| Deferred tax expense | | |
| PRC | **(88,330)** | 22,189 |
| United States of America | **842** | 8,728 |
| Elsewhere | **2,895** | (36,005) |
| | **(84,593)** | (22,544) |
| Total tax charge for the period | **78,322** | 113,126 |

## 9. Dividends

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Dividends declared by the Company | **220,094** | 224,496 |

On May 26, 2021, the Company's shareholders approved the 2020 Profit Distribution Plan at the annual general meeting, which amounted to RMB220,094,431 (tax inclusive) pursuant to a dividend of RMB1.5 (tax inclusive) for every 10 shares of the Company.

On May 21, 2020, the Company's shareholders approved the 2019 Profit Distribution Plan at the annual general meeting, pursuant to which, an amount of RMB224,496,307 (tax inclusive) was paid based on dividends of RMB1.8 (tax inclusive) for every 10 shares of the Company.

## 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, 2020 and 2021 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,** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent | **338,159** | 581,059 |

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2021** | 2020 |
| | **(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** | 1,247,201,704 |

## 11. Trade and Bills Receivables

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables | **1,692,271** | 1,661,300 |
| Bill receivables | **52,346** | 35,030 |
| Allowance for expected credit losses | **(32,671)** | (30,114) |
| | **1,711,946** | 1,666,216 |

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, 2021 and December 31, 2020, based on the billing date and net of allowance for expected credit losses, is as follows:

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within one year | **1,642,153** | 1,630,918 |
| One to two years | **89,996** | 40,309 |
| Two to three years | **5,568** | 18,391 |
| Over three years | **6,900** | 6,712 |
| | **1,744,617** | 1,696,330 |
| Less: Allowance for expected credit losses | **(32,671)** | (30,114) |
| | **1,711,946** | 1,666,216 |

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

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| At beginning of the year/period | **30,114** | 21,721 |
| Impairment losses, net | **8,947** | 10,589 |
| Write-off | **(6,257)** | (2,144) |
| Exchange realignment | **(133)** | (52) |
| | **32,671** | 30,114 |

## 12. Trade Payables

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade payables | **382,628** | 239,218 |

An aging analysis of the trade payables as at December 31, 2020 and June 30, 2021, based on the invoice date, is as follows:

| | **As at June 30, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Within one year | **380,356** | 236,702 |
| One year to two years | **757** | 1,774 |
| Two years to three years | **973** | 709 |
| Over three years | **542** | 33 |
| | **382,628** | 239,218 |

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, 2021** | As at December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Registered, issued and fully paid 1,467,296,204 ordinary shares | **1,467,296** | 1,467,296 |

**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 (the "**Listing Date**"), and the Company obtained its net proceeds of RMB3,538.3 million. 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 at June 30, 2021, RMB1,034.4 million had been used by the Company to improve capital structure and repay the existing debt; RMB69.1 million had been used for investment in innovative drugs; the remaining unutilized net proceeds of RMB2,434.8 million were deposited with licensed financial institutions as deposits and structured principal-protected wealth management products. During the six months ended June 30, 2021, no proceed had been used by the Group. We expected to progressively utilize the net proceeds from the H share listing within three years in accordance with the above purposes consistently as those stated in the Prospectus. The plan is as follows:

| **Use of proceeds (RMB million)** | **Net proceeds from Global Offering** | **Utilised as at June 30, 2021** | **Remaining amount** | **Expected time of use** |
|---|---|---|---|---|
| Improving capital structure and repaying the existing debt | 1,061.5 | 1,034.4 | 27.1 | Within next two years from the Listing Date |
| Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC | 1,061.5 | 0 | 1,061.5 | Within next two years from the Listing Date |

| Use of proceeds (RMB million) | Net proceeds from Global Offering | Utilised as at June 30, 2021 | Remaining amount | Expected time of use |
|---|---|---|---|---|
| Expanding our development and manufacturing capacity and broadening our products and services offering of Cytovance | 707.7 | 0 | 707.7 | Within next three years from the Listing Date |
| Investment in innovative drugs | 707.7 | 69.1 | 638.6 | Within next three years from the Listing Date |
| Total | 3,538.4 | 1,103.5 | 2,434.9 | |

## Significant Investments

As at June 30, 2021, 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.

## 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

Save for the continuing impact of the COVID-19 pandemic, 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, 2021, the Group had 1,971 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. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB320.4 million (the same period of last year: approximately RMB329.8 million).

## Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## Compliance with Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Corporate Governance Code**"). During the Reporting Period, the Company had complied with all the applicable code provisions in the Corporate Governance Code.

The Board currently comprises four executive directors and three independent non-executive directors, with the independent non-executive directors representing no less than one-third of the Board. Having such a percentage of independent non-executive directors on the Board can ensure their views carry significant weight and reflect the independence of the Board.

## 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 10 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, 2021.

The Audit Committee has considered and reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2021 and 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, 2021 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, 2021 (the same period of last year: nil).

## Publication of Interim Results Announcement and Interim Report 2021

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 2021 Interim Report of the Company will be dispatched 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 26, 2021

*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 Bin; the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.*

*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 that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.*