

# YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

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

Stock code: 1558.HK



## 2020 Annual Results Presentation

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- 1** Highlights of the Year
- 2 Business Review
- 3 R&D Pipeline
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# Highlights of the Year



Revenue decreased 62% y-o-y to RMB 2,348million.

EBITDA decreased 46% y-o-y to RMB 1,377million.

Adjusted net profit<sup>1</sup> decreased 76% y-o-y to RMB 590million.



Entered into a strategic cooperation framework agreement with CR Pharmaceutical Commercial

Fudosteine tablets, Moxifloxacin hydrochloride tablets, Olmesartan tablets, Clarithromycin tablets and Olanzapine orally disintegrating tablets included in the latest round of centralized procurement scheme and won respective tenders



Emitasvir phosphate capsules, the national class 1 new drug, being the first batch of all oral anti-HCV new drug in China, continue to consolidate Pharm HEC's dominant position in the anti-viral field.

Recombinant Human Insulin Injection approved to market, which is Pharm HEC's first approved biologic drug, marking the beginning of Pharm HEC's brand entering the field of biological medicine.



Completed H shares full circulation reform process

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# Significant decrease in sales of key products due to the impact of the epidemic, and a long-term growth supported by the acquisition of generic drug portfolio and introduction of subsequent products



Product (Generic name)	Launched in	2020 Sales (RMB' 000)	Y-o-Y change	Remarks
<b>Anti-viral</b>				
Kewei (Oseltamivir phosphate) granules	2009	1,147,837	-73.14%	2018 Essential drug list
Kewei (Oseltamivir phosphate) capsules	2007	920,890	-44.54%	First and exclusive to pass BE, 2018 Essential drug list
<b>Endocrine/metabolic diseases</b>				
Ertongshu (Benzbromarone tablets)	2004	94,498	-8.10%	First and exclusive to pass BE, 2018 Essential drug list
<b>Anti-infection</b>				
Linluoxin (Moxifloxacin hydrochloride tablets)	2019	15,161	-66.17%	First 3 brands to pass BE, 2018 Essential drug list, GPO product
Yangzhike (Clarithromycin sustained release tablets)	2019	356	-95.06%	First and exclusive to pass BE
<b>CVS</b>				
Oumeining (Telmisartan tablets)	2005	27,515	-47.55%	-
Xinhaining (Amlodipine tablets)	2007	10,411	-56.73%	-
<b>2020 GPO scheme products</b>				
Fudosteine tablets	2020	6,076		GPO product
Moxifloxacin hydrochloride tablets	2020	15,161		GPO product
Olmesartan tablets	2020	27,188		GPO product
Clarithromycin tablets	2020	25,866		GPO product
Olanzapine orally disintegrating tablets	2020	-		GPO product



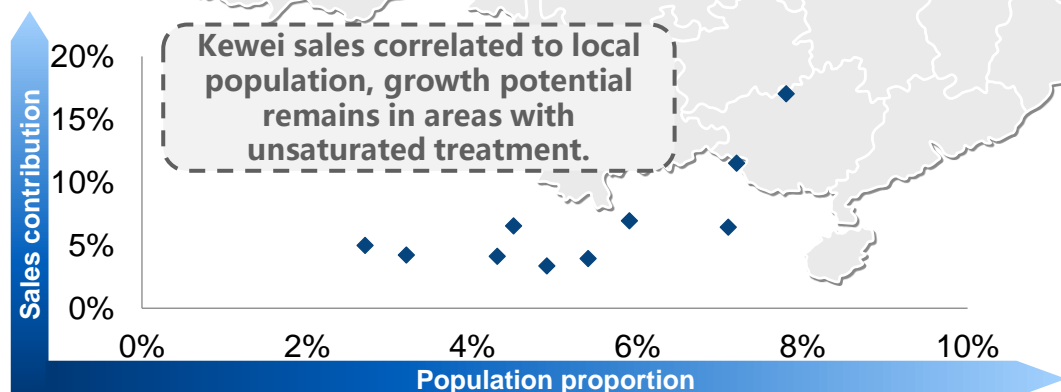
# 2020 national drug use rate of Kewei significantly decreased. There is a decrease in the field of influenza treatment due to the impact of COVID-19 epidemic

## Top 10 provinces by Kewei sales in 2020

Province	Population proportion <sup>1</sup>	2020 contribution <sup>2</sup>	2019 contribution <sup>2</sup>
Guangdong	7.8%	17.02%	15.3%
Shandong	7.2%	11.51%	9.9%
Jiangsu	5.9%	6.95%	7.5%
Anhui	4.5%	6.53%	4.2%
Henan	7.1%	6.43%	6.7%
Fujian	2.7%	4.99%	4.2%
Jiangxi	3.2%	4.21%	2.4%
Hubei	4.3%	4.11%	5.5%
Hebei	5.4%	3.93%	5.6%
Hunan	4.9%	3.36%	4.9%

