YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

宜昌東陽光長江藥業股份有限公司

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

(Stock Code: 01558)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020; AND CHANGE OF BUILDING NAME OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

FINANCIAL HIGHLIGHTS

- Revenue was RMB2,348.11 million, representing a decrease of 62.27% as compared with the previous year.
- Profit before interest, taxation, depreciation and amortization was RMB1,377.37 million, representing a decrease of 46.19% as compared with the previous year.
- Profit and total comprehensive income attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) was RMB590.21 million, representing a decrease of 71.83% as compared with the previous year.
- Profit and total comprehensive income attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB839.46 million, representing a decrease of 56.25% as compared with the previous year.
- Basic and diluted earnings per share were RMB0.95 and RMB0.53 respectively.

FINAL DIVIDEND

- The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB0.3 per share (tax inclusive)).

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the year ended 31 December 2020 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Revenue	*3*	**2,348,113**	6,224,024
Cost of sales		**(351,547)**	(921,822)
Gross profit		**1,996,566**	5,302,202
Other net income	*4*	**819,370**	41,150
Distribution costs		**(1,153,884)**	(2,361,049)
Administrative expenses		**(410,516)**	(503,413)
Reversals/(recognition) on impairment loss of trade and other receivables		**4,391**	(4,734)
Other operating expenses		**(1,287)**	(600)
Profit from operations		**1,254,640**	2,473,556
Finance costs	*5(a)*	**(244,206)**	(204,503)
Profit before taxation	*5*	**1,010,434**	2,269,053
Income tax	*6*	**(173,023)**	(361,868)
Profit for the year		**837,411**	1,907,185
Profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**839,455**	1,918,709
Non-controlling interests		**(2,044)**	(11,524)
Profit and total comprehensive income for the year		**837,411**	1,907,185
Earnings per share	*7*		
Basic		**RMB0.95**	RMB2.16*
Diluted		**RMB0.53**	RMB2.07*

* *Adjusted for the bonus issue effected in 2020.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020** ***RMB'000***	31 December 2019 *RMB'000*
Non-current assets			
Fixed assets	*8*		
— Property, plant and equipment		**2,489,661**	1,790,722
— Ownership interests in leasehold land held for own use		**346,045**	234,785
		2,835,706	2,025,507
Intangible assets	*9*	**2,709,591**	828,295
Goodwill		**75,896**	75,896
Prepayments	*10*	**635,319**	1,556,171
Deferred tax assets		**40,645**	95,761
		6,297,157	4,581,630
Current assets			
Inventories		**378,268**	192,321
Trade and other receivables	*11*	**619,684**	2,359,250
Restricted cash		**221,191**	–
Cash and cash equivalents		**2,044,967**	2,779,138
		3,264,110	5,330,709
Current liabilities			
Trade and other payables	*12*	**1,259,440**	1,888,220
Contract liabilities		**56,152**	131,328
Bank loans		**345,987**	132,660
Interesting-bearing borrowings	*13*	**2,474,817**	–
Deferred income		**4,379**	4,379
Current taxation		**20,438**	155,062
		4,161,213	2,311,649
Net current (liabilities)/assets		**(897,103)**	3,019,060
Total assets less current liabilities		**5,400,054**	7,600,690

	Note	**31 December 2020** ***RMB'000***	31 December 2019 *RMB'000*
Non-current liabilities			
Bank loans		**189,853**	50,000
Deferred income		**106,542**	74,935
Interesting-bearing borrowings	*13*	**–**	2,852,600
		296,395	2,977,535
Net assets		**5,103,659**	4,623,155
Capital and reserves			
Share capital		**879,968**	448,820
Reserves		**4,011,135**	4,101,944
Treasury shares		**–**	(142,209)
Total equity attributable to equity shareholders of the Company		**4,891,103**	4,408,555
Non-controlling interests		**212,556**	214,600
Total equity		**5,103,659**	4,623,155

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		452,023	–	1,476,578	232,676	1,272,679	3,433,956	244,972	3,678,928
Changes in equity for 2019:									
Total comprehensive income for the year		–	–	–	–	1,918,709	1,918,709	(11,524)	1,907,185
Dividends approved in respect of the previous year	*14(ii)*	–	–	–	–	(271,214)	(271,214)	–	(271,214)
Dividends approved in respect of the current year	*14(i)*	–	–	–	–	(448,820)	(448,820)	–	(448,820)
Purchase of own shares	*14(ii)*	–	(142,209)	–	–	–	(142,209)	–	(142,209)
Cancellation of treasury shares	*14(iv)*	(3,203)	–	(100,706)	–	–	(103,909)	–	(103,909)
Equity settled share-based transactions		–	–	–	–	22,042	22,042	(18,848)	3,194
Balance at 31 December 2019 and 1 January 2020		448,820	(142,209)	1,375,872	232,676	2,493,396	4,408,555	214,600	4,623,155
Changes in equity for 2020:									
Total comprehensive income for the year		–	–	–	–	839,455	839,455	(2,044)	837,411
Appropriation of statutory reserve		–	–	–	96,020	(96,020)	–	–	–
Dividends approved in respect of the previous year	*14(ii)*	439,984	–	–	–	(571,977)	(131,993)	–	(131,993)
Dividends approved in respect of the current year	*14(i)*	–	–	–	–	(87,997)	(87,997)	–	(87,997)
Purchase of own shares	*14(iv)*	–	(136,917)	–	–	–	(136,917)	–	(136,917)
Cancellation of treasury shares	*14(iv)*	(8,836)	279,126	(270,290)	–	–	–	–	–
Balance at 31 December 2020		879,968	–	1,105,582	328,696	2,576,857	4,891,103	212,556	5,103,659

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(Expressed in Renminbi)

	2020	2019
	RMB'000	*RMB'000*
Operating activities		
Cash generated from operations	**1,552,024**	2,135,561
The People's Republic of China (the "PRC") Corporate Income Tax ("CIT") paid	**(252,531)**	(341,154)
Net cash generated from operating activities	**1,299,493**	1,794,407
Investing activities		
Interest received	**24,987**	36,038
Payment for the purchase of property, plant and equipment	**(994,159)**	(576,276)
Payment for acquisition of a subsidiary	**–**	(78,159)
Payment for development cost	**(149,684)**	(141,306)
Payment for the purchase of intangible assets	**(774,200)**	(955,317)
Investment in time deposits with maturity over three months	**–**	(267,169)
Proceeds from time deposits	**–**	267,169
Increase in restricted cash	**(221,191)**	–
Proceeds received from disposal of property, plant and equipment	**19,619**	4,537
Net cash used in investing activities	**(2,094,628)**	(1,710,483)
Financing activities		
Proceeds from new bank loans	**518,006**	713,201
Repayments of bank loans	**(1,250)**	(290,000)
Proceeds from issue of convertible bonds	**–**	2,702,320
Expenses paid for issue of convertible bonds	**–**	(21,663)
Dividends paid to equity shareholders of the Company	**(219,990)**	(720,034)
Finance costs paid	**(95,216)**	(37,846)
Payment for purchase of own shares	**(136,917)**	(245,959)
Net cash generated from financing activities	**64,633**	2,100,019
Net (decrease)/increase in cash and cash equivalents	**(730,502)**	2,183,943
Cash and cash equivalents at 1 January	**2,779,138**	593,746
Effect of foreign exchange rate changes	**(3,669)**	1,449
Cash and cash equivalents at 31 December	**2,044,967**	2,779,138

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL INFORMATION

This financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This financial information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2020 amounting to RMB897,103,000 (2019: net current assets of RMB3,019,060,000). The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations, the anticipated ability of the Group to renew or rollover of its banking or other financing sources and the anticipated ability of the Group to obtain the agreement with convertible bondholders to waive their right to issue an early redemption on the convertible bonds to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this annual financial report, the management believes that the Group has adequate resources to continue to operate as going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt of the Group's ability to continue as a going concern.

In March 2021, the Group had obtained the letter from the convertible bondholders. Pursuant to such letter, the bondholders agreed to waive their right to issue an early redemption on the convertible bonds with carrying value of RMB2,474,817,000 as at 31 December 2020 until 1 July 2022. Accordingly, the carrying amount of convertible bonds would be reflected as non-current in nature on the date of receipt of such letter.

The IASB has issued the following amendments for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred .

None of the amendments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented in this consolidated financial information.

2 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on sales of pharmaceutical products. Therefore, management considers there to be only one operating segment under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented for the year ended 31 December 2020.

No geographic information is shown as the Group's operating profit is derived from activities of manufacture and sale of pharmaceutical products in the PRC.

3 REVENUE

The principal activities of the Group are manufacturing and sales of pharmaceuticals.

Disaggregation of revenue

Revenue represents the sales value of goods supplied to customers. Revenue is after deduction of any trade discounts. The amount of each significant category of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of anti-viral drugs	**2,071,614**	5,939,463
Sales of endocrine and metabolic drugs	**94,529**	103,447
Sales of cardiovascular drugs	**66,780**	84,844
Sales of other medical products	**115,190**	96,270
	2,348,113	6,224,024

The Group's customer base is diversified and includes three customers (2019: three) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2020, including sales to entities which are known to the Group to be under common control with single customer. Revenue from these customers amounted to approximately RMB1,266,000,000 (2019: RMB3,500,508,000).

