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**YiChang HEC ChangJiang Pharmaceutical Co., Ltd.**

**宜昌東陽光長江藥業股份有限公司**

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

**(Stock Code: 01558)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2021:

- Revenue was RMB202.2 million, representing a decrease of 90.3% as compared with the six months ended 30 June 2020.
- Gross profit was RMB100.8 million, representing a decrease of 94.2% as compared with the six months ended 30 June 2020.
- Loss before interest, tax, depreciation and amortisation was RMB353.7 million, representing a decrease of 138.0% as compared to earning before interest, tax, depreciation and amortisation of RMB930.3 million for the six months ended 30 June 2020.
- Loss and total comprehensive loss attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) was RMB346.0 million, representing a decrease of 149.7% as compared to the profit and total comprehensive income attributable to equity shareholders of the Company (without taking into account the effect of convertible bonds) of RMB695.9 million for the six months ended 30 June 2020.
- Loss and total comprehensive loss attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB507.0 million, representing a decrease of 182.1% as compared to the profit and total comprehensive income attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) of RMB617.5 million for the six months ended 30 June 2020.
- Basic and diluted losses per share were RMB0.58 and RMB0.31 respectively.

**INTERIM DIVIDEND**

- The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB0.1 per share (tax inclusive)).

## RESULTS HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period of 2020. The results have been prepared in accordance with International Financial Reporting Standards (the “**IFRSs**”).

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2021 — unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2021	2020
		RMB'000	RMB'000
Revenue	3	202,246	2,083,705
Cost of sales		(101,458)	(352,864)
Gross profit		100,788	1,730,841
Other net (expenses)/income	5(a)	(56,555)	48,340
Distribution costs		(258,929)	(686,862)
Administrative expenses		(185,124)	(160,322)
Research and development cost		(49,666)	(54,983)
Impairment (losses)/reversal on trade and other receivables		(19,420)	5,171
Other operating expenses		—	(1,285)
(Loss)/profit from operations		(468,906)	880,900
Finance costs	5(b)	(119,298)	(123,064)
(Loss)/profit before taxation	5	(588,204)	757,836
Income tax	6	81,227	(141,095)
(Loss)/profit for the period		(506,977)	616,741
(Loss)/profit and total comprehensive income for the period attributable to:			
Equity shareholders of the Company		(507,028)	617,508
Non-controlling interests		51	(767)
(Loss)/profit and total comprehensive income for the period		(506,977)	616,741
(Losses )/earnings per share	7		
Basic		RMB(0.58)	RMB0.70
Diluted		RMB(0.31)	RMB0.63

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*at 30 June 2021 — unaudited*

*(Expressed in Renminbi)*

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets			
— Property, plant and equipment	8	2,669,062	2,489,661
— Ownership interests in leasehold land held for own use	8	<u>344,058</u>	<u>346,045</u>
Intangible assets	9	3,068,258	2,709,591
Goodwill		75,896	75,896
Prepayments	10	355,891	635,319
Deferred tax assets		<u>125,418</u>	<u>40,645</u>
<b>Total non-current assets</b>		<u>6,638,583</u>	<u>6,297,157</u>
<b>Current assets</b>			
Inventories	11	392,077	378,268
Trade and other receivables	12	391,975	599,757
Prepayments		29,184	19,927
Restricted cash		134,212	221,191
Cash and cash equivalents	13	<u>1,327,642</u>	<u>2,044,967</u>
<b>Total current assets</b>		<u>2,275,090</u>	<u>3,264,110</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,050,416	1,259,440
Contract liabilities		33,153	56,152
Bank loans		13,075	345,987
Interest-bearing borrowings	15	—	2,474,817
Deferred income		8,135	4,379
Current taxation		<u>—</u>	<u>20,438</u>
<b>Total current liabilities</b>		<u>1,104,779</u>	<u>4,161,213</u>
<b>Net current assets/(liabilities)</b>		<u>1,170,311</u>	<u>(897,103)</u>
<b>Total assets less current liabilities</b>		<u>7,808,894</u>	<u>5,400,054</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*at 30 June 2021 — unaudited*  
*(Expressed in Renminbi)*

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank loans		447,269	189,853
Deferred income		139,648	106,542
Interest-bearing borrowings	15	<u>2,625,295</u>	<u>—</u>
<b>Total non-current liabilities</b>		<u><u>3,212,212</u></u>	<u><u>296,395</u></u>
<b>Net assets</b>		<u><u>4,596,682</u></u>	<u><u>5,103,659</u></u>
<b>Capital and reserves</b>	16		
Share capital		879,968	879,968
Reserves		<u>3,504,107</u>	<u>4,011,135</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<u>4,384,075</u>	4,891,103
<b>Non-controlling interests</b>		<u>212,607</u>	<u>212,556</u>
<b>Total equity</b>		<u><u>4,596,682</u></u>	<u><u>5,103,659</u></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Treasury shares	Statutory reserve	Retained earnings	Total		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	448,820	1,375,872	(142,209)	232,676	2,493,396	4,408,555	214,600	4,623,155
<b>Changes in equity for the six months ended 30 June 2020:</b>								
Profit and total comprehensive income for the period	—	—	—	—	617,508	617,508	(767)	616,741
Repurchase of shares	—	—	(136,917)	—	—	(136,917)	—	(136,917)
Cancellation of treasury shares	(8,836)	(270,290)	279,126	—	—	—	—	—
Dividends approved in respect of the previous year	16(a)(ii)	439,984	—	—	(571,977)	(131,993)	—	(131,993)
<b>Balance at 30 June 2020 and 1 July 2020</b>	879,968	1,105,582	—	232,676	2,538,927	4,757,153	213,833	4,970,986
<b>Changes in equity for the six months ended 31 December 2020:</b>								
Profit and total comprehensive income for the period	—	—	—	—	221,947	221,947	(1,277)	220,670
Appropriation of statutory reserve	—	—	—	96,020	(96,020)	—	—	—
Dividends approved in respect of the current year	16(a)(i)	—	—	—	(87,997)	(87,997)	—	(87,997)
<b>Balance at 31 December 2020</b>	879,968	1,105,582	—	328,696	2,576,857	4,891,103	212,556	5,103,659

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2021</b>	879,968	1,105,582	328,696	2,576,857	4,891,103	212,556	5,103,659	
<b>Changes in equity for the six months ended 30 June 2021:</b>								
Loss and total comprehensive income for the period	—	—	—	(507,028)	(507,028)	51	(506,977)	
<b>Balance at 30 June 2021</b>	879,968	1,105,582	328,696	2,069,829	4,384,075	212,607	4,596,682	

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***for the six months ended 30 June 2021 — unaudited**(Expressed in Renminbi)*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>		
Cash (used in)/generated from operations	<b>(457,968)</b>	1,634,477
The People's Republic of China (the "PRC") corporate income tax paid	<b>(3,827)</b>	(295,481)
<b>Net cash (used in)/generated from operating activities</b>	<b>(461,795)</b>	1,338,996
<b>Investing activities</b>		
Interest received	<b>8,115</b>	13,967
Payments for purchase of property, plant and equipment	<b>(261,262)</b>	(385,782)
Prepayments and payments for intangible assets	<b>(163,282)</b>	(612,950)
Payments for time deposits with maturities over 3 months	–	(225,000)
Proceeds from time deposits with maturities over 3 months	–	225,000
Decrease in restricted cash	<b>86,979</b>	–
Proceeds from disposal of property, plant and equipment	<b>19</b>	19,763
<b>Net cash used in investing activities</b>	<b>(329,431)</b>	(965,002)
<b>Financing activities</b>		
Proceeds from bank borrowings	<b>276,399</b>	414,434
Repayments of bank loans	<b>(153,603)</b>	–
Interest paid	<b>(49,189)</b>	(85,469)
Repurchase of treasury shares	–	(136,917)
<b>Net cash generated from financing activities</b>	<b>73,607</b>	192,048
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(717,619)</b>	566,042
<b>Cash and cash equivalents at 1 January</b>	<b>2,044,967</b>	2,779,138
<b>Effect of foreign exchange rate changes</b>	<b>294</b>	1,000
<b>Cash and cash equivalents at 30 June</b>	<b>1,327,642</b>	3,346,180

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board (“IASB”). It was authorised for issue on 27 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes in Note 2 that are expected to be reflected in the 2021 annual financial statements.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to IFRSs issued by the IASB to this interim financial information for the current accounting period:

- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*

These amendments have not had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 REVENUE AND SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of sales of pharmaceutical products. Therefore, the Group's management considers that there is only one operating segment under the requirements of IFRS 8, *Operating Segments*. In this regard, no segment information is presented for the period.

#### Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Sales of anti-viral drugs	57,300	1,968,563
Sales of endocrine and metabolic drugs	34,193	39,465
Sales of cardiovascular drugs	44,207	30,706
Sales of other medical products and license fee income	66,546	44,971
	<u>202,246</u>	<u>2,083,705</u>

Analysis of the Group's revenue and results by geographical market has not been presented as 100% (the six months ended 30 June 2020: 100%) of the revenue are generated from the Mainland China.

### 4 SEASONALITY OF OPERATIONS

The Group's core product, Kewei, is a type of anti-viral drugs for the treatment and prevention of influenza. The Group experiences a higher sales in first and fourth quarter of a year due to the fact that outbreaks of influenza tend to be a seasonal nature and is more prevalent in the spring and winter.

For the twelve months ended 30 June 2021, the Group reported revenue of RMB466,654,000 (twelve months ended 30 June 2020: RMB5,236,470,000), and gross profit of RMB366,513,000 (twelve months ended 30 June 2020: RMB4,412,223,000).



## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (a) Other net (expenses)/income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest income	8,115	13,967
Government grants	11,275	7,204
Net loss on disposal of fixed assets	(4,983)	(3,194)
Fair value change on conversion option embedded in convertible bonds ( <i>Note 15</i> )	(96,258)	69,262
Net foreign exchange gain/(loss)	25,398	(39,335)
Others	(102)	436
	<u>(56,555)</u>	<u>48,340</u>

### (b) Finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest on bank loans	10,197	2,318
Interest on other borrowings ( <i>Note 15</i> )	118,904	121,984
	<u>129,101</u>	<u>124,302</u>
Less: interest expense capitalised into construction in progress	(9,803)	(1,238)
	<u>119,298</u>	<u>123,064</u>

### (c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Amortisation cost of intangible assets ( <i>Note 9</i> )	84,207	32,710
Less: amount capitalised as development costs in intangible assets	(13,490)	(13,490)
	<u>70,717</u>	<u>19,220</u>
Depreciation cost of fixed assets ( <i>Note 8</i> )	46,567	32,569
Less: amount capitalised as development costs in intangible assets	(2,096)	(2,435)
	<u>44,471</u>	<u>30,134</u>
(Reversal)/write-down of inventories	(480)	2,301

## 6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Current tax</b>		
Provision for PRC corporate income tax for the period	35	169,942
Under-provision for PRC corporate income tax in respect of prior years	3,511	6,010
	<b>3,546</b>	175,952
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(84,773)	(34,857)
	<b>(81,227)</b>	141,095

- (i) The PRC corporate income tax rate is 25% for the six months ended 30 June 2021 and 2020.
- (ii) The PRC Corporate Income Tax Law allows enterprises to apply for the certificate of “High and New Technology Enterprise” (“HNTE”) which entitles the qualified companies to a preferential corporate income tax (“CIT”) rate of 15%. The Company was recognized as HNTE and enjoyed a preferential CIT rate of 15% for the six months ended 30 June 2021 and 2020.

## 7 (LOSSES)/EARNINGS PER SHARE

### (a) Basic (losses)/earnings per share

The calculation of basic (losses)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB507,028,000 (six months ended 30 June 2020: profit attribute to equity shareholders of the Company of RMB617,508,000) and the weighted average number of 879,967,700 ordinary shares (six months ended 30 June 2020: 882,989,460 shares) in issue during the interim period.

	Six months ended 30 June	
	2021	2020
	shares	shares
Shares issued as at 1 January	879,967,700	448,820,050
Effect of treasury shares	–	(3,927,400)
Effect of bonus issue	–	439,983,850
Effect of repurchase of shares	–	(1,887,040)
	<b>879,967,700</b>	882,989,460

**(b) Diluted (losses)/earnings per share**

The calculation of diluted (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB345,979,000 (six months ended 30 June 2020: profit attribute to equity shareholders of the Company of RMB695,885,000) and the weighted average number of ordinary shares of 1,104,253,414 shares (six months ended 30 June 2020: 1,104,738,403 shares).

