YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

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

Stock code：1558.HK

2020 Interim Results Presentation

Contents

Summary of the Year

Revenue decreased 32% y-o-y to RMB 2,084million.

EBITDA decreased 29% y-o-y to RMB 930million.

Adjusted net profit[1] decreased 37% y-o-y to RMB 696million.

Expanding OTC pharmacies channel, covering over 380,000 pharmacies up to date and contributed 29% in Kewei revenue.

E-commerce channel expansion showed rapid progress and contributed 13% in Kewei revenue.

Obtained marketing approvals for entecavir tablets, esomeprazole magnesium enteric-coated capsule and olanzapine orally disintegrating tablets.

First biologic product of the Group human recombinant insulin has been approved to market.

Carried out H shares full circulation reform and the application for converting and listing domestic shares has been approved by CSRC[2].

Note: 1 Total profit and total comprehensive income attributable to equity shareholders of the company(excluding the influence of the convertible bond)
2 China Securities Regulatory Commission

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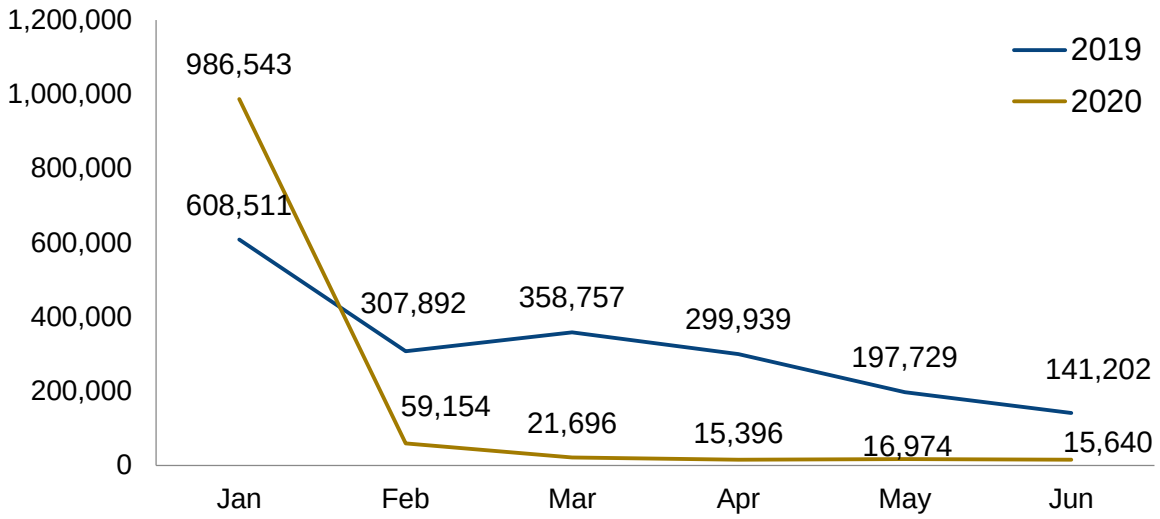
Key products cemented revenue foundation while long-term growth further reinforced by acquired generics and continuous expansion of product portfolio

Product	Launched in	2020 1H sales (RMB’000)	Y-o-y change	Remarks
Anti-viral				
Oseltamivir phosphate granules(Kewei)	2009	1,020,554	-52%	2018 Essential drug list
Oseltamivir phosphate capsules(Kewei)	2007	946,763	19%	First and exclusive to pass BE, 2018 Essential drug list
Endocrine/metabolic diseases				
Benzbromarone tablets	2004	39,445	3%	Passed BE, 2018 Essential drug list
Anti-infection				
Moxifloxacin tablets	2019	5,696	-	Passed BE, 2018 Essential drug list, National GPO product
Levofloxacin tablets	2018	5,479	-	Passed BE
Clarithromycin tablets	2018	1,587	-	Passed BE
CVS				
Telmisartan tablets	2005	15,653	-41%	-
Olmesartan tablets	2019	11,903	-	National GPO product
Amlodipine tablets	2007	2,342	-82%	-
Anti-allergic				
Cetirizine hydrochloride tablets	2005	10,029	-42%	-
Respiratory system				
Fudosteine tablets	2020	3,415	-	National GPO product

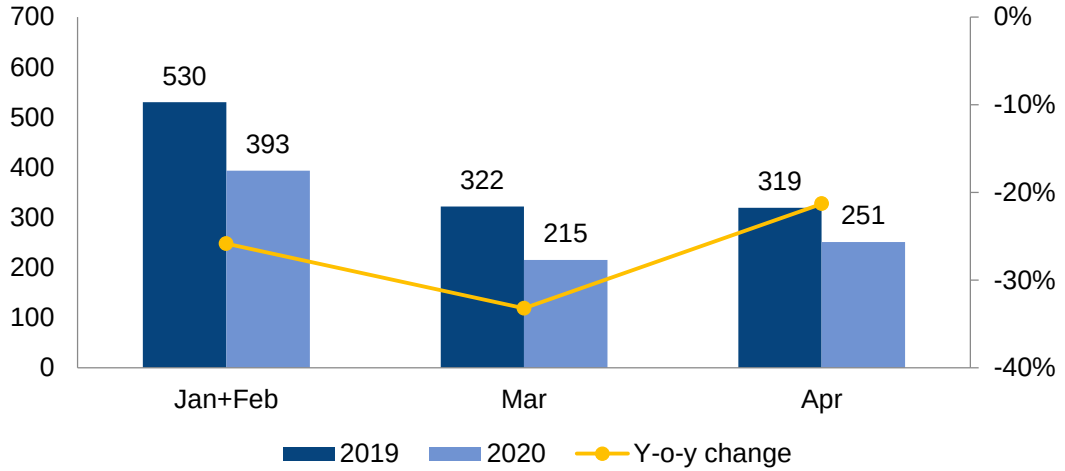
Newly launched products	Launched in	2019 China market size (RMB million)	Remarks
Entecavir tablets	2020	3,995	National GPO product
Olanzapine orally disintegrating tablets	2020	1,993	National GPO product
Esomeprazole magnesium enteric-coated capsules	2020	3,400	First and exclusive to pass BE

Covid-19 outbreak spread nationwide since beginning of 2020, leading to declined population mobility, influenza cases and outpatient visits

Number of reported influenza cases in China



Outpatient visits in hospitals in China[1] (millions)



Revenue during the period recorded at RMB 2,084million, representing a decrease of 32% y-o-y, which was primarily attributed to decline in sales revenue of key products Kewei capsules and granules.