4 OTHER NET INCOME

	2020	2019
	RMB'000	*RMB'000*
Government grants		
— Unconditional subsidies	**7,354**	4,279
— Conditional subsidies	**4,604**	4,644
Interest income	**24,987**	36,038
Net loss on disposal of fixed assets	**(5,269)**	(4,825)
Fair value change on derivative financial instruments embedded in convertible bonds	**358,579**	88,248
Waived patent fee	**251,093**	–
Net foreign exchange gain/(loss)	**173,918**	(87,172)
Others	**4,104**	(62)
	819,370	41,150

Note:

(i) The Group obtained the technical patent usage right of Oseltamivir from independent research centre in the PRC, which allows the Group to apply the chemical of Oseltamivir in production of medicine in the PRC. The patent fee was accrued accordingly in the previous years. According to the agreement entered into between the Group and this independent research centre during the year ended 31 December 2020, the accrued patent fee of Oseltamivir capsule amounted to RMB251,093,000 was waived.

(ii) The amounts mainly represent foreign exchange (gain)/loss arising from the translation of interest-bearing borrowings (see Note 13) and cash and cash equivalents which denominated in United States dollars and Hong Kong dollars in 2020 and 2019.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2020	2019
	RMB'000	*RMB'000*
Interest on convertible bonds	**243,162**	196,908
Interest on bank loans	**6,658**	7,088
Interest on bills discounted	**–**	507
	249,820	204,503
Less: interest expense capitalised into construction in progress*	**(5,614)**	–
	244,206	204,503

* The borrowing costs have been capitalised at a rate of 4.90–5.39% per annum (2019:nil).

(b) Staff costs

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**639,972**	985,201
Contributions to defined contribution retirement benefit schemes	**25,019**	57,494
	664,991	1,042,695

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group is required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Since the outbreak of COVID-19, the Group were granted several months exemptions of contributions to the Schemes during 2020.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for PRC CIT for the year	**111,897**	424,623
Under-provision for PRC CIT in respect of prior years	**6,010**	918
	117,907	425,541
Deferred tax		
Origination of temporary differences	**55,116**	(63,673)
Total income tax	**173,023**	361,868

(b) Reconciliation between income tax expenses and accounting profit at applicable tax rates:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**1,010,434**	2,269,053
Applicable tax rate (i)	**25%**	25%
Notional tax on profit before taxation	**252,609**	567,263
Under-provision for PRC CIT in respect of prior years	**6,010**	918
Tax effect of non-deductible expenses	**6,533**	23,924
Tax effect of preferential tax rate (ii)	**(114,618)**	(234,581)
Tax effect of bonus deduction of research and development ("R&D") expenses (iii)	**(9,510)**	(11,459)
Tax effect of unused tax losses not recognised	**31,999**	15,803
Actual Tax expenses	**173,023**	361,868

(i) The PRC CIT rate is 25%.

(ii) The PRC CIT Law allows enterprises to apply for the certificate of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. The Company was recognised as "HNTE" and enjoyed a preferential CIT rate of 15% for the years ended 31 December 2020 and 2019.

(iii) According to relevant tax rules in the PRC, qualified R&D expenditure incurred by an enterprise in the course of carrying out R&D activities that has not formed intangible assets, the enterprise is allowed an additional 75% deduction in calculating its annual CIT; if the relevant expenditure finally forming intangible assets, an additional 75% deduction is allowed for its annual amortisation when calculating its annual CIT.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB839,455,000 (2019: RMB1,918,709,000) and the weighted average of 881,471,332 ordinary shares (2019: 889,157,774 shares after adjusting for the bonus share issue in 2020) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2020	2019
	shares	*shares*
Issued ordinary shares net of treasury shares at 1 January	**444,892,650**	452,022,850
Effect of bonus issue	**439,983,850**	439,983,850
Effect of share repurchased and cancelled	**(3,405,168)**	(2,848,926)
Weighted average number of ordinary shares at 31 December	**881,471,332**	889,157,774

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB590,213,000 (2019: RMB2,087,461,000) and the weighted average number of ordinary shares of 1,105,757,046 shares (2019: 1,028,859,741 shares after adjusting for the bonus share issue in 2020), calculated as follows:

Profit attributable to ordinary equity shareholder of the Company (diluted)

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	**839,455**	1,918,709
After tax effect of effective interest on the liability component of convertible bonds	**206,688**	167,373
After tax effect of gain recognised on the derivative component of convertible bonds	**(304,792)**	(75,011)
After tax effect of exchange (gain)/loss on the convertible bonds	**(151,138)**	76,390
Profit attributable to ordinary equity shareholders (diluted)	**590,213**	2,087,461

Weighted average number of ordinary shares (diluted)

	2020	2019
	shares	*shares*
Weighted average number of ordinary shares at 31 December	**881,471,332**	889,157,774
Effect of conversion of convertible bonds	**224,285,714**	120,564,710
Weighted average number of ordinary shares (diluted) at 31 December	**1,105,757,046**	1,009,722,484

8 FIXED ASSETS

(a) Reconciliation of carrying amount

	Plant and Buildings *RMB'000*	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Sub-total *RMB'000*	Ownership interests in leasehold land held for own use *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2019	659,478	264,398	108,941	779	365,581	1,399,177	172,062	1,571,239
Additions	3,288	4,944	10,400	1,109	569,896	589,637	15,334	604,971
Additions from acquisition of a subsidiary	–	–	71	–	59,967	60,038	70,941	130,979
Transfer from construction in progress	286,349	12,070	18,695	–	(317,114)	–	–	–
Disposals	(3,860)	(4,231)	(5,540)	–	–	(13,631)	–	(13,631)
At 31 December 2019	945,255	277,181	132,567	1,888	678,330	2,035,221	258,337	2,293,558
Additions	6,308	5,479	3,643	364	770,470	786,264	117,445	903,709
Transfer from construction in progress	95,227	71,247	95,688	–	(262,162)	–	–	–
Disposals	(25,356)	(4,699)	(3,632)	–	–	(33,687)	–	(33,687)
At 31 December 2020	1,021,434	349,208	228,266	2,252	1,186,638	2,787,798	375,782	3,163,580
Accumulated depreciation:								
At 1 January 2019	(68,546)	(83,091)	(48,785)	(138)	–	(200,560)	(19,200)	(219,760)
Charge for the year	(20,909)	(16,387)	(10,799)	(113)	–	(48,208)	(4,352)	(52,560)
Written-back on disposals	908	2,592	769	–	–	4,269	–	4,269
At 31 December 2019	(88,547)	(96,886)	(58,815)	(251)	–	(244,499)	(23,552)	(268,051)
Charge for the year	(28,928)	(17,933)	(15,399)	(179)	–	(62,439)	(6,185)	(68,624)
Written-back on disposals	2,087	3,373	3,341	–	–	8,801	–	8,801
At 31 December 2020	(115,388)	(111,446)	(70,873)	(430)	–	(298,137)	(29,737)	(327,874)
Carrying amount:								
At 31 December 2020	906,046	237,762	157,393	1,822	1,186,638	2,489,661	346,045	2,835,706
At 31 December 2019	856,708	180,295	73,752	1,637	678,330	1,790,722	234,785	2,025,507

(i) All property, plant and equipment owned by the Group are located in the PRC.

(ii) As at 31 December 2020, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB150,052,000 (2019: RMB298,788,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant properties title certificates.

(iii) As at 31 December 2020, amount of RMB85,743,000 (2019: RMB69,802,000) of the ownership interests in leasehold land held for own use, amount of RMB357,445,000 (2019: RMB30,839,000) of construction in progress, and amount of RMB118,918,000 (2019: nil) of plant and buildings were held in pledge for bank loans.

(b) Right-of use asset

(i) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020	2019
	RMB'000	*RMB'000*
Included in fixed assets:		
— Ownership interests in leasehold land held for own use	**346,045**	234,785

(ii) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:		
— Ownership interests in leasehold land held for own use	**6,185**	4,352
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	**3,147**	2,554

9 INTANGIBLE ASSETS

	Development costs *RMB'000*	Patents *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2019	129,471	414,100	543,571
Transfer from prepayment (Note 10)	–	221,100	221,100
Addition through internal development	164,777	–	164,777
At 31 December 2019	294,248	635,200	929,448
Purchase (iii)	550,000	–	550,000
Addition through internal development	184,514	–	184,514
Transfer from prepayment (Note 10)	186,979	1,044,463	1,231,442
Transfer from development costs to patents	(42,580)	42,580	–
At 31 December 2020	1,173,161	1,722,243	2,895,404
Accumulated amortisation:			
At 1 January 2019	–	(44,967)	(44,967)
Charge for the year	–	(56,186)	(56,186)
At 31 December 2019	–	(101,153)	(101,153)
Charge for the year	–	(84,660)	(84,660)
At 31 December 2020	–	(185,813)	(185,813)
Net book value:			
At 31 December 2020	1,173,161	1,536,430	2,709,591
At 31 December 2019	294,248	534,047	828,295

(i) The amortisation charge for the year included in the "cost of sales" and "general administration expenses" in the consolidated statement of profit or loss and other comprehensive income, except to the extent that they are included in the development cost not yet recognised as an expense.

(ii) Development costs were either in-process research and development projects("IPR&D") acquired or development cost capitalised in accordance with the accounting policies for the research and development costs.

As at 31 December 2020, the intangible assets under development were not yet ready for intended use.