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
(Loss)/profit attributable to ordinary equity shareholders	<b>(507,028)</b>	617,508
After tax effect of effective interest on the liability component of convertible bonds	<b>101,068</b>	103,686
After tax effect of loss/(gain) recognised on the derivative component of convertible bonds	<b>81,819</b>	(58,873)
After tax effect of exchange (gain)/loss on the convertible bonds	<b>(21,838)</b>	33,564
	<hr/>	<hr/>
(Loss)/profit attributable to ordinary equity shareholders (diluted)	<b>(345,979)</b>	695,885
	<hr/>	<hr/>
	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>shares</b>	<b>2020</b> <b>shares</b>
Weighted average number of ordinary shares at 30 June	<b>879,967,700</b>	882,989,460
Effect of conversion of convertible bonds	<b>224,285,714</b>	221,748,943
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	<b>1,104,253,414</b>	1,104,738,403
	<hr/>	<hr/>

## 8 FIXED ASSETS

	Plant and buildings RMB'000	Machinery RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Ownership interests in leasehold land held for own use RMB'000	Total RMB'000
<b>Cost:</b>								
At 1 January 2020	945,255	277,181	132,567	1,888	678,330	2,035,221	258,337	2,293,558
Additions	6,308	5,479	3,643	364	770,470	786,264	117,445	903,709
Transfer from construction in progress	95,227	71,247	95,688	–	(262,162)	–	–	–
Disposals	(25,356)	(4,699)	(3,632)	–	–	(33,687)	–	(33,687)
At 31 December 2020	1,021,434	349,208	228,266	2,252	1,186,638	2,787,798	375,782	3,163,580
Additions	60,336	1,399	1,618	–	163,740	227,093	1,890	228,983
Transfer from construction in progress	(7,649)	151,778	52,872	–	(197,001)	–	–	–
Disposals	(4,699)	(2,371)	(1,597)	–	–	(8,667)	–	(8,667)
At 30 June 2021	1,069,422	500,014	281,159	2,252	1,153,377	3,006,224	377,672	3,383,896
<b>Accumulated depreciation and amortisation:</b>								
At 1 January 2020	(88,547)	(96,886)	(58,815)	(251)	–	(244,499)	(23,552)	(268,051)
Charge for the year	(28,928)	(17,933)	(15,399)	(179)	–	(62,439)	(6,185)	(68,624)
Written-back on disposals	2,087	3,373	3,341	–	–	8,801	–	8,801
At 31 December 2020	(115,388)	(111,446)	(70,873)	(430)	–	(298,137)	(29,737)	(327,874)
Charge for the period	(15,910)	(13,077)	(13,596)	(107)	–	(42,690)	(3,877)	(46,567)
Written-back on disposals	878	1,545	1,242	–	–	3,665	–	3,665
At 30 June 2021	(130,420)	(122,978)	(83,227)	(537)	–	(337,162)	(33,614)	(370,776)
<b>Carrying amount:</b>								
At 30 June 2021	939,002	377,036	197,932	1,715	1,153,377	2,669,062	344,058	3,013,120
At 31 December 2020	906,046	237,762	157,393	1,822	1,186,638	2,489,661	346,045	2,835,706

- (i) As at 30 June 2021, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB151,690,000 (31 December 2020: RMB150,052,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the aforesaid properties are not affected by the fact that the Group has not yet obtained the relevant properties title certificates.
- (ii) As at 30 June 2021, an amount of RMB84,785,000 (31 December 2020: RMB85,743,000) of the ownership interests in leasehold land held for own use, an amount of RMB414,998,000 (31 December 2020: RMB357,445,000) of construction in progress and an amount of RMB109,545,000 (31 December 2020: RMB118,918,000) of plant and buildings were held in pledge for bank loans.

## 9 INTANGIBLE ASSETS

	Capitalised development costs <i>RMB'000</i>	Patents and drugs' intellectual property rights <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost:</b>			
At 1 January 2020	294,248	635,200	929,448
Purchase	550,000	–	550,000
Addition through internal development	184,514	–	184,514
Transfer from prepayment	186,979	1,044,463	1,231,442
Transfer from development costs to patents	(42,580)	42,580	–
	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,173,161	1,722,243	2,895,404
Addition through internal development	72,523	–	72,523
Transfer from prepayment ( <i>Note 10</i> )	–	370,702	370,702
	<hr/>	<hr/>	<hr/>
At 30 June 2021	1,245,684	2,092,945	3,338,629
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation:</b>			
At 1 January 2020	–	(101,153)	(101,153)
Charge for the year	–	(85,011)	(85,011)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	–	(186,164)	(186,164)
Charge for the period	–	(84,207)	(84,207)
	<hr/>	<hr/>	<hr/>
At 30 June 2021	–	(270,371)	(270,371)
	<hr/>	<hr/>	<hr/>
<b>Net book value:</b>			
At 30 June 2021	1,245,684	1,822,574	3,068,258
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At 31 December 2020	1,173,161	1,536,430	2,709,591
	<hr/>	<hr/>	<hr/>

As at 30 June 2021, the capitalized development costs were under development and not yet ready for use.

The Company's directors are of the opinion that no impairment losses are required to be made as the calculation of recoverable amounts based on value-in-use were greater than the carrying amount of the intangible assets.

## 10 PREPAYMENTS

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Prepayments for intangible assets	168,293	444,676
Prepayments for property, plant and equipment	187,598	190,643
	<u>355,891</u>	<u>635,319</u>

### Notes:

In 2018 and 2019, the Company entered into two acquisition agreements with Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業有限公司, “Sunshine Lake Pharma”), to acquire 33 pharmaceutical products’ know-how, intellectual property rights and ownership rights (“Target Products”) from Sunshine Lake Pharma with a total consideration of RMB2,131,635,000, which comprised a prepayment of RMB1,065,817,000, several milestone payments totalling RMB577,878,000 and contingent payments of RMB487,930,000 subject to the future sales of the Target Products. As at 30 June 2021, the Group had made accumulated payments of RMB1,370,636,000 (31 December 2020: RMB1,276,317,000) to Sunshine Lake Pharma, in which RMB370,702,000 (2020: RMB531,442,000) was transferred to intangible assets after the NMPA approvals for 8 (31 December 2020: 13) out of the Target Products were obtained in the six months ended 30 June 2021. After the transfers, the outstanding prepayment as at 30 June 2021 was RMB168,293,000 (31 December 2020: RMB444,676,000).

## 11 INVENTORIES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Raw materials	243,954	220,217
Work in progress	42,781	35,988
Finished goods	104,234	120,887
Goods in transit	1,108	1,176
	<u>392,077</u>	<u>378,268</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	95,471	137,393
Write-down of inventories	5,244	2,301
Reversal of write-down of inventories	(5,724)	–
	<u>94,991</u>	<u>139,694</u>

## 12 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Within 3 months	<b>82,548</b>	396,214
More than 3 months but within one year	<b>166,316</b>	64,295
Trade and bills receivable, net of allowance for doubtful debts	<b>248,864</b>	460,509
Other receivables, net of allowance for doubtful debts	<b>143,111</b>	139,248
Financial assets measured at amortised cost	<b>391,975</b>	599,757

Trade receivables are generally due within 30–90 days from the date of billing. Bills receivable is due in 3 or 6 months from the date of billing. All of the trade and other receivables of the Group are expected to be recovered within one year.

Bills receivable with carrying value of RMB4,266,000 (31 December 2020: RMB192,380,000) were pledged as securities of bank loans of the Group as at 30 June 2021.

Bills receivable with carrying value of RMB9,895,000 (31 December 2020: RMB15,655,000) were pledged as securities of issuing bills payables by the Group as at 30 June 2021.

## 13 CASH AND CASH EQUIVALENTS

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Cash on hand	–	9
Cash at bank	<b>1,461,854</b>	2,266,149
Less: restricted cash	<b>(134,212)</b>	(221,191)
Cash and cash equivalents in the cash flow statement	<b>1,327,642</b>	2,044,967

## 14 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the aging analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Within 1 month	<b>23,312</b>	61,537
1 to 3 months	<b>34,510</b>	69,985
Over 3 months but within 1 year	<b>72,284</b>	104,206
Over 1 year	<b>6,391</b>	3,823
	<hr/>	<hr/>
Total trade and bills payables	<b>136,497</b>	239,551
Amounts due to related parties	<b>16,719</b>	42,499
Value added tax and other taxes payable	<b>10,665</b>	7,126
Accrued payroll and benefits	<b>46,737</b>	86,090
Accrued expenses	<b>653,969</b>	656,355
Other payables for purchasing fixed assets	<b>157,686</b>	203,647
Other payables	<b>28,143</b>	24,172
	<hr/>	<hr/>
Financial liabilities measured at amortised cost	<b>1,050,416</b>	1,259,440
	<hr/>	<hr/>

## 15 INTEREST-BEARING BORROWINGS

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Convertible bonds	<b>2,625,295</b>	2,474,817
	<hr/>	<hr/>

- (i) On 20 February 2019, the Company issued a tranche of 1,600 convertible bonds with an aggregate principal amount of USD400,000,000 (equivalent to approximately RMB2,702,320,000). Each number of bond has a face value of USD250,000 and a maturity date of 20 February 2026. The bonds bear interest at 3.0% per annum payable semi-annually in arrears on 30 June and 31 December of each year. The bonds are unsecured.



As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. No conversion or redemption of the convertible bonds has occurred up to 30 June 2021. The convertible price was adjusted to HK\$19 (equivalent to RMB17) per conversion share due to the dilution of the Company's share price after issuance of bonus shares in June 2020.

- (ii) The bondholders have the right to redeem all or any portion of the convertible bonds before the maturity date in the event of breach of covenants provided in the subscription agreement by the Company. In 2020, the bondholders informed the Group that the aggregate capital expenditure incurred by the Group for 2020 exceeded RMB150,000,000 and such excess capital expenditure was incurred without the consent of the bondholders under the subscription agreement. Accordingly, a covenant was breached with the effect that the convertible bonds became repayable on demand.

In March 2021, the Group has obtained waiver letter from the bondholders. Pursuant to such letter, the bondholders agreed to waive their right to demand an early redemption of the convertible bonds until 1 July 2022.

- (iii) The convertible bonds recognised in the consolidated statement of financial position of the Group are analysed as follows:

	<b>Liability component RMB'000</b>	<b>Derivative component RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2020	2,248,640	603,960	2,852,600
Fair value adjustment credited to profit or loss	–	(69,262)	(69,262)
Accrued interest	121,984	–	121,984
Interest paid	(84,557)	–	(84,557)
Exchange loss	31,011	8,476	39,487
At 30 June 2020	<u>2,317,078</u>	<u>543,174</u>	<u>2,860,252</u>
Fair value adjustment credited to profit or loss	–	(289,317)	(289,317)
Accrued interest	121,178	–	121,178
Exchange gain	(185,037)	(32,259)	(217,296)
At 31 December 2020	<u>2,253,219</u>	<u>221,598</u>	<u>2,474,817</u>
Fair value adjustment debited to profit or loss	–	96,258	96,258
Accrued interest	118,904	–	118,904
Interest paid	(38,992)	–	(38,992)
Exchange gain	(23,370)	(2,322)	(25,692)
At 30 June 2021	<u>2,309,761</u>	<u>315,534</u>	<u>2,625,295</u>

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
No interim dividend proposed after the end of the reporting period (six months ended 30 June 2020: RMB0.10 per ordinary share)	—	87,997

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB0.10 per ordinary share).

#### (ii) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
No final dividends in respect of the previous financial year approved during the following interim period		
No dividends approved in respect of previous financial year for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB0.30 per ordinary share and one bonus share per every one existing share held by the shareholder of the Company)	—	571,977

### (b) Share Capital

#### Ordinary shares, issued and fully paid

	At 30 June 2021		At 31 December 2020	
	No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	879,967,700	879,968	448,820,050	448,820
Bonus issue	—	—	439,983,850	439,984
Cancellation of treasury shares	—	—	(8,836,200)	(8,836)
As at 30 June/31 December	879,967,700	879,968	879,967,700	879,968

### (c) Equity settled share-based transactions

No share options were granted nor exercised during the six months ended 30 June 2021.

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the conversion option embedded in convertible bonds. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2021 RMB'000	Fair value measurements as at 30 June 2021 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Derivative financial instruments				
— Conversion option embedded in convertible bonds	<u>315,534</u>	<u>—</u>	<u>315,534</u>	<u>—</u>
	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurement</b>				
Derivative financial instruments				
— Conversion option embedded in convertible bonds	<u>221,598</u>	<u>—</u>	<u>221,598</u>	<u>—</u>

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of conversion option embedded in convertible bonds in Level 2 is the estimated amount that the Group would pay to terminate the option at the end of the reporting period, taking into account the underlying share price and the potential shares outstanding to be converted.

