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SHENZHEN HEPALINK PHARMACEUTICAL GROUP CO., LTD.
(深圳市海普瑞藥業集團股份有限公司)

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

(Stock code: 9989)

0, 202

The board of directors (the " ") of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the " " or " ") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the " ", " ", " " or " ") for the six months ended June 30, 2023 (the " "), together with comparative figures for the same period in 2022.

For the six months ended June 30, 2023, the Group recorded the following unaudited results:

	% **202** *RMB'000*	% 2022 *RMB'000*	**0,** Changes
Revenue	**2, 0 ,2**	3,756,335	-28.0%
Gross profit	,	1,218,477	-21.3%
Gross profit margin (%)	. %	32.4%	
Profit attributable to equity holders of the parent	**12 ,**	511,140	-75.9%

Note:

- The Group recorded revenue of approximately RMB2,706.2 million during the Reporting Period, representing a decrease of approximately 28.0% as compared to the same period of last year. Gross profit was approximately RMB959.0 million, representing a decrease of approximately 21.3% as compared to the same period of last year. Gross profit margin was 35.4%, representing an increase of 3.0 percentage points as compared with the same period of 2022;

- The profit attributable to equity holders of the parent was RMB123.3 million, representing a year-on-year decrease of 75.9%.

For the six months ended June 30, 2023

	Notes	202	0, 2022
		RMB'000	*RMB'000*
		( )	(unaudited)
	4	**2, 0 ,2**	3,756,335
Cost of sales		**(1, ,2)**	(2,537,858)
f		**,**	1,218,477
Other income and gains	*5*	**20 , 1**	140,353
Selling and distribution expenses		**(10, 2)**	(243,563)
Administrative expenses		**(22, 0)**	(298,078)
Impairment losses on financial assets		**(,222)**	(9,252)
Other expenses		**(2,2)**	(892)
Finance costs	*6*	**(12 ,2 0)**	(123,014)
Share of losses of associates		**(2 2,2)**	(54,990)
	7	**1 , 2**	629,041
Income tax expense	*8*	**(, 2)**	(118,637)
		122,	510,404
Attributable to:			
Owners of the parent		**12 ,**	511,140
Non-controlling interests		**( )**	(736)
	10		
Basic			
— for profit for the period		**0.0**	RMB0.35
Diluted			
— for profit for the period		**0.0**	RMB0.35

For the six months ended June 30, 2023

	[illegible] 202	0, 2022
	RMB'000	*RMB'000*
	([illegible])	(unaudited)
[illegible]	**122,**	510,404
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**110,0**	127,108
Share of other comprehensive income of associates	**1 0**	14,161
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**110,2**	141,269
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Change in fair value of equity investments designated at fair value through other comprehensive income	**(,)**	(6,330)
Remeasurement gains on defined benefit pension schemes	**2,2 2**	55,720
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**(2, 2)**	49,390
Other comprehensive income for the period (net of tax)	**10 , 2**	190,659
Total comprehensive income for the period (net of tax)	**2 0,1**	701,063
Attributable to:		
Owners of the parent	**2 1,0 2**	701,162
Non-controlling interests	**( )**	(99)

June 30, 2023

	Notes	0, 202 RMB'000 ( )	December 31, 2022 RMB'000 (audited)
Property, plant and equipment		2, , 10	2,454,845
Right-of-use assets		2 0,	244,443
Goodwill		2, ,1	2,350,992
Other intangible assets		, 2	462,908
Investments in associates		1 , 2	989,386
Equity investments designated at fair value through other comprehensive income		1 ,	507,146
Financial assets at fair value through profit or loss		1,021,2	967,576
Deferred tax assets		1 ,2	139,649
Bank time deposits - Non-current		0, 1	–
Other non-current assets		1 ,	224,948
Total non-current assets		,2 , 1	8,341,893
Inventories		,1 ,	6,843,906
Trade and bills receivables	*11*	1,2 , 2	1,606,211
Contract assets		, 1	19,534
Prepayments, other receivables and other assets		, 1	507,405
Due from related parties		,	44,833
Financial assets at fair value through profit or loss		2 , 11	1,311,633
Derivative financial instruments		1	10
Pledged deposits		2,	69,388
Time deposits		1,0	749,684
Cash and cash equivalents		1, ,0	1,319,707
Total current assets		12, 11, 0	12,472,311
Trade payables	*12*	20, 02	427,433
Other payables and accruals		,22	545,512
Contract liabilities		2,	428,218
Interest-bearing bank and other borrowings		, 10, 11	4,020,784
Tax payable		12 , 22	112,257
Due to related parties		1 ,2 2	5,902
Lease liabilities		,	35,690

( )

June 30, 2023

	Notes	0, 202 RMB'000 ( )	December 31, 2022 RMB'000 (audited)
Total current liabilities		, 1 ,02	5,575,796
		, ,	6,896,515
		1 ,2 , 0	15,238,408
Interest-bearing bank and other borrowings		2,2 ,	2,296,680
Deferred income		2,	32,547
Deferred tax liabilities		0,2 0	328,920
Long-term employee benefits		2, 0	51,938
Other non-current liabilities		10, 22	9,935
Lease liabilities		, 12	110,749
Total non-current liabilities		2, 0,	2,830,769
		12, ,	12,407,639
Equity attributable to owners of the parent			
Share capital	*13*	1, ,2	1,467,296
Reserves		10, 0, 2	10,843,619
Total equity attributable to owners of the parent		12, , 2	12,310,915
Non-controlling interests		, 0	96,724
Total equity		12, ,	12,407,639