1. Since 2019 year-end, prevention measures have been implemented in order to combat the outbreak, which significantly restricted population mobility and visits in hospitals.

2. Diagnosis of flu has been based on clinical manifestation and previous exposure during flu season prior to the outbreak, whereas lately patients exhibited fever were required to quarantine in order to control the spread of outbreak, resulting in fewer flu cases.

1 China NHC data. Jan-Feb data does not include Hubei province and clinics in rural area

Steadily established concept of preventing and treating flu while sales of Kewei continued to expand in ex-Guangdong regions, there remains significant market potential for influenza medications

- Prevalence rates of influenza in adults and children remain 5-10% and 20-30% respectively[3], treatment for influenza is still an unsaturated market in China.

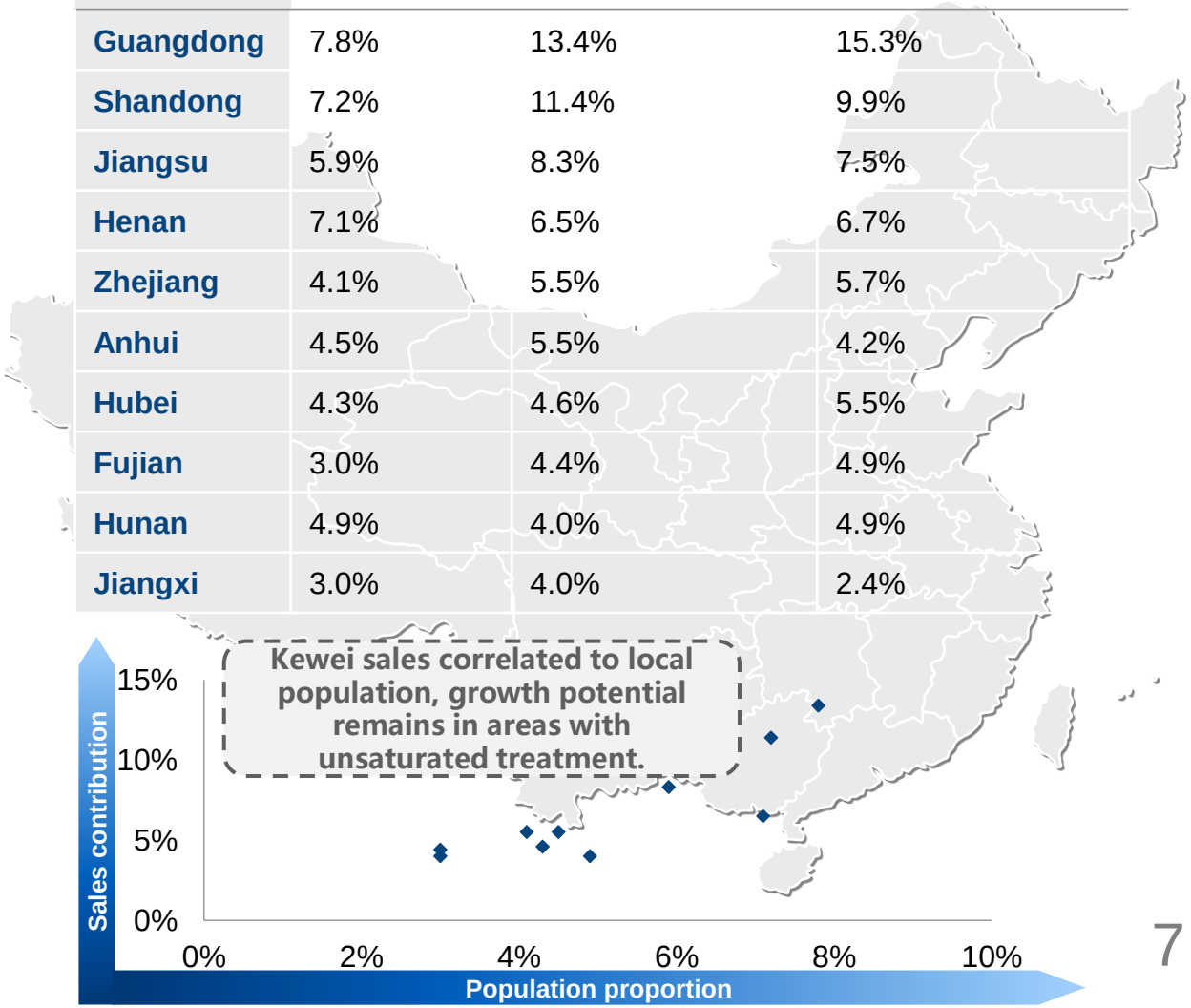
- Covid-19 outbreak has drawn public attention towards respiratory tract diseases, especially for the high-risk group, leading to reinforcement on the awareness of preventing and treating influenza proactively.

- As outbreak prevention becomes a new norm, preventing cross-infection during flu season has become the emphasis of public health matters. Several provincial Health Commissions have issued guidance on mandatory medication preparation, in which oseltamivir has been listed.

- Increased public awareness of prophylactic measures towards influenza. Concept of having Kewei stocked at home began to popularize.