## Sales decrease driven by:

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



1 Population data based on 2010 6<sup>th</sup> National Census

2 Data does not include sales from OTC pharmacies

3 WHO

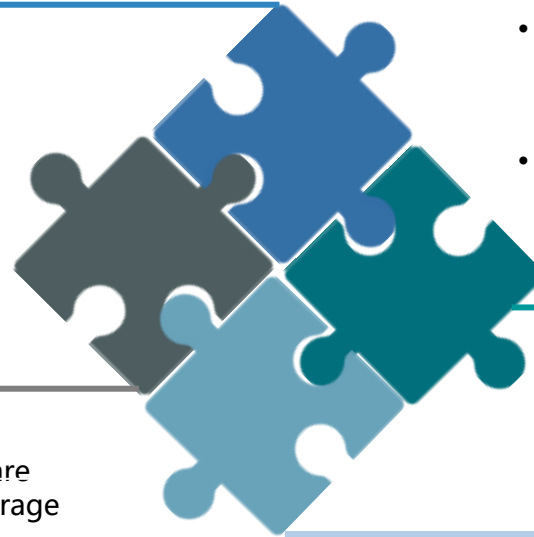
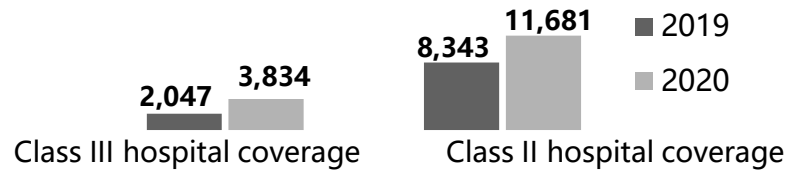
4 China CDC website. Figures as of 31 December 2020

# Sales team of 2368 staff in multiple channels provides robust support for sales growth, driving further penetration in healthcare institutions and usage amount in single institutions

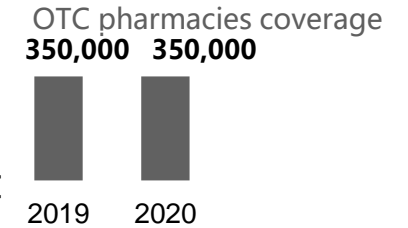


## Direct sales team in Class II&III hospitals

- 758 staff responsible for academic promotion of main products in Class II&III hospitals



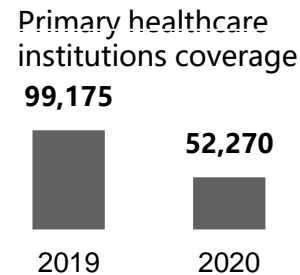
- 76 staff responsible for direct sales of key products in OTC pharmacies
- Collaborate with Jointown, expediting coverage in OTC pharmacies nationwide



## OTC sales team

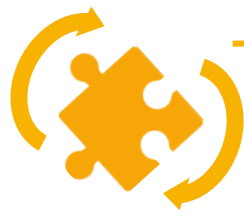
## Direct sales team in primary healthcare institutions