(iii) On 13 November 2019 and 26 December 2019, the Company entered into a sale and purchase agreement and a supplemental agreement to such sale and purchase agreement with Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業有限公司, "Sunshine Lake Pharma") which is a related party of the Group. Pursuant to which the Company agreed to acquire and Sunshine Lake Pharma agreed to dispose the IPR&D in relation to two pharmaceutical products, namely Liraglutide and Rongliflozin L-Pyroglutamic within the PRC at a total consideration of RMB1,645,600,000 (the "Proposed Acquisition"). The payment terms comprised an up-front payment of RMB550,000,000, and three milestone payments of RMB246,840,000 and a contingent payment of RMB848,760,000 subject to the future sales of the target products. The Proposed Acquisition was effective after the shareholder's approval in January 2020. Up to 31 December 2020, the Company had made the up-front payment of RMB550,000,000 and recognised as intangible assets. The remaining payments will be accumulated into the cost of the intangible assets when the capitalisation criteria are met or recognised as a cost of sales in line with the underlying sales.

10 PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Prepayments for intangible assets		
— Emitasvir Phosphate and follow-up compounds (i)	**–**	560,000
— Generic drug approvals (ii)	**444,676**	891,917
Prepayments for property, plant and equipment	**190,643**	104,254
	635,319	1,556,171

(i) On 22 July 2015, the Group entered into an agreement with Sunshine Lake Pharma. Pursuant to the agreement, the Group acquired the right to use all the relevant knowhow and patents relating to Emitasvir Phosphate and follow-up direct anti-viral agent compounds (the "Compounds") and, upon obtaining the necessary government approvals, the right to manufacture and sell worldwide. A consideration was RMB700,000,000, which comprised a down payment of RMB250,000,000 and eight milestone payments totaling RMB450,000,000 payable upon each stage of development or approval of Emitasvir Phosphate or the Compounds. The agreement will expire on 31 December 2030 or the date when the first patent mentioned above expires, whichever is earlier. The prepayment was subject to refund if none of new drug approval is obtained.

Up to 31 December 2020, the Group had made accumulated payments of RMB700,000,000 (2019: RMB560,000,000) to Sunshine Lake Pharma. As at 31 December 2020, Sunshine Lake Pharma have obtained the new drug approvals for Emitasvir Phosphate from the National Medical Products Administration ("NMPA") and other necessary approvals and permits for the Compounds are expected to be obtained in 2021 and onwards. Therefore, such prepayment became non-refundable and the Group transferred the prepayment of RMB700,000,000 to intangible assets during the year ended 31 December 2020 (2019: Nil).

(ii) In 2018 and 2019, the Company entered into two acquisition agreements with Sunshine Lake Pharma, to acquire 33 pharmaceutical products' know-how, intellectual property rights and ownership rights ("Target Products") from Sunshine Lake Pharma with a total consideration of RMB2,131,635,000, which comprised a prepayment of RMB1,065,817,000, serval milestone payments totalling RMB577,878,000 and contingent payments of RMB487,930,000 subject to the future sales of the Target Products. As at 31 December 2020, the Group had made accumulated payments of RMB1,276,317,000 (2019: RMB1,192,117,000) to Sunshine Lake Pharma, in which RMB531,442,000 (2019: RMB221,100,000) was transferred to intangible assets after the NMPA approvals for 13 (2019: 3) out of the Target Products were obtained.

After the transfers, the outstanding prepayment as at 31 December 2020 was RMB444,676,000 (2019: RMB891,917,000).

11 TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Current		
Trade receivables	**262,626**	1,213,747
Bills receivable	**210,448**	994,748
Less: allowance for doubtful debts	**(12,565)**	(12,114)
	460,509	2,196,381
Prepayments for inventories	**19,927**	14,299
Other receivables	**11,840**	117,398
Reductable VAT and prepaid CIT	**130,232**	38,838
Less: allowance for doubtful debts	**(2,824)**	(7,666)
	139,248	148,570
Total	**619,684**	2,359,250

(i) Bills receivable with carrying value of RMB192,380,000 (2019: RMB132,660,000) were pledged as securities of bank loans of the Group as at 31 December 2020.

(ii) Bills receivable with carrying value of RMB15,655,000 (2019: RMB83,703,000) were pledged as securities of issuing bills by the Group as at 31 December 2020.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**396,214**	2,187,071
More than 3 months but within 1 year	**64,295**	9,310
	460,509	2,196,381

Trade debtors are generally due within 30-90 days from the date of billing. Bills receivable is due in 3 months or 6 months from the date of billing. All of the trade and other receivables of the Group are expected to be recovered within one year.

12 TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payable	**33,976**	123,151
Bills payable	**205,575**	61,543
Amounts due to related parties	**42,499**	11,980
VAT and other taxes payable	**356**	117,152
Accrued payroll and benefits	**86,090**	200,854
Accrued expenses	**663,117**	1,188,547
Other payables for purchasing fixed assets	**203,647**	130,723
Other payables	**24,180**	54,270
Financial liabilities measured at amortised cost	**1,259,440**	1,888,220

An ageing analysis of the trade and bills payable based on the invoice date is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**61,537**	104,297
Over 1 month but within 3 months	**69,985**	11,744
Over 3 months but within 1 year	**104,206**	65,632
Over 1 year	**3,823**	3,021
	239,551	184,694

13 INTEREST-BEARING BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Convertible bonds		
— Current	**2,474,817**	–
— Non-Current	**–**	2,852,600
	2,474,817	2,852,600

(i) On 20 February 2019, the Company issued a tranche of 1,600 H share convertible bonds with an aggregate principal amount of USD400,000,000 (equivalent to approximately RMB2,702,320,000). Each number of bond has a face value of USD250,000 and a maturity date of 20 February 2026. The bonds bear interest at 3.0% per annum payable semi-annually in arrears on 30 June and 31 December of each year. The bonds are unsecured.

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Each bondholder has the right to convert all or any of its convertible bonds for ordinary shares from the first anniversary of the issue date 20 February 2019 to five business days prior to the maturity date or the date fixed for redemption provided that (i) during the first 12 months of the conversion period, the total principal amount of convertible bonds converted shall not exceed 15% of the aggregate principal amount of the convertible bonds at the issuance date and (ii) at any time before the earlier of the date on which the adjusted net profit for the year ending 31 December 2021 is determined and the twenty-fifth business days after the earlier of 31 March 2022 and the date of publication of the Company's annual result announcement for the year ending 31 December 2021 on the website of the Stock Exchange, the total converted shares shall not exceed 30% of the aggregate principal amount of the convertible bonds at the issuance date.

- The Company is required to deliver ordinary shares at a price of HK$38 per conversion share, which subject to adjustment in certain events and the adjusted net profit of the Company for the year ending 31 December 2021.

- The bondholders need to convert or transfer out 30% of the aggregate principal amount of convertible bonds to unrestricted transferees if the arithmetic average of the volume weighted average price of H shares during the last 30 consecutive trading days first reaches two times of HK$38 during the period between the issuance date and 31 December 2021.

- Subject to the provisions in connection with an event of default or an early redemption event, neither the Company nor any bondholder may redeem nor require the redemption of the convertible bonds at its option prior to the maturity date.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. No conversion or redemption of the convertible bonds has occurred up to 31 December 2020. The convertible price was adjusted to HK$19 (equivalent to RMB17) per conversion share due to the Company's share price was diluted after issuance of bonus shares in June 2020.

(ii) The bondholders have the right to redeem all or any portion of the convertible bonds on or before the mature date upon occurrence of the breach of covenants agreed in the subscription agreement. During the year ended 31 December 2020, the bondholders informed the Group that the aggregate capital expenditure incurred by the Group for the year ended 31 December 2020 exceeded RMB150,000,000 and such excess capital expenditure was incurred without the consent of the bondholders under the subscription agreement. Accordingly, a covenant was breached with the effect that the convertible bonds became repayable on demand. As at 31 December 2020, the bondholders had agreed to waive asking the repayment of the convertible bonds before 1 February 2021.

In March 2021, the Group had further obtained another waiver letter from the bondholders. Pursuant to such letter, the bondholders agreed to waive their right to issue an early redemption on the convertible bonds until July 2022.

(iii) The convertible bonds recognised in the consolidated statement of financial position of the Group are analysed as follows:

	Liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	–	–	–
Issuance	2,014,786	669,518	2,684,304
Fair value adjustment debited to profit or loss	–	(88,248)	(88,248)
Accrued interest	196,908	–	196,908
Interest paid	(30,235)	–	(30,235)
Exchange loss	67,181	22,690	89,871
At 31 December 2019	2,248,640	603,960	2,852,600
Fair value adjustment debited to profit or loss	–	(358,579)	(358,579)
Accrued interest	243,162	–	243,162
Interest paid	(84,557)	–	(84,557)
Exchange gain	(154,026)	(23,783)	(177,809)
At 31 December 2020	2,253,219	221,598	2,474,817

14 SHARE CAPITAL AND DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020 ***RMB'000***	2019 *RMB'000*
Interim dividend declared and paid of RMB0.10 (2019: RMB1.00) per ordinary share	**87,997**	448,820
No final dividend proposed after the end of the reporting period (2019: RMB0.30)	**–**	133,468
	87,997	582,288

Pursuant to the resolution passed at the extraordinary general meeting of the Company on 25 September 2020, a cash dividend of RMB0.10 per ordinary share (2019: RMB1.00) for the six months ended 30 June 2020 were declared and paid to shareholders of the Company.