Top 10 provinces by Kewei sales in 1H

Province	Population proportion[1]	2020 Contribution[2]	2019 Contribution[2]
Guangdong	7.8%	13.4%	15.3%
Shandong	7.2%	11.4%	9.9%
Jiangsu	5.9%	8.3%	7.5%
Henan	7.1%	6.5%	6.7%
Zhejiang	4.1%	5.5%	5.7%
Anhui	4.5%	5.5%	4.2%
Hubei	4.3%	4.6%	5.5%
Fujian	3.0%	4.4%	4.9%
Hunan	4.9%	4.0%	4.9%
Jiangxi	3.0%	4.0%	2.4%

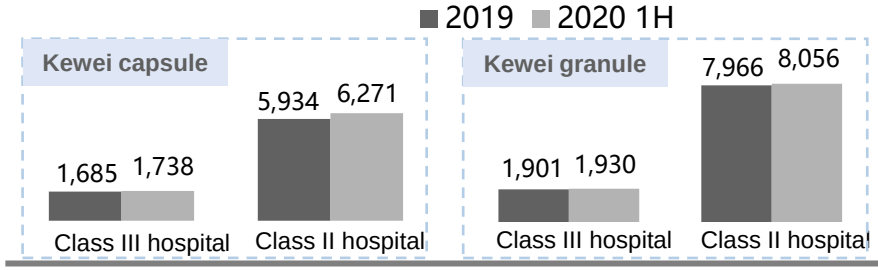


1 Population data based on 2010 6th National Census
2 Data does not include sales from OTC pharmacies
3 WHO

Sales team of 3,442 staff in multiple channels provides robust support for sales growth, of which the number and structure are constantly adjusted to meet market needs

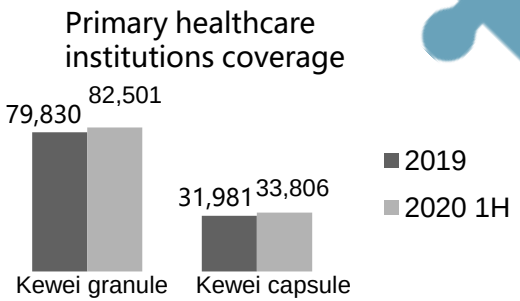
Direct sales team in Class II&III hospitals

- 1,300 staff responsible for academic promotion of main products in Class II&III hospitals



Direct sales team in primary healthcare institutions

- 1,323 staff responsible for academic promotion in GP-based healthcare institutions (Class I hospitals and community clinics)

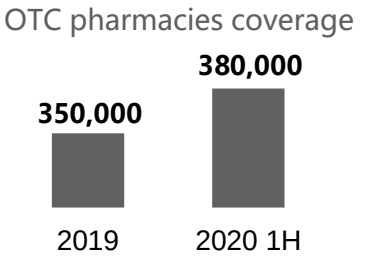


E-commerce

- Collaborate with Ali Health, 111 Inc and China Resources Pharm Commercial for expanding e-commerce channel
- Focus on online sales and promotion, online display and health big data analysis, aiming to promote brand recognition and increase market share

OTC sales team

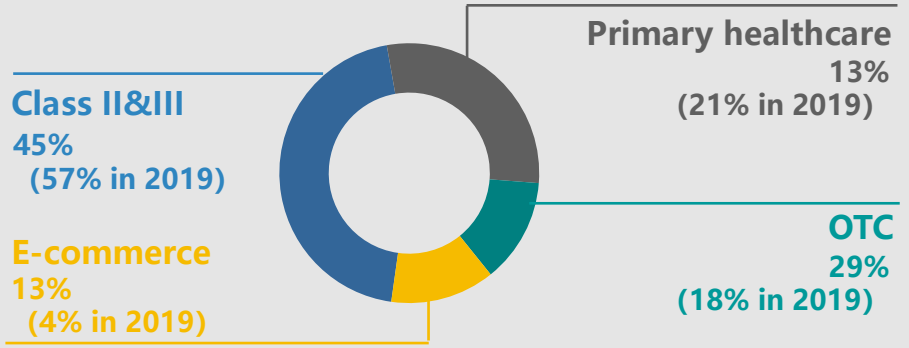
- 84 staff responsible for direct sales of key products in OTC pharmacies
- Collaborate with Jointown, expediting coverage in pharmacies nationwide.



Distributors management team

- 20 staff responsible for distribution-based sales of non-core products in all healthcare institutions

Kewei sales distribution across channels



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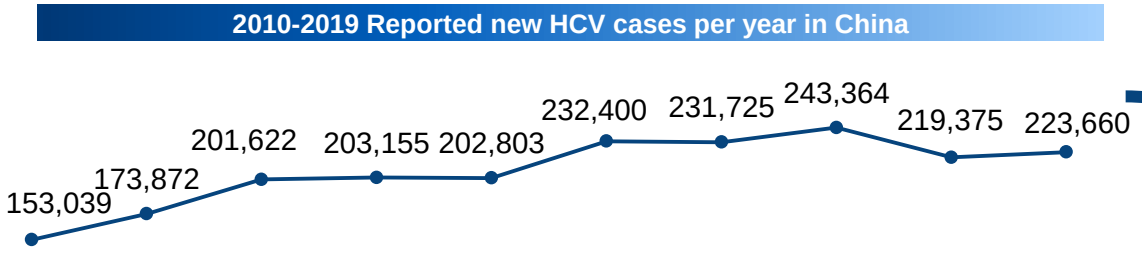
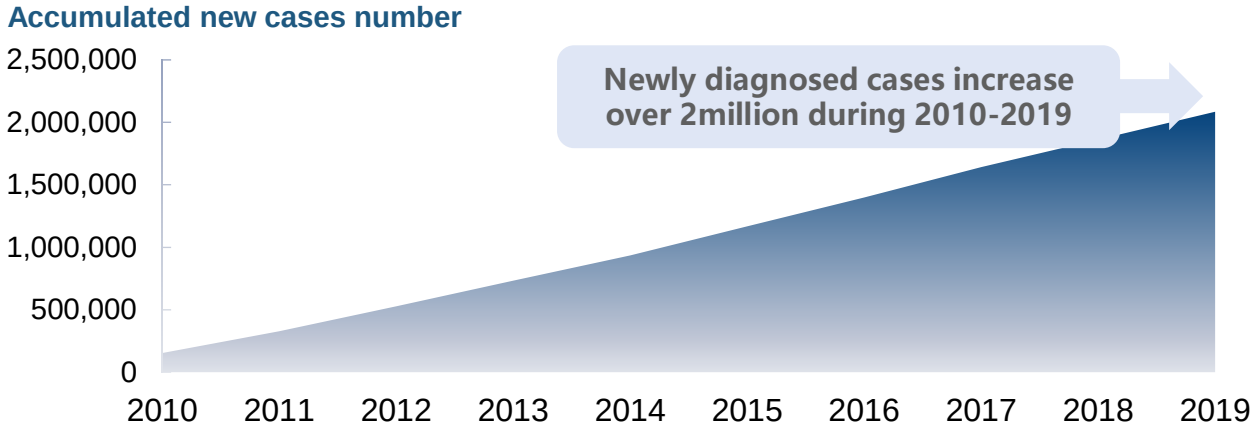
HCV and Diabetes – Targeting Critical Therapeutic Areas