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



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

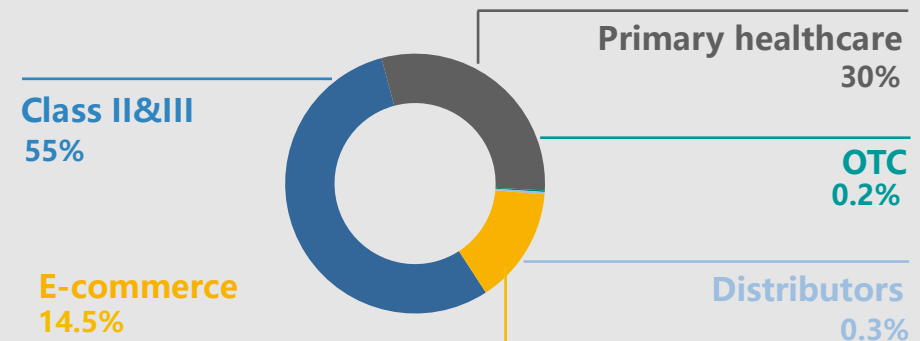
## Distributors management team



## 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.

## Kewei Sales Distribution among Channels



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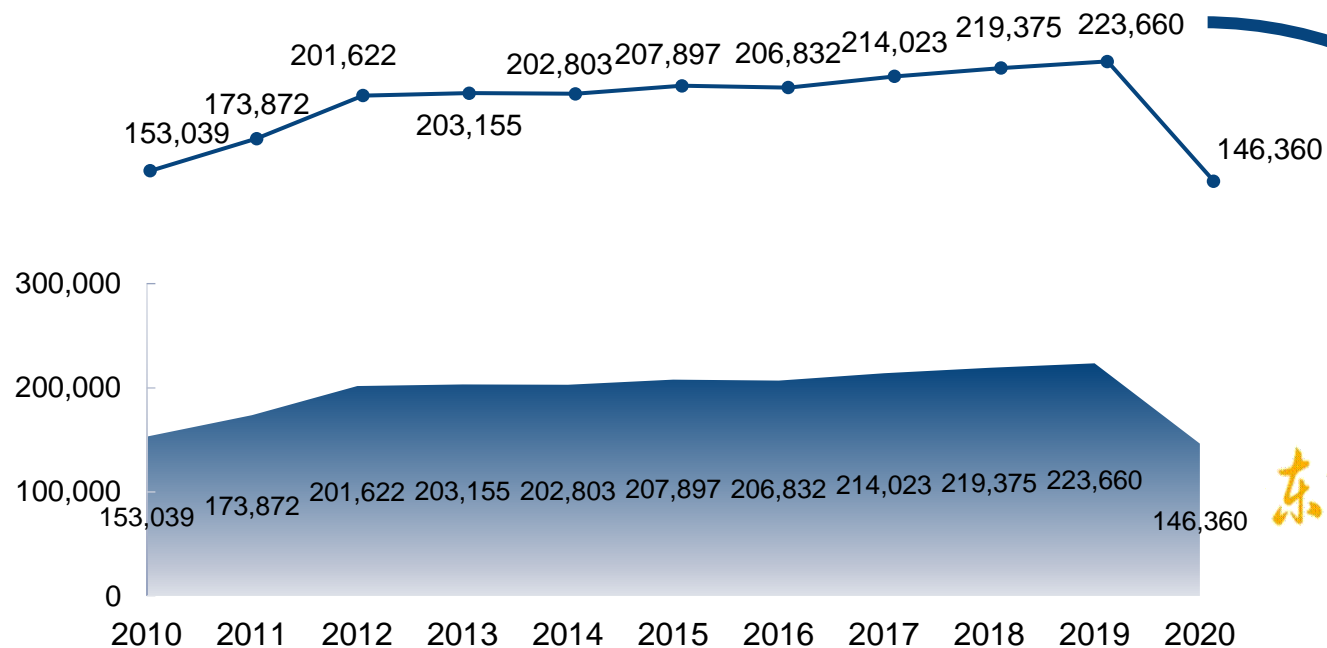


# HCV and Diabetes –Targeting Critical Therapeutic Areas

	Current status	Estimated to launch in	Mechanism and preliminary results	Product highlights	
HCV	Yimetasvir phosphate	Approved to market	2020	<ul style="list-style-type: none"> <li>NS5A inhibitor</li> <li>Phase II/III SVR12 up to 99.8%</li> <li>Good safety and tolerance profiles</li> </ul>	<ul style="list-style-type: none"> <li>Oral dosage form</li> <li>Once daily for 12 weeks</li> </ul>
	Furaprevir	Phase III	2023	<ul style="list-style-type: none"> <li>NS3/4A inhibitor</li> <li>Phase II showed profound efficacy and safety</li> </ul>	<ul style="list-style-type: none"> <li>Oral dosage form</li> <li>Once daily for 12 weeks</li> </ul>
	HEC110114	Phase II	2023	<ul style="list-style-type: none"> <li>NS5B inhibitor</li> </ul>	<ul style="list-style-type: none"> <li>Pan genotype</li> </ul>
Diabetes	Recombinant human insulin Injection	Approved to market	2020	<ul style="list-style-type: none"> <li>Phase I&amp;III data showed efficacy and safety both comparable to originator drug</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D standards based on EU/US biosimilar drug guidelines, with quality comparable to the originator drugs</li> </ul>
	Isophane protamine recombinant human insulin Injection (pre-mixed 30R)	Phase III	2021	<ul style="list-style-type: none"> <li>Clinical trials data showed efficacy and safety both comparable to originator drug</li> </ul>	<ul style="list-style-type: none"> <li>Employing yeast expression system, with advanced production engineering and scale-up flexibility</li> </ul>
	Insulin glargine Injection	Registration of domestic production accepted.	2021	<ul style="list-style-type: none"> <li>Clinical trials data showed efficacy and safety both comparable to originator drug</li> </ul>	<ul style="list-style-type: none"> <li>Employing yeast expression system, with advanced production engineering and scale-up flexibility</li> </ul>
	Insulin aspart Injection	Registration of domestic production accepted.	2022	<ul style="list-style-type: none"> <li>Clinical trials data showed efficacy and safety both comparable to originator drug</li> </ul>	<ul style="list-style-type: none"> <li>Employing yeast expression system, with advanced production engineering and scale-up flexibility</li> </ul>
	Insulin aspart 30 Injection	Registration of domestic production accepted.	2022	<ul style="list-style-type: none"> <li>Clinical trials data showed efficacy and safety both comparable to originator drug</li> </ul>	<ul style="list-style-type: none"> <li>Employing yeast expression system, with advanced production engineering and scale-up flexibility</li> </ul>
	Rongliflozin	Phase III	2022	<ul style="list-style-type: none"> <li>SGLT-2 inhibitor</li> <li>Phase I data shoed good safety and tolerance profile</li> </ul>	<ul style="list-style-type: none"> <li>Selectively and potency similar to currently marketed SGLT-2</li> <li>Animal model showed ideal bioavailability, rapid onset and promising half-life</li> </ul>
	Liraglutide	Phase III	2023	-	<ul style="list-style-type: none"> <li>Preclinical data shoed comparable traits to the originator drug Victoza</li> </ul>