**(b) Fair values of financial assets and liabilities carried at other than fair value**

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	<b>At 30 June 2021</b>		<b>At 31 December 2020</b>	
	<b>Carrying amount RMB'000</b>	<b>Fair value RMB'000</b>	<b>Carrying amount RMB'000</b>	<b>Fair value RMB'000</b>
Convertible bonds				
— Liability component	<b>2,309,761</b>	<b>2,174,292</b>	2,253,219	2,286,438

**18 CAPITAL COMMITMENTS**

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial information were as follows:

	<b>At 30 June 2021 RMB'000</b>	<b>At 31 December 2020 RMB'000</b>
Contracted for		
— Acquisition of fixed assets	<b>169,524</b>	292,827
— Acquisition of intangible assets	<b>1,814,498</b>	1,908,817
	<b>1,984,022</b>	2,201,644

**19 MATERIAL RELATED PARTY TRANSACTIONS**

During the six months ended 30 June 2021 and 2020, the directors of the Company are of the view that related parties of the Group include the following:

<b>Name of related party</b>	<b>Relationship with the Group</b>
HEC Pharm Co., Ltd. (宜昌東陽光藥業股份有限公司) ("HEC Pharm")	effectively owned by the ultimate controlling shareholder
Sunshine Lake Pharma (廣東東陽光藥業有限公司)	effectively owned by the ultimate controlling shareholder
Shaoguan HEC Packaging and Printing Co., Ltd. (韶關東陽光包裝印刷有限公司) ("Shaoguan HEC Printing")	effectively owned by the ultimate controlling shareholder

<b>Name of related party</b>	<b>Relationship with the Group</b>
Yichang HEC Power Plant Co., Ltd. (宜昌東陽光火力發電有限公司) ("HEC Power Plant")	effectively owned by the ultimate controlling shareholder
Yidu Shanchengshuidu Project Construction Co., Ltd. (宜都山城水都建築工程有限公司) ("Yidu Construction")	effectively owned by the ultimate controlling shareholder
Ruyuan HEC Pharmaceutical Co., Ltd. (乳源東陽光藥業有限公司) ("Ruyuan HEC Pharmaceutical")	effectively owned by the ultimate controlling shareholder
Yidu Changjiang Machinery Equipment Co., Ltd. (宜都長江機械設備有限公司) ("Yidu Machinery Equipment")	effectively owned by the ultimate controlling shareholder
Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司) ("Shenzhen HEC Industrial")	effectively owned by the ultimate controlling shareholder
HEC Medicine Retail Chain Co., Ltd. (東陽光藥零售連鎖有限公司) ("HEC Medicine Retail")	effectively owned by the ultimate controlling shareholder
Dongguan HEC Pharm R&D Co., Ltd. (東莞東陽光藥物研發有限公司) ("Dongguan HEC Pharm R&D")	effectively owned by the ultimate controlling shareholder
HEC Biochemistry Pharmacy Co., Ltd. (宜昌東陽光生化製藥有限公司) ("HEC Biochemistry Pharmacy")	effectively owned by the ultimate controlling shareholder

\* The English translation of the above companies' names is for reference only. The official names of these companies are in Chinese.

**(a) Transactions with related parties**

During the six months ended 30 June 2021 and 2020, the Group entered into the following material related party transactions:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
(i) Purchase of goods from:		
— HEC Pharm	—	12,145
— Shaoguan HEC Printing	1,562	16,355
— Ruyuan HEC Pharmaceutical	9,733	—
— HEC Power Plant	10,573	5,743
— HEC Biochemistry Pharmacy	22,987	—
	<b>44,855</b>	<b>34,243</b>

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
(ii)	Accept service from:		
	— HEC Pharm	—	2,389
	— Sunshine Lake Pharma	12,328	48,744
	— HEC Biochemistry Pharmacy	1,858	—
	— Yidu Construction	26,044	26,520
		<u>40,230</u>	<u>77,653</u>
(iii)	Lease assets from:		
	— Ruyuan HEC Pharmaceutical	—	5,650
	— Dongguan HEC Pharm R&D	1,113	—
		<u>1,113</u>	<u>5,650</u>
(iv)	Payments past through:		
	— Shenzhen HEC Industrial	4,338	54,760
	— Sunshine Lake Pharma	20,527	8,974
		<u>24,865</u>	<u>63,734</u>
(v)	Proceeds arise from Target Products:		
	— Sunshine Lake Pharma	12,844	10,080
(vi)	Sales of goods to:		
	— Sunshine Lake Pharma	1,919	—
	— HEC Medicine Retail	312	4,165
		<u>2,231</u>	<u>4,165</u>
(vii)	Purchase of fixed assets from:		
	— Yidu Machinery	2,746	9,946
(viii)	Purchase of intangible assets from:		
	— Sunshine Lake Pharma	244,056	781,394

**(b) Balances with related parties**

*(i) Amounts due from related parties*

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Prepayment to and trade receivable from:		
— Sunshine Lake Pharma	<b>252,319</b>	444,675

*(ii) Amounts due to related parties*

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade payables and other payables to:		
— Yidu Construction	<b>6,515</b>	37,108
— HEC Biochemistry Pharmacy	—	963
— Sunshine Lake Pharma	<b>6,985</b>	4,276
— Shaoguan HEC Printing	<b>1,674</b>	152
— Dongguan HEC Pharm R&D	<b>1,213</b>	—
— Others	<b>332</b>	—
	<b>16,719</b>	42,499

**20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

On 19 March 2021, the Company entered into an agreement with Shenzhen HEC Industrial pursuant to which Shenzhen HEC Industrial agreed to transfer 10% equity interest in Sunshine Lake Pharma at nil consideration to the Company in connection with the Company's agreeing to enter into a new non-competition agreements and the revision of the relevant competition undertaking of the controlling shareholders of the Company. Pursuant to the aforesaid agreement, the Company will only obtain the ownership of the equity interest in Sunshine Lake Pharma upon the satisfaction of certain conditions. The Company did not obtain the ownership of the equity interest in Sunshine Lake Pharma until July 2021, when all the conditions were satisfied and the Company has the right to manage, use, benefit from and disposal of the equity interest.

**21 IMPACTS OF COVID-19 PANDEMIC**

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include but not limited to: assessing the sales impact of key products oseltamivir; improving the sales of new developed products, negotiating with distributors on repayment schedule, continuously monitoring the marketing activities and strengthening cost control. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the outbreak has caused negative impact on the revenue and profit from operation, and impacted certain debtors' repayment schedules as well as inventory turnover since March 2020.

The directors of the Company believe consumer sentiment will be recovered from COVID-19 pandemic eventually as the vaccine will be expected to be extensive distribution in 2021. The Group will be cautious and stay vigilant and react to the evolving situation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. INDUSTRY REVIEW

In the first half of 2021, with the orderly progress of the novel coronaviruses (“COVID-19”) vaccination work and the systematic prevention and control of outbreaks in various places, China’s domestic pandemic has become more and more stable. However, due to the new coronavirus mutation and other reasons, overseas outbreaks are still in a recurring stage, and the COVID-19 pandemic affects every aspect of human life around the world. In this context, pharmaceutical industry, being foundation assurance of safeguarding livelihood, was highly concerned by all aspects in the society in the current time of crisis. The demand for In Vitro Diagnostic products and vaccines are also gradually increasing due to the increase in national health awareness. China’s pharmaceutical industry shouldered the responsibilities to safeguard life and health of 1.4 billion population, which is facing the opportunities of significant change and integration, urging healthcare, pharmaceutical providers to respond to the needs of current pharmaceutical, to adjust allocation of resources, ensure steady supply and combat the pandemic.

With the implementation of the consistency evaluation of generic drugs and the normalization of the centralized bulk purchase of supporting generic drugs, China’s domestic generic drug market has gradually entered into the “new norm”. On 28 January 2021, the General Office of the State Council of the People’s Republic of China promulgated the “Opinions on Promoting the Normalized and Institutionalized Development of Centralized and Volumetric Drug Procurement” (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), which promoted the normalization and institutionalization of centralized and volumetric drug procurement, and improve the working mechanism of government organizations, alliance procurement, and platform operations. It also effectively reduce the burden of patients using the drug through guiding drug prices back to a reasonable level, and promote the healthy development of the pharmaceutical industry.

With the widespread implementation of volumetric drug procurement policy, each province as well as city starts to explore various modes of volume-based purchasing, establishing regional and national alliance purchase mechanism, which form a competitive, reasonable pricing and systematic supply assurance system. At the same time, the regulators will continue to strengthen direct clearing model between medical insurance funds and pharmaceutical companies, enhance medical insurance payment standards and centralized procurement price collaboration mechanism, further increase accessibility and affordability of drugs.

With the completion of the fourth and fifth centralized and volumetric drug procurement by the National Organization Office for the Centralized Procurement of Pharmaceuticals\* (國家組織藥品聯合採購辦公室) of the PRC on 3 February 2021 and 23 June 2021 respectively, the normalization of centralized drug procurement has become the dominant theme in the generic drug market, which effectively achieve a reduction in drug prices and safeguard the clinical medication. Time after time of centralized procurement shows that generic drug with fierce market competition will successively be included in centralized procurement. Under the trend of centralized drug procurement, pharmaceutical



enterprises must have an efficient research and development (“R&D”) platform to quickly marketed products if they intend to make generic drug. The first is to reduce production costs and improve production efficiency; the second is to develop the differentiation strategy to capture the unexplored market. Therefore, it is a pressing issue for pharmaceutical enterprises to develop innovative new drugs. R&D of innovative new drugs will take time, which requires long-term experience accumulation, and only innovative new drugs with value-added clinical effect can open the market, so as to create additional value for the enterprise. Pharmaceutical enterprises should continue to stimulate innovation for achieving high-quality development, in order to adapt to the new industry ecology full of challenges.

## **II. BUSINESS REVIEW**

### **1. Summary of Overall Results**

During the six months ended 30 June 2021, the Group achieved a revenue of RMB202.2 million, representing a decrease of 90.3% as compared to the corresponding period of 2020. The decrease was primarily attributed to the fact that 1. terminal medical institutions had high demand for Kewei, the Company’s core product, during the early period of the COVID-19 pandemic in 2020, which was also the flu peak season, leading more Kewei products delivered by the Company at that period; 2. the domestic pandemic prevention and control measures were severe after the outbreak of the COVID-19 pandemic in 2020, resulting in a rapid decline in the traffic of patients in terminal medical institutions, and causing a decline in terminal prescriptions. During the pandemic, the inventory consumption rate of Kewei was low due to an enhanced awareness of protection and drop in social frequency of the public sharply; 3. Kewei has been in the destocking stage since last year due to the large number of deliveries of Kewei at the early period of the COVID-19 pandemic and the decrease in the demand for terminal Kewei prescriptions after the outbreak of pandemic, leading to a significant decline in the Company’s performance in the first half of 2021 as compared with the first half of 2020.

The number of prescriptions in terminal medical institutions has recovered significantly in 2021 due to the currently stable trend of China’s domestic pandemic, the normalization in terms of flow of personnel and daily social activities as well as the increased efforts in academic promotion and newly developed channels by the Company, resulting in a smooth destocking of Kewei. In addition, the Company’s multiple products have been approved to launch, which is conducive to the Group’s active development of new markets and brings new opportunities for the Group’s development. As of 30 June 2021, 11 products of the Company have won the bid for centralized bulk purchase of drugs, among which six products have won the bid for centralized purchase in the first half of 2021. With the help of bulk purchase of related products, in addition to enriching the Company’s revenue structure and increasing the Company’s profits, the Company can further expand the channels of related product departments, enhance the Company’s brand influence, and lay a market foundation for the future launch of new products. At the same time, the entering into of the “Amendments to the Non-Competition Agreement” between the Company and Sunshine Lake Pharma Co., Ltd.\* (廣東東陽光藥業有限公司)

(“**Sunshine Lake Pharma**”) on 19 March 2021 is conducive to the Company’s introduction of more new products in a timely manner based on market demand and its optimization of product structure and business model, which has a positive impact on the Company’s future performance.

In terms of specific performance, revenue generated from the core product of the Company, Kewei, reached RMB53.6 million, representing a decrease of 97.3% as compared to the corresponding period of 2020. Loss and total comprehensive loss for the period attributable to equity shareholders of the Group (taking into account the effect of the convertible bonds) was RMB507.0 million, representing a decrease of 182.1% as compared to the profit and total comprehensive income for the period attributable to equity shareholders of the Group (taking into account the effect of the convertible bonds) of RMB617.5 million for the corresponding period of 2020. For the six months ended 30 June 2021, revenue from Kewei (Oseltamivir Phosphate), Ertongshu (Benzbromarone Tablets), Oumeining (Telmisartan Tablets), Olmesartan Tablets and Levofloxacin Tablets accounted for 26.5%, 16.9%, 10.7%, 9.1% and 8.8% of the total revenue, respectively.

Due to the influence of COVID-19 pandemic in the first half of 2021, the mobility of China’s domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. Our core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic.

As at the date of this announcement, among the portfolio of six generic drugs acquired from Sunshine Lake Pharma in 2018, the production approvals for all have been granted, with an overall sales income amounted to RMB71.7 million during the Reporting Period. Amongst the 27 generic drugs portfolio acquired by the Group from Sunshine Lake Pharma in February 2019, all of them have been applied to the China National Medical Products Administration (“**NMPA**”) for the marketing approval (“**NDA**”) by Sunshine Lake Pharma. During the Reporting Period, Apixaban Tablets (阿哌沙班片), Entacapone Tablets (恩他卡朋片), Aripiprazole Tablets (阿立哌唑片), Escitalopram Oxalate Tablets (草酸艾司西酞普蘭片), Febuxostat Tablets (非布司他片), Aripiprazole Orally Disintegrating Tablets (阿立哌唑口崩片), Rivaroxaban Tablets (利伐沙班片) and Atorvastatin Calcium Tablets (阿托伐他汀鈣片) were granted listing approvals. The product portfolio of the Group will further expand once approvals of other products are obtained.