		Current status	Estimated to launch in	Mechanism and preliminary results	Product highlights
HCV	Yimitasvir phosphate	NDA submitted	2020	• NS5A inhibitor • Phase II/III SVR12 up to 99.8% • Good safety and tolerance profiles	• Oral dosage form • Once daily for 12 weeks
HCV	Furaprevir	Phase III	2021	• NS3/4A inhibitor • Phase II showed profound efficacy and safety	• Oral dosage form • Once daily for 12 weeks
HCV	HEC110114	Phase I completed	2022	• NS5B inhibitor	• Pan genotype
Diabetes	Recombinant human insulin	Approved to market	2020	• Phase I&III data showed efficacy and safety both comparable to originator drug	• R&D standards based on EU/US biosimilar drug guidelines, with quality comparable to the originator drugs • Employing yeast expression system, with advanced production engineering and scale-up flexibility
Diabetes	Isophane protamine recombinant human insulin (pre-mixed 30R)	Phase III completed	2021		
Diabetes	Insulin glargine	Phase III completed	2021	• Clinical trials data showed efficacy and safety both comparable to originator drug	
Diabetes	Insulin aspart	Phase I completed	2022		
Diabetes	Insulin aspart 30	Phase III completed	2022	• Clinical trials data showed efficacy and safety both comparable to originator drug	
Diabetes	Rongliflozin	Phase III	2022	• SGLT-2 inhibitor • Phase I data shoed good safety and tolerance profile	• Selectively and potency similar to currently marketed SGLT-2 • Animal model showed ideal bioavailability, rapid onset and promising half-life
Diabetes	Liraglutide	Phase III	2023	-	• Preclinical data shoed comparable traits to the originator drug Victoza

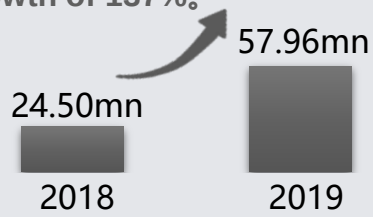
HCV represents a market with unmet clinical demands and embedded potential. HEC has devised a holistic strategy with diversified product portfolio.





With cirrhosis rate of 55~85% upon infection, hepatitis C patients bear a 7% risk of developing cancer.

In 2019, HCV DAA drug sales recorded at 57.96million RMB in China, representing a y-o-y growth of 137%。



Source: China CDC website，IMS

Oral form anti-HCV drug developed and launched by Chinese company

- All anti-HCV drugs currently developed by HEC are oral forms. Administered orally once a day, exhibiting a higher degree of compliance compared to pegylated interferon / ribavirin (PR) combination
- Anti-HCV drug portfolio covers genotype 1 and pan genotype hepatitis C

Established joint venture to expedite R&D progress

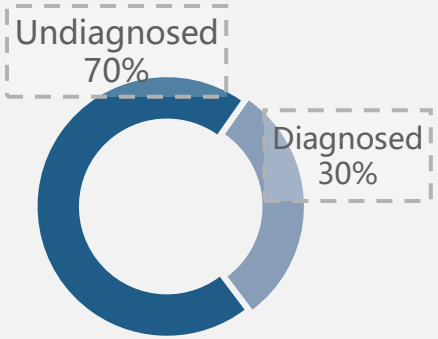
- Established JV to co-develop a new oral interferon-free DAAs combination therapy (Yimitasvir / Furaprevir)

Leading innovation supported by State Key Laboratory of anti-infection

- Acknowledged as National Key Anti-Infection Laboratory by Ministry of Science and Technology in 2015
- Comprehensive drug selection and evaluation platform and advanced team of R&D talents from China and overseas
- Research projects focusing on HCV, HBV and influenza

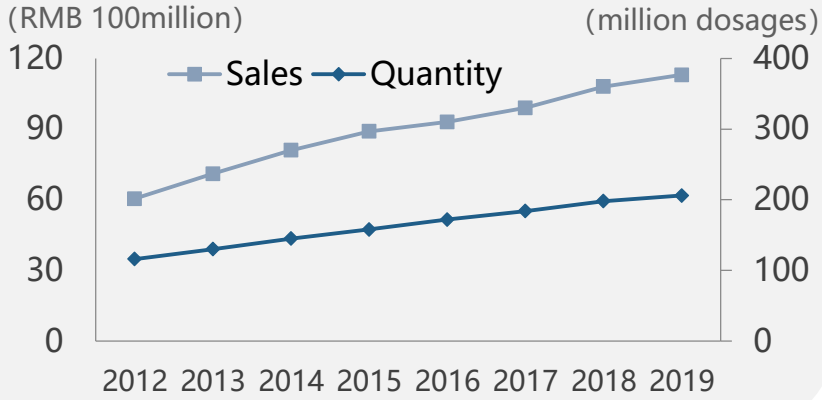
Established team of 300 for academic promotion in endocrine/metabolic diseases, HEC provides better medication option with diversified portfolio spanning from 2nd and 3rd generation insulin, biosimilars and innovative new drugs .

114 million diabetes patients in China, with prevalence of 10.4% (Aged 20-79), among which 95% are Type 2 diabetes.