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

2010-2020 Reported new HCV cases per year in China



## First batch of 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

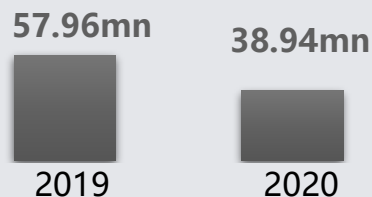
- Established JV with TaiGen to co-develop a oral interferon-free DAAs combination therapy (Emitasvir / Furaprevir)

## 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

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

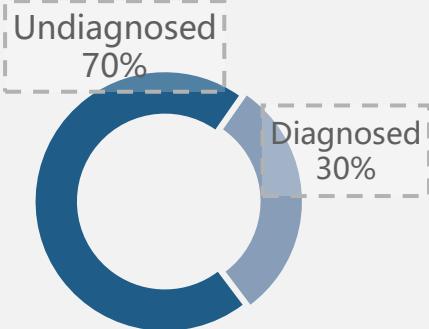
In 2020, HCV DAA drug sales recorded at 38.94million RMB in China, representing a y-o-y decrease of 33%.



# Diabetes therapeutics represent an attractive market with growth potential. HEC provides better medication option with diversified product portfolio.

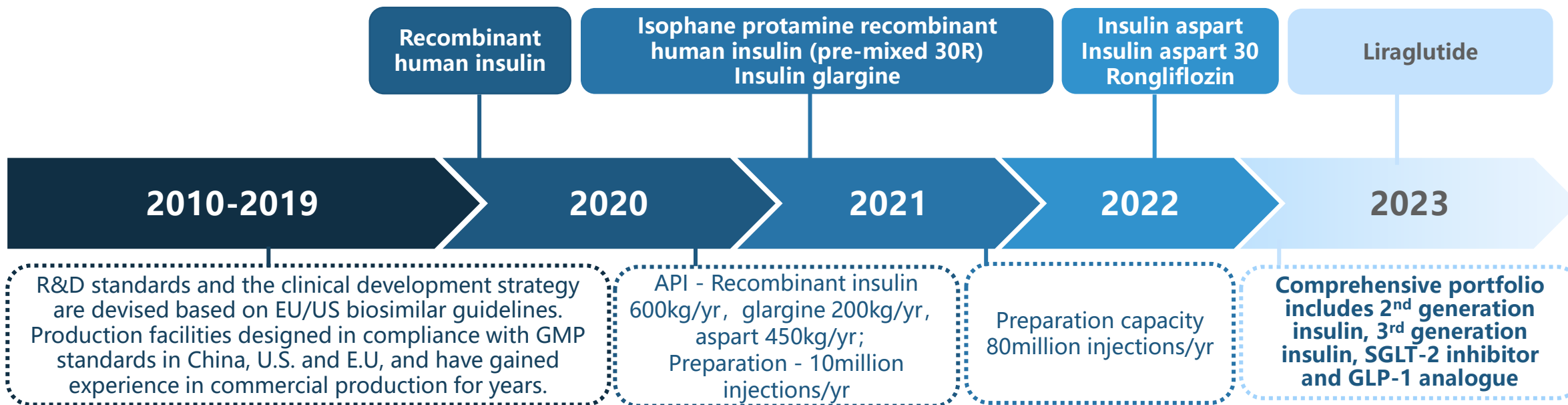
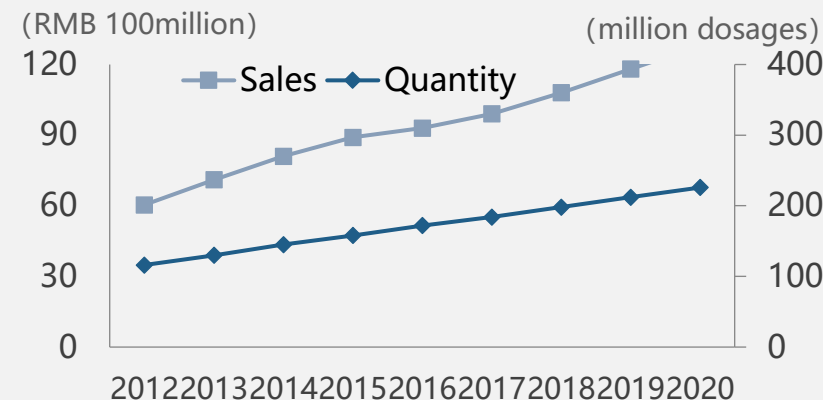


According to IDF, 114 million diabetes patients in China, with prevalence of 10.4% (Aged 20-79), among which over 95% are Type 2 diabetes.



