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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)

ANNOUNCEMENT

**PROPOSED ISSUANCE OF CORPORATE BONDS
AND
CHANGE IN USE OF PROCEEDS**

PROPOSED ISSUANCE OF CORPORATE BONDS

On 30 September 2022, the board (the “**Board**”) of directors (the “**Directors**”) of Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the “**Company**”) considered and approved the resolution in relation to the proposed issuance (the “**Proposed Issuance**”) of corporate bonds (the “**Corporate Bonds**”) by the Company in the People’s Republic of China (the “**PRC**”), subject to approval of its shareholders by way of special resolution at an extraordinary general meeting of the Company (the “**EGM**”) and approval of relevant regulatory authorities. The principal terms of the Proposed Issuance are set out below:

1. ISSUE SIZE

The Company proposes to issue the Corporate Bonds with a total principal amount not exceeding RMB1,000,000,000 (including RMB1,000,000,000) in multiple tranches.

2. TARGET SUBSCRIBERS

The Corporate Bonds are proposed to be issued to professional investors.

3. TERM

The Corporate Bonds will have a term of maturity not exceeding five years (including five years).

4. USE OF PROCEEDS

The Company intends to apply the net proceeds to be raised from the Proposed Issuance (“**Proceeds**”) to repay the Company’s debts, adjust the debt structure and replenish the working capital of the Company. The resolution authorising the Board and its authorised individuals to determine the specific manner and proportion of the use of Proceeds in accordance with the actual needs of the Company shall be considered by way of special resolution at the EGM.

5. INTEREST RATE

The resolution authorising the Board and its authorised individuals to determine the interest rate of the Corporate Bonds in accordance with the relevant requirements and the market conditions shall be considered by way of special resolution at the EGM.

6. VALIDITY OF THE RESOLUTION(S)

The resolution(s) approving the Proposed Issuance will be valid for 24 months commencing from the date of passing of the respective resolution(s) at the meeting of the Board and the EGM respectively, whichever is later.

The resolution(s) approving the Proposed Issuance at the EGM can only be executed after being considered and approved by way of special resolution at such general meeting.

Reasons and benefits of the Proposed Issuance

The Board considers that the Proposed Issuance will further optimize debt structure, broaden the financing channels and reduce the financing costs of the Group. Therefore, the Board considers that the Proposed Issuance is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

PROPOSED CHANGE IN USE OF PROCEEDS

Use of Proceeds

Reference is made to (i) the prospectus issued by the Company dated 24 June 2020 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, which sets out the intended use of the net proceeds (“**Net Proceeds**”) of RMB3,538.4 million from the global offering of the H shares of the Company in July 2020 (“**Global Offering**”) at the time of preparing the Prospectus, and (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report**”), in which the utilisation of the net proceeds up to 30 June 2022 was disclosed. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Interim Report.

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for improving capital structure and repaying the existing debt; approximately 30% of the Net Proceeds (or approximately RMB1,061.5 million) is intended to be used for expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance; and approximately 20% of the Net Proceeds (or approximately RMB707.7 million) is intended to be used for investment in innovative drugs.

As disclosed in the section headed “Use of Proceeds from the H Share Listing of the Company” in the Interim Report, the Company had used approximately RMB1,115.2 million of the Net Proceeds as at 30 June 2022 in the manner disclosed in the Interim Report and the remaining unutilised Net Proceeds amounted to approximately RMB2,423.2 million.

Proposed Change in Use of Proceeds

Given that the global economic environment has brought uncertainties to the Group’s operating environment due to high inflation and interest rate hikes, which resulted in a delay of the Group’s plans for expansion and investment, the Board proposes to adjust the intended use of Net Proceeds (“**Proposed Change in Use of Proceeds**”) as follows:

Business objectives	Original planned use of the Net Proceeds as disclosed in the Prospects (RMB million)	Utilised as at the date of this announcement (RMB million)	Remaining proceeds as at the date of this announcement (RMB million)	Revised allocation of unutilised Net Proceeds (RMB million)	Expected date of full utilisation of the unutilised Net Proceeds
(1) Improving capital structure and repaying the existing debt	1,061.5 (30% of the Net Proceeds)	1,034.4	27.1	–	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC	1,061.5 (30% of the Net Proceeds)	–	1,061.5	636.9	Within next 24 months
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	707.7 (20% of the Net Proceeds)	–	707.7	451.8	Within next 24 months
(4) Investment in innovative drugs	707.7 (20% of the Net Proceeds)	80.8	626.9	376.2	Within next 24 months
(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	Within next 24 months
Total:	<u>3,538.4</u>	<u>1,115.2</u>	<u>2,423.2</u>	<u>2,423.2</u>	

Reasons for and benefits of the Proposed Change in Use of Proceeds

The global economic environment, with its high inflation and hikes in interest rates, has brought uncertainties to the Group's operating environment, while COVID-19 social distancing policies and lock-downs in the first half of 2022 put pressure on the Group's supply chain. The Company has been cautiously monitoring the situation, watching out for potential problems and operational risks brought about by the global economic environment and taking measures to mitigate any adverse impact. The Board considers that the above adjustment of the use of Net Proceeds is more in line with the current business needs of the Company and the market condition.

