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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 AMENDMENTS TO THE ARTICLES
AND
PROPOSED CHANGE IN USE OF PROCEEDS**

PROPOSED AMENDMENTS TO THE ARTICLES

This announcement is made by Shenzhen Hepalink Pharmaceutical Group Co., Ltd. (the “**Company**”) pursuant to Rule 13.51(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The board of directors (the “**Board**”) of the Company announces that the Company intends to put forward a proposal to the shareholders of the Company (the “**Shareholders**”) to amend the Articles of Association of the Company (the “**Articles**”) (the “**Proposed Amendments to the Articles**”).

On February 14, 2023, the State Council (the “**State Council**”) of the People’s Republic of China (the “**PRC**”) issued the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) (the “**Decision**”), which includes the abolition of the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council

行 到境外上市公司章程必備條款 的通知》). The Decision and the Trial Measures (collectively, the “**New PRC Regulations**”) have been effective since March 31, 2023. From the effective date of the New PRC Regulations, PRC issuers shall formulate their articles of association with reference to the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) instead of the Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》). In light of the above New PRC Regulations, on February 24, 2023, the Stock Exchange also released a consultation paper on “Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers” (the “**Consultation Paper**”) stipulating the consequential amendments to the Listing Rules. On July 21, 2023, the Stock Exchange published conclusions to the Consultation Paper. In particular, the Stock Exchange has made consequential amendments to the Listing Rules which have come into effect since August 1, 2023 to, amongst others, reflect the requirements of the New PRC Regulations. Accordingly, the Board proposes to amend its existing Articles to comply with the requirements of the Listing Rules and the applicable laws and regulations of the PRC and make slight adjustments to certain provisions in the Articles in accordance with the operation and management needs of the Company.

The Proposed Amendments to the Articles are subject to the approval of the Shareholders by way of a special resolution at each of the extraordinary general meeting of the Company (the “**EGM**”) and the class meeting for holders of H shares of the Company (the “**H Shareholders’ Class Meeting**”) to be held immediately after the conclusion of the EGM. Special resolutions will be put to the Shareholders at the forthcoming EGM and the H Shareholders’ Class Meeting for approving, among other things, the Proposed Amendments to the Articles. A circular, among other things, setting out the details of the Proposed Amendments to the Articles, together with notices to convene the EGM and the H Shareholders’ Class Meeting, will be despatched to the Shareholders in due course.

PROPOSED CHANGE IN USE OF PROCEEDS

Use of Proceeds

Reference is made to (i) the prospectus issued by the Company dated June 24, 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 (“**Global Offering**”) at the time of preparing the Prospectus, and (ii) the announcement of the Company dated September 30, 2022 (the “**2022 Announcement**”) in relation to the proposed change in use of the Net Proceeds, and (iii) the interim report of the Company for the six months ended June 30, 2023 published on September 28, 2023 (the “**Interim Report**”), in which the utilisation of the Net Proceeds up to June 30, 2023 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 2022 Announcement, the balance of the unutilized Net Proceeds amounted to RMB2,423.2 million and the Company and its subsidiaries (together, the “**Group**”) announced the change in the use of the Net Proceeds pursuant to which a portion of the balance of the unutilised Net Proceeds will be utilized in accordance with, inter alia, the business needs of the Group and the 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 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 RMB1,065.4 million of the Net Proceeds during the six months ended June 30, 2023 in the manner disclosed in the Interim Report and the remaining unutilised Net Proceeds amounted to approximately RMB1,037.7 million as at June 30, 2023.

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, and for the reasons as explained in the section below headed “Reasons for and benefits of the Proposed Change in Use of Proceeds”, the Board proposes to adjust the intended use of remaining unutilised Net Proceeds (“**Proposed Change in Use of Proceeds**”) as follows:

1. Basic Information of the Net Proceeds before the Proposed Capital Use of Proceeds:

Business objectives	Revised allocation of unutilized Net Proceeds as at September 30, 2022 (RMB million)	Percentage of Net Proceeds (%)	Utilised as at the date of this announcement (RMB million)	Remaining unutilized proceeds as at the date of this announcement (RMB million)	Expected date of full utilisation of the unutilised Net Proceeds
(1) Improving capital structure and repaying the existing debt	–	–	–	–	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC	636.9	26.28%	484.9	152.0	Within next 24 months since September 30, 2022
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	451.8	18.64%	108.6	343.2	Within next 24 months since September 30, 2022
(4) Investment in innovative drugs	376.2	15.52%	9.4	366.7	Within next 24 months since September 30, 2022
(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	39.56%	958.3	–	Within next 24 months since September 30, 2022
Total:	<u>2,423.2</u>	<u>100%</u>	<u>1,561.3</u>	<u>861.9</u>	