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

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

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

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

2023 is a year full of uncertainties and challenges. The prospect of global economic recovery is highly uncertain. In addition to the persistent impact of high inflation, high debt and the conflict between Russia and Ukraine, the financial turmoil in Europe and the United States has brought new challenges, further increasing the downside risks of the economy. The International Monetary Fund lowered its global economic growth from 3.5% in 2022 to 3.0% in 2023. The slowdown in developed economies is particularly pronounced, and it is expected to drop from 2.7% in 2022 to 1.5% in 2023. Emerging markets and developing economies are expected to grow by 4.0% this year. The global economic outlook is clouded by a number of downside risks, dampening global consumer sentiment and resulting in sluggish demand and trade performance. The Purchasing Managers' Index (" ") of the global manufacturing industry had been below 50 points for several months, with July's PMI of 47.9%, which has remained below 48% for two consecutive months, indicating that the current global economy continues to exhibit a downward trend. In the first quarter, the Goods Trade Barometer of the World Trade Organization was 95.6, and the export order index was 102.7, reflecting that the growth of global goods trade was lower than expected. In 2023, the overall economy of China showed an upward trend, with its GDP increased by 4.5% and 6.3% year-on-year in the first and second quarter respectively, representing significant improvements over the same period last year. With the elimination of the impact of pandemic prevention and control, China's economy recovered steadily, in which the rapid recovery of the service industry and the recovery from the real estate sector slump supported the recovery of China's economy in the first quarter. However, all sectors were under tremendous pressure due to the complex and changeable international situation, lack of consumer spending power and headwinds from global trade policy. During the Reporting Period, numerous macroeconomic uncertainties posed challenges to the Group's operating environment.

In 2023, World Health Organization declared an end to the over three-year-long state of emergency for the COVID-19 pandemic and the post-COVID-19 impacts have been emerging. During the pandemic, healthcare systems in various countries increased their procurement and inventory to cope with the sudden surge in demand, resulting in high reserves of some drugs. As healthcare systems and medication use returned to normal, the heparin market continued to face the severe challenge of de-stocking at endpoints during the Reporting Period. At the same time, the sales volume and market share of the Group's finished dose enoxaparin sodium pharmaceutical products have been growing rapidly over the past five years, receiving recognition from and ranking among the top in various countries. However, the changing situation affected the competitiveness and advantages of some of the Group's API customers in the heparin finished dose market, whose sales and market share declined globally, causing a sharp fall in overall sales. Confronted with the inventory pressure at endpoints and the market share shifts, major global heparin drug companies reviewed their operational strategies and adapted their operational and supply chain methods to match sales demand. They have temporarily suspended raw material procurement, resulting in a significant decline in orders for heparin API and causing a huge impact on China's heparin raw material industry. In the first half of the year, China's heparin API export data showed a year-on-year decline far exceeding industry expectations, and the Group's API business has also been greatly affected. Meanwhile, hindered by de-stocking, the Group's finished dose pharmaceutical products business in non-European and American overseas markets also showed varying degrees of decline. In terms of the CDMO business, the revenue returned to normal. After the completion of the orders for providing the required key enzymes for mRNA COVID-19 vaccines, a longer time is required for revenue recognition of new service contracts at various milestones of development, putting pressure on the revenue and margin growth of the CDMO business. During the Reporting Period, the net loss of HighTide Therapeutics, Inc. ("[redacted]"), an associate of the Company, further increased due to reasons such as changes in the fair value of financial liabilities brought about by the application of listing on the Hong Kong Stock Exchange by HighTide, and valuation changes. The Company recognized an investment loss over RMB200.0 million according to the accounting treatment for equity method (the same period of last year: RMB55.0 million). As this loss is reflected in the Company's recurring profit and loss, the net profit during the Reporting Period has been significantly impacted.

As of June 30, 2023, Hepalink's revenue reached RMB2,706.2 million, representing a year-on-year decrease of 28.0%. The profit attributable to equity holders decreased by 75.9% to RMB123.3 million. Excluding the investment losses caused by HighTide, the adjusted profit attributable to equity holders increased to RMB340.3 million (the same period of last year: RMB566.6 million).

Even under the influence of several unfavorable factors in the macro environment, the Group actively implemented its strategic goals as originally planned while also increasing its efforts to expand its presence in overseas markets. During the Reporting Period, the Group achieved several significant business milestones. The Group's s finished dose enoxaparin sodium pharmaceutical product won the bid and secured first place in China's 8th national volume-based procurement (VBP) (the "[illegible]"), and will be mainly supplied to various provinces and cities, such as Sichuan, Jiangsu, Beijing, Shaanxi and Ningxia. The Group expected that this successful bidding will be further accelerate market penetration, form scale sales and increase market share, which will have a positive impact on the Group's sales growth in the PRC market. In March 2023, the abbreviated new drug application from Shenzhen Techdow Pharmaceutical Co., Ltd., a wholly-owned subsidiary of Hepalink, for its enoxaparin sodium injection was approved by the U.S. Food and Drug Administration ("[illegible]"), allowing the products to be sold through our own marketing channels in the United States and furthering the Group's expansion in the U.S. market. Meanwhile, Techdow USA Inc., a subsidiary of the Group, entered into a distribution agreement with Chia Tai Tianqing Pharmaceutical Group Co. Ltd., which was in line with the Group's strategic direction of adhering to the internationalization of its business operations and assisting Chinese pharmaceutical companies in exporting their pharmaceutical products to the European and American markets. Relying on the well-established self-operated teams, self-operated sales networks and channels in Europe and the United States, Hepalink will join hands with more multinational overseas pharmaceutical companies to seek new business growth points. In addition, the Group's majority-controlled subsidiary, Shenzhen OncoVent Biomedical Technology Co., Ltd., has also entered into a license agreement for Oregovomab with Orient EuroPharma Co., Ltd. (a biotechnology company). We will continue to explore cooperation opportunities, accelerate the strategic layout of innovative drugs and build up diversified commercialization capabilities.