Recent cross-sectional study (2013) showed only 1/3 of diabetes patients in China were aware and diagnosed of the disease, while control rate barely reached 50%.

China insulin market grows by year (CAGR=10%)



2010-2019	2020	2021	2022	2023
	Recombinant human insulin	Isophane protamine recombinant human insulin (pre-mixed 30R) Insulin glargine	Insulin aspart Insulin aspart 30 Rongliflozin	Liraglutide
R&D standards and the clinical development strategy are devised based on EU/US biosimilar guidelines. Production facilities designed in compliance with GMP standards in China, U.S. and E.U, and have gained experience in commercial production for years.	API - Recombinant insulin 600kg/yr, glargine 200kg/yr, aspart 450kg/yr; Preparation - 15million injections/yr	Preparation capacity 80million injections/yr		**Comprehensive portfolio includes 2nd generation insulin, 3rd generation insulin, SGLT-2 inhibitor and GLP-1 analogue**

Source: IMS, IDF, China Diabetes Society

Launching generic products as scheduled, 15 generics expected to be approved to market in 2020 while 3 generics have been approved in 1H

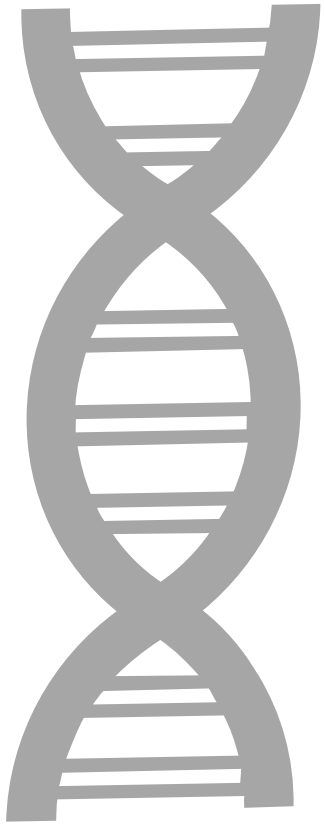
Generic name	Indication	Current status	Estimated approval in	2019 China market size (RMB mn) (All dosage form)	Originator company/Brand name	Number of brands passed BE*
Digestive system						
Esomeprazole magnesium enteric-coated capsule	**Gastroesophageal reflux**	**Approved to market**	**2020**	**3,430**	**AstraZeneca/Nexium**	• **None**
CVS						
Ticagrelor tablets	**Thrombosis**	**Application submitted**	**2020**	**1,239**	**AstraZeneca/Brilinta**	• **More than 3**
Apixaban tablets	**Thrombosis**	**Application submitted**	**2020**	**26**	**BMS/Eliquis**	• **More than 3**
Atorvastatin calcium tablets	Serum lipid control	Application submitted	2021	7,857	Pfizer/Lipitor	• More than 3
Rosuvastatin calcium tablets	Serum lipid control	Application submitted	2021	3,494	AstraZeneca/Crestor	• More than 3
Amlodipine tablets	Hypertension	Application submitted	2021	3,077	Pfizer/Norvasc	• More than 3
Metoprolol succinate sustained-release tablets	Hypertension	Application submitted	2021	1,873	AstraZeneca/Betaloc	• None
Clopidogrel tablets	Thrombosis	Application submitted	2021	3,493	Sanofi/Plavix	• 3
Rivaroxaban tablets	Thrombosis	Application submitted	2021	1,614	Bayer/Xarelto	• 1
Anti-virus/Anti-infection						
Clarithromycin tablets	**Infection**	**Approved to market**	**2019**	**645**	**Abbott/Klaricid**	• **None**
Levofloxacin tablets	**Infection**	**Approved to market**	**2019**	**4,040**	**Daiichi Sankyo/Cravit**	• **None**
Entecavir tablets	**HBV**	**Approved to market**	**2020**	**3,995**	**BMS/Baraclude**	• **More than 3**
Tenofovir alafenamide tablets	HBV/HIV	Application submitted	2021	1,039	Gilead/ -	• None
Azithromycin tablets	Infection	Application submitted	2021	2,149	Pfizer/Zithromax	• 2
CNS						
Olanzapine tablets disintegrating tablets	**Schizophrenia**	**Approved to market**	**2020**	**1,993**	**Eli Lily/Zyprexa**	• **1**

Source: IMS * The number does not include HEC

Launching generic products as scheduled, 15 generics expected to be approved to market in 2020 while 3 generics have been approved in 1H (Cont'd)

Generic name	Indication	Current status	Estimated approval in	2019 China market size (RMB mn) (All dosage form)	Originator company/Brand name	Number of brands passed BE*
Olanzapine tablets	**Schizophrenia**	**Application submitted**	**2020**	**1,993**	**Eli Lily/Zyprexa**	• **2**
Entacapone tablets	**Parkinson's Disease**	**Application submitted**	**2020**	**72**	**Orion/Comtess**	• **None**
Duloxetine enteric capsules	**Depression**	**Application submitted**	**2020**	**613**	**Eli Lily/Cymbalta**	• **None**
Escitalopram tablets	**Depression**	**Application submitted**	**2020**	**977**	**Lundbeck/Cipralex**	• **More than 3**
Aripiprazole tablets	Schizophrenia	Application submitted	2021	585	Otsuka/Abilify	• 1
Aripiprazole orally disintegrating tablets	Schizophrenia	Application submitted	2021	585	Otsuka/Abilify	• 1
Endocrine/Metabolic diseases						
Linagliptin tablets	Type II diabetes	Approved to market	2020	220	BI/Trajenta	• None
Sitagliptin metformin hydrochloride tablets	**Type II diabetes**	**Application submitted**	**2020**	**294**	**Merck/-**	• **None**
Linagliptin and metformin hydrochloride tablets	**Type II diabetes**	**Application submitted**	**2020**	**0.57**	**BI/Jentadueto**	• **None**
Alogliptin tablets	**Type II diabetes**	**Application submitted**	**2020**	**101**	**Takeda/Nesina**	• **None**
Febuxostat tablets	**Hyperuricemia**	**Application submitted**	**2020**	**1,295**	**Astellas/Feburic**	• **None**
Sitagliptin tablets	Type II diabetes	Application submitted	2021	773	Merck/Januvia	• None
Urinary system						
Tadalafil tablets	**ED, Pulmonary artery hypertension**	**Application submitted**	**2020**	**332**	**Eli Lily/Cialis**	• **3**
Sildenafil tablets	ED, Pulmonary artery hypertension	Application submitted	2021	1,478	Prizer/Viagra	• 1
Solifenacin tablets	Bladder overactivity	Application submitted	2022	44	Astellas/Vesicare	• 3