## Basic information of the main drugs (products) by therapeutic areas

Main therapeutic areas	Drug (product) name	Registration classification of drugs (products)	Whether it belongs to the new drugs (products) launched during the Reporting Period	Production volume during the Reporting Period (box)	Sales volume during the Reporting Period (box)
Anti-virus	Oseltamivir phosphate granule and capsule	Class 5 active chemical drug	No	251,264	2,054,361
Anti-virus	Valacyclovir hydrochloride tablet	Class 6 active chemical drug	No	27,210	65,254
Anti-virus	Emitasvir Phosphate Capsules	Class 1 new drug	Yes	3,730	190
Endocrine and cardiovascular	Benzbromarone tablets	Class 4 active chemical drug	No	830,770	1,876,043
Endocrine and metabolism	Glipizide capsule	Class 6 active chemical drug	No	0	4,208
Cardiovascular	Telmisartan tablet	Class 2 chemical drug	No	1,945,840	1,969,159
Cardiovascular	Simvastatin tablet	Class 6 active chemical drug	No	0	85,860
Cardiovascular	Amlodipine besylate tablet	Class 4 chemical drug	No	1,054,340	774,685
Cardiovascular	Lisinopril tablet	Class 6 active chemical drug	No	0	33,700
Cardiovascular	Olmesartan Tablets	Class 4 chemical drug	No	421,470	1,250,215
Anti-allergy	Cetirizine hydrochloride dispersible tablet	Class 6 active chemical drug	No	0	60,745
Anti-infection	Clarithromycin tablet	Class 4 chemical drug	No	3,573,460	3,783,527
Anti-infection	Azithromycin capsule	Class 4 chemical drug	No	31,009	7,445
Anti-infection	Clarithromycin Sustained Release Tablets	Class 6 active chemical drug	No	0	57,050
Anti-infection	Clarithromycin Dispersible Tablet	Class 6 active chemical drug	No	0	900
Anti-infection	Roxithromycin Tablet	Class 6 active chemical drug	No	0	5,775
Anti-infection	Levofloxacin Tablet	Class 6 active chemical drug	No	1,138,860	1,148,154
Anti-infection	Levofloxacin Lactate Tablet	Class 6 active chemical drug	No	0	230

Main therapeutic areas	Drug (product) name	Registration classification of drugs (products)	Whether it belongs to the new drugs (products) launched during the Reporting Period	Production volume during the Reporting Period (box)	Sales volume during the Reporting Period (box)
Anti-infection	Moxifloxacin Hydrochloride	Class 4 chemical drug	No	0	1,464,171
Depression	Duloxetine Hydrochloride Enteric Capsules	Class 4 chemical drug	Yes	113,175	113,175
Diabetes	Recombinant Human Insulin Injection	Biologic drug for treatment	Yes	22,809	3,200
Others	Esomeprazole Sodium for injection	Class 6 active chemical drug	Yes	0	62,580
Others	Fudosteine Tablets	Class 3 active chemical drug	No	0	189,113

Admission, new entrance and logout of the main drugs (products) in relation to the Essential Drugs List and the Medical Reimbursement Drugs List during the Reporting Period:

As of 30 June 2021, a total of 22 varieties (a total of 49 specifications) of the Group's drugs were included into the National Essential Drugs List (2018 version) (《國家基本藥物目錄(2018年版)》).

As of 30 June 2021, a total of 37 varieties (a total of 88 specifications) of the Group's drugs were included into the National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2020 version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2020年版)》).

(i) Status of drugs approved for launch prior to 2020

					Medical Reimbursement Drugs List (2020 version)
No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	
1	Anti-virus	Oseltamivir phosphate capsule	75mgx2 capsules	2018 Essential Drugs List	Maintained listed
2	Anti-virus	Oseltamivir phosphate capsule	75mgx10 capsules	2018 Essential Drugs List	Maintained listed
3	Anti-virus	Oseltamivir phosphate capsule	75mgx6 capsules	2018 Essential Drugs List	Maintained listed
4	Anti-virus	Oseltamivir phosphate granule	15mgx10 packs	2018 Essential Drugs List	Maintained listed
5	Anti-virus	Oseltamivir phosphate granule	25mgx10 packs	2018 Essential Drugs List	Maintained listed
6	Anti-virus	Oseltamivir phosphate granule	15mgx12 packs	2018 Essential Drugs List	Maintained listed
7	Anti-virus	Valacyclovir hydrochloride tablet	300mgx6 tablets	–	Maintained listed
8	Anti-virus	Valacyclovir hydrochloride tablet	300mgx10 tablets	–	Maintained listed
9	Endocrine and metabolism	Benzbromarone tablet	50mgx10 tablets	2018 Essential Drugs List	Maintained listed
10	Endocrine and metabolism	Benzbromarone tablet	50mgx30 tablets	2018 Essential Drugs List	Maintained listed
11	Endocrine and metabolism	Benzbromarone tablet	50mgx28 tablets	2018 Essential Drugs List	Maintained listed
12	Endocrine and metabolism	Benzbromarone tablet	25mgx28 tablets	–	Maintained listed
13	Endocrine and metabolism	Glipizide capsule	5mgx30 capsules	2018 Essential Drugs List	Maintained listed
14	Cardiovascular and others	Amlodipine besylate tablet	5mgx7 tablets	2018 Essential Drugs List	Maintained listed
15	Cardiovascular and others	Amlodipine besylate tablet	5mgx14 tablets	2018 Essential Drugs List	Maintained listed
16	Cardiovascular and others	Amlodipine besylate tablet	5mgx28 tablets	2018 Essential Drugs List	Maintained listed
17	Cardiovascular and others	Telmisartan tablet	40mgx7 tablets	–	Maintained listed
18	Cardiovascular and others	Telmisartan tablet	40mgx14 tablets	–	Maintained listed
19	Cardiovascular and others	Telmisartan tablet	80mgx7 tablets	–	Maintained listed
20	Cardiovascular and others	Telmisartan tablet	80mgx14 tablets	–	Maintained listed

					Medical Reimbursement Drugs List (2020 version)
No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	
21	Cardiovascular and others	Cetirizine hydrochloride dispersible tablet	10mgx6 tablets	–	Maintained listed
22	Cardiovascular and others	Cetirizine hydrochloride dispersible tablet	10mgx12 tablets	–	Maintained listed
23	Cardiovascular and others	Cetirizine hydrochloride dispersible tablet	10mgx24 tablets	–	Maintained listed
24	Cardiovascular and others	Simvastatin tablet	10mgx10 tablets	2018 Essential Drugs List	Maintained listed
25	Cardiovascular and others	Simvastatin tablet	20mgx7 tablets	2018 Essential Drugs List	Maintained listed
26	Cardiovascular and others	Simvastatin tablet	20mgx14 tablets	2018 Essential Drugs List	Maintained listed
27	Cardiovascular and others	Fudosteine tablet	200mgx12 tablets	–	Maintained listed
28	Cardiovascular and others	Fudosteine tablet	200mgx20 tablets	–	Maintained listed
29	Cardiovascular and others	Esomeprazole sodium for injection	40mgx1 vial	–	Maintained listed
30	Cardiovascular and others	Esomeprazole sodium for injection	20mgx1 vial	–	Maintained listed
31	Cardiovascular and others	Lisinopril tablet	10mgx14 tablets	2018 Essential Drugs List	Maintained listed
32	Cardiovascular and others	Olmесartan tablets	20mgx14 tablets	–	Maintained listed
33	Cardiovascular and others	Olmесartan tablets	20mgx28 tablets	–	Maintained listed
34	Anti-infection	Clarithromycin tablet	250mgx6 tablets	2018 Essential Drugs List	Maintained listed
35	Anti-infection	Clarithromycin dispersible tablet	250mgx6 tablets	2018 Essential Drugs List	Maintained listed
36	Anti-infection	Levofloxacin lactate tablet	100mgx10 tablets	2018 Essential Drugs List	Maintained listed
37	Anti-infection	Roxithromycin tablet	150mgx6 tablets	2018 Essential Drugs List	Maintained listed
38	Anti-infection	Roxithromycin tablet	150mgx12 tablets	2018 Essential Drugs List	Maintained listed
39	Anti-infection	Azithromycin capsule	250mgx6 capsules	2018 Essential Drugs List	Maintained listed
40	Anti-infection	Fluconazole capsule	50mgx6 capsules	2018 Essential Drugs List	Maintained listed
41	Anti-infection	Fluconazole capsule	50mgx10 capsules	2018 Essential Drugs List	Maintained listed
42	Anti-infection	Ciprofloxacin hydrochloride tablet	250mgx20 tablets	2018 Essential Drugs List	Maintained listed
43	Anti-infection	Moxifloxacin hydrochloride tablet	0.4gx3 tablets	2018 Essential Drugs List	Maintained listed
44	Anti-infection	Levofloxacin lactate tablet	0.5gx3 tablets	2018 Essential Drugs List	Maintained listed
45	Anti-infection	Levofloxacin lactate tablet	0.25gx 6 tablets	–	Maintained listed

(ii) Status of drugs approved for launch in 2020

No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	Medical Reimbursement Drugs List (2020 version)
1	Anti-HBV	Entecavir Tablets	0.5mg	2018 Essential Drugs List	Maintained listed
2	Anti-HBV	Entecavir Tablets	1.0mg	2018 Essential Drugs List	Maintained listed
3	Diabetes	Recombinant Human Insulin Injection	3ml:300 units (prefilled pen-type)	2018 Essential Drugs List	Maintained listed
4	Diabetes	Linagliptin Tablets	5mg	2018 Essential Drugs List	Maintained listed
5	Diabetes	Linagliptin and Metformin Hydrochloride Tablets (I)	Each tablet contains 2.5mg of linagliptin and 500mg of metformin hydrochloride	–	Maintained listed
6	Diabetes	Linagliptin and Metformin Hydrochloride Tablets (II)	Each tablet contains 2.5mg of linagliptin and 850mg of metformin hydrochloride	–	Maintained listed
7	Diabetes	Sitagliptin Phosphate Tablets	25mg	2018 Essential Drugs List	Maintained listed
8	Diabetes	Sitagliptin Phosphate Tablets	50mg	2018 Essential Drugs List	Maintained listed
9	Diabetes	Sitagliptin Phosphate Tablets	100mg	2018 Essential Drugs List	Maintained listed
10	Diabetes	Sitagliptin Phosphate and Metformin Hydrochloride Tablets (II)	Each tablet contains 50mg (in terms of sitagliptin) of sitagliptin phosphate and 850mg of metformin hydrochloride	–	Maintained listed
11	Diabetes	Alogliptin Benzoate Tablets	6.25mg	–	Maintained listed
12	Diabetes	Alogliptin Benzoate Tablets	12.5mg	–	Maintained listed
13	Diabetes	Alogliptin Benzoate Tablets	25mg	–	Maintained listed
14	Cardiovascular system	Ticagrelor Tablet	60mg	2018 Essential Drugs List	Maintained listed
15	Cardiovascular system	Ticagrelor Tablet	90mg	2018 Essential Drugs List	Maintained listed
16	Cardiovascular system	Rosuvastatin Calcium Tablets	5mg	2018 Essential Drugs List	Maintained listed
17	Cardiovascular system	Rosuvastatin Calcium Tablets	10mg	2018 Essential Drugs List	Maintained listed
18	Proton pump inhibitor, a class of acid-suppression medication	Esomeprazole Magnesium Enteric-Coated Capsules	20mg	–	Maintained listed
19	Proton pump inhibitor, a class of acid-suppression medication	Esomeprazole Magnesium Enteric-Coated Capsules	40mg	–	Maintained listed

No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	Medical Reimbursement Drugs List (2020 version)
20	Schizophrenia	Olanzapine Orally- disintegrating Tablets	5mg	–	Maintained listed
21	Schizophrenia	Olanzapine Tablets	5mg	2018 Essential Drugs List	Maintained listed
22	Schizophrenia	Olanzapine Tablets	10mg	2018 Essential Drugs List	Maintained listed
23	Depression	Duloxetine Hydrochloride Enteric Capsules	20mg	–	Maintained listed
24	Depression	Duloxetine Hydrochloride Enteric Capsules	30mg	–	Maintained listed
25	Depression	Duloxetine Hydrochloride Enteric Capsules	60mg	–	Maintained listed

*(iii) Status of drugs approved for launch during the Reporting Period*

No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	Medical Reimbursement Drugs List (2020 version)
1	Schizophrenia	Aripiprazole Tablets	5mg	2018 Essential Drugs List	Maintained listed
2	Schizophrenia	Aripiprazole Tablets	10mg	2018 Essential Drugs List	Maintained listed
3	Schizophrenia	Aripiprazole Orally disintegrating Tablets	10mg	2018 Essential Drugs List	Maintained listed
4	Schizophrenia	Aripiprazole Orally disintegrating Tablets	15mg	–	Maintained listed
5	Parkinson's disease	Entacapone Tablets	0.2g	–	Maintained listed
6	Depression	Escitalopram Oxalate Tablets	5mg	2018 Essential Drugs List	Maintained listed
7	Depression	Escitalopram Oxalate Tablets	10mg	2018 Essential Drugs List	Maintained listed
8	Depression	Escitalopram Oxalate Tablets	15mg	–	Maintained listed
9	Depression	Escitalopram Oxalate Tablets	20mg	2018 Essential Drugs List	Maintained listed
10	Hyperuricemia with gout symptoms	Febuxostat Tablets	40mg	–	Maintained listed
11	Hyperuricemia with gout symptoms	Febuxostat Tablets	80mg	–	Maintained listed
12	Hypercholesterolemia	Atorvastatin Calcium Tablets	10mg	2018 Essential Drugs List	Maintained listed
13	Hypercholesterolemia	Atorvastatin Calcium Tablets	20mg	2018 Essential Drugs List	Maintained listed
14	Hypercholesterolemia	Atorvastatin Calcium Tablets	40mg	–	Maintained listed
15	Anticoagulant	Apixaban Tablets	2.5mg	–	Maintained listed
16	Anticoagulant	Rivaroxaban Tablets	10mg	2018 Essential Drugs List	Maintained listed
17	Anticoagulant	Rivaroxaban Tablets	15mg	2018 Essential Drugs List	Maintained listed
18	Anticoagulant	Rivaroxaban Tablets	20mg	2018 Essential Drugs List	Maintained listed



## 2. R&D Progress

The Group made outstanding R&D progress in the therapeutic areas of anti-virus, endocrine and metabolic diseases during the first half of 2021.