Facing uncertainties in the external operating environment, the Group adopted a very prudent approach in allocating financial resources to cope with the changes and impacts of the operating environment, and to a certain extent, adjusted the progress of the original plan as disclosed in the Prospectus. After two years since the Listing Date, the effectiveness of the Company's response policies has gradually emerged, and the main business performance of the Company's heparin industry chain has continued to improve. Upon the expansion and in-depth exploration with the efforts of the Company's global sales team, the original plan of "expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC" has steadily achieved breakthroughs and growth under the principle of prudent allocation of financial resources. In particular, there has been a growth in sales of the Group's products in Europe, the United States and the PRC. In addition, the Group, through its own marketing strategies, has a competitive advantage in sales in both overseas and China markets. Therefore, the Board believes the the revised allocation of RMB636.9 million for the expansion of its sales and marketing network in the European Union and other global markets, such as the PRC, is sufficient for this purpose.

Meanwhile, through the enhancement of Cytovance's management and operation system in the past two years, the Group has strengthened the timeliness and key success factors of the CDMO project, leading to a sustained revenue growth of CDMO service, and demonstrated a positive growth momentum in both revenue and operational efficiency. As such, the Group considers that the reallocation of the Net Proceeds could allow more efficient allocation of resources to support its business development in the next 24 months. At the same time, the Group can appropriately allocate additional resources to support the expansion and development of the heparin business segment by reallocating its resources. The Group will continue to maintain its backing to Cytovance and will continue to utilise approximately RMB451.8 million for the expansion and development of the CDMO business segment.

Besides, the Group has conducted a detailed review on the development of its innovative drugs. Based on the current research and development progress of innovative drugs, we can promote a more economical commercial development of innovative drugs through potential cooperation model or existing sales channels and advantages. Therefore, the Group believes that reallocation of Net Proceeds allows for sufficient funds to support the development of innovative drugs in the next 24 months. At the same time, the Group can optimise its financial structure and improve its profitability by reallocating resources. Under the revised allocation, the unutilised Net Proceeds of approximately RMB376.2 million allocated to innovative drugs will continue to be used for the development and commercialisation of innovative drugs, including payment for the rights to develop and commercialise the late-stage drug candidates in the Greater China.

Meanwhile, despite the continued outbreak of COVID-19, the Company's revenue in 2021 and 2022 witnessed a positive growth. In particular, the amount of enoxaparin sodium doses in the first six months of 2022 and the financial year ended 31 December 2021 exceeded 114 million and 180 million respectively. The Group requires more working capital to support development of our existing production of finished doses, and satisfy the current business growth of the Group. As such, based on the interest of the Group and its Shareholders as a whole, and in view of strengthening the efficiency and effectiveness of the capital use, the Board proposes to re-allocate a certain percentage of unutilised Net Proceeds to support the expansion of production lines, the improvement of supply chain management and the payment of bank loans, and/or, subject to permission under the PRC laws and regulations, to be placed with PRC financial institutions as short-term deposits before actual use of the Net Proceeds, enabling the Company to allocate its financial sources in a more beneficial and effective way so as to grasp potential business opportunities in the future, as well as generate profitable returns for the Group. Upon reallocation, the unutilised Net Proceeds reallocated for general working capital purposes or, subject to permission under the PRC laws and regulations, for being placed with PRC financial institutions as short-term deposits before actual use of the Net Proceeds, will be approximately RMB958.3 million. The Board believes that the Proposed Change in Use of Proceeds is more beneficial to meet the operation development needs of the Company and increase its financial effects.

The Board considers that the development direction of the Company is still in line with the disclosures in the Prospectus despite the change in use of the unutilised Net Proceeds as stated above.

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the Proposed Change in Use of Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole. The Board will continuously assess the plan for the use of the unutilised net proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

According to the articles of association of the Company and the relevant laws and regulations in the PRC, the Proposed Change in Use of Proceeds is subject to the approval of the Shareholders by way of ordinary resolution at the general meeting of the Company.

A circular containing, among other things, details of the Proposed Issuance and Proposed Change in Use of Proceeds together with a notice convening the EGM to approve, among other matters, the resolution(s) in respect of the Proposed Issuance and Proposed Change in Use of Proceeds, will be despatched to the shareholders of the Company in due course.

The Company and all members of the Board warrant the truthfulness, accuracy and completeness of the contents of this announcement and accept responsibility severally and jointly for any false statement or misleading representation herein or material omission herefrom.

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

Shenzhen, the PRC
30 September 2022

As at the date of this announcement, the executive directors of the Company are Mr. Li Li, Ms. Li Tan and Mr. Shan Yu; and the independent non-executive directors of the Company are Dr. Lu Chuan, Mr. Chen Junfa and Mr. Wang Zhaohui.

** for identification purposes only*