Pipeline replenished by Research Center, allowing HEC Pharm to selectively obtain high-valued products for commercialization in China



Priority Rights for Collaboration

- HEC Pharm has the priority to collaborate with the Research Center through license agreement for commercialization of selective new products in China.
- Renewal of collaboration agreement in plan by this year. HEC Pharm will be the commercialization and promotion platform for new products from Research Center.

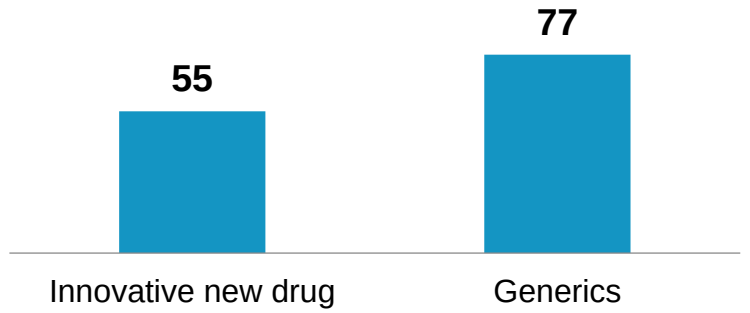
Strong R&D team

- HEC Research Center had over 1,700 R&D staff, including 24 overseas experts and 1 officer of “Young Leadership Program” (青年领军人才).
- An experienced clinical research team currently consists of 220 staff.

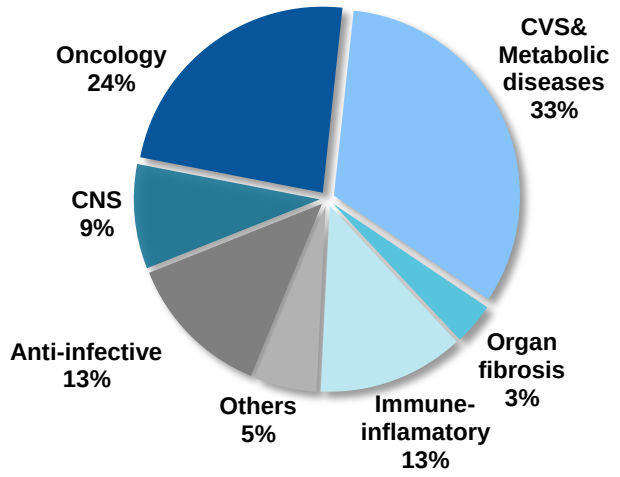
Rich pipeline of new drugs

- 55 National Class 1.1 Innovative.
- 17 projects have been granted clinical trials approvals among which clinical trials for 13 projects have been initiated.
- 27 research projects granted as “the National Major Innovative Drug Projects” (国家新药创制重大专项) In the 11th, the 12th and the 13th Five Years Plan.

Number of projects in pipeline

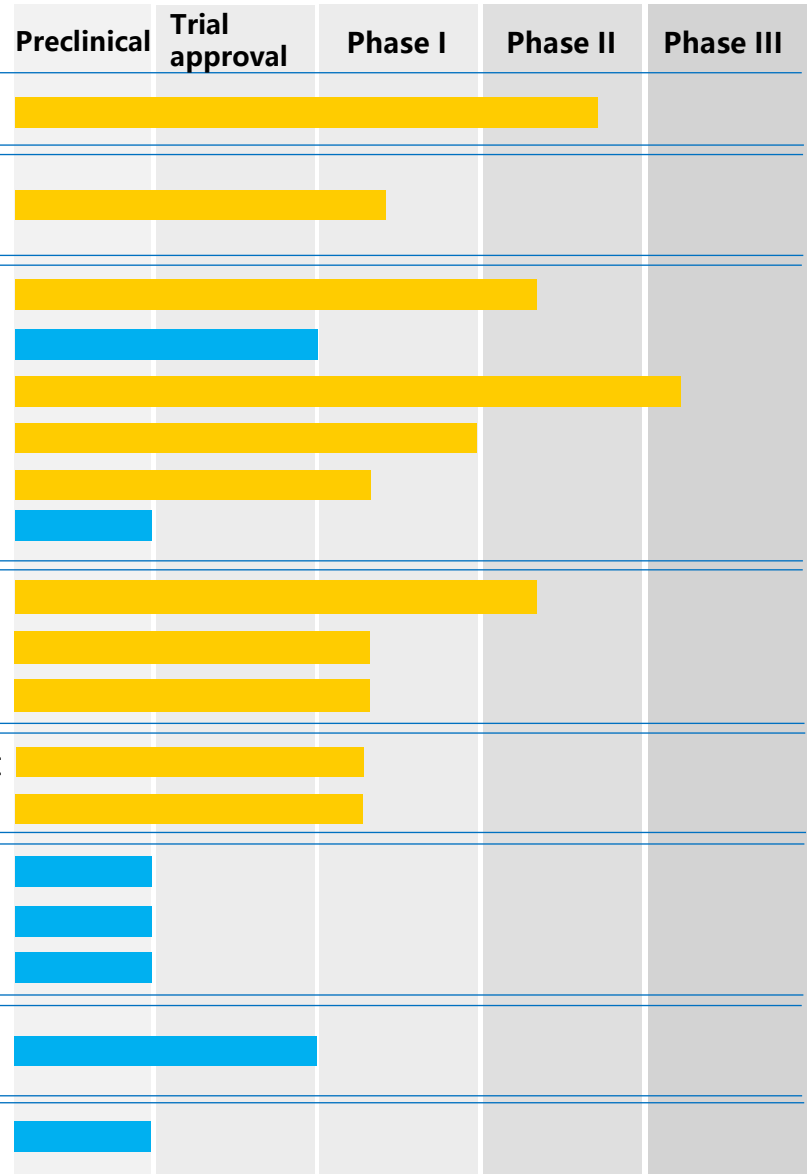


Breakdown of innovative drug pipeline by therapeutic areas



Diversified new drug pipeline for future product replenishment (Selected projects)