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%)



Source: IMS, IDF Diabetes Atlas 8th Edition 2017 Country Reports, "Type 2 Diabetes Prevention Guidelines in China" (2017 Edition) issued by China Diabetes Society

# Launching generic products as scheduled

Generic name	Indication	Current status	Estimated approval in	2020 China market size (RMB mn) (All dosage form)	Originator company	Brand name/ 2020 China sales (RMB mn)	Number of brands passed BE
<b>Digestive system</b>							
Esomeprazole magnesium enteric-coated capsule	Gastroesophageal reflux	Approved to market	-----	3,609	AstraZeneca	Nexium / 18,92	• None
<b>CVS</b>							
Ticagrelor tablets	Thrombosis	Approved to market	-----	1,450	AstraZeneca	Brilinta / 13,27	• More than 3
Apixaban tablets	Thrombosis	Approved to market	-----	64	BMS	Eliquis / 9	• More than 3
Atorvastatin calcium tablets	Serum lipid control	Application submitted	2021	4,096	Pfizer	Lipitor / 2,763	• More than 3
Rosuvastatin calcium tablets	Serum lipid control	Approved to market	-----	1,864	AstraZeneca	Crestor / 1,191	• More than 3
Amlodipine tablets	Hypertension	Application submitted	2021	2,050	Pfizer	Norvasc / 1,120	• More than 3
Metoprolol succinate sustained-release tablets	Hypertension	Application submitted	2021	2,226	AstraZeneca	Betaloc / 2,133	• None
Clopidogrel tablets	Thrombosis	Application submitted	2021	2,787	Sanofi	Plavix / 1,391	• 3
Olmesartan tablets	Hypertension	Approved to market	-----	313	Daiichi Sankyo	Olmetec / 166	• 6
Rivaroxaban tablets	Thrombosis	Application submitted	2021	2,392	Bayer	Xarelto / 23,92	• 1
<b>Anti-virus/Anti-infection</b>							
Clarithromycin tablets	Infection	Approved to market	-----	482	Abbott	Klaricid / 71	• None
Clarithromycin sustained release tablets	Infection	Approved to market	-----	482	Klaricid	Klaricid / 71	• 1
Levofloxacin tablets	Infection	Approved to market	-----	3,395	Daiichi Sankyo	Cravit / 747	• None
Entecavir tablets	HBV	Approved to market	-----	1,646	BMS	Baraclude / 765	• More than 3
Moxifloxacin Tablets	Infection	Approved to market	-----	2,732	Avelox	Avelox / 1,089	• 9
Tenofovir alafenamide tablets	HBV/HIV	Application submitted	2021	224	Gilead	- / -	• None
Azithromycin tablets	Infection	Application submitted	2021	1,106	Pfizer	Zithromax / 363	• 2
<b>CNS</b>							
Olanzapine tablets	Schizophrenia	Approved to market	-----	1,315	Eli Lilly	Zyprexa / 173	• 2
Olanzapine orally disintegrating tablets	Schizophrenia	Approved to market	-----	1,315	Eli Lilly	Zyprexa / 6	• 1
Entacapone tablets	Parkinson's Disease	Application submitted	2020	77	Orion	Comtess / 77	• None

# Launching generic products as scheduled

Generic name	Indication	Current status	Estimated approval in	2020 China market size (RMB mn) (All dosage form)	Originator company	Brand name/ 2020 China sales (RMB mn)	Number of brands passed BE
Duloxetine enteric capsules	Depression	Approved to market	-----	813	Eli Lilly	Cymbalta / 352	• None
Escitalopram tablets	Depression	Application submitted	2020	836	Lundbeck	Cipralext / -	• More than 3
Aripiprazole tablets	Schizophrenia	Application submitted	2021	676	Otsuka	Abilify / 215	• 1
Aripiprazole orally disintegrating tablets	Schizophrenia	Application submitted	2021	676	Otsuka	Abilify 215	• 1
<b>Endocrine/Metabolic diseases</b>							
Sitagliptin metformin hydrochloride tablets	Type II diabetes	Approved to market	-----	186	MSD	Genoda / 186	• None
Linagliptin tablets	Type II diabetes	Approved to market	-----	314	BI	Trajenta / 314	• None
Linagliptin and metformin hydrochloride tablets	Type II diabetes	Approved to market	-----	2	BI	Jentadueto / 2	• None
Alogliptin tablets	Type II diabetes	Approved to market	-----	159	Takeda	Nesina / 159	• None
Febuxostat tablets	Hyperuricemia	Application submitted	2021	1,368	Astellas	Feburic / 4	• None
Sitagliptin tablets	Type II diabetes	Approved to market	-----	1,097	Merck	Januvia / 1,097	• None
<b>Urinary system</b>							
Tadalafil tablets	ED, Pulmonary artery hypertension	Approved to market	-----	321	Eli Lilly	Cialis / 276	• 3
Sildenafil tablets	ED, Pulmonary artery hypertension	Application submitted	2021	1,371	Prizer	Viagra / 851	• 1
Solifenacin tablets	Bladder overactivity	Application submitted	2022	41	Astellas	Vesicare / 25	• 3

## API

- Holding API approvals for various generics including olanzapine, clopidogrel and amlodipine.
- Acquired API production base recently to further expand production scale.