### 1. Anti-virus therapeutic area

The Phase III clinical trial for NS3/4A protease inhibitor furaprevir jointly developed with TaiGen Biopharmaceuticals in combination with Emitasvir Phosphate is nearly completed and such new drug application is expected to be submitted at the end of 2021.

### 2. Endocrine and metabolic diseases area

The Group strives to develop insulin products in endocrine and metabolism area and has a comprehensive product line plan, which covers both the second and the third generations of insulin.

The latest progress of the insulin products during the Reporting Period is as follows:

Projects	R&D investment amount RMB'000	Expensed R&D investment amount RMB'000	Capitalised R&D investment amount RMB'000	Percentage of R&D investment in revenue (%)	Percentage of R&D investment in operating costs (%)	Last period investment RMB'000	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R)	3,550	–	3,550	1.8%	3.5%	27,368	-87.0%	Decrease in clinical trial fees at the clinical stage before launching
Insulin Glargine Injection	14,757	–	14,757	7.3%	14.5%	17,790	-17.0%	Decrease in clinical trial fees at the clinical stage before launching
Insulin Aspart Injection	2,672	–	2,672	1.3%	2.6%	6,756	-60.4%	Decrease in clinical trial fees at the clinical stage before launching
Insulin Aspart 30 Injection	2,397	–	2,397	1.2%	2.4%	23,039	-89.6%	Decrease in clinical trial fees at the clinical stage before launching

The Group's insulin products are developed in accordance with standards on biosimilar drugs adopted in Europe and the United States with quality equivalent to originator drugs. The recombinant human insulin injection developed by the Group were approved to launch, and the results of clinical trials show that the statistics of those injection are highly consistent in terms of efficacy, safety and stability when compared with the originator biologics. The Group also has a comprehensive product line, which covers both the second and the third generations of insulin, that meets the clinical medication needs of doctors and patients. Moreover, the product line adopts a yeast expression system which is advanced in technology and easy for large scale production.

The Company has received approval notice from the NMPA relating to registration for domestic production of Insulin Glargine, Insulin Aspart 30 Injection and Insulin Aspart Injection, the Company's self-developed products.

In addition, in order to further enrich the product line of the Group in the field of diabetes, the Group have acquired multiple drugs for diabetes from Sunshine Lake Pharma, all of which have been approved for marketing, except for Rongliflozin L-Pyroglutamic Acid and Liraglutide under Phase III clinical stage. Such products are expected to be marketed in a rapid manner and generate considerable sales, which will further increase the integrated strengths of the Group and improve the revenue structure of the Group.

Projects	Acquired/ R&D investment amount RMB'000	Expensed R&D investment amount RMB'000	Capitalised R&D investment amount RMB'000	Percentage of R&D investment in revenue (%)	Percentage of R&D investment in operating costs (%)	Last period investment RMB'000	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation
Rongliflozin L-Pyroglutamic Acid	26,891	31	26,860	13.3%	26.5%	536,367	-95.0%	Decrease in clinical trial fees at the clinical stage
Liraglutide	7,545	-	7,545	3.7%	7.4%	57,334	-86.8%	Decrease in clinical trial fees at the clinical stage

### 3. *Progress of generic drug portfolio acquired from Sunshine Lake Pharma*

On 10 July 2018, the Company entered into an acquisition agreement with Sunshine Lake Pharma, pursuant to which the Company agreed to acquire the know-how, approvals for manufacturing and marketing and the right to sale of six generic drugs. For details, please refer to the announcements of the Company dated 10 July 2018, 15 August 2018 and 30 August 2018 and the circular of the Company dated 30 July 2018.

On 25 February 2019, the Company entered into an acquisition agreement with Sunshine Lake Pharma, pursuant to which the Company acquired the intellectual property rights, industrial property rights and ownership rights in relation to 27 pharmaceutical products within the PRC. For details, please refer to the announcements of the Company dated 25 February 2019 and 10 May 2019 and the circular of the Company dated 9 April 2019.

During the Reporting Period, Apixaban Tablets, Aripiprazole Tablets, Entacapone Tablets, Escitalopram Oxalate Tablets, Febuxostat Tablets, Aripiprazole Orally Disintegrating Tablets, Rivaroxaban Tablets and Atorvastatin Calcium Tablets were approved to listing. These products approved to listing further enriched the Group's product lines and offered more medical choices with both high quality and fair price for patients. The Group also continuously promotes the progress of new products development and management line and strives to supplement undesirable clinical medication needs. The latest progress of other drug portfolio acquired from Sunshine Lake Pharma are as follow:

#### Progress of drug portfolio acquired in 2018

Therapeutic areas	Name of product	Indications	Drugs		Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
			Registration Classification	Domestic progress		
Anti-infection	Clarithromycin Tablet	Anti-infection	Class 6 chemical drug	Approved	Over 30	6
Anti-infection	Clarithromycin Sustained Release Tablets	Anti-infection	Class 6 chemical drug	Approved	17	1
Anti-infection	Levofloxacin Tablets	Anti-infection	Class 6 chemical drug	Approved	Over 30	12
Anti-infection	Moxifloxacin Tablets	Anti-infection	Class 4 chemical drug	Approved	Over 30	13
Cardiovascular drugs	Olmesartan Tablets	Hypertension	Class 4 chemical drug	Approved	Over 30	7
Digestive system drugs	Esomeprazole magnesium Enteric-Coated Capsules	Gastric acid related diseases	Class 3 chemical drug	Approved	Over 30	3

## Progress of drug portfolio acquired in 2019

Therapeutic areas	Name of product	Indications	Drugs		Estimated approval date	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
			Registration Classification	Domestic progress			
Cardiovascular drugs	Ticagrelor Tablets	Antithrombus	Class 4 chemical drug	Approved	N/A	Over 30	18
Cardiovascular drugs	Apixaban Tablets	Antithrombus	Class 4 chemical drug	Approved	N/A	Over 30	13
Cardiovascular drugs	Atorvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	N/A	Over 30	14
Cardiovascular drugs	Rosuvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	N/A	Over 30	20
Cardiovascular drugs	Amlodipine Tablets	Hypertension	Class 6 chemical drug	Approved	N/A	Over 30	Over 30
Cardiovascular drugs	Metoprolol Succinate Sustained — release Tablets	Hypertension	Class 3 chemical drug	Filed	2022	17	0
Cardiovascular drugs	Clopidogrel Tablets	Antithrombus	Class 4 chemical drug	Filed	2022	Over 30	11
Cardiovascular drugs	Rivaroxaban Tablets	Antithrombus	Class 4 chemical drug	Approved	N/A	Over 30	23
Anti-viral/antiinfective drugs	Entecavir Tablets	HBV	Class 4 chemical drug	Approved	N/A	Over 30	17
Anti-viral/antiinfective drugs	Tenofovir Alafenemide Tablets	HBV/HIV	Class 4 chemical drug	Filed	2022	3	1
Anti-viral/antiinfective drugs	Azithromycin Tablets	Anti-infection	Class 4 chemical drug	Filed	2022	Over 30	6
Nervous system drugs	Olanzapine Tablets	Schizophrenia	Class 4 chemical drug	Approved	N/A	Over 30	14
Nervous system drugs	Olanzapine Orally Disintegrating Tablets	Schizophrenia	Class 4 chemical drug	Approved	N/A	17	6
Nervous system drugs	Entacapone Tablets	Parkinson's Disease	Class 4 chemical drug	Approved	N/A	6	1
Nervous system drugs	Aripiprazole Tablets	Schizophrenia	Class 4 chemical drug	Approved	N/A	26	4
Nervous system drugs	Aripiprazole Orally Disintegrating Tablets	Schizophrenia	Class 3 chemical drug	Approved	N/A	9	3
Nervous system drugs	Duloxetine Enteric Capsules	Depression	Class 4 chemical drug	Approved	N/A	25	8
Nervous system drugs	Escitalopram Tablets	Depression	Class 4 chemical drug	Approved	N/A	Over 30	11
Endocrine/ metabolic drugs	Sitagliptin Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	N/A	7	2

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Estimated approval date	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
Endocrine/ metabolic drugs	Linagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	N/A	14	3
Endocrine/ metabolic drugs	Sitagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	N/A	24	5
Endocrine/ metabolic drugs	Linagliptin and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	N/A	4	1
Endocrine/ metabolic drugs	Alogliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	N/A	23	10
Endocrine/ metabolic drugs	Febuxostat Tablets	Hyperuricemia	Class 3 chemical drug	Approved	N/A	Over 30	6
Urinary system drugs	Sildenafil Tablets	ED, PAH	Class 4 chemical drug	Filed	2022	Over 30	6
Urinary system drugs	Tadalafil Tablets	ED, PAH	Class 4 chemical drug	Approved	N/A	22	14
Urinary system drugs	Solifenacin Tablets	Bladder Hyperactivity Disorder	Class 4 chemical drug	Filed	2022	15	5

*Notes:*

HBV: Hepatitis B Virus

HIV: Human Immunodeficiency Virus

ED: Erectile Dysfunction

PAH: Pulmonary Artery Hypertension

### 3. Sales Performance Review

During the Reporting Period, the sales of the Group's core products are as follows:

- The revenue of Kewei (Oseltamivir Phosphate) granules and capsules amounted to RMB53.6 million, accounting for 26.5% of the total revenue;
- The revenue of Ertongshu (Benzbromarone Tablets) amounted to RMB34.1 million, accounting for 16.9% of the total revenue;
- The revenue of Oumeining (Telmisartan Tablets) amounted to RMB21.7 million, accounting for 10.7% of the total revenue;
- The revenue of Olmesartan Tablets amounted to RMB18.5 million, accounting for 9.1% of the total revenue;
- The revenue of Levofloxacin Tablets amounted to RMB17.9 million, accounting for 8.8% of the total revenue.

The total revenue of the above mentioned five drugs, being the core products of the Group, accounted for 72.0% of the total revenue.

Oseltamivir Phosphate, the Company's core product, is the first-line drug for treatment of influenza ("Flu") in the PRC, which can be used in the treatment and prevention of Flu A and Flu B and is listed in the Influenza Treatment Guidance (2020 version) (《流行性感冒診療方案(二零二零年版)》).

During the Reporting Period, the Group was impacted by the COVID-19 pandemic. During the pandemic, patients with mild and chronic diseases also reduced the frequency to visit hospitals, so as to avoid cross-infection caused by crowds. Therefore, the overall traffic of visit to the hospital, the number of diagnosis and treatment activities and the amount of prescriptions had all decreased significantly and the sales volume of drugs therefore had also declined. With China's domestic pandemic situation under control, the amount of outpatient services is gradually increasing, and the demand for treatment will be gradually released. It is expected that sales volume of drugs will be gradually resumed in the future.

During the Reporting Period, the Group continued to adopt its comprehensive marketing strategy by four sale teams, i.e. a self-operated sales team responsible for the academic promotion of core drugs in Class II or above hospitals, a self-operated sales team handling all drugs in general practitioner-based medical institutions (Class I hospitals and clinics), a self-operated sales team responsible for all drugs in OTC pharmacies and a distribution-based team responsible for generic drugs in hospitals ranked Class II and above. During the Reporting Period, the Company also started expanding its online pharmacy channel and cooperated with a number of well-known online channel operators. As of 30 June 2021, the Group has a total of 1,828 staff in its sales teams. The establishment of these four sales teams shall lay a solid foundation to the sales volume of the Group's product portfolio in all channels.

#### **4. Production Review**

The Group adheres to the credo of "For Everyone's Health" and strives to provide high quality medicine to patients. Led by this belief, the Group enhances its production system constantly, strengthens its supervision on the production process and improves the quality of products and services continuously.

At the same time, the Group is attentive about production safety and environmental protection. In respect of production safety, the Group has implemented safety education, strengthened safety risk management and promoted the establishment of safety standards to ensure no occurrence of any major safety incidents. In respect of environmental protection, the Group takes environmental protection as its mission and adheres to green production. Specific measures were taken to deal with various pollutants generated during the production process so as to achieve the recycle of resources and environmental protection at the same time.