		Project	Indication	Mechanism/target
Small molecule innovative new drugs	Anti-viral	Morphathiadine	HBV	Capsid inhibitor
	Endocrine/ metabolic disease	HEC96719*	NASH	-
	Oncology	Ningetinib	NSCLC	Axl/c-met/VEGFR2
			HCC	-
		Larotinib	Esophageal cancer	EGFR
			Pancreatic cancer	-
		CT365	Solid tumor	PI3K/mTOR
		CT413	Solid tumor	Axl/Mer
	Respiratory tract diseases	Yifenidone	IPF*	TNFα/TGFβ
		CT365	IPF*	PI3K/mTOR
		Litapiprant	Asthma	CRTH2
	CNS	HEC83518	Insomnia	Orexin receptor antagonist
		HEC113995	Depression	5-HT reuptake inhibitor
Biologics	Endocrine/ metabolic diseases	Insulin degludec	Type 2 diabetes	Insulin receptor
		Dulaglutide	Type 2 diabetes	GLP-1
		GLP-1/FGF21 agonist	Obesity/NASH/Diabetes	GLP-1/FGF21
	Auto-immune	Adalimumab	Rheumatoid arthritis Ankylosing spondylitis	TNF inhibitor
	Oncology	Bevacizumab	Solid tumor	VEGF inhibitor



*IPF: Idiopathic pulmonary fibrosis

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Financial Overview

(RMB million)	Six months ended 30 Jun 2020	2019	Change
Revenue	**2,084**	3,071	-32%
Gross profit	**1,731**	2,621	-34%
EBITDA	**930**	1,300	-29%
Operating profit	**881**	1,257	-30%
Net profit[1]	**618**	968	-36%
Adjusted net profit[2]	**696**	1,096	-37%
Gross profit margin	**83%**	85%	-
EBITDA margin	**45%**	43%	-
Operating profit margin	**42%**	41%	-
Adjusted net profit margin[3]	**33%**	36%	-
Basic/diluted EPS (RMB/share)	**0.70/0.63**	1.09/1.09	-
Proposed interim dividend[4] (RMB/share, tax inclusive)	**0.1**	1.0	-

(RMB million)	On 30 Jun 2020	On 31st Dec 2019	Change
Total asset	**10,460**	9,912	6%
Total liability	**5,486**	5,289	4%
Net asset	**4,974**	4,623	8%
Cash and cash equivalents	**3,346**	2,779	20%

Notes
1. Profit and total comprehensive income attributable to equity shareholders of the Company
2. Profit and total comprehensive income attributable to equity shareholders of the Company (excluding the influence of the convertible bond)
3. Based on adjusted net profit
4. Final dividend distribution is subject to approval of AGM decision

目录

Acquired strategic investment by issuance of US$400 million convertible bonds to Blackstone

As a long-term strategic investor, Blackstone will support the Company in its vision of becoming a leading Chinese pharmaceutical company and the preferred Chinese partner for international collaborations;

- Long-term funding to accelerate drug acquisitions and intrinsic business investment in support of future business growth, while maintaining stable dividend payout to shareholders. Proposed use of proceeds includes,
  1) Acquisition of drugs and other pharmaceutical products (including APIs)
  2) Capital expenditure on production facilities
  3) Expansion of sales and distribution networks
- Strategic partner to help drive implementation of global best practices and ensure continuous value creation for Company shareholders
  1) Strengthening corporate governance via appointment of Blackstone director by co-nomination **of non-executive director Dr. Zhao to the board of directors**
  2) Establishing strategic partnerships with global pharmaceutical entities
  3) Improving IR functions and capital markets communication to raise company profile
- Establishment of Strategic Operating Committee and Drug Acquisition Committee to optimize the Company's strategic direction and governance to ensure value maximization for all public shareholders

Subscription price	US$ 400,000,000
Interest rate	3% per annum
Issue date (Completion date)	20 February, 2019
Maturity date	The seventh anniversary day of the Issue Date.
Conversion price	HK$38 per conversion share (subject to adjustment) Based on the initial conversion price of HK$38 and assuming full conversion of the H Share convertible bonds at the initial conversion price, a maximum of 82,631,578 conversion shares will be allotted and issued, representing: (a) approximately 18.28% of the existing issued share capital of the Company as at the date of the Announcement; and (b) approximately 15.46% of the total share capital of the Company as enlarged by the issue of the Conversion Shares.

Dr. Zhao Dayao Biography

- Medical degree in neurology and pediatrics from Peking University Medical School, PhD in Science in Neurology from Harvard Medical School
- Previous experiences include general manager of Pfizer China R&D Center in Shanghai, Wuhan and Beijing, head of China R&D in Johnson&Johnson and group vice president at Genzyme