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

[illegible]

During the Reporting Period, the Group's heparin industrial chain business achieved sales revenue of RMB2,289.5 million (the same period of last year: RMB3,268.9 million).

During the Reporting Period, the Group remained stable in sales of finished dose pharmaceutical products, achieving sales revenue of RMB1,547.3 million (the same period of last year: RMB1,601.9 million) and gross profit of RMB706.9 million (the same period of last year: RMB546.0 million), representing an increase of 29.5%. Gross profit margin was 45.7% (the same period of last year: 34.1%) was improved significantly.

The European market remained as a key area for our finished dose enoxaparin sodium pharmaceutical products business in the Reporting Period. Our product ranked second in market share in this region. Sales revenue in the European market remained stable. At the same time, the Group's integrated industry chain layout and supply chain management had a significant comparative advantage in effectively controlling costs and realizing the improvement of gross profit margin, resulting in an increase of 11 percentage points in the Group's gross profit margin of its finished dose products as compared to the same period of last year. Our self-operated sales team in Europe also actively consolidated its existing market share and explored untapped markets in Europe. We continued to strengthen market promotion efforts and closely followed up on hospital tender channels in various countries, striving to achieve breakthrough in uncovered markets with deeper and wider development, expand our sales scale, thereby further increasing market share, and consolidating our market position in Europe.

In terms of the PRC market, our Chinese sales team continued to make great efforts to achieve satisfactory sales performance, with a year-on-year increase in sales revenue. Meanwhile, the Group actively participated in the centralized drug procurement to expand the market accessibility of its finished dose products. In the 8th VBP, the Group's finished dose enoxaparin sodium pharmaceutical products successfully won the bid at first place, which will become the Group's new source of profit growth. We will leverage the advantage of winning the bid with a high ranking to rapidly increase our market share in China. Additionally, we will continue to actively fill market gaps and accelerate the pace of the Group's expansion in the Chinese market through the marketing efforts of our self-operated sales team. At the same time, the Group organized several medical conferences and participated in more than 100 academic conferences and other academic activities during the Reporting Period to promote academic exchanges in the field and continue to make contributions to science popularization education in the field of low molecular weight heparin in China.

In terms of the U.S. market, the Group continued to collaborate with U.S. partners and adhere to a diversified business model to better leverage our respective channel layouts and sales strategies. At the same time, our U.S. self-operated sales team also exerted all efforts to sell finished dose enoxaparin sodium pharmaceutical products and standard heparin finished doses, aiming to increase sales networks and fill market gaps. During the Reporting Period, we successfully established partnerships with different medical systems and distributors, effectively promoting business growth. In addition, we are working to commercialize Fosaprepitant Dimeglutide in the U.S. market. The Group will leverage our self-operated sales resources and platforms to enhance synergies and create new sources of income.

The impact of de-stocking in the non-European and American overseas markets continued, and it took time for markets and channels to digest products, resulting in weak demand in non-European and American overseas markets, and a decline in the Group's sales in these markets compared to the same period last year. During the Reporting Period, the Group actively explored other new markets, and further strengthened our market access and registration work, so as to increase the number of countries where our products are sold. The Group continued to actively explore sales channels, closely keep track of the bidding process, seek cooperation with local sales partners, and supplement our operations through multi-channel collaboration to promote market development and marketing. We continued to strengthen our communication with existing customers and actively seek opportunities to explore new markets in Asia, South America, and other regions to boost non-European and American overseas markets.

During the Reporting Period, the Group's heparin API business was significantly affected by the complex external environment, with sales revenue of approximately RMB698.1 million (the same period of last year: RMB1,610.3 million), accounting for 25.8% of the Group's total revenue. The market advantages of customers for standard heparin APIs changed during the Reporting Period. The pandemic caused drug backlog, demand shifts, and exchange rate fluctuations in some regions. These factors led to strategic structural adjustments by customers, which reduced our API shipments, resulting in a significant decline in revenue from the Group's API business during the Reporting Period. In addition, some customers of enoxaparin API have been seriously affected by sudden regional events, causing further shipping constraints for APIs. We kept in touch with our customers to understand their operational patterns and situations, and pursued sales opportunities for the next twelve months. At the same time, the Group will actively promote diversified marketing strategies and expand our sales coverage to overcome current challenges.

During the Reporting Period, the sales revenue of CDMO business was approximately RMB395.4 million (the same period of last year: RMB468.2 million) while the gross profit margin decreased to 18.3%, which was mainly due to the end of the pandemic and the completion of vaccine-related service contracts with higher gross profit margin, which had an impact on revenue and gross profit margins. Meanwhile, the Group needed more time to develop and advance new and potential service contracts, so it could not generate enough milestone revenue to compensate for the loss of vaccine-related service contracts in the Reporting Period. The Group's CDMO business relied on the synergies of its wholly-owned subsidiaries, Cytovance and SPL. During the Reporting Period, the Group integrated the R&D resources and capacity allocation of the two platforms, and invested more holistically in the drug development process to help customers complete their projects faster and better, increasing customer retention rate and deepening and broadening the cooperation. During the Reporting Period, the Group actively enhanced the marketing efforts of the two subsidiaries, engaged in acquisition and business development activities for potential front-end customers, explored both new business and customers, accumulated early-stage project reserves, as well as promoting the expansion layout of ongoing projects, laying a foundation for the continued development of the Group's CDMO business in the future.