### III. OPERATION RESULTS AND ANALYSIS

#### 1. Revenue

For the six months ended 30 June 2021, the revenue of the Group amounted to RMB202.2 million, representing a decrease of 90.3% as compared to RMB2,083.7 million for the corresponding period of last year. The Group's revenue from Kewei products during the Reporting Period amounted to RMB53.6 million, representing a decrease of 97.3% compared to the corresponding period of last year. The decrease in the revenue from Kewei products was mainly attributed to the fact that 1. terminal medical institutions had high demand for Kewei, the Company's core product, during the beginning of the COVID-19 pandemic in 2020 and the flu peak season, leading more Kewei products were sold by the Company at that period; 2. China's domestic pandemic prevention and control was severe after the outbreak of the COVID-19 pandemic in 2020, resulting in a rapid decline in the traffic of patients in terminal medical institutions, and causing a decline in terminal prescriptions. During the pandemic, the inventory consumption rate of Kewei was low due to an enhanced awareness of protection and a drop in social frequency of the public sharply; 3. Kewei has been in the destocking stage from last year to the end of the Reporting Period due to the large number of deliveries of Kewei during the early stage of the COVID-19 pandemic and the decrease in the demand for terminal Kewei prescriptions after the outbreak of pandemic, leading to a significant decline in the Company's performance in the first half of 2021 as compared with the first half of 2020.

The number of prescriptions in terminal medical institutions has recovered significantly in 2021 due to the currently stable trend of China's domestic pandemic, the normalization in terms of flow of personnel and daily social activities as well as the increased efforts in academic promotion and newly developed channels by the Company, resulting in a smooth destocking of Kewei. In addition, the Company's multiple products have been approved to launch, which is conducive to the Company's active development of new markets and brings new opportunities for the Company's development; meanwhile, the Company's multiple products have won the bid for centralized bulk purchase of drugs, which is conducive to the Company's further expansion of the sales of related products, so as to increase market share and enhance the Company's brand appeal; furthermore, the entering into of the "Amendments to the Non-Competition Agreement" between the Company and Sunshine Lake Pharma on 19 March 2020 is conducive to the Company's introduction of more new products in a timely manner based on market demand and its optimization of product structure and business model, which has a positive impact on the Company's future performance.

The following table illustrates the revenue from products of each therapeutic area of the Group and as a percentage of the total revenue:

## Turnover

	For the six months ended 30 June				Change as compared with the corresponding period of 2020 (%)
	2021		2020		
	RMB'000	%	RMB'000	%	
Anti-viral drugs	57,300	28.3%	1,968,526	94.5%	-97.1%
Including: core product Kewei	53,635	26.5%	1,967,317	94.4%	-97.3%
Cardiovascular drugs	44,207	21.9%	30,706	1.5%	44.0%
Endocrine and metabolic drugs	34,193	16.9%	39,465	1.9%	-13.4%
Others	66,546	32.9%	45,008	2.1%	47.9%
Total	202,246	100.0%	2,083,705	100.0%	-90.3%

## 2. Cost of Sales

The Group's cost of sales consists of (i) cost of raw materials, primarily including cost of raw materials, ancillary materials and packaging materials; (ii) labour cost, primarily including salaries and benefits of our staff directly involved in manufacturing of our products; (iii) manufacturing cost, primarily including depreciation of machinery, equipment and plant and cost of labour protection materials, fuel, machine oil and maintenance; and (iv) patent fee paid to third parties in relation to patents and licences. For the six months ended 30 June 2021, the cost of sales of the Group amounted to RMB101.5 million, representing a decrease of 71.2% as compared to RMB352.9 million for the corresponding period of last year, which was mainly due to the decrease in sales volume.

The following table illustrates the cost of sales of each of the therapeutic areas of the Group and as a percentage in the total cost of sales:

## Cost of Sales

	For the six months ended 30 June				Change as compared with the corresponding period of 2020 (%)
	2021		2020		
	RMB'000	%	RMB'000	%	
Anti-viral drugs	11,026	10.9%	320,162	90.7%	-96.6%
Including: core product Kewei	10,146	10.0%	319,800	90.6%	-96.8%
Cardiovascular drugs	29,561	29.1%	8,139	2.3%	263.2%
Endocrine and metabolic drugs	7,286	7.2%	3,960	1.1%	84.0%
Others	53,585	52.8%	20,603	5.9%	160.1%
Total	101,458	100.0%	352,864	100.0%	-71.2%



### 3. Gross Profit

For the six months ended 30 June 2021, gross profit of the Group was RMB100.8 million, representing a decrease of 94.2% as compared to RMB1,730.8 million for the six months ended 30 June 2020, which was mainly due to the decrease in sales of core product Kewei during the Reporting Period.

The following table illustrates the gross profit attributable to each therapeutic area of the Group and as a percentage of our total gross profit:

#### Gross Profit

	For the six months ended 30 June				Change as compared with the corresponding period of 2020 (%)
	2021		2020		
	RMB'000	%	RMB'000	%	(%)
Anti-viral drugs	46,274	45.9%	1,648,364	95.2%	-97.2%
Including: core product Kewei	43,489	43.1%	1,647,517	95.2%	-97.4%
Cardiovascular drugs	14,646	14.5%	22,567	1.3%	-35.1%
Endocrine and metabolic drugs	26,907	26.7%	35,505	2.1%	-24.2%
Others	12,962	12.9%	24,405	1.4%	-46.9%
Total	100,788	100.0%	1,730,841	100.0%	-94.2%

### 4. Other Net Expenses/Income

Other net expenses/income of the Group mainly included (1) government subsidies, primarily representing amortization of government subsidies for the construction of the production line for Kewei recognized by instalments in accordance with accounting standards, and other subsidies or incentives granted by the local government, (2) interest income, (3) net foreign exchange, (4) fair value change on convertible bonds embedded in conversion option, (5) net profit or loss of disposal of fixed assets, and (6) other miscellaneous gains. For the six months ended 30 June 2021, other net expenses of the Group amounted to RMB56.6 million, representing a decrease of RMB104.9 million as compared to RMB48.3 million of other net income for the corresponding period of last year, which was mainly due to the decrease in income from fair value change on conversion option embedded in convertible bonds.

## 5. Expenses Analysis

For the six months ended 30 June 2021, the Group's expenses amounted to RMB632.4 million in total, representing a decrease of RMB387.7 million as compared to RMB1,020.1 million for the six months ended 30 June 2020. The main components of the Group's expenses are as follows:

	For the six months ended 30 June		Change as compared with the corresponding period of 2020
	2021	2020	
	RMB'000	RMB'000	(%)
Distribution costs	258,929	686,862	-62.3%
Administrative expenses	185,124	160,322	15.5%
R&D cost	49,666	54,983	-9.7%
Impairment (loss)/reversal on trade and other receivables	19,420	(5,171)	-475.6%
Finance costs	119,298	123,064	-3.1%
Total	632,437	1,020,060	-38.0%

Distribution costs mainly consist of (1) marketing expenses relating to conducting academic promotion activities and other marketing activities, (2) travelling expenses for marketing purposes, (3) labour cost, and (4) other expenses. The decrease in distribution costs was mainly due to (1) the corresponding decrease in marketing costs driven by shrinking sales scale of the Group's products; (2) a decrease in marketing expenses and travelling expenses relating to the organization of academic promotion activities and other marketing activities, which were mainly due to the substantial decrease in academic promotion activities as a result of COVID-19 pandemic.

Administrative expenses mainly consist of (1) salary and welfare benefits for the management and administrative personnel, (2) depreciation and amortization costs relating to our office facilities and land use rights, and (3) other miscellaneous expenses. The increase in administrative costs was mainly due to the increase in depreciation and amortization costs.

For the six months ended 30 June 2021, the Group's investment in R&D amounted to RMB122.2 million in total, representing 60.4% of the revenue and a decrease of 82.2% as compared to the corresponding period of last year, among which expenses were RMB49.7 million and capitalized expenditures were RMB72.5 million.

Finance costs mainly represent interests on bank loans and convertible bonds. The finance costs maintained at the same level of the corresponding period of last year.

## **6. Other Operating Expenses**

For the six months ended 30 June 2021, the Group has no other operating expenses.

## **7. Loss/Profit Before Taxation**

For the six months ended 30 June 2021, the Group's loss before taxation amounted to RMB588.2 million in total, representing a decrease of 177.6% as compared to the profit before taxation of RMB757.8 million for the six months ended 30 June 2020, which was mainly due to decrease in sales volume of core product Kewei.

## **8. Income Tax**

For the six months ended 30 June 2021, the income tax credits of the Group amounted to RMB81.2 million, and the income tax expenses amounted to RMB141.1 million for the six months ended 30 June 2020, which was mainly due to the fact that the Company recorded a loss on profit before taxation for the first time, which was deducted from income tax.

## **9. Loss/Profit for the Reporting Period**

For the six months ended 30 June 2021, the Group recorded a net loss amounted to RMB507.0 million for the first time, representing a decrease of 182.2% as compared to the net profit of RMB616.7 million for the six months ended 30 June 2020.

## **10. Loss/Profit and Total Comprehensive Income for the Period attributable to Equity Shareholders of the Company**

For the six months ended 30 June 2021, loss and total comprehensive income for the period attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) was RMB346.0 million, representing a decrease of 149.7% as compared to profit and total comprehensive income for the period attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) of RMB695.9 million for the six months ended 30 June 2020.

For the six months ended 30 June 2021, loss and total comprehensive income for the period attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB507.0 million, representing a decrease of 182.1% as compared to profit and total comprehensive income for the period attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) of RMB617.5 million for the six months ended 30 June 2020.

## IV. FINANCIAL POSITION

### 1. Overview

As of 30 June 2021, the Group's total assets amounted to RMB8,913.7 million, with total liabilities of RMB4,317.0 million and shareholders' equity of RMB4,596.7 million.

As of 30 June 2021, the Group's capital is mainly derived from product sales and is used in production workshop construction, distribution and administrative management etc. The management has clear goals and records in budget, financial and operating performance, and actively monitors them and regularly evaluates internal control measures.

### 2. Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets for the dates indicated.

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Current assets</b>		
Inventories	392,077	378,268
Trade and other receivables	391,975	599,757
Prepayment	29,184	19,927
Restricted cash	134,212	221,191
Cash and cash equivalents	1,327,642	2,044,967
<b>Total current assets</b>	<b>2,275,090</b>	<b>3,264,110</b>
<b>Current liabilities</b>		
Trade and other payables	1,050,416	1,259,440
Contract liabilities	33,153	56,152
Bank loans	13,075	345,987
Interest-bearing borrowings	–	2,474,817
Deferred income	8,135	4,379
Current taxation payable	–	20,438
<b>Total current liabilities</b>	<b>1,104,779</b>	<b>4,161,213</b>
<b>Net current assets</b>	<b>1,170,311</b>	<b>(897,103)</b>

As at 30 June 2021, the Group recorded the total current assets of RMB2,275.1 million, as compared to RMB3,264.1 million as at 31 December 2020. During the Reporting Period, the net current assets of the Group increased by RMB2,067.4 million due to the combined effect of the decrease in current assets by RMB989.0 million as the decrease in sales, and the decrease in total current liabilities by RMB3,056.4 million mainly resulting from the convertible bonds were reclassified to non-current liability as it won't be repayable within 12 months.

### 3. Gearing Ratio and Quick Ratio

Gearing ratio represents the total interest bearing loans as at a record date divided by total equity as at the same record date. Quick ratio represents current assets (excluding inventories) as at a record date divided by current liabilities as at the same record date. The Group's gearing ratio increased from 59.0% on 31 December 2020 to 67.1% on 30 June 2021 and quick ratio increased from 0.69 times on 31 December 2020 to 1.7 times on 30 June 2021.

### 4. Cash Flow Analysis

The Group's cash flow is shown in the following table:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash (used in)/generated from operating activities	<b>(461,795)</b>	1,338,996
Net cash used in investing activities	<b>(329,431)</b>	(965,002)
Net cash generated from financing activities	<b>73,607</b>	192,048
Net (decrease)/increase in cash and cash equivalents	<b>(717,619)</b>	566,042

For the six months ended 30 June 2021, the Group's net cash used in operating activities was RMB461.8 million, and net cash generated from operating activities was RMB1,339.0 million for the corresponding period of 2020, which was mainly due to the decrease in sales.

The Group's net cash outflow in investing activities was RMB329.4 million, representing a decrease of RMB653.6 million as compared with the corresponding period of 2020, which was mainly due to the decrease in the prepayments for the purchase of intangible assets.

In the first half of 2021, the Group's net cash inflow from financing activities was RMB73.6 million, representing a decrease of RMB118.4 million as compared to the net cash inflow of RMB192.0 million for the corresponding period of 2020. The change was mainly due to the decrease in proceeds from bank borrowing and increase in the repayment of mature bank loans.

## **5. Bank Loans**

As at 30 June 2021, the balance of the Group's bank loans was RMB460.3 million, representing a decrease of RMB75.5 million as compared to RMB535.8 million as at 31 December 2020, in which loans with fixed interest rate was nil, loans with floating interest rate was RMB456.0 million, and discounted note receivables was RMB4.3 million. The Group is in good liquidity position with sufficient funding and has no repayment risk. All bank loans of the Group are denominated in RMB and borrowed from domestic banks in the PRC.

## **6. Capital Structure**

As at 30 June 2021, the Group's total equity attributable to equity shareholders of the Company amounted to RMB4,384.1 million, representing a decrease of RMB507.0 million as compared to RMB4,891.1 million as at 31 December 2020. The decrease was mainly due to the Group suffered a loss from operation for the first time during the Reporting Period.