## Preparations

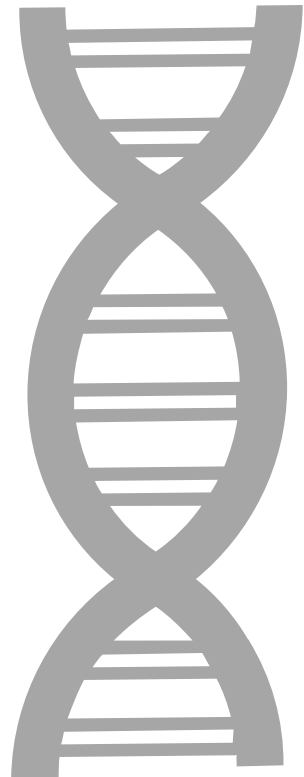
- Current preparation capacity up to 1.1 billion capsules/year and 1.7 billion tablets/year.
- Planned capacity: 7 billion capsules/tablets in 2022, 12 billion capsules/tablets in 2025

## Sales Channel

- Market by distribution model and direct sales side by side to accelerate commercialization.
- Bidding for nationwide centralized procurement in plan to rapidly ramp up sales



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



## Strong R&D team

- HEC Research Center had over 1700 R&D staff, including 24 overseas experts, 7 experts of “National 1,000 People Plan” (国家千人计划) and 1 officer of “Young Leadership Program” (青年领军人才).
- An experienced clinical research team currently consists of 220 staff.

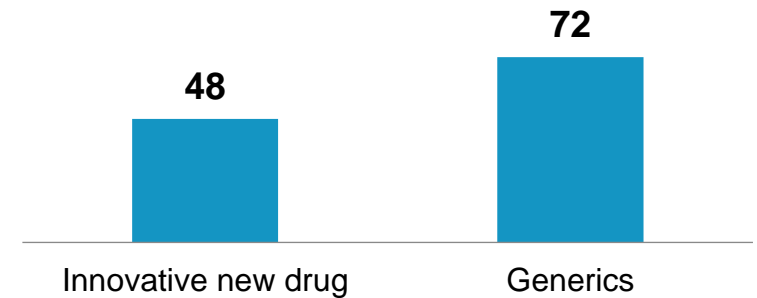
## Rich pipeline of new drugs

- 50 National Class 1.1 Innovative
- 22 projects have been granted clinical trials approvals among which clinical trials for 20 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.

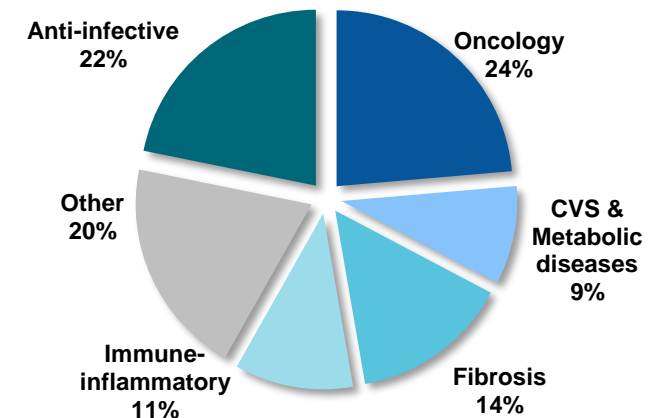
## Pre-emptive Rights

- The Company has the pre-emptive right in China to acquire products from Research Center
- Drugs acquired but not successfully approved will be fully refunded

### 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	Preclinical	Trial approval	Phase I	Phase II	Phase III	
Small molecules	<b>Anti-viral</b>	Morphathiadine	HBV	Capsid inhibitor	[Progress bar: Preclinical to Phase II]				Clinical
	<b>Endocrine/metabolic disease</b>	HEC96719*	NASH	-	[Progress bar: Preclinical to Phase I]				Preclinical
	<b>Oncology</b>	Ningetinib	NSCLC HCC	Axl/c-met/VEGFR2	[Progress bar: Preclinical to Phase I]				
		Larotinib	Esophageal cancer Pancreatic cancer	EGFR	[Progress bar: Preclinical to Phase III]				
		CT365	Solid tumor	PI3K/mTOR	[Progress bar: Preclinical to Phase I]				
	<b>Respiratory tract diseases</b>	Yifenidone	IPF*	TNF $\alpha$ /TGF $\beta$	[Progress bar: Preclinical to Phase II]				
		CT365	IPF*	PI3K/mTOR	[Progress bar: Preclinical to Phase I]				
		Litapiprant	Asthma	CRTH2	[Progress bar: Preclinical to Phase I]				
	<b>CNS</b>	HEC83518	Insomnia	Orexin receptor antagonist	[Progress bar: Preclinical to Phase I]				
		HEC113995	Depression	5-HT reuptake inhibitor	[Progress bar: Preclinical to Phase II]				
Macromolecular Biologics	<b>Endocrine/metabolic diseases</b>	Insulin degludec	Type 2 diabetes	PI3K/mTOR	[Progress bar: Preclinical]				
		Dulaglutide	Type 2 diabetes	GLP-1	[Progress bar: Preclinical]				
		GLP-1/FGF21 agonist	Obesity/NASH/ Type 2 Diabetes	GLP-1/FGF21	[Progress bar: Preclinical]				
	<b>Oncology</b>	Bevacizumab	Solid tumor	VEGF inhibitor	[Progress bar: Preclinical]				