AR-301 (Salvecin)

AR-301 is a fully human monoclonal IgG1 antibody (mAb) that specifically targets S. aureus alpha-toxin. It is being developed by our shareholding subsidiary Aridis Pharmaceuticals, Inc. (a company listed on the NASDAQ, stock code: ARDS). It is currently in a global Phase III clinical trial as an adjunctive therapy to standard of care antibiotics in patients diagnosed with ventilator associated pneumonia (VAP) caused by S. aureus. Results of a Phase I/II clinical trial completed in the United States in the earlier stage have shown that patients treated with AR-301 in combination with antibiotics demonstrated less time spent under mechanical ventilation and higher rates of S. aureus eradication as compared to those treated with antibiotics alone. AR-301 was granted Fast Track Designation by the FDA and Orphan Drug Designation by the EMA. During the Reporting Period, the topline data from the Global Phase III Study of Tosatoxumab (AR-301) in Combination with Antibiotics (SOC) for the Treatment of Staphylococcus aureus Ventilator-associated Pneumonia revealed that Tosatoxumab significantly improves outcomes for patients over 65 with ventilator-associated pneumonia, and also demonstrates efficacy against Methicillin-resistant Staphylococcus aureus (MRSA) infections. Based on this finding, Aridis has discussed with and obtained guidance from the FDA and the EMA on the design of a second Phase III study for the treatment of hospitalized patients who are diagnosed with pneumonia caused by Staphylococcus aureus and require mechanical ventilation by combining it with standard of care antibiotics.

Oregovomab

Oregovomab, a murine monoclonal antibody, is an anti-CA125 immunotherapy drug candidate being developed by our shareholding subsidiary OncoQuest Inc. It has completed a Phase II clinical trial as a standard treatment combined with chemotherapy in patients with advanced primary ovarian cancer. According to the Phase II clinical trial results, Oregovomab met the safety and efficacy expectations when added to standard treatment for advanced primary ovarian cancer patients. The Phase II clinical results have shown a significant prolongation of median progression-free survival (PFS) of 41.8 months in such combined standard treatment regime, compared with 12.2 months in chemotherapy-only regime with an HR of 0.46 (95% Cl: 0.28, 0.77). It also showed a significant improvement in overall survival (OS) with an HR of 0.35 (95% Cl: 0.16, 0.76). Oregovomab has obtained Orphan Drug Designation from the FDA and the EMA. Oregovomab Phase III clinical trial completed the first patient dosing in the U.S. in 2020 and planned to recruit 602 subjects from more than 190 clinical centers in 17 countries. During the Reporting Period, the Oregovomab Phase III clinical trial completed global enrollment, with 28 subjects enrolled in Taiwan.

RVX-208 (Apabetalone)

RVX-208 is a selective inhibitor of bromodomain and BET proteins with selectivity for the second bromodomain. It is the first small molecule drugs being developed by the shareholding subsidiary Resverlogix Corp. (a public company listed on the Toronto Stock Exchange, stock code: RVX). RVX-208 has completed phase III clinical trial (BETonMACE) in combination with standard of care to reduce major adverse cardiovascular events among high-risk cardiovascular disease patients with type II diabetes mellitus, recent acute coronary syndrome, and low levels of high-density lipoprotein (HDL). RVX-208 was granted Breakthrough Therapy Designation by the FDA in February 2020 and the clinical plan for pivotal phase III was approved by the FDA in June 2020. Apabetalone, the first drug in its class to receive FDA Breakthrough Therapy approval for a major cardiovascular indication, will further advance its drug development progress, including the planned clinical trials, and the implementation of an accelerated development strategy. Currently, Hepalink is actively pursuing the follow-up development plan for this drug candidate, and has initiated the application for Pre-IND discussion on a national level during the Reporting Period with a view to obtaining a development recommendation from The Center for Drug Evaluation.

H1710

H1710 is a potent acetyl heparinase inhibitor self-developed by the Group. The inhibitor's chain length is suitable for binding to both heparin binding domains (HBDs) of heparanase, and its unique flexible chain and structure enable penetration into the heparanase catalytic bag and prevent its degradation. H1710 reduces the accessibility of the heparanase catalytic bag and its ability to degrade the natural matrix acetyl heparan sulfate (HS) in this manner. The drug candidate is currently in the preclinical stage with non-clinical pharmacodynamic studies demonstrating significant tumor suppression in multiple tumor models compared to standard therapies. We are preparing for the IND filing of H1710 in China and the United States. During the Reporting Period, H1710 has completed the production of APIs and finished doses, has been conducting the stability study of APIs and finished doses, completed the non-clinical toxicology study and pharmacological and pharmacokinetic study. Currently, we have commenced and received a written reply regarding Pre-IND discussion with the FDA, and are in the process of preparing IND data; the preparation for Pre-IND and IND in China is also in progress.

Faced with increasing uncertainties, Hepalink has to remain resilient and make rolling adjustments while further strengthening our core strengths and values. The geopolitical relationships, market uncertainties, and fluctuations in end demand have made this year's revenue even more challenging for the Group. The Group acknowledges the tough conditions in its industry this year, and is taking decisive action to overcome these obstacles, seeking ways to turn them into advantages.

In the finished dose pharmaceutical products business, as a global leading operator in the heparin industry, we will seize development opportunities and fully utilize the Group's advantages in global sales and industrial chain scale. We will focus on developing key regions and channels in Europe, the United States and China, and continue to enhance product competitiveness and brand influence. In the Chinese market, we will leverage our advantage as the first ranked bidder in the 8th VBP, work with the local sales team to optimize channels and market layout, giving full play to the radiation-driven effect of volume procurement, in order to accelerate the development and expansion of the Chinese market. In the European and the U.S. markets, the Group will further strengthen and streamline management by leveraging our long-established global sales management system, local marketing teams, and strategic partners to capitalize on our respective sales advantages. We will actively develop new sales channels with enhanced sales promotion efforts, and ensure the growth of our business in the European and the U.S. markets. In other overseas markets, the Group has completed drug access and registration and obtained approval from the Therapeutic Goods Administration in Australia, in which we will actively promote sales work and explore new markets. At the same time, we will increase sales volume in existing overseas markets, explore identified markets, refine our business, and expand the scale of our existing markets.