## **7. Capital Expenditure**

In order to meet the production demand for our products, the Group constructed plants and buildings, machines and equipment and acquired relevant interests of drugs in progress in 2021 with an aggregate capital expenditure of RMB424.5 million, representing a decrease of 57.5% as compared to RMB998.7 million in the corresponding period of 2020.

## **8. Major Purchase and Sales**

On 19 March 2021, the Company waived the right to acquire the R&D and commercialization rights of seven pipeline projects (i.e. HIF-PHD inhibitor, soluble guanylate cyclase stimulator, mineralocorticoid receptor antagonist, farnesoid X receptor, 5-HT reuptake inhibitor and 5-HT1A receptor partial agonist, FLT3 highly selective inhibitor and Axl and Mer double-target small molecule tyrosine kinase inhibitor) from Sunshine Lake Pharma. As the projects above are currently under the pre-clinical research stage to phase I of clinical stage, it is expected to have a long R&D cycle, large R&D investment and high R&D risk. Moreover, the projects above have little relevance to the indication area deployment, product pipeline layout and future development plans of the Company. Considering that the subsequent acquisition of the projects above will involve significant devotion in terms of time and capital to establish and improve the production workshops and commercial promotion teams in the relevant indication fields, while the overall cost is material and the return on profit is uncertain, the Company waived the pre-emptive right over the projects above. For details, please refer to the announcement of the Company dated 19 March 2021.

## **9. Contingent Liabilities**

As of 30 June 2021, the Group did not provide any external guarantees.

## **10. Pledge of the Group's Assets**

As of 30 June 2021, the Group's fixed assets amounting to RMB609.3 million and bills receivable amounting to RMB14.2 million were pledged to secure bank loans and as pledge for issuing bank acceptance notes.

## **11. Foreign Exchange and Exchange Rate Risk**

The Group's business mainly operates in the PRC. Other than the convertible bonds and bank deposits denominated in foreign currencies, the Group does not have any other material direct exposure to foreign exchange fluctuations.

## **12. Employee and Remuneration Policies**

As at 30 June 2021, the Group has a total of 3,857 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately RMB53.98 million for the six months ended 30 June 2021. The objective of the Group's remuneration policy is to motivate and retain talented employees to achieve the Group's long-term corporate goals and objectives. The Group's employee remuneration policy is determined by taking into account factors such as the overall remuneration standard in the industry and employee's performance. The management reviews the Group's employee remuneration policy and arrangements on a regular basis. Moreover, social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

## **13. Hedging Activities**

For the six months period ended 30 June 2021, the Group did not enter into any hedging transactions relating to foreign exchange risk or interest rate risk.

## **14. Future Plans for Material Investment or Capital Expenditure**

As of the date of this announcement, the Group does not have any plan for material investment or capital expenditure, other than the investment and capital expenditure mentioned in other parts of this announcement.

## V. OTHER SIGNIFICANT EVENTS

### 1. Approval Status and Registration Acceptance of the Products

No.	Indications	Name of Product	Progress	Remarks	Date of Announcement
1	Diabetes	Insulin Aspart 30 Injection	Registration of domestic production accepted	Self-developed by the Company	19 February 2021
2	Diabetes	Insulin Aspart Injection	Registration of domestic production accepted	Self-developed by the Company	1 March 2021
3	Schizophrenia	Aripiprazole Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 February 2021
4	Schizophrenia	Aripiprazole Orally Disintegrating Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	24 May 2021
5	Parkinson's disease	Entacapone Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	7 April 2021
6	Depression	Escitalopram Oxalate Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	19 April 2021
7	Hyperuricemia with symptom of gout	Febuxostat Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	14 May 2021
8	Hypercholesterolemia	Atorvastatin Calcium Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	28 June 2021
9	Anticoagulation	Apixaban Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	5 February 2021
10	Anticoagulation	Rivaroxaban Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 May 2021



## 2. Successful Bid for the Centralized Procurement of Products

On 3 February 2021, the Company participated in the tender process in respect of the Fourth National Centralized Procurement of Pharmaceuticals (第四批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals\* (國家組織藥品集中採購和使用聯合採購辦公室). Esomeprazole Magnesium Enteric-coated Capsules, Levofloxacin Tablets, Duloxetine Hydrochloride Enteric-coated Capsules and Telmisartan Tablets have won the bid for the centralized procurement. For details, please refer to the announcement of the Company dated 3 February 2021.

On 23 June 2021, the Company participated in the tender process in respect of the Fifth National Centralized Procurement of Pharmaceuticals (第五批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals\* (國家組織藥品集中採購和使用聯合採購辦公室). Aripiprazole Tablets and Rivaroxaban Tablets have won the bid for the centralized procurement. For details, please refer to the announcement of the Company dated 24 June 2021.

## 3. Waiver of Pre-Emptive Right

References are made to the strategic cooperation agreement (《宜昌東陽光長江藥業股份有限公司與深圳市東陽光實業發展有限公司戰略合作協議》) (the “**2015 Strategic Cooperation Agreement**”) entered into between the Company and Shenzhen HEC Industrial Development Co., Ltd.\* (深圳市東陽光實業發展有限公司) (“**Shenzhen HEC Industrial**”) on 6 December 2015 and the supplemental agreement to the strategic cooperation agreement (the “**Supplemental Agreement**”) entered into between the Company and Shenzhen HEC Industrial on 24 December 2020 for the renewal of the 2015 Strategic Cooperation Agreement, in which the Company has the acquisition right and pre-emptive right over the research and development results of the pharmaceutical R&D segment of its controlling shareholder and actual controller.

In March 2021, the Company was informed by Shenzhen HEC Industrial that in order to focus on the R&D project of its anti-infection and antitumor metabolic core product lines, Sunshine Lake Pharma (which is controlled by Shenzhen HEC Industrial) intended to grant the R&D and commercialization rights of seven pipeline projects with independent intellectual property rights (i.e. HIF-PHD inhibitor, soluble guanylate cyclase stimulator, mineralocorticoid receptor antagonist, farnesoid X receptor, 5-HT reuptake inhibitor and 5-HT1A receptor partial agonist, FLT3 highly selective inhibitor and Axl and Mer double-target small molecule tyrosine kinase inhibitor) to external parties by way of, including but not limited to, exclusive licensing, and inquired with the Company on whether to exercise the pre-emptive right under the 2015 Strategic Cooperation Agreement and the Supplemental Agreement. As the projects to be licensed are currently under the pre-clinical research stage to phase I of clinical stage, it is expected to have a long R&D cycle, large R&D investment and high R&D risk. Moreover, the projects to be licensed have little relevance to the indication area deployment, product pipeline layout and future development plans of the Company. Considering that the subsequent acquisition of the products under such projects will involve significant devotion in terms of time and capital to establish the production workshops and commercial promotion teams in the relevant indication fields, while the overall cost is material and the return on profit is uncertain, the Company waived the pre-emptive right over the projects.

For details, please refer to the announcement of the Company dated 19 March 2021.

#### **4. Amendments to the Non-Competition Agreement**

As the Company and Sunshine Lake Pharma (being a controlled subsidiary of the controlling shareholders of the Company) will make more specific arrangements in relation to the business cooperation, the relevant contents of the 2015 Non-Competition Agreement will no longer be applicable to Sunshine Lake Pharma. Therefore, the controlling shareholders of the Company proposed to amend the 2015 Non-Competition Agreement to stipulate that the relevant contents of the 2015 Non-Competition Agreement will no longer be applicable to Sunshine Lake Pharma. On 19 March 2021, the Company (i) entered into the 2021 Non-Competition Agreement with HEC Pharm Co., Ltd.\* (宜昌東陽光藥業股份有限公司), Yichang HEC Pharmaceutical Co., Ltd.\* (宜昌東陽光健康藥業有限公司) (formerly known as Linzhi HEC Pharmaceutical Investment Co., Ltd.\* (林芝東陽光藥業投資有限公司)), Dongguan HEC Industrial Development Co., Ltd.\* (東莞市東陽光實業發展有限公司), Shenzhen HEC Industrial Development Co., Ltd.\* (深圳市東陽光實業發展有限公司), Ruyuan Yao Autonomous County Yuneng Electric Industrial Co., Ltd.\* (乳源瑤族自治縣寓能電子實業有限公司), Ruyuan Yao Autonomous County Xinjing Technology Development Co., Ltd.\* (乳源瑤族自治縣新京科技發展有限公司), Ms. Guo Meilan (郭梅蘭) and Mr. Zhang Yushuai (張寓帥) (the “**2021 Non-Competition Agreement**”), pursuant to which, the provisions involving Sunshine Lake Pharma (as a controlled subsidiary of the controlling shareholders of the Company) were excluded from the 2021 Non-Competition Agreement. Other terms of the 2021 Non-Competition Agreement remain the same as the terms of the 2015 Non-Competition Agreement; (ii) entered into the Sunshine Lake Pharma Non-Competition Agreement with Sunshine Lake Pharma (the “**Sunshine Lake Pharma Non-Competition**

**Agreement**”), pursuant to which, the Company and Sunshine Lake Pharma (a) undertook and procured their respective subsidiaries to undertake certain scope of non-competition and commitments with the counterparty and its subsidiaries; and (b) agreed to cooperate in sales of pharmaceutical products within the PRC; and (iii) entered into the Gift Agreement on Equity Interests with Shenzhen HEC Industrial Development Co., Ltd.\* (深圳市東陽光實業發展有限公司) (the “**Gift Agreement on Equity Interests**”, together with the 2021 Non-Competition Agreement and the Sunshine Lake Pharma Non-Competition Agreement, collectively the “**Revised Non-Competition Agreements**”), pursuant to which, the controlling shareholders of the Company intended to transfer 10% of the equity of Sunshine Lake Pharma to compensate the Company through themselves or a third party designated by them.

On 25 June 2021, the shareholders of the Company (other than Guangdong HEC Technology Holding Co., Ltd.\* (廣東東陽光科技控股股份有限公司)) approved the Revised Non-Competition Agreements at the 2021 first extraordinary general meeting of the Company.

On 10 August 2021, the Company received a notice from Shenzhen HEC Industrial Development Co., Ltd.\* (深圳市東陽光實業發展有限公司) that it has designated its controlling subsidiary, Yichang HEC Research Co., Ltd.\* (宜昌東陽光藥研發有限公司) (being the direct controlling shareholder of Sunshine Lake Pharma), to transfer 10% of the equity of Sunshine Lake Pharma to the Company. As at the date of this announcement, Sunshine Lake Pharma has completed the relevant registration procedures in respect of the aforesaid change in shareholding interests with the market regulation department.

For details, please refer to the Company’s announcements dated 19 March 2021, 25 June 2021 and 10 August 2021 and the Company’s circular dated 28 May 2021.

## **5. Continuing Connected Transactions and Connected Transactions**

On 19 March 2021, Dongguan Yangzhikang Pharmaceutical Co., Ltd.\* (東莞市陽之康醫藥有限責任公司) (“**Dongguan Yangzhikang**”) and Ruyuan HEC Pharmaceutical Co., Ltd.\* (乳源東陽光藥業有限公司) (“**Ruyuan HEC Pharmaceutical**”) entered into the API Purchase Contract (I), pursuant to which, Dongguan Yangzhikang agreed to purchase active pharmaceutical ingredients (“**APIs**”), such as Alogliptin Benzoate, Moxifloxacin Hydrochloride and Aripiprazole, from Ruyuan HEC Pharmaceutical, and the annual cap for the year ending 31 December 2021 thereunder is RMB5,000,500.

On 19 March 2021, Dongguan Yangzhikang and Yichang HEC Biochemical Manufacturing Co. Ltd.\* (宜昌東陽光生化製藥有限公司) (“**Yichang HEC Biochemical Manufacturing**”) entered into the API Purchase Contract (II), pursuant to which, Dongguan Yangzhikang shall purchase APIs such as Clarithromycin from Yichang HEC Biochemical Manufacturing, and the annual cap for the year ending 31 December 2021 thereunder is RMB19,200,000.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the API Purchase Contract (III), pursuant to which, the Company agreed to purchase APIs such as Alogliptin Benzoate, Escitalopram Oxalate, Aripiprazole, Linagliptin, Sitagliptin phosphate monohydrate and Rivaroxaban from Ruyuan HEC Pharmaceutical, and the annual cap for the year ending 31 December 2021 thereunder is RMB5,099,100.

On 19 March 2021, the Company and Shaoguan HEC Packaging and Printing Co., Ltd.\* (韶關東陽光包裝印刷有限公司) (a subsidiary of Shenzhen HEC Industrial, **“Shaoguan HEC Packaging”**) entered into the Packaging Materials Purchase Contract, pursuant to which, the Company agreed to purchase printed packaging materials from Shaoguan HEC Packaging, and the annual cap for the year ending 31 December 2021 thereunder is RMB16,150,000.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Supplemental Chemical Materials and Hardware Materials Purchase Agreement, pursuant to which, the Company agreed to purchase chemical materials and hardware materials from Yichang HEC Biochemical Manufacturing, and the annual cap for the year ending 31 December 2021 thereunder is RMB8,000,000.