Pursuant to the resolution passed at the directors' meeting on 19 March 2021, no final dividend for the year ended 31 December 2020 (2019: RMB0.30 per share of cash dividend and one bonus share per every one existing share held by the shareholder of the Company) were proposed for the Company's shareholders for approval at the annual general meeting for the year 2020. The final dividend proposed after the end of the year has not been recognised as liabilities as at the end of reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020	2019
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year, of RMB0.30 per ordinary share (2019: RMB0.60) and one bonus share per every one existing share held by the shareholder of the Company for the year ended 31 December 2019 (2019: Nil)	**571,977**	271,214

(iii) Bonus issue

On 16 June 2020, the Company made a bonus issue on the basis of one bonus share for every one existing shares held by shareholders in recognition of their continual support. A total of 439,983,850 ordinary shares were issued pursuant to the bonus issue.

(iv) Purchase of own shares

The Company repurchased its own shares on the Stock Exchange as follows:

2020

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HKD*	**Lowest price paid per share** *HKD*	**Aggregate price paid** *HKD'000*
January 2020	500,000	40.70	40.10	20,202
April 2020	1,280,600	29.89	28.95	37,845
May 2020	3,128,200	29.65	26.88	90,076
				148,123

2019

Month/year	**Number of shares repurchased**	**Highest price paid per share** *HKD*	**Lowest price paid per share** *HKD*	**Aggregate price paid** *HKD'000*
May 2019	3,024,400	39.05	35.95	112,696
June 2019	178,400	35.70	35.25	6,327
September 2019	2,433,400	38.45	35.86	89,674
November 2019	1,494,000	46.37	43.10	66,368
				275,065

During the year ended 31 December 2020, the Company repurchased 4,908,800 (2019: 7,130,200) H shares in total, representing 1.1% (2019: 1.577%) of the total shares of the Company, on the Stock Exchange for an aggregate price of HK$148,123,000 (equivalent approximately to RMB134,031,000) (2019: HK$275,065,000, equivalent approximately to RMB244,038,000) and with transaction expenses of RMB2,886,000 (2019: RMB1,921,000). During the year ended 31 December 2020, the Company has cancelled 8,836,200 (2019: 3,202,800) treasury shares repurchased in 2019 and 2020.

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In March 2021, the Group had obtained the letter from the convertible bondholders. Pursuant to such letter, the bondholders agreed to waive their right to issue an early redemption on the convertible bonds until July 2022.

I. INDUSTRY REVIEW

Looking back to 2020, China's economy faced various challenges. As a national emerging industry of strategic importance, the pharmaceutical industry has continued to develop steadily in light of national policies. With the new policies related to pharmaceuticals, medical insurance and healthcare services released frequently, the accelerated survival of the fittest among the pharmaceutical enterprises is more conducive to people's livelihood. In order to actively adapt to the new normal of the pharmaceutical industry, the pharmaceutical enterprises need to make flexible adjustments and changes actively in response to the market environment.

Unprecedented attention on the pharmaceutical industry under the impact of the COVID-19 pandemic

In 2020, the COVID-19 pandemic swept the world. Apart from the huge impact on people's livelihood, it also sounded the alarm for all sectors of society. As the basic guarantee for maintaining livelihood, the pharmaceutical industry has received great attention from all walks of life. The demand for In Vitro Diagnostic products and vaccines is gradually increasing due to the increased national health awareness. In addition, the rapid growth of the pharmaceutical e-commerce market also provides new opportunities for the development of the pharmaceutical market.

Due to the influence of COVID-19 pandemic in 2020, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. Our core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and its sales volume has also declined due to the impact of the COVID-19 pandemic. With the domestic pandemic situation under control, the amount of outpatient services is gradually increasing, and the demand for treatment will be gradually released. It is expected that sales volume of Kewei will be gradually resumed in the future. Multiple products of the Group have been approved for launch in 2020. Along with a more diversified product portfolio of the Group to continuously meet market demand, the Group's competitiveness will be increased. The Group also actively participates in centralized bulk purchase of drugs and has won the bids for multiple products for ensuring product sales. Gradually increasing the Group's integrated strengths is conducive to the Group's long-term development, so as to cope with the adverse effects of the pandemic.

Normalisation of the centralized procurement of drugs promotes the development of quality generic drugs

The centralized procurement of drugs (the "**Centralized Procurement**") entered into a regular operation stage, under which the rules, policy systems and working mechanisms for the Centralized Procurement have been basically finalized and will be further consolidated and improved, and thus accelerating the elimination of drugs with underperformance and little clinical value from the market. The pharmaceutical enterprises' positivity regarding the Consistency of Quality and Efficacy Evaluation for Generic Drugs (the "**Consistency Evaluation**") is gradually increasing. The drugs are required to pass the Consistency Evaluation before the same are available for the Centralized Procurement. For enterprises selected for the Centralized Procurement, there will be a decrease in drug prices in the short-term, however, the sales of products that have been selected for the Centralized Procurement will be more secure in the long run. This is beneficial to enterprises with large-scale production capabilities that offer numerous product portfolios and continuous supply of new products.

Negotiation on the national Medical Reimbursement Drug List in 2020 encourages the development of innovative new drugs

In order to allow patients to use innovative new drugs and reduce their medical burden, innovative new drugs can be included in the National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) (the "**Medical Reimbursement Drug List**") through negotiation to achieve lower prices, which indicates that innovation new drugs can be included in the Medical Reimbursement Drug List more timely. By allowing the innovative new drugs to be included in the Medical Reimbursement Drug List, the sales of which can be expanded, reflecting the clear orientation of national policies to encourage innovation. Innovative new drugs in the Medical Reimbursement Drug List need to expand their market share in a short period of time as well as to control the costs and improve the economic efficiency. Pharmaceutical enterprises have to not only seize the opportunities brought by national policies, but also overcome the challenges from market competition.

Promotion of pharmaceutical innovation and deepening the reform of drug trials

While restructuring the structure of existing drug products, the regulators in the PRC continue to encourage R&D and innovation. Through the implementation of the priority evaluation and approval system, the drug evaluation and approval procedures with therapeutic advantages and clinical needs are accelerated which improves the quality of medication and provides better choices to the patients.

Looking forward, while the Chinese government continues to support the development of the pharmaceutical industry strongly, its supervision and guidance to the industry are further strengthened at the same time. In the future, the industry landscape will continue to differentiate. Pharmaceutical companies with strong R&D capabilities, enriched drug pipeline, well-developed production systems, strong brand advantages and excellent sales and marketing team will be further benefited by market concentration and is expected to speed up their development. The Group will also seize the opportunity and strive to build an all-rounded pharmaceutical platform integrating R&D, production and sales and become a leading pharmaceutical enterprise in the PRC.

II. BUSINESS REVIEW

1. Summary of Overall Results

In 2020, the Group achieved a revenue of RMB2,348.11 million, representing a year-on-year decrease of 62.27% as compared to 2019. Revenue generated from core product, Kewei, reached RMB2,068.73 million, representing a decrease of 65.13% as compared to the corresponding period of 2019. Profit and total comprehensive income (taking into account the effect of the convertible bonds) attributable to equity shareholders of the Company reached RMB839.46 million, representing a year-on-year decrease of 56.25% as compared to 2019. Profit and total comprehensive income (without taking into account the effect of the convertible bonds) attributable to equity shareholders of the Company recorded RMB590.21 million, representing a year-on-year decrease of 71.73% as compared to 2019. Meanwhile, Kewei Granules, Kewei Capsules, Ertongshu, Oumeining and Olmesartan Tablets are the core products of the Group, accounting for 48.88%, 39.22%, 4.02%, 1.17% and 1.16% of the total revenue, respectively.

Due to the influence of COVID-19 pandemic in 2020, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. Our core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic.

Although our results has declined to a large extent during the Reporting Period by COVID-19 pandemic, while the products under research had a smooth progress during the Reporting Period. The production approvals for multiple products have been obtained and the new drug applications of multiple products have been accepted.

As of the date of this announcement, Emitasvir Phosphate Capsule, intellectual property rights owned by the Company, has obtained approval for launch. Emitasvir Phosphate Capsule is national Class 1 innovative new drug with the intellectual property rights owned by the Company, which is an anti-hepatitis C oral direct-acting antiviral drug.

As of the date of this announcement, Recombinant Human Insulin Injection, of which research and development was carried out by the Group, is the first biologic drug of the Company approved to launch. Furthermore, the registrations of domestic production for Insulin Glargine Injection, Insulin Aspart Injection and Insulin Aspart 30 Injection have been accepted and multiple generic drug varieties have obtained approvals to launch.

As at the date of this announcement, among the portfolio of six generic drugs acquired from Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業有限公司) ("**Sunshine Lake Pharma**") in 2018, the production approvals for all such drugs have been granted, with an overall sales income amounted to RMB87.32 million during the Reporting Period. Amongst the 27 generic drugs portfolio acquired by the Group from Sunshine Lake Pharma in February 2019, all of them have been applied to the China National Medical Products Administration ("**NMPA**") for the marketing approval ("**NDA**") by Sunshine Lake Pharma, in which Ticagrelor Tablet, Rosuvastatin Calcium Tablets, Entecavir Tablets, Olanzapine Tablets, Olanzapine Orally Disintegrating Tablets, Sitagliptin Tablets, Sitagliptin Metformin Hydrochloride Tablets, Linagliptin Tablets, Linagliptin and Metformin Hydrochloride Tablets, Alogliptin Tablets and Tadalafil Tablets were granted listing approvals. The product portfolio of the Group will further expand once approvals of other products have been obtained.