In respect of API business, the Group expects that most of the short-term constraints will be alleviated over time. The Group has actively communicated with our existing customers to understand their business needs and situations, and intensified our sales efforts to achieve early contract finalization. The Group has established more diversified marketing channels, explored new customers, and maintained business stability to support our finished dose pharmaceutical products business. We expect that with the end of the adjustment period, we can leverage the Group's diverse production capacity supply, excellent quality, and efficient operational capabilities to meet the demand of the industry's recovery and become the preferred supplier of market-leading customers.

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

The Group actively carries out various "cost reduction and efficiency enhancement" initiatives. We optimized our loan structure with reduced loan interest rates and save financial costs so as to reduce the impact of fluctuations in the external interest rate market. Moreover, the Group further improved budget management efficiency, and promoted efficiency analysis systems and dynamic budget management with enhancement in capital utilization efficiency as well as cost-benefit analysis, striving to achieve the cost reduction ratio and cost reduction strategies. With complex market prospects and short-term demand changes, we will continue to strengthen the coordination of various business segments with adjustments in resource allocation, enhance the Group's ability to capture information on market trends, formulate contingency plans to respond in a timely manner to potential emergencies, thereby reducing unnecessary expenses, and continuing to achieve stable and mature development, safeguarding Hepalink's market position as a global pharmaceutical enterprise.

Revenue

	202	202	2022	2022	/
	f		f		(%)
	'000		'000		
	( )		( )		
Sale of goods	2,2 , 2	. %	3,268,855	87.0%	(30.0%)
Finished dose pharmaceutical products	1, ,	.2%	1,601,941	42.6%	(3.4%)
API	,0 2	2 . %	1,610,312	42.9%	(56.7%)
Others[1]	,12	1. %	56,602	1.5%	(22.0%)
CDMO services	, 1	1 . %	468,180	12.5%	(15.5%)
Others[2]	21,	0. %	19,300	0.5%	10.6%
	2, 0 ,2	100%	, ,	100.0%	(2 .0%)

Notes:

(1) Other products mainly include Pancreatin API.

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

Revenue from manufacturing and sales of goods decreased by RMB979.3 million to RMB2,289.5 million, accounting for 84.6% of the total revenue during the Reporting Period, as compared with RMB3,268.9 million, accounting for 87.0% of the Group's revenue in the corresponding period in 2022. The decrease in revenue from manufacturing and sales of goods was mainly due to the year-on-year decrease in sales revenue of API business during the Reporting Period. Due to the destocking of finished dose pharmaceutical products in non-European and American markets, the sales revenue of our finished dose pharmaceutical products business recorded a year-on-year slight decrease of 3.4%.

Cost of sales

For the six months ended June 30, 2023, cost of sales decreased by RMB790.6 million to RMB1,747.3 million (the same period of last year: RMB2,537.9 million). The decrease in cost of sales was mainly due to the decrease in scale of sales during the Reporting Period.

Gross profit

Sale of goods	1,2	.1%	1,023,644	31.3%
Finished dose pharmaceutical products	0 ,	. %	545,970	34.1%
API	1 ,	2 .1%	479,295	29.8%
Others[1]	(,11)	(. %)	(1,621)	(2.9%)
CDMO services	2,1 2	1 . %	176,030	37.6%
Others[2]	1 ,	2. %	18,803	97.4%
	,	, %	1,21 ,	2, %

Notes:

(1) Other products mainly include Pancreatin API.

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

For the six months ended June 30, 2023, gross profit decreased by RMB259.5 million to RMB959.0 million (the same period of last year: RMB1,218.5 million). During the Reporting Period, gross profit margin was 35.4% (the same period of last year: 32.4%). The increase in gross profit margin was mainly due to the increase in the gross profit margin of finished dose pharmaceutical products business during the Reporting Period.

[illegible]

The Group's finance costs consist of interest on bank borrowings and corporate bonds and finance costs. For the six months ended June 30, 2023, finance costs increased by RMB3.2 million to RMB126.2 million (the same period of last year: RMB123.0 million), representing an increase of 3.0%.

[illegible]

For the six months ended June 30, 2023, income tax expense was RMB45.4 million (the same period of last year: RMB118.6 million), representing a decrease of approximately 61.8%.

[illegible]

For the six months ended June 30, 2023, profit attributable to equity holders of the Company was RMB123.3 million (the same period of last year: RMB511.1 million), representing a decrease of approximately 75.9%.

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six months ended June 30, 2023. The diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company, by the weighted average number of ordinary shares of the Company in issue for the six months ended June 30, 2023 (with adjustments made for all potential dilution effect of the ordinary shares).

For the six months ended June 30, 2023, both basic earnings per share and diluted earnings per share were RMB0.08 (the same period of last year: RMB0.35), representing a decrease of approximately 77.1%.

Treasury Policies

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

Foreign Currency Risk

For the six months ended June 30, 2023, the Group's primary source of revenue is from sales in overseas markets, and major currencies of settlement are Euro and U.S. dollar. There are many overseas companies within the scope of consolidation, involving Euro, U.S. dollar, Hong Kong dollar, etc., and drastic fluctuation of the international exchange rate may have a significant impact on the Company's foreign exchange gains and losses. The Group's foreign exchange gains and losses include unrealized foreign exchange gains and losses related to its internal foreign currency borrowings due to the fact that the reporting currency is different in the domestic and overseas companies, and the foreign currency statement translation differences are not accounted through foreign exchange gains and losses. Therefore, there were unrealized foreign exchange gains and losses in the domestic and overseas companies themselves that cannot be offset in the statement of profit or loss. Such after tax unrealized foreign exchange gains during the Reporting Period were RMB79.1 million. The Company will use financial market tools in a more flexible way, including export bill purchase, foreign exchange derivatives and other tools to reduce the risk of foreign exchange losses caused by exchange rate fluctuations, and will actively promote the approval procedures for the conversion of internal borrowings to lower the effect of unrealized foreign exchange gains and losses caused by internal transactions on the results.