On 19 March 2021, the Company and Yichang HEC Power Plant Co., Ltd.\* (宜昌東陽光火力發電有限公司) (**“Yichang HEC Power Plant”**) entered into the Steam Supply Supplemental Agreement (I), pursuant to which, the Company agreed to purchase steam from Yichang HEC Power Plant, and the annual cap for the year ending 31 December 2021 thereunder is RMB9,000,000.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Steam Supply Supplemental Agreement (II), pursuant to which the Company agreed to purchase steam from Yichang HEC Biochemical Manufacturing with an annual cap of RMB9,000,000 for the year ending 31 December 2021.

On 19 March 2021, YiChang HEC Pharmaceutical Manufacturing Co., Ltd.\* (宜昌東陽光製藥有限公司) (**“YiChang HEC Pharmaceutical Manufacturing”**) and Yichang HEC Power Plant entered into the 2021 Steam Supply Contract, pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase steam from Yichang HEC Power Plant with an annual cap of RMB4,200,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Yichang HEC Power Plant entered into the Power Supply Supplemental Agreement, pursuant to which the Company agreed to purchase electricity from Yichang HEC Power Plant with an annual cap of RMB30,300,000 for the year ending 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and Yichang HEC Power Plant entered into the 2021 Power Supply Contract, pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase electricity from Yichang HEC Power Plant with an annual cap of RMB3,200,000 for the year ending 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and Yidu Changjiang Machinery Equipment Co., Ltd.\* (宜都長江機械設備有限公司) (“**Yidu Changjiang Machinery Equipment**”) entered into the Industrial Products Sale and Purchase Contract (I), pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase of tank field and workshop renovation equipment from Yidu Changjiang Machinery Equipment with an annual cap of RMB11,000,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Yidu Changjiang Machinery Equipment entered into the Industrial Products Sale and Purchase Contract (II), pursuant to which the Company agreed to purchase workshop renovation equipment from Yidu Changjiang Machinery Equipment with an annual cap of RMB7,000,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the Entrusted Inspection Contract (I), pursuant to which the Company agreed to engage Ruyuan HEC Pharmaceutical to conduct a quality control inspection on the talcum powder with an annual cap of RMB2,300,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Dongguan HEC Generic Drugs Development and Research Co. Ltd.\* (東莞市東陽光仿製藥研發有限公司) (“**HEC Generic Drugs Development and Research**”) entered into the Entrusted Inspection Contract (II), pursuant to which the Company engaged HEC Generic Drugs Development and Research to conduct testing on the compatibility of injection packaging materials, production component compatibility, drug device compatibility, closure integrity research and analysis of excessive impurities structure during the stability process with an annual cap of RMB1,500,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Supplemental Entrusted Sewage Treatment Agreement, pursuant to which the Company engaged Yichang HEC Biochemical Manufacturing for the treatment of sewage generated during the Company’s production process with an annual cap of RMB3,600,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Sunshine Lake Pharma entered into the Entrusted Processing Framework Agreement (I), pursuant to which the Company agreed to engage Sunshine Lake Pharma to process certain pharmaceutical products, including Clarithromycin Tablets, Levofloxacin Tablets, Moxifloxacin Hydrochloride Tablets, Olmesartan Tablets, Alogliptin Benzoate Tablets, Duloxetine Hydrochloride Enteric-coated Capsules, Aripiprazole Tablets, Febuxostat Tablets, Tadalafil Tablets, Ticagrelor Tablets, Olanzapine Tablets, Rosuvastatin Calcium Tablets, Linagliptin Tablets, Sitagliptin Tablets and Entacapone Tablets with an annual cap of RMB105,280,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the Entrusted Processing Framework Agreement (II), pursuant to which the Company agreed to engage Ruyuan HEC Pharmaceutical to process the Rongliflozin API with an annual cap of RMB25,050,700 for the year ending 31 December 2021.



On 19 March 2021, the Company and Yidu Shanchengshuidu Project Construction Co., Ltd.\* (宜都山城水都建築工程有限公司) (“**Yidu Construction**”) entered into the Project Construction Contract, pursuant to which the Company agreed to engage Yidu Construction to carry out the civil works of minor maintenance projects with an annual cap of RMB17,050,000 for the year ending 31 December 2021.

On 19 March 2021, the Company and Dongguan HEC Medicine Development and Research Co., Ltd.\* (東莞東陽光藥物研發有限公司) (“**HEC Medicine Development and Research**”) entered into the Property Lease Contract, pursuant to which the Company agreed to lease a property at No. 368 Zhen An Zhong Road, Chang’an County, Dongguan from HEC Medicine Development and Research with an annual cap of RMB2,426,101.20 for the year ending 31 December 2021.

On 19 March 2021, the Company entered into the API Sales Contract with Sunshine Lake Pharma, pursuant to which the Company agreed to sell APIs of Olmesartan Medoxomil, Moxifloxacin Hydrochloride, Esomeprazole Magnesium, Entacapone, Febuxostat, Duloxetine Hydrochloride, Olanzapine and Levofloxacin to Sunshine Lake Pharma with an annual cap of RMB30,000,000 for the year ending 31 December 2021.

On 19 March 2021, the Company entered into the Pharmaceutical Sales Contract with Sunshine Lake Pharma, pursuant to which after engaging the Company to produce the Morphothiadine Mesylate, Sunshine Lake Pharma agreed to purchase the finished products of Morphothiadine Mesylate from the Company with an annual cap of RMB4,580,000 for the year ending 31 December 2021.

On 19 March 2021, the Company entered into the Entrusted Processing Framework Agreement (III) with Sunshine Lake Pharma, pursuant to which Sunshine Lake Pharma engaged the Company to develop, research and process Yiqibuvir Tablets, Dong An Tai (東安泰), Dong An En (東安恩) and Dong Tong Shen (東通神) with an annual cap of RMB29,296,263.44 for the year ending 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing entered into the Entrusted Production Service Framework Agreement (I) with Sunshine Lake Pharma, pursuant to which Sunshine Lake Pharma agreed to engage Yichang HEC Pharmaceutical Manufacturing to evaluate and inspect the production and safety response of Phenylcarbonohydrazonoyl dicyanide, Dong An En, Dong Jian Ze (東健澤), Dong Tong Rui (東通瑞), Dong Tong Shun (東通順), Dong Tong Run (東通潤), Rongliflozin RG04 and other new pharmaceutical intermediates with an annual cap of RMB40,000,000 for the year ending 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and HEC Generic Drugs Development and Research entered into the Entrusted Production Service Framework Agreement (II), pursuant to which HEC Generic Drugs Development and Research engaged Yichang HEC Pharmaceutical Manufacturing to evaluate and inspect the production and safety response on Palamevir, Siponimod and other generic drugs with an annual cap of RMB5,000,000 for the year ending 31 December 2021.

On 19 March 2021, the Company entered into the API Purchase Contract (IV) with Yichang HEC Biochemical Manufacturing, pursuant to which the Company agreed to purchase APIs (Clarithromycin and Azithromycin) from Yichang HEC Biochemical Manufacturing at a consideration of RMB3,000,000.

On 19 March 2021, the Company entered into the Entrusted Production Contract with HEC Generic Drugs Development and Research, pursuant to which the Company has been engaged by HEC Generic Drugs Development and Research to manufacture insulin degludec and insulin degludec/liraglutide injection under GMP conditions, and the Company will provide a warehouse for the storage of drugs and related raw materials, auxiliary materials and other goods for a term until HEC Generic Drugs Development and Research has completed clinical trials at a consideration of RMB6,069,203.

On 25 June 2021, API Purchase Contract (I), the API Purchase Contract (II), the API Purchase Contract (III), API Purchase Contract (IV), the Packaging Materials Purchase Contract, the Supplemental Chemical Materials and Hardware Materials Purchase Agreement, the Steam Supply Supplemental Agreement (I), the Steam Supply Supplemental Agreement (II), the 2021 Steam Supply Contract, the Power Supply Supplemental Agreement, the 2021 Power Supply Contract, the Industrial Products Sale and Purchase Contract (I), the Industrial Products Sale and Purchase Contract (II), the Entrusted Inspection Contract (I), the Entrusted Inspection Contract (II), the Supplemental Entrusted Sewage Treatment Agreement, the Entrusted Processing Framework Agreement (I) and the Entrusted Processing Framework Agreement (II) and the transactions contemplated thereunder (including the respective annual caps) were approved by the shareholders of the Company (other than Guangdong HEC Technology Holding Co., Ltd.\* (廣東東陽光科技控股股份有限公司)) at the 2021 first extraordinary general meeting of the Company.

For details of the transactions under the above-mentioned agreements, please refer to the announcements of the Company dated 19 March 2021 and 25 June 2021 and the circular of the Company dated 28 May 2021.

## **6. Election of Directors of the Third Session of the Board and Election of Supervisors of the Third Session of the Board of Supervisors**

On 4 June 2021, the shareholders of the Company approved the election of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang as executive Directors, Mr. TANG Xinfu and Mr. Eddy HUANG as non-executive Directors and Mr. TANG Jianxin, Mr. ZHAO Dayao, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors of the third session of the Board at the 2020 annual general meeting (“2020 AGM”) held on 4 June 2021.

On 4 June 2021, the shareholders of the Company approved the election of Mr. TANG Jinlong and Mr. LUO Zhonghua as shareholder representative supervisors of the third session of the board of supervisors of the Company at the 2020 AGM.

On 10 March 2021, Mr. WANG Shengchao was elected as the employee representative supervisor of the third session of the Board of Supervisors by the 2021 first meeting of the employee representatives of the Company.

For details, please refer to the announcements of the Company dated 19 March 2021 and 4 June 2021 and the circular of the Company dated 16 April 2021.

## **VI. EVENTS AFTER REPORTING PERIOD**

### **1. Settlement Agreement**

On 27 August 2021, the Company entered into a settlement agreement with Ruyuan HEC Pharmaceutical, pursuant to which Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the plant and equipment leasing contract entered into between the Company and Ruyuan HEC Pharmaceutical dated 27 April 2020 (the “**Plant and Equipment Leasing Contract**”), being RMB8,475,000.00 (tax inclusive), to the Company as full and final settlement of its liabilities under such contract. For details, please refer to the announcement of the Company dated 27 August 2021.

### **2. Sale and Purchase Agreement**

On 27 August 2021, the Company entered into a sale and purchase agreement with Ruyuan HEC Pharmaceutical to sell the chemicals, which have not been used up at the time when the Plant and Equipment Leasing Contract was expired, to Ruyuan HEC Pharmaceutical at a consideration of RMB12,375,673.57 (tax inclusive). For details, please refer to the announcement of the Company dated 27 August 2021.

## **BUSINESS PROSPECTS OF THE GROUP OF THE SECOND HALF OF THE YEAR**

During the Reporting Period, the Group obtained approvals for launch of multiple generic drugs, and its product portfolio has further enriched. The Group’s several products have also won the bid for the centralized procurement of drugs, providing new growth drivers for the Group’s medium/long-term development. The Group is also well on its way in the field of biological products. For example, both of Insulin Aspart Injection and Insulin Aspart 30 Injection have received approval notices relating to registration for domestic production. In the future, if the products pass the premarket assessment and approval process of the National Medical Products Administration, the Company’s product portfolio in the area of diabetes treatment will be further enriched. The Group strives to become a pioneer in the area of diabetes treatment.

Looking forward to the second half of 2021, the Group will continue to promote research and development and innovation to enrich its product portfolio; strengthen production management capabilities to ensure the supply of high-quality products; and improve the establishment of the sales team, to fully utilize the advantages of academic promotion and increase the coverage of medical institutions at all levels. The Group will continue to take “for everyone’s health” as its mission, build a comprehensive pharmaceutical platform integrating research and development, production and sales, and advance toward the goal of an outstanding pharmaceutical enterprise in China and abroad.



With the government's encouragement in R&D and commercialization of innovative new drugs, and optimization of the approval process, innovative new drugs can be included in the Medical Reimbursement Drug List by way of negotiation in a timely manner, and domestic pharmaceutical companies enter into R&D fast track. Policies such as consistency evaluation of generic drugs and centralized procurement continue to promote the reform of pharmaceutical industry and accelerate the survival of the fittest among the enterprises. Pharmaceutical companies with strong R&D capabilities, diversified product pipelines, well-developed production systems, strong brand advantages and excellent sales and marketing teams will gain unprecedented development opportunities.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021.

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of interim dividends for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB0.1 (tax inclusive) per share).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

As a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company always strives to maintain a high level of corporate governance and complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the six months ended 30 June 2021.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors and supervisors of the Company.

Upon making specific enquiries to all of the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that each of them has complied with the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the Group's 2021 interim results announcement, interim report and the unaudited financial statements for the six months ended 30 June 2021 prepared in accordance with the IFRSs.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the HKEXnews website of the Stock Exchange at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hec-changjiang.com>. The 2021 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will be published on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board  
**YiChang HEC ChangJiang Pharmaceutical Co., Ltd.**  
**TANG Xinfa**  
*Chairman*

Hubei, the PRC  
27 August 2021

*As at the date of this announcement, the Board consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yanguai and Mr. LI Shuang as executive Directors; Mr. TANG Xinfa and Mr. Eddy HUANG as non-executive Directors; and Mr. TANG Jianxin, Mr. ZHAO Dayao, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors.*