Basic information of the main drugs (products) by therapeutic areas

Main therapeutic areas	Drug (product) name	Registration classification of drugs (products)	Whether it belongs to the new drugs (products) launched during the Reporting Period	Production volume during the Reporting Period (box)	Sales volume during the Reporting Period (box)
Anti-virus	Oseltamivir Phosphate Granule	Class 5 active chemical drug	No	45,631,250	33,167,846
Anti-virus	Oseltamivir Phosphate Capsule	Class 6 active chemical drug	No	13,911,540	10,041,737
Anti-virus	Valacyclovir Hydrochloride Tablet	Class 6 active chemical drug	No	170,940	119,699
Endocrine and metabolism	Benzbromarone Tablet	Class 4 active chemical drug	No	5,670,578	4,644,753
Endocrine and metabolism	Glipizide Capsule	Class 6 active chemical drug	No	64,130	5,302
Cardiovascular	Telmisartan Tablet	Class 2 chemical drug	No	5,249,380	2,404,012
Cardiovascular	Simvastatin Tablet	Class 6 active chemical drug	No	549,440	317,088
Cardiovascular	Amlodipine Besylate Tablet	Class 4 chemical drug	No	2,214,510	2,187,936
Cardiovascular	Lisinopril Tablet	Class 6 active chemical drug	No	124,890	68,520
Cardiovascular	Cetirizine Hydrochloride Dispersible Tablet	Class 6 active chemical drug	No	1,821,720	1,215,208
Cardiovascular	Olmesartan Tablets	Class 4 chemical drug	No	2,740,271	1,893,966

Main therapeutic areas	Drug (product) name	Registration classification of drugs (products)	Whether it belongs to the new drugs (products) launched during the Reporting Period	Production volume during the Reporting Period (box)	Sales volume during the Reporting Period (box)
Anti-infection	Clarithromycin Tablet	Class 6 active chemical drug	No	4,359,550	3,569,077
Anti-infection	Azithromycin Capsule	Class 4 chemical drug	No	153,940	102,362
Anti-infection	Moxifloxacin Hydrochloride Tablet	Class 4 chemical drug	No	4,321,133	2,184,879
Anti-infection	Clarithromycin Dispersible Tablet	Class 6 active chemical drug	No	59,880	36,680
Anti-infection	Clarithromycin Sustained Release Tablets	Class 6 active chemical drug	No	911,390	155,709
Anti-infection	Levofloxacin Tablets	Class 6 chemical drug	No	1,217,780	916,003
Anti-infection	Levofloxacin Lactate Tablet	Class 6 chemical drug	No	57,346	30,036
Anti-infection	Roxithromycin Tablets	Class 6 chemical drug	No	101,790	112,542
Other	Esomeprazole Sodium for injection	Class 6 active chemical drug	No	312,811	207,801
Other	Fudosteine Tablets	Class 3 active chemical drug	No	800,590	569,158

Admission, new entrance and logout of the main drugs (products) in relation to the Essential Drug List and the Medical Reimbursement Drug List during the Reporting Period:

As of 31 December 2020, a total of 18 varieties (a total of 38 specifications) of the Group's drugs were included into the National Essential Drugs List (2018 version) ("**2018 Essential Drugs List**").

As of 31 December 2020, a total of 31 varieties (a total of 70 specifications) of the Group's drugs were included into the Medical Reimbursement Drug List (2020 version).

(i) Status of drugs approved for launch prior to 2020

No.	Therapeutic area	Drug	Specifications	Status of essential drug	Medical Reimbursement Drug List (2020 version)
1	Anti-virus	Oseltamivir Phosphate Capsule	75mg x 2 capsules	2018 Essential Drugs List	Maintained listed
2	Anti-virus	Oseltamivir Phosphate Capsule	75mg x 10capsules	2018 Essential Drugs List	Maintained listed
3	Anti-virus	Oseltamivir Phosphate Capsule	75mg x 6 capsules	2018 Essential Drugs List	Maintained listed
4	Anti-virus	Oseltamivir Phosphate Capsule	15mg x 10 packs	2018 Essential Drugs List	Maintained listed
5	Anti-virus	Oseltamivir Phosphate Capsule	25mg x 10 packs	2018 Essential Drugs List	Maintained listed
6	Anti-virus	Oseltamivir Phosphate Capsule	15mg x 12 packs	2018 Essential Drugs List	Maintained listed
7	Anti-virus	Valacyclovir Hydrochloride Tablet	300mg x 6 tablets	—	Maintained listed
8	Anti-virus	Valacyclovir Hydrochloride Tablet	300mg x 10 tablets	—	Maintained listed
9	Endocrine and metabolism	Benzbromarone Table	50mg x 10 tablets	2018 Essential Drugs List	Maintained listed
10	Endocrine and metabolism	Benzbromarone Table	50mg x 30 tablets	2018 Essential Drugs List	Maintained listed
11	Endocrine and metabolism	Benzbromarone Table	50mg x 28 tablets	2018 Essential Drugs List	Maintained listed
12	Endocrine and metabolism	Benzbromarone Table	25mg x 28 tablets	—	Maintained listed
13	Endocrine and metabolism	Glipizide Capsule	5mg x 30 capsules	2018 Essential Drugs List	Maintained listed
14	Cardiovascular and others	Amlodipine Besylate Tablet	5mg x 7 tablets	2018 Essential Drugs List	Maintained listed
15	Cardiovascular and others	Amlodipine Besylate Tablet	5mg x 14 tablets	2018 Essential Drugs List	Maintained listed
16	Cardiovascular and others	Amlodipine Besylate Tablet	5mg x 28 tablets	2018 Essential Drugs List	Maintained listed
17	Cardiovascular and others	Telmisartan Tablet	40mg x 7 tablets	—	Maintained listed
18	Cardiovascular and others	Telmisartan Tablet	40mg x 14 tablets	—	Maintained listed
19	Cardiovascular and others	Telmisartan Tablet	80mg x 7 tablets	—	Maintained listed
20	Cardiovascular and others	Telmisartan Tablet	80mg x 14 tablets	—	Maintained listed
21	Cardiovascular and others	Cetirizine Hydrochloride Dispersible Tablet	10mg x 6 tablets	—	Maintained listed
22	Cardiovascular and others	Cetirizine Hydrochloride Dispersible Tablet	10mg x 12 tablets	—	Maintained listed
23	Cardiovascular and others	Cetirizine Hydrochloride Dispersible Tablet	10mg x 24 tablets	—	Maintained listed
24	Cardiovascular and others	Simvastatin Tablet	10mg x 10 tablets	2018 Essential Drugs List	Maintained listed
25	Cardiovascular and others	Simvastatin Tablet	20mg x 7 tablets	2018 Essential Drugs List	Maintained listed
26	Cardiovascular and others	Simvastatin Tablet	20mg x 14 tablets	2018 Essential Drugs List	Maintained listed
27	Cardiovascular and others	Fudosteine Tablet	200mg x 12 tablets	—	Maintained listed
28	Cardiovascular and others	Fudosteine Tablet	200mg x 20 tablets	—	Maintained listed
29	Cardiovascular and others	Esomeprazole Sodium for injection	40mg x 1 vial	—	Maintained listed
30	Cardiovascular and others	Esomeprazole Sodium for injection	20mg x 1 vial	—	Maintained listed
31	Cardiovascular and others	Lisinopril Tablet	10mg x 14 tablets	2018 Essential Drugs List	Maintained listed
32	Cardiovascular and others	Olmesartan Tablet	20mg x 14 tablets	—	Maintained listed
33	Cardiovascular and others	Olmesartan Tablet	20mg x 28 tablets	—	Maintained listed
34	Anti-infection	Clarithromycin Tablet	250mg x 6 tablets	2018 Essential Drugs List	Maintained listed
35	Anti-infection	Clarithromycin Dispersible Tablet	250mg x 6 tablets	2018 Essential Drugs List	Maintained listed
36	Anti-infection	Levofloxacin Lactate Tablet	100mg x 10 tablets	—	Maintained listed

No.	Therapeutic area	Drug	Specifications	Status of essential drug	Medical Reimbursement Drug List (2020 version)
37	Anti-infection	Roxithromycin Tablet	150mg x 6 tablets	—	Maintained listed
38	Anti-infection	Roxithromycin Tablet	150mg x 12 tablets	—	Maintained listed
39	Anti-infection	Azithromycin Capsule	250mg x 6 capsules	2018 Essential Drugs List	Maintained listed
40	Anti-infection	Fluconazole Capsule	50mg x 6 capsules	2018 Essential Drugs List	Maintained listed
41	Anti-infection	Fluconazole Capsule	50mg x 10 capsules	2018 Essential Drugs List	Maintained listed
42	Anti-infection	Ciprofloxacin Hydrochloride Tablet	250mg x 20 tablets	2018 Essential Drugs List	Maintained listed
43	Anti-infection	Moxifloxacin Hydrochloride Tablet	0.4g x 3 tablets	2018 Essential Drugs List	Maintained listed
44	Anti-infection	Levofloxacin Tablet	0.5g x 3 tablets	2018 Essential Drugs List	Maintained listed
45	Anti-infection	Levofloxacin Tablet	0.25g x 6 tablets	—	Maintained listed