\*IPF: Idiopathic pulmonary fibrosis

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# Financial Overview

(RMB million)	Full year ended 31 Dec		
	2020	2019	Change
Revenue	2,348	6,224	-62%
Gross profit	1,997	5,302	-62%
EBITDA	1,377	2,560	-46%
Operating profit	1,255	2,474	-49%
Net profit <sup>1</sup>	839	1,919	-56%
Adjusted net profit <sup>2</sup>	590	2,096	-72%
Gross profit margin	85.1%	85.2%	-
EBITDA margin	58.6%	41.1%	-
Operating profit margin	53.4%	39.7%	-
Adjusted net profit margin <sup>3</sup>	25.1%	33.7%	-
Basic/diluted EPS (RMB/share)	0.95/0.53	2.16/2.03	-
Total Asset	9,561	9,912	-4%
Total Liability	4,458	5,289	-16%
Net Asset	5,104	4,623	10%
Cash and cash equivalents	2,045	2,779	-26%

## Notes

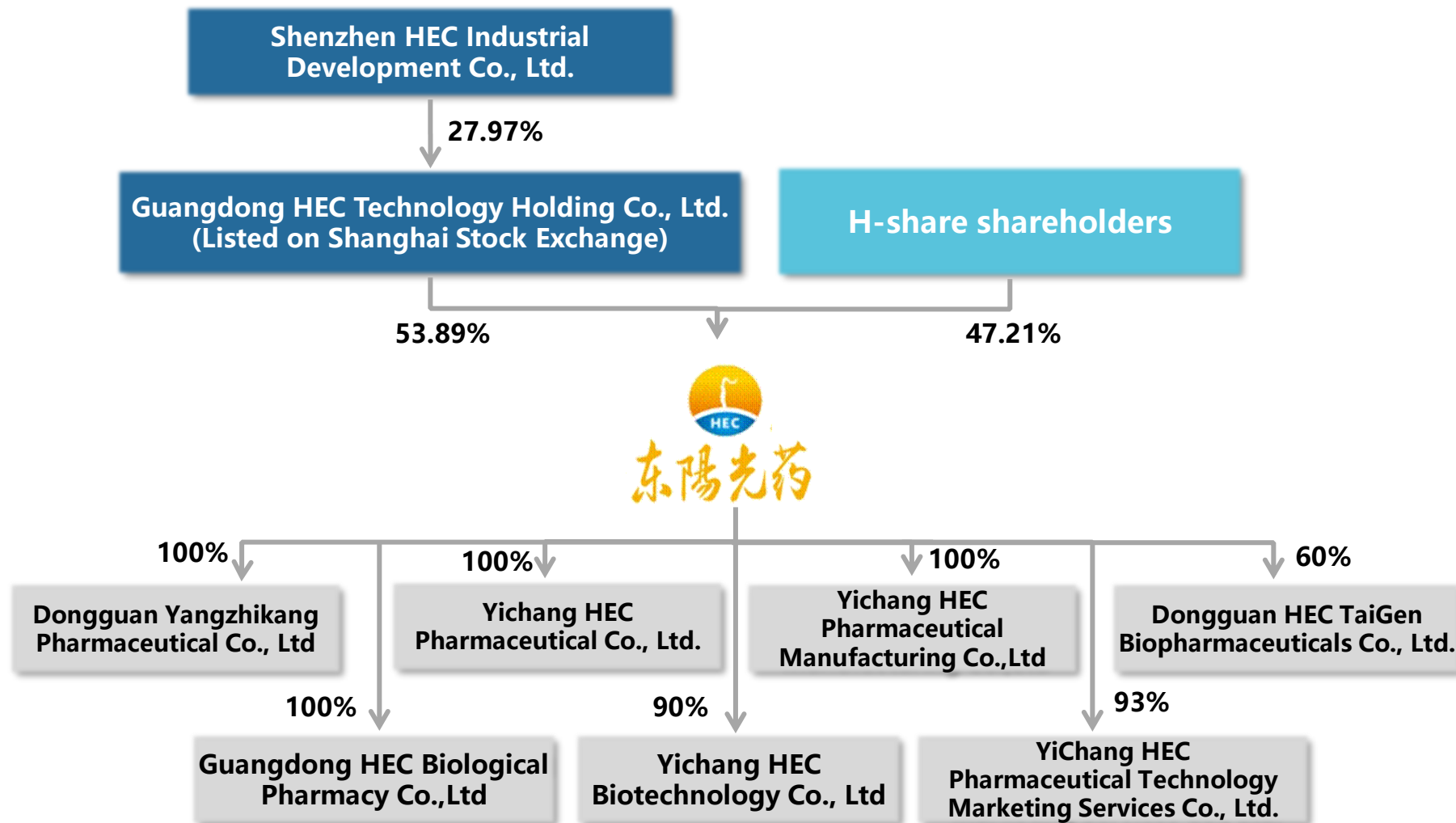
1. Profit and total comprehensive income attributable to equity shareholders of the Company
2. Profit and total comprehensive income attributable to equity shareholders of the Company (excluding the influence of the convertible bond)
3. Based on adjusted net profit