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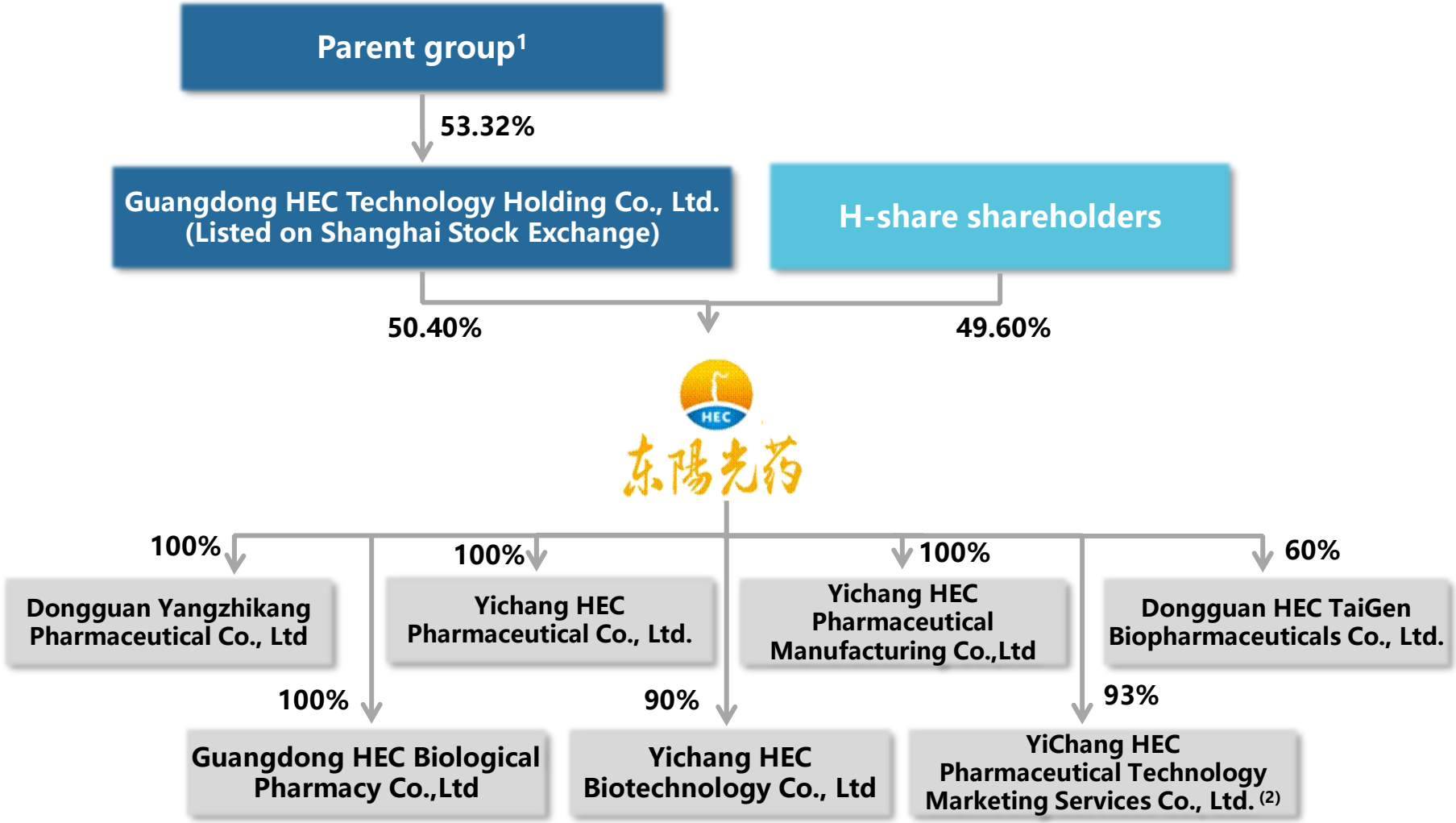
Structure of the HEC group



Note: 1 Shenzhen HEC Industrial Development Co., Ltd. and persons acting in concert.

HEC History and Milestones

2001
- Commenced pharmaceutical operations in the PRC with the establishing of the Company's predecessor entity in Hubei Province

2006
- Granted manufacturing approval for oseltamivir phosphate in China

2008
- Became the only manufacturer of Kewei Oseltamivir Phosphate granules in China following the registration with CFDA

2013
- Kewei products recorded the largest market share in the oseltamivir phosphate product in the PRC

2015
- Established as a joint stock limited company post re-organization
- Established strategic cooperation partnership with controlling shareholder, providing a pre-emptive right to acquire pharmaceutical products being developed by HEC Research Group for China
- HEC Pharm commenced trading on HKEX on Dec. 29, 2015

2016
- Developing novel DAA combo for curing HCV through JV with TaiGen Biotechnology
- Obtained clinical trial approvals for 3 insulin injections, including Insulin Glargine injection
- HEC Pharm awarded the "2016 Listed Enterprises Award"

2018
- Kewei recommended as the first line treatment for both diagnosed/suspected influenza cases by NHFPC
- Included in Hang Seng Composite SmallCap Index
- Included in Hong Kong Stock Connect List under the Shenzhen-Hong Kong Stock Connect

2019
- Blackstone strategic investment via convertible bond issuance, completed on 20 February 2019
- Initiated H share full circulation process

Senior Management Team

Mr. TANG Xinfa

Chairman and Non-Executive Director

- Joined the Company in May 2015, and also serving as the Chief Officer of the State Key Laboratory of New Drug Research and Development for anti-virus
- Joined Shenzhen HEC Industrial in 2002, having served senior management positions at Sunshine Lake Pharma, Ruyuan HEC Pharma, Linzhi HEC Pharmaceutical Investment, and Dongguan HEC Research
- He has 15 years of management experience
- Received a master degree from Xiamen University in September 2002

Mr. JIANG Juncai

Executive Director and General Manager

- Successively served as a researcher at the biochemistry division, a researcher and deputy head of the traditional Chinese medicine division and the deputy head of the zoological and botanical division of Sunshine Lake Pharma from July 2006 to May 2012
- Served as a director of Yidu HEC Industrial Development Co., Ltd. from March 2012 to May 2015
- He joined the Company serving as executive director in May 2015

Mr. CHEN Yangui

Executive Director and Director of Sales Department

- Joined Dongguan HEC Research in October 2005, and successively held several different managing positions in company
- He joined the Company in May 2014 and has been serving as executive director since May 2015

Mr. WANG Danjin	*Executive Director, Deputy General Manager*
Mr. LI Shuang	*Executive Director, Deputy General Manager*
Mr. ZHANG Qiang	*Chief Financial Officer*
Mr. PENG Qiyun	*Secretary of the Board*

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Thank You!

Our mission
—— For everyone's health

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