(ii) Status of drugs approved for launch in 2020

No.	Therapeutic area	Drug	Specifications	Status of essential drug	Medical Reimbursement Drug List (2020 version)
1	Anti-HBV	Entecavir Tablets	0.5mg	2018 Essential Drugs List	Maintained listed
2	Anti-HBV	Entecavir Tablets	1.0mg	2018 Essential Drugs List	Maintained listed
3	Diabetes	Recombinant Human Insulin Injection	3ml:300 units (prefilled pen-type)	2018 Essential Drugs List	Maintained listed
4	Diabetes	Linagliptin Tablets	5mg	2018 Essential Drugs List	Maintained listed
5	Diabetes	Linagliptin and Metformin Hydrochloride Tablets (I)	Each tablet contains 2.5mg of linagliptin and 500mg of metformin hydrochloride	–	Maintained listed
6	Diabetes	Linagliptin and Metformin Hydrochloride Tablets (II)	Each tablet contains 2.5mg of linagliptin and 850mg of metformin hydrochloride	–	Maintained listed
7	Diabetes	Sitagliptin Phosphate Tablets	25mg	2018 Essential Drugs List	Maintained listed
8	Diabetes	Sitagliptin Phosphate Tablets	50mg	2018 Essential Drugs List	Maintained listed
9	Diabetes	Sitagliptin Phosphate Tablets	100mg	2018 Essential Drugs List	Maintained listed

No.	Therapeutic area	Drug	Specifications	Status of essential drug	Medical Reimbursement Drug List (2020 version)
10	Diabetes	Sitagliptin Phosphate and Metformin Hydrochloride Tablets (II)	Each tablet contains 50mg (in terms of sitagliptin) of sitagliptin phosphate and 850mg of metformin hydrochloride	—	Maintained listed
11	Diabetes	Alogliptin Benzoate Tablets	6.25mg	—	Maintained listed
12	Diabetes	Alogliptin Benzoate Tablets	12.5mg	—	Maintained listed
13	Diabetes	Alogliptin Benzoate Tablets	25mg	—	Maintained listed
14	Cardiovascular system	Ticagrelor Tablet	60mg	2018 Essential Drugs List	Maintained listed
15	Cardiovascular system	Ticagrelor Tablet	90mg	2018 Essential Drugs List	Maintained listed
16	Cardiovascular system	Rosuvastatin Calcium Tablets	5mg	2018 Essential Drugs List	Maintained listed
17	Cardiovascular system	Rosuvastatin Calcium Tablets	10mg	2018 Essential Drugs List	Maintained listed
18	Proton pump inhibitor, a class of acid-suppression medication	Esomeprazole Magnesium Enteric-Coated Capsules	20mg	—	Maintained listed
19	Proton pump inhibitor, a class of acid-suppression medication	Esomeprazole Magnesium Enteric-Coated Capsules	40mg	—	Maintained listed
20	Schizophrenia	Olanzapine Orally-Disintegrating Tablets	5mg	—	Maintained listed
21	Schizophrenia	Olanzapine Tablets	5mg	2018 Essential Drugs List	Maintained listed
22	Schizophrenia	Olanzapine Tablets	10mg	2018 Essential Drugs List	Maintained listed
23	Depression	Duloxetine Hydrochloride Enteric Capsules	20mg	–	Maintained listed
24	Depression	Duloxetine Hydrochloride Enteric Capsules	30mg	–	Maintained listed
25	Depression	Duloxetine Hydrochloride Enteric Capsules	60mg	–	Maintained listed

2. R&D PIPELINE

The Group made outstanding R&D progress in the therapeutic areas of anti-virus, endocrine and metabolic diseases during 2020.

1. Anti-virus therapeutic area

The Company has completed the new drug application for Emitasvir Phosphate Capsules, a national Class 1 innovative new drug, and such application has been approved. Emitasvir Phosphate is an anti-hepatitis C oral antiviral drug, non-structural protein ("**NS**") 5A inhibitor. The drug is effective in treating liver cirrhosis-free genotype 1 Hepatitis C patients with SVR12 (sustained virological response in 12 weeks) at 99.8%, while maintaining favourable safety and tolerance properties. Emitasvir Phosphate is one of the first batch of new anti-hepatitis C oral direct-acting antiviral drugs which is developed by domestic enterprise in the PRC and launched into market successfully. The Phase III clinical trial for NS3/4A protease inhibitor furaprevir jointly developed with TaiGen Biopharmaceuticals Co. (Beijing), Ltd. ("**TaiGen Biopharmaceuticals**") in combination with Emitasvir Phosphate has commenced and such new drug application is expected to be submitted in 2023.

Drugs (Products)	**Current stage**	**Planned launch time**	**R&D investment amount** *(RMB'000)*	**Expensed R&D investment amount** *(RMB'000)*	**Capitalised R&D investment amount** *(RMB'000)*	**Percentage of R&D investment in operating income** *(%)*	**Percentage of R&D investment in operating costs** *(%)*	**Percentage change in the amount for the current period as compared to the same period last year** *(%)*	**Explanation**
Furaprevir	Phase III clinical trial	2023	42,714.71	29,293.29	13,421.42	1.82%	12.15%	-58.47%	Plan to complete in launching the drugs in 2023. Gradual decrease in R&D investment
Emitasvir Phosphate Capsules	Approved to launch	–	–	–	–	N/A	N/A	N/A	N/A

2. Endocrine and metabolic diseases area

In the area of endocrine and metabolic diseases, the Group is dedicated to the R&D of insulin products and has a comprehensive product line, which covers both the second and the third generations of insulin.

The latest progress of the insulin products during the Reporting Period is as follows:

The key endocrine and metabolic types	Current stage	Planned launch time	R&D investment amount *(RMB'000)*	Expensed R&D investment amount *(RMB'000)*	Capitalised R&D investment amount *(RMB'000)*	Percentage of R&D investment in operating income *(%)*	Percentage of R&D investment in operating costs *(%)*	Percentage change in the amount for the current period as compared to the same period last year *(%)*	Explanation
Recombinant Human Insulin Injection	Launched	–	2,254.22	-	2,254.22	0.10%	0.64%	-82.22%	Completed in launching the drugs in 2020. Decrease in R&D investment
Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R)	In phase I clinical trial. Phase III clinical trial completed	2022	27,368.35	-	27,368.35	1.17%	7.79%	8.38%	Drugs are undergoing clinical trials. Increase in R&D investment
Insulin Glargine Injection	Registration of domestic production accepted	2021	17,790.31	1,049.84	16,740.47	0.76%	5.06%	-41.45%	Registration of domestic production accepted. Gradual decrease in R&D investment
Insulin Aspart Injection	Registration of domestic production accepted	2022	29,795.58	-	29,795.58	1.27%	8.48%	-18.65%	Registration of domestic production accepted. Gradual decrease in R&D investment
Insulin Aspart 30 Injection	Registration of domestic production accepted	2022							

The Company's self-developed Recombinant Human Insulin Injection has been approved by the NMPA and permitted to be launched. This product is the first biologic drug of the Group being approved to launch, which further enriches the Group's product portfolio and fills in the blank of biologic drug products. It is an iconic moment for the Group. For details, please refer to the announcement of the Company dated 15 June 2020.

The Company has received approval notice from the NMPA relating to registration for domestic production of Insulin Glargine Injection, Insulin Aspart 30 Injection and Insulin Aspart Injection, the Company's self-developed products. For details, please refer to the announcements of the Company dated 16 October 2020, 19 February 2021 and 1 March 2021.

The Group has established a complete R&D system for insulin products, which is developed in accordance with standards on biosimilar drugs adopted in Europe and the United States with quality equivalent to originator drugs. The results of clinical trials show that the statistics of Recombinant Human Insulin Injection developed by the Group compared with the originator biologics are highly consistent in terms of efficacy, safety and stability. The Group also has a comprehensive product line, which covers both the second and the third generations of insulin, that meets the clinical medication needs of doctors and patients. Moreover, the product line adopts a yeast expression system which is advanced in technology and easy for large scale production.

In addition, in order to further enrich the product line of the Group in the field of diabetes, the Group have acquired multiple drugs from Sunshine Lake Pharma, of which Sitagliptin Phosphate Tablets, Sitagliptin Phosphate and Metformin Hydrochloride Tablets, Linagliptin Tablets, Linagliptin and Metformin Hydrochloride Tablets and Alogliptin Benzoate Tablets have successfully obtained approvals for launch. They could generate synergy with the existing product lines of the Group, and it is hoped that it will enter the market in a rapid manner and generate considerable sales, which will further increase the integrated strengths of the Group and improve the revenue structure of the Group. For details, please refer to the announcements of the Company dated 22 January 2020, 20 July 2020, 25 August 2020 and 23 December 2020.