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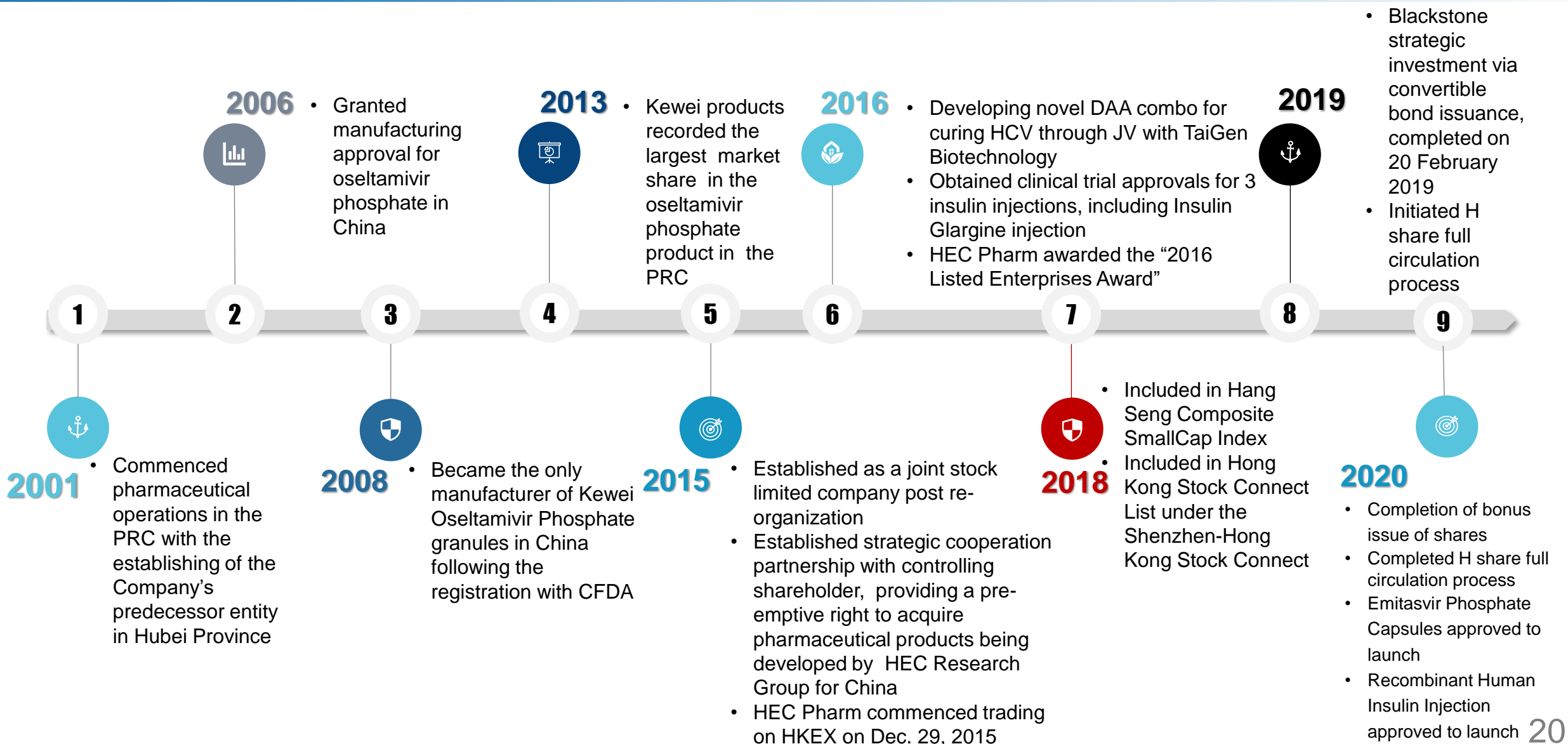
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# Structure of the HEC group



# Corporate Milestones



# 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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Our mission  
— For everyone's health

For more information, please visit the company website - [cj.hec.cn](http://cj.hec.cn)