Liquidity and Financial Resources

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary business operations. As at June 30, 2023, the Group's cash and bank balances were approximately RMB1,438.1 million (December 31, 2022: approximately RMB1,319.7 million).

Capital Structure

As at June 30, 2023, the Group recorded short-term loans of approximately RMB3,810.7 million (December 31, 2022: approximately RMB4,020.8 million) and long-term loans of approximately RMB2,266.7 million (December 31, 2022: approximately RMB2,296.7 million).

Pledge of Assets

As at June 30, 2023, the Group's assets of approximately RMB3,081.7 million were pledged to banks and other financial institutions to secure the credit facilities granted to the Group (December 31, 2022: approximately RMB3,182.0 million).

Contingent Liabilities

As at June 30, 2023, neither the Group nor the Company had material contingent liabilities (December 31, 2022: nil).

Asset-liability Ratio

As at June 30, 2023, the Group's total assets amounted to approximately RMB20,787.4 million, (December 31, 2022: approximately RMB20,814.2 million), whereas the total liabilities amounted to approximately RMB8,294.0 million (December 31, 2022: approximately RMB8,406.6 million). The asset-liability ratio (i.e., total liabilities divided by total assets) was approximately 39.9% (December 31, 2022: approximately 40.4%).

Interest Rate Risk

The Group's exposure to the risk of changes in interest rates relates to the interest-bearing bank borrowings with floating interest rates. The Group's policy is to manage our interest cost using a mix of fixed and variable rate debts. As at June 30, 2023, the Group had approximately 92.5% interest-bearing borrowings bore interest at fixed rates (December 31, 2022: approximately 92.7%).

Indebtedness

	[redacted] 0, 202 RMB'000 ([redacted])	As at December 31, 2022 RMB'000 (audited)
Interest-bearing bank and other borrowings	,0 ,	6,317,464
Lease liabilities	1 , ,	146,439
Total financial indebtedness	,21 ,11	6,463,903
Pledged bank deposits, cash and cash equivalents	(2,)	(69,388)
Net financial indebtedness	,1 0, 1	6,394,515

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

	[redacted] 0, 202 RMB'000 ([redacted])	As at December 31, 2022 RMB'000 (audited)
Repayable:		
Within one year or on demand	, 10, 11	4,020,784
After one year but within two years	1,01 ,1	1,404,818
After two years but within five years	2 , 0	435,195
After five years	2 ,1	456,667
Total	,0 ,	6,317,464

The Group's bank borrowings as at June 30, 2023 were approximately RMB5,301.2 million (December 31, 2022: RMB4,311.0 million). As at June 30, 2023, the Group's corporate bond was approximately RMB502.2 million (December 31, 2022: RMB1,403.0 million). As at June 30, 2023, the Group's total amount of other borrowings was RMB274.0 million (December 31, 2022: RMB603.4 million).

For the six months ended June 30, 2023

1.

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

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

This interim condensed consolidated financial information was approved for issuance by the Audit Committee and the Board on August 30, 2023.

2.1

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard ("") 34 Interim Financial Reporting and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022, which has been prepared in accordance with International Financial Reporting Standards ("").

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

The accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended June 30, 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

The financial information relating to the six months ended June 30, 2022 that is included in the interim condensed consolidated financial information as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those financial statements.

2.2

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the period, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB28,222,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB26,743,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

		[illegible]/([illegible])	
	[illegible]	As at	As at
	0 202	31 December 2022	1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
[illegible]			
Deferred tax assets	**2 ,0**	30,297	28,222
Other non-current assets	**2 ,0**	30,297	28,222
Total assets	**2 ,0**	30,297	28,222
[illegible]			
Deferred tax liabilities	**2 ,**	28,470	26,743
Total non-current liabilities	**2 ,**	28,470	26,743
[illegible]	**2 ,**	28,470	26,743
[illegible]	**2, 0**	1,827	1,479
[illegible]			
Retained profits (included in other reserves)	**2, 0**	1,827	1,479
Equity attributable to owners of the parent	**2, 0**	1,827	1,479
[illegible]			
Total equity	**2, 0**	1,827	1,479

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed consolidated statement of profit or loss:

	[illegible]	[illegible]
	202	2022
	RMB'000	*RMB'000*
Income tax credit from continuing operations	**1**	–
Income tax expense from continuing operations		477
Profit for the period from continuing operations	**1**	(477)
Profit for the period	**1**	(477)
Attributable to:		
Owners of the parent	**1**	(477)
Non-controlling interests		–
Total comprehensive income for the period	**1**	(477)
Attributable to:		
Owners of the parent	**1**	(477)
Non-controlling interests		–

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022. Where applicable, disclose the impacts on the basic and diluted earnings per share attributable to ordinary equity holders of the parent

- [illegible] f [illegible]

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

(a) the finished dose pharmaceutical products segment includes enoxaparin sodium injection;

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

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

(d) the "others" segment.