Projects	**Acquired/ R&D investment amount** *RMB'000*	**Expensed R&D investment amount** *RMB'000*	**Capitalised R&D investment amount** *RMB'000*	**Percentage of R&D investment in operating income** *(%)*	**Percentage of R&D investment in operating costs** *(%)*	**Last year investment** *RMB'000*	**Percentage change in the amount for the current period as compared to the same period last year** *(%)*	**Explanation**
Alogliptin Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Rongliflozin L-Pyroglutamic Acid	536,366.50	2,500.01	533,866.49	22.84%	152.57%	–	N/A	Increase in clinical trial fees at the clinical stage
Liraglutide	57,333.76	6,101.55	51,232.21	2.44%	16.31%	–	N/A	Increase in clinical trial fees at the clinical stage
Sitagliptin Phosphate Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Sitagliptin Phosphate and Metformin Hydrochloride Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Linagliptin Tablets	–	–	–	N/A	N/A	–	N/A	N/A
Linagliptin and Metformin Hydrochloride Tablets	–	–	–	N/A	N/A	–	N/A	N/A

3. Progress of generic drug portfolio acquired from Sunshine Lake Pharma

On 10 July 2018, the Company entered into an acquisition agreement with Sunshine Lake Pharma. Pursuant to the agreement, the Company acquired the know-how, the ownership of approvals for manufacturing and marketing and the right to sale of 6 generic drugs. For details, please refer to the announcements of the Company dated 10 July 2018, 15 August 2018 and 30 August 2018 and the circular of the Company dated 30 July 2018.

On 25 February 2019, the Company entered into an acquisition agreement with Sunshine Lake Pharma. Pursuant to the agreement, the Company acquired all intellectual property rights, industrial property rights and ownership rights of 27 pharmaceutical products within the PRC. For details, please refer to the announcements of the Company dated 25 February 2019 and 10 May 2019 and the circular of the Company dated 9 April 2019.

During the Reporting Period, Entecavir Tablets, Esomeprazole Magnesium Enteric-Coated Capsules, Olanzapine Orally-Disintegrating Tablets, Linagliptin Tablets, Sitagliptin Phosphate Tablets, Sitagliptin Phosphate and Metformin Hydrochloride Tablets, Linagliptin and Metformin Hydrochloride Tablets, Olanzapine Tablets, Ticagrelor Tablet, Tadalafil Tablets, Rosuvastatin Calcium Tablets, Alogliptin Benzoate Tablets and Duloxetine Hydrochloride Enteric Capsules obtained the approval for launch. For details, please refer to the announcements of the Company dated 21 May 2020, 26 May 2020, 1 June 2020, 20 July 2020, 25 August 2020, 28 September 2020, 19 November 2020, 14 December 2020, 21 December 2020, 23 December 2020 and 5 January 2021. The approval for launch of these products further broadens the Group's product lines and offers more medical choices with both high quality and fair price for patients. The Group also continuously promotes the progress of new products development and research line and strives to supplement undesirable clinical medication needs. The latest progress of all drug portfolio acquired from Sunshine Lake Pharma is as follows:

Progress of drug portfolio acquired in 2018

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
Anti-infection	Clarithromycin Tablet	Anti-infection	Class 6 chemical drug	Approved	Over 30	6
Anti-infection	Clarithromycin Sustained Release Tablets	Anti-infection	Class 6 chemical drug	Approved	14	1
Anti-infection	Levofloxacin Tablet	Anti-infection	Class 6 chemical drug	Approved	Over 30	8
Anti-infection	Moxifloxacin Tablets	Anti-infection	Class 4 chemical drug	Approved	Over 30	9
Cardiovascular	Olmesartan Tablets	Hypertension	Class 4 chemical drug	Approved	Over 30	6
Digestive system	Esomeprazole Magnesium Enteric-Coated Capsules	Gastric acid related diseases	Class 3 chemical drug	Approved	Over 30	2

Progress of drug portfolio acquired in 2019

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Estimated approval date	Number of filed manufacturers	Number of passed Consistency Evaluation manufacturers
Cardiovascular	Ticagrelor Tablet	Antithrombus	Class 4 chemical drug	Approved	—	Over 30	12
Cardiovascular	Apixaban Tablets	Antithrombus	Class 4 chemical drug	Approved	—	Over 30	8
Cardiovascular	Atorvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Filed	2021	Over 30	11
Cardiovascular	Rosuvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	—	Over 30	18
Cardiovascular	Amlodipine Tablets	Hypertension	Class 6 chemical drug	Filed	2021	Over 30	Over 30
Cardiovascular	Metoprolol Succinate Sustained — release Tablets	Hypertension	Class 3 chemical drug	Filed	2021	13	0
Cardiovascular	Clopidogrel Tablets	Antithrombus	Class 4 chemical drug	Filed	2021	Over 30	8
Cardiovascular	Rivaroxaban Tablets	Antithrombus	Class 4 chemical drug	Filed	2021	Over 30	9
Anti-virus/anti-infection	Entecavir Tablets	HBV	Class 4 chemical drug	Approved	—	Over 30	10
Anti-virus/anti-infection	Tenofovir Alafenemide Tablets	HBV/HIV	Class 4 chemical drug	Filed	2021	3	0
Anti-virus/anti-infection	Azithromycin Tablets	Anti-infection	Class 4 chemical drug	Filed	2021	Over 30	7
Nervous system	Olanzapine Tablets	Schizophrenia	Class 4 chemical drug	Approved	—	Over 30	11
Nervous system	Olanzapine Orally Disintegrating Tablets	Schizophrenia	Class 4 chemical drug	Approved	—	17	5
Nervous system	Entacapone Tablets	Parkinson's Disease	Class 4 chemical drug	Filed	2021	6	0
Nervous system	Aripiprazole Tablets	Schizophrenia	Class 4 chemical drug	Approved	—	25	1
Nervous system	Aripiprazole Orally Disintegrating Tablets	Schizophrenia	Class 3 chemical drug	Filed	2021	7	2
Nervous system	Duloxetine Hydrochloride Enteric Capsules	Depression	Class 4 chemical drug	Approved	—	Over 30	6
Nervous system	Escitalopram Tablets	Depression	Class 4 chemical drug	Filed	2021	Over 30	5
Endocrine/metabolism	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	—	5	2
Endocrine/metabolism	Linagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	—	13	1
Endocrine/metabolism	Sitagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	—	14	2
Endocrine/metabolism	Linagliptin and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	—	2	1
Endocrine/metabolism	Alogliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	—	Over 30	7
Endocrine/metabolism	Febuxostat Tablets	Hyperuricemia	Class 3 chemical drug	Filed	2021	Over 30	3
Urinary system	Sildenafil Tablets	ED, PAH	Class 4 chemical drug	Filed	2021	Over 30	4
Urinary system	Tadalafil Tablets	ED, PAH	Class 4 chemical drug	Approved	—	Over 30	13
Urinary system	Solifenacin Tablets	Bladder Hyperactivity Disorder	Class 4 chemical drug	Filed	2022	14	4

3. Sales Performance Review

During the Reporting Period, the sales of the Group's core products are as follows:

- The revenue of Kewei (Oseltamivir Phosphate) Granules amounted to RMB1,147.84 million, accounting for 48.88% of the total revenue;
- The revenue of Kewei (Oseltamivir Phosphate) Capsules amounted to RMB920.89 million, accounting for 39.22% of the total revenue;
- The revenue of Ertongshu (Benzbromarone Tablets) amounted to RMB94.50 million, accounting for 4.02% of the total revenue;
- The revenue of Oumeining (Telmisartan Tablets) amounted to RMB27.52 million, accounting for 1.17% of the total revenue;
- The revenue of Olmesartan Tablets amounted to RMB27.19 million, accounting for 1.16% of the total revenue;

The total revenue of the above mentioned five drugs, being the core products of the Group, accounted for 94.45% of the total revenue.

Oseltamivir Phosphate, the Company's core product, is the first-line drug for treatment of influenza ("**Flu**") in the PRC, which can be used in the treatment and prevention of Flu A and Flu B and is listed in the Influenza Treatment Guidance (2020 version) (《流行性感冒診療方案(二零二零年版)》).

During the Reporting Period, the Group was affected by the COVID-19 pandemic. During the COVID-19 pandemic, apart from the emergency department and some essential departments, other medical personnel were urgently dispatched to the fever clinic and the frontline anti-pandemic area, so the supply of medical institutions' overall diagnosis and treatment activities was greatly reduced; at the same time, in order to avoid cross-infection caused by crowds, patients with mild and chronic diseases also reduced the frequency to visit hospitals as much as possible. Therefore, the overall traffic of people in the hospital, the number of diagnosis and treatment activities and the amount of prescriptions had all decreased significantly and the sales of drugs had also declined. With the domestic pandemic situation under control, the amount of outpatient services is gradually increasing, and the demand for treatment will be gradually released. It is expected that sales volume of medicines will be gradually resumed in the future.

During the Reporting Period, the Group continued adopting its comprehensive marketing strategy by four sales teams, i.e. a self-operated sales team responsible for the academic promotion of core drugs in hospitals ranked Class II and above, a self-operated sales team handling all drugs in general practitioner-based medical institutions (Class I hospitals and clinics), a self-operated sales team responsible for all drugs in OTC pharmacies and a distribution-based team responsible for generic drugs in hospitals ranked Class II and above. During the Reporting Period, the Company has also started to expand its online pharmacy channel and has cooperated with a number of well-known online channel operators. As of 31 December 2020, the Group has a total of 2,368 staff in its sales teams. The establishment of these four sales teams shall lay a solid foundation to the sales volume of the Group's product portfolio in all channels.

4. Production Review

The Group adheres to the credo of "For Everyone's Health" and strives to provide high quality medicine to patients. Led by this belief, the Group enhances its production system constantly, strengthens its supervision on the production process and improves the quality of products and services continuously.