2. Basic assumption for the use of Net Proceeds after the Proposed Change in Use of Proceeds:

Business objectives	Revised allocation of unutilized Net Proceeds (RMB million)	Percentage of Net Proceeds (%)	Expected date of full utilisation of the unutilised Net Proceeds
(1) Improving capital structure and repaying the existing debt	–	–	–
(2) Expansion of the sales and marketing network and infrastructure in the European Union and other global markets, such as the PRC; expanding production scale and organization, increasing procurement and reserves of production resources	528.9	61.36%	On or before 30 November 2025
(3) Expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance	203.0	23.55%	On or before 30 November 2025
(4) Investment in innovative drugs	80.0	9.28%	On or before 30 November 2025
(5) General working capital of the Company or, subject to permission under the PRC laws and regulations, the balance to be placed with PRC financial institutions as short-term deposits	50.0	5.80%	On or before 30 November 2025
Total:	861.9		

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

With the global economic situation and industry adjustment fluctuations, including sustained high inflation and high uncertainty in future interest rate trends, the Board believes that the primary task of the Group is still to mitigate the ongoing uncertainty in the operating environment. This can be achieved through (including but not limited to) (i) further supporting and expanding the sales and marketing network and infrastructure of the formulation business in the European Union and other global markets such as China; (ii) enhancing CDMO production capacity and promoting the commercialization of innovative drugs through more efficient schemes; (iii) reviewing the plan for the utilization of the existing Net Proceeds and adjusting the allocation when necessary and appropriate to ensure sufficient levels of liquidity; and (iv) implementing cost-saving measures to maintain a healthy financial position.

Since the listing of the Company's H shares in 2020, the formulation business has shown positive development. The sales revenue of the formulation business in 2020, 2021, and 2022 was RMB1,510.7 million, RMB2,638.2 million, and RMB3,210.5 million, respectively, with a compound annual growth rate of 37.7% over the past three years. The Group believes that it should allocate additional resources in accordance with the use of proceeds as specified in the prospectus to further support the expansion of sales and marketing networks and infrastructure in the European Union and other global markets, such as China. This will enable the Group to better expand its operations to support sales growth, including but not limited to enhancing production capacity, expanding production scale, increasing procurement and reserves of production resources, conducting more comprehensive market research, and expanding into new markets with targeted strategies, thereby continuously driving business growth. The Board believes that further reallocation of the unused Net Proceeds would be more beneficial to the Group's future business growth and profitability.

In 2023, the Group advanced the development of innovative drugs through different collaboration models. For instance, in March 2023, our subsidiary, Shenzhen OncoVent Biomedical Technology Co., Ltd. ("**OncoVent**"), signed a licensing agreement with biotechnology company Orient EuroPharma Co., Ltd. for Oregovomab. Through the synergistic effects of partnerships, we can effectively promote the strategic layout of innovative drugs and build diversified commercialization capabilities. These approaches may reduce the development costs of the Group's innovative drugs and enable more competitive commercialization in the local market. Therefore, the Board proposed that among RMB366.7 million of the remaining unused Net Proceeds originally intended for investment in innovative drugs, approximately RMB286.7 million be further reallocated to support the expansion of sales and marketing networks and infrastructure in the European Union and other global markets, such as China. The Board believes that these recommendations will allow the Group to allocate resources effectively and enhance its competitiveness in the industry and market, striving for better sales performance.

The Group's CDMO business is driven by its wholly-owned subsidiaries, Cytovance Biologics, Inc. ("**Cytovance**") and SPL Acquisition Corp. In 2022, we actively integrated the research resources and production capacity of the two platforms, effectively enhancing production and service capabilities. Additionally, with the end of the pandemic, the Group's orders for key enzymes required for mRNA vaccines have ceased, providing greater capacity for future growth of the CDMO business. Therefore, the Group believes that enhancing the production capacity of the CDMO business through lower-cost means and more efficient resource allocation aligns with the overall best interests of the Company and its shareholders. The Board therefore proposed that approximately RMB343.2 million of the remaining unused Net Proceeds originally intended for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance, approximately RMB90.2 million be reallocated to support the expansion of sales and marketing networks and infrastructure in the European Union and other global markets, such as China, to drive production and sales expansion for market share growth, which is advantageous for the Group's future expansion and development.

The Board also believes that reallocating approximately RMB50 million of the Net Proceeds originally intended for expanding our development and manufacturing capacity and broadening our product and services offering of Cytovance, to general working capital purposes, rather than limiting it to specific uses, will allow the Group to adapt flexibly to changes in the market environment.

The Board considers that the reallocation of the Net Proceeds is in line with the Group's business strategy, will not have any adverse impact on the Group's operations and business, and is in the overall best interests of the Company and its shareholders. The Board will continuously review the plan for the use of the unused Net Proceeds and may revise the plan when necessary to respond to the evolving market conditions and strive for better business performance.

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, and will not have any significant adverse impact on the Group's existing business and operations. 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 rapidly changing market conditions and strive for better business performance of the Group.

According to the Articles 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 an ordinary resolution at the general meeting of the Company.

A circular containing, among other things, details of the Proposed Change in Use of Proceeds together with a notice convening the EGM to approve, among other matters, the resolution in respect of the Proposed Change in Use of Proceeds, will be despatched to the Shareholders 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
November 20, 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.