Segment revenue and results

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

	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	**1,** **,**	**,0 2**	**, 1**	**,**	**2, 0 ,2**
Intersegment sales	**1, 0,02**	**1,0 2,**	**1**	**1 2,**	**2, , 0**
	2, ,	**1, 0,**	**,**	**1 ,200**	**,2 2,01**
Reconciliation:					
Elimination of intersegment sales					**(2, , 0)**
Revenue from contracts with customers					**2, 0 ,2**
Segment results:	**22,**	**2 ,2**	**1,**	**2, 2**	**1,000,**
Reconciliation:					
Elimination of intersegment results					**(1, 1)**
Other income and gains					**20 , 1**
Selling and distribution expenses					**(10, 2)**
Administrative expenses					**(22, 0)**
Impairment losses on financial assets					**(,222)**
Other expenses					**(2,2)**
Finance costs					**(12 ,2 0)**
Share of profits and losses of associates					**(2 2,2)**
Group's profit before tax					**1 , 2**

Geographical information

(a) Revenue from external customers

	[redacted] 0, 202	2022
	RMB'000	*RMB'000*
	([redacted])	(unaudited)
Hong Kong	[redacted]	61,857
United States of America	[redacted]	675,882
Europe	1,220, 12	1,906,724
Mainland China	2[redacted]	319,804
Other countries/regions	0,[redacted]	792,068
	2, 0 ,2[redacted]	3,756,335

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

(b) Non-current assets

	[redacted] 0, 202	As at December 31, 2022
	RMB'000	*RMB'000*
	([redacted])	(audited)
Mainland China	2, 0 , 1	2,705,525
United States of America	[redacted] 1, 1	3,610,134
Europe	221,	129,267
Hong Kong	0,	282,596

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

Information about major customers

During the period ended June 30, 2022, revenue of approximately RMB453,907,000 derived from a single external customer accounted for more than 10% of the total revenue.

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

Revenue from contracts with customers

(i) Disaggregated revenue information

0, 202 ( )

	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
f					
Sale of products	**1, , **	**,0 2**		**,12**	**2,2 , 2**
CDMO services			**, 1**		**, 1**
Others				**21,**	**21,**
Total revenue from contracts with customers	**1, , **	**,0 2**	**, 1**	**,**	**2, 0 ,2**
f					
Products transferred at a point in time	**1, , **	**,0 2**		**,12**	**2,2 , 2**
Services transferred at a point					

For the six months ended June 30, 2022 (unaudited)

Segment	Finished dose pharmaceutical products RMB'000	Active pharmaceutical ingredients RMB'000	CDMO RMB'000	Others RMB'000	Total RMB'000
[illegible]					
Sale of products	1,601,941	1,610,312	–	56,602	3,268,855
CDMO services	–	–	468,180	–	468,180
Others	–	–	–	19,300	19,300
Total revenue from contracts with customers	1,601,941	1,610,312	468,180	75,902	3,756,335
[illegible]					
Products transferred at a point in time	1,601,941	1,610,312	–	56,602	3,268,855
Services transferred at a point in time	–	–	107,029	5,837	112,866
Services transferred over time	–	–	361,151	13,463	374,614
Total revenue from contracts with customers	1,601,941	1,610,312	468,180	75,902	3,756,335

	202	2022
	RMB'000	*RMB'000*
		(unaudited)
Bank interest income	**2 , 1**	29,000
Government grants related to		
— Assets*	**1,**	1,036
— Income**	**10,**	13,358
Dividend income from financial assets at fair value through profit or loss		4,843
	,2	48,237
Foreign exchange gains, net	**12 ,**	102,886
Gains on disposal of financial assets at fair value through profit or loss	**2**	2,255
Fair value gains/(losses), net:		
Fair value gains/(losses) on financial assets at fair value through profit or loss	**2 , 2**	(12,155)
Fair value losses on derivative instruments	**(2,11)**	(2,194)
Gains/(losses) on disposal of items of property, plant and equipment	**2**	(62)
Gains/(losses) on disposal of associates	**,2**	–
Others	**,2**	1,386
	1 0,2 2	92,116
	20 , 1	140,353

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

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

An analysis of finance costs is as follows:

	202	2022
	RMB'000	*RMB'000*
	( )	(unaudited)
Interest expenses on:		
Bank borrowings	**1, 2**	68,995
Corporate bonds	**21, 1**	40,433
Lease liabilities	**2, 1**	1,902
Other finance cost	**10,0**	11,684
	12 ,2 0	123,014

. f f

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

	202	2022
	RMB'000	*RMB'000*
	( )	(unaudited)
Cost of inventories sold	1, 0 , 1	2,224,286
Cost of services provided	, ,	313,572
Depreciation of property, plant and equipment	12 ,0	107,863
Depreciation of right-of-use assets	1 ,2 0	19,045
Amortisation of other intangible assets	2 ,	25,559
Research and development costs*	, 2	79,104
Auditor's remuneration	,2 1	4,987
Employee benefit expense (including directors' and supervisors' remuneration):		
Salaries and other benefits	11, 1	320,423
Pension scheme contributions, social welfare and other welfare	,212	57,449
Rental expenses from short-term leases		3,189
Bank interest income	(2 , 1)	(29,000)
Finance costs	12 ,2 0	123,014
Dividend income from financial assets at fair value through profit or loss		(4,843)
Foreign exchange gains, net	(12 ,)	(102,886)
Gains on disposal of financial assets at fair value through profit or loss	(2)	(2,255)
Fair value losses on derivative instruments	2,11	2,194
Fair value (gains)/losses on financial assets at fair value through profit or loss	(2 , 2)	12,155
(Gains)/losses on disposal of items of property, plant and equipment	(2)	(47)
Gains on disposal of investments in associates	(,2)	–
Impairment losses on financial assets	,222	9,252
Write-down of inventories to net realisable value	(, 10)	3,793

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

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

	For the six months 86lTe0
202	*2023*2022
RMB'000	

10. [illegible]

The calculation of the basic and diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the each of the periods ended June 30, 2022 and 2023 as adjusted to reflect the subsequent changes in capital at nil consideration.

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

	[illegible] 0,	
	202	2022
	RMB'000	*RMB'000*
	([illegible])	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**12 ,**	511,140

	[illegible] 0,	
	202	2022
	([illegible])	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period, used in the basic and diluted earnings per share calculation	**1, ,2 ,20**	1,467,296,204

11. [illegible]

	[illegible] **0,**	As at December 31,
	202	2022
	RMB'000	*RMB'000*
	([illegible])	(audited)
Trade receivables	**1, 01, 02**	1,712,557
Bill receivables	**1 ,122**	8,118
Allowance for expected credit losses	**(11 , 2)**	(114,464)
	1,2 , 2	1,606,211

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

An aging analysis of the trade and bills receivables as at June 30, 2023 and December 31, 2022, based on the billing date and net of allowance for expected credit losses, is as follows:

	[illegible] 0, 202	As at December 31, 2022
	RMB'000	*RMB'000*
	([illegible])	(audited)
Within one year	1,2 , 2	1,601,907
One to two years	2 ,1	22,566
Two to three years	2, 1	69,085
Over three years	0,2	27,117
	1, 1 , 2	1,720,675
Less: Allowance for expected credit losses	11 , 2	114,464
	1,2 , 2	1,606,211

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

	[illegible] 0, 202	As at December 31, 2022
	RMB'000	*RMB'000*
	([illegible])	(audited)
At beginning of the year/period	11 ,	86,299
Impairment losses, net	, 1	48,858
Write-off		(23,841)
Exchange realignment	1, 1	3,148
	11 , 2	114,464

12.

	As at December 31, 2022 *RMB'000* (audited)
Trade payables	427,433

An aging analysis of the trade payables as at December 31, 2022 and June 30, 2023, based on the invoice date, is as follows:

	As at December 31, 2022 *RMB'000* (audited)
Within one year	424,520
One year to two years	548
Two years to three years	1,373
Over three years	992
	427,433

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

1 .

	As at December 31, 2022 *RMB'000* (audited)
Registered, issued and fully paid 1,467,296,204	

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

As disclosed in the announcement of the Company dated September 30, 2022 (the "[illegible]"), the balance of the unutilized Net Proceeds as at the date of the Announcement amounted to RMB2,423.2 million and the Group announced the change in the use of the Net Proceeds pursuant to which a portion of the balance of the unutilized Net Proceeds will be utilized in accordance with, inter alia, the business needs of the Group and the prevailing market conditions, and approval of shareholders was obtained at the extraordinary general meeting of the Company held on November 4, 2022 for this purpose.

As at June 30, 2023, RMB1,034.4 million had been used by the Company to improve capital structure and repay the existing debt; RMB405.7 million had been used to expand our sales and marketing network and infrastructure in the European Union and other global markets such as the PRC; RMB12.0 million had been used to enhance our development and production capabilities and to expand our product and service offerings to Cytovance; RMB90.3 million had been used for investments in innovative drugs; RMB958.3 million had been used for general working capital of the Company; and the remaining unutilized Net Proceeds of RMB1,037.7 million were deposited with licensed financial institutions as deposits. According to the Announcement, the unutilized Net Proceeds will be placed with PRC financial institutions as short-term deposits. The Group expects to fully utilize the remaining Net Proceeds on or before December 31, 2025.

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

	[illegible]	1, 2022	0, 202	0, 202	0, 202
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
(1) Improving capital structure and repaying the existing debt	–	–	–	1,034.4	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC	636.9	611.3	380.1	405.7	231.2
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	451.8	449.3	9.5	12.0	439.8
(4) Investment in innovative drugs	376.2	376.2	9.5	90.3	366.7
(5) General working capital of the Company or, subject to permission under the PRC laws and regulations, the balance to be placed with PRC financial institutions as short-term deposits	958.3	666.3	666.3	958.3	–
Total:	2,423.2	2,103.1	1,065.4	2,500.7	1,037.7

As at June 30, 2023, the Group did not hold significant investments with a value of 5% or more of the Company's total assets. As at the date of this announcement, the Group does not have any plan for significant investments or purchase of capital assets.

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

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

As at June 30, 2023, the Group had 2,241 employees, where their salaries, bonus and allowances were determined based on their performance, experience and the then prevailing market rates. Other employee benefits include the Mandatory Provident Fund, insurance and medical care, subsidized training, and employee share incentive schemes. During the Reporting Period, the total staff costs (including director's emoluments) were approximately RMB360.5 million (the same period of last year: approximately RMB377.9 million).

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

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

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

The Company has devised its own code of conduct for the trading of securities by its directors, supervisors and members of senior management of the Group (who are likely to possess inside information about the securities of the Company due to their offices or employments in the Company or its subsidiaries) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "[illegible]"). Having made specific enquiry by the Company, all directors, supervisors and members of senior management of the Group have confirmed that they had complied with the required standard set out in the Model Code during the Reporting Period. The Company will continue to ensure the compliance with the corresponding provisions set out in the Model Code.

The audit committee of the Company (the "[illegible]") has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2023.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited consolidated interim results of the Group for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, laws and regulations and have been officially disclosed in due course.

The Board has resolved not to declare interim dividends for the six months ended June 30, 2023 (the same period of last year: nil).

This announcement will be published on the websites of the Company (http://www.hepalink.com) and the Hong Kong Stock Exchange (http://www.hkexnews.hk). The 2023 interim report of the Company will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Hong Kong Stock Exchange.

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

By order of the Board

Chairman

Shenzhen, the PRC
August 30, 2023

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

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward- looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited by the Group's auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.