At the same time, the Group is attentive about production safety and environmental protection. In respect of production safety, to ensure no occurrence of any major safety incidents, the Group has implemented safety education, strengthened safety risk management and promoted the establishment of safety standards. In respect of environmental protection, the Group takes environmental protection as its mission and adheres to green production. Specific measures were taken to deal with various pollutants generated during the production process so as to achieve the recycle of resources and environmental protection at the same time.

III. OPERATING RESULTS AND ANALYSIS

1. Revenue

For the year ended 31 December 2020, the Group recorded a revenue of RMB2,348.11 million, representing a decrease of 62.27% as compared with RMB6,224.02 million for the year ended 31 December 2019. The decline in the revenue from Kewei products was mainly due to impact of COVID-19 pandemic which applied a larger impact to hospital terminal market and affected the prescription drug market evidently.

The table below sets forth the revenue of the Group by therapeutic areas as a percentage of total revenue.

	Drugs Registration Classification	Year ended 31 December 2020		2019		Change compared with last year
		(RMB'000)	*%*	*(RMB'000)*	*%*	*(%)*
Anti-viral drugs		**2,071,614**	**88.22%**	5,938,066	95.41%	**–65.11%**
— Kewei (Oseltamivir Phosphate) Granules	Class 5 active chemical drug	**1,147,837**	**48.88%**	4,272,654	68.65%	**–73.14%**
— Kewei (Oseltamivir Phosphate) Capsules	Class 6 active chemical drug	**920,890**	**39.22%**	1,660,519	26.68%	**–44.54%**
Endocrine and metabolic drugs		**94,529**	**4.03%**	103,447	1.66%	**–8.62%**
— Ertongshu (Benzbromarone Tablets)	Class 4 active chemical drug	**94,498**	**4.02%**	102,822	1.65%	**–8.10%**
Anti-infectives drugs		**64,617**	**2.75%**	56,718	0.91%	**13.93%**
— Linluoxing (Moxifloxacin Hydrochloride Tablets)	Class 4 chemical drug	**15,161**	**0.65%**	44,811	0.72%	**–66.17%**
— Clarithromycin Tablets	Class 6 chemical drug	**25,866**	**1.10%**	3,561	0.06%	**626.42%**
— Levofloxacin Tablets	Class 6 chemical drug	**22,747**	**0.97%**	–	–	**–**
Cardiovascular and cerebrovascular drugs		**66,780**	**2.84%**	84,844	1.36%	**–21.29%**
— Olmesartan Tablets	Class 4 chemical drug	**27,188**	**1.16%**	–	–	**–**
— Xinhanining (Amlodipine Tablets)	Class 4 chemical drug	**10,411**	**0.44%**	24,062	0.39%	**–56.73%**
— Oumeining (Telmisartan Tablets)	Class 2 chemical drug	**27,515**	**1.17%**	52,459	0.84%	**–47.55%**
Others		**50,573**	**2.15%**	40,949	0.66%	**23.50%**
Total		**2,348,113**	**100%**	6,224,024	100.00%	**–62.27%**

2. Cost of Sales

The Group's cost of sales consists of (i) cost of raw materials, primarily including cost of active pharmaceutical ingredient ("**API**"), ancillary materials and packaging materials; (ii) labour cost, primarily including salaries and benefits of our staff directly involved in manufacturing of our products; (iii) manufacturing cost, primarily including depreciation of machinery, equipment and plant and cost of labour protection materials, fuel, machine oil and maintenance; and (iv) patent fees paid to third parties in relation to various patents and licences.

The Group's cost of sales decreased by RMB570.27 million to RMB351.55 million for the year ended 31 December 2020 from RMB921.82 million for the year ended 31 December 2019, which was mainly due to the decrease in sales volume of Kewei.

The table below sets forth the cost of sales of the Group by therapeutic areas and as a percentage of total cost of sales.

	Drugs Registration Classification	**Year ended 31 December**				**Change compared with last year**
		2020		2019		
		(RMB'000)	*%*	*(RMB'000)*	*%*	*(%)*
Anti-viral drugs		**245,488**	**69.83%**	874,750	94.89%	**-71.94%**
— Kewei (Oseltamivir Phosphate) Granules	Class 5 active chemical drug	**167,298**	**47.59%**	592,984	64.33%	**-71.79%**
— Kewei (Oseltamivir Phosphate) Capsules	Class 6 active chemical drug	**77,256**	**21.98%**	280,426	30.42%	**-72.45%**
Endocrine and metabolic drugs		**11,968**	**3.40%**	10,172	1.10%	**17.65%**
— Ertongshu (Benzbromarone Tablets)	Class 4 active chemical drug	**11,951**	**3.40%**	9,905	1.07%	**20.66%**
Anti-infectives drugs		**31,939**	**9.09%**	19,460	2.11%	**64.13%**
— Linluoxing (Moxifloxacin Hydrochloride Tablets)	Class 4 chemical drug	**9,671**	**2.75%**	12,439	1.35%	**-22.25%**
— Clarithromycin Tablets	Class 6 chemical drug	**16,961**	**4.82%**	4,185	0.45%	**305.33%**
— Levofloxacin Tablets	Class 6 chemical drug	**3,399**	**0.97%**	–	–	**–**
Cardiovascular and cerebrovascular drugs		**39,976**	**11.37%**	9,651	1.05%	**314.23%**
— Olmesartan Tablets	Class 4 chemical drug	**27,512**	**7.83%**	–	–	**–**
— Xinhanining (Amlodipine Tablets)	Class 4 chemical drug	**6,759**	**1.92%**	3,745	0.41%	**80.50%**
— Oumeining (Telmisartan Tablets)	Class 2 chemical drug	**4,960**	**1.41%**	4,579	0.50%	**8.33%**
Others		**22,176**	**6.31%**	7,790	0.85%	**184.69%**
Total		**351,547**	**100.00%**	921,822	100.00%	**-61.86%**

3. Gross Profit

For the year ended 31 December 2020, the Group's gross profit was RMB1,996.57 million, representing a decrease of 62.34% as compared with RMB5,302.20 million for the year ended 31 December 2019. The Group's gross profit margin for the year ended 31 December 2020 was 85.03%, representing a decrease as compared with the gross profit margin 85.19% for the year ended 31 December 2019. It was mainly due to the decrease in revenue from Kewei during the Reporting Period, which is a product with high gross profit margin.

The table below sets forth the gross profit of the Group by therapeutic areas.

	Drugs Registration Classification	Year ended 31 December 2020		2019		Change compared with last year
		(RMB'000)	*%*	*(RMB'000)*	*%*	*(%)*
Anti-viral drugs		**1,826,126**	**91.46%**	5,063,316	95.49%	**-63.93%**
— Kewei (Oseltamivir Phosphate) Granules	Class 5 active chemical drug	**980,540**	**49.11%**	3,679,670	69.40%	**-73.35%**
— Kewei (Oseltamivir Phosphate) Capsules	Class 6 active chemical drug	**843,634**	**42.25%**	1,380,093	26.03%	**-38.87%**
Endocrine and metabolic drugs		**82,561**	**4.14%**	93,275	1.76%	**-11.49%**
— Ertongshu (Benzbromarone Tablets)	Class 4 active chemical drug	**82,546**	**4.13%**	92,917	1.75%	**-11.16%**
Anti-infectives drugs		**32,678**	**1.64%**	37,258	0.70%	**-12.29%**
— Linluoxing (Moxifloxacin Hydrochloride Tablets)	Class 4 chemical drug	**5,490**	**0.27%**	32,372	0.61%	**-83.04%**
— Clarithromycin Tablets	Class 6 chemical drug	**8,905**	**0.45%**	(624)	–0.01%	**-1527.58%**
— Levofloxacin Tablets	Class 6 chemical drug	**19,348**	**0.97%**	–	–	**–**
Cardiovascular and cerebrovascular drugs		**26,804**	**1.34%**	75,193	1.42%	**-64.35%**
— Olmesartan Tablets	Class 4 chemical drug	**(324)**	**-0.02%**	–	–	**–**
— Xinhanining (Amlodipine Tablets)	Class 4 chemical drug	**3,652**	**0.18%**	20,317	0.38%	**-82.02%**
— Oumeining (Telmisartan Tablets)	Class 2 chemical drug	**22,555**	**1.13%**	47,881	0.90%	**-52.89%**
Others		**28,397**	**1.42%**	33,160	0.63%	**-14.36%**
Total		**1,996,566**	**100.00%**	5,302,202	100.00%	**-62.34%**

4. Other Net Income

The Group's other income mainly includes (i) government subsidies, including amortization of subsidies for the construction of the production line of Kewei by instalment in accordance with accounting standards, and other R&D subsidies and awards granted by local government; (ii) fair value change arise from the convertible bonds and exchange gains or losses; and (iii) interest income and miscellaneous income.

For the year ended 31 December 2020, the Group's other income was RMB819.37 million, representing an increase of RMB774.21 million as compared with RMB45.16 million for the year ended 31 December 2019, which was due to fair value change arise from the convertible bonds and exchange gains, and the waiver of patent fees in relation to Kewei capsules in previous years.

5. Expenses Analysis

For the year 2020, the Group's total expenses amounted to RMB1,804.22 million, representing a decrease of RMB1,269.48 million as compared with RMB3,073.70 million for the year ended 31 December 2019. The main components of the Group's expenses are as follows:

	Year ended 31 December		
	2020 ***(RMB'000)***	2019 *(RMB'000)*	**Change compared with last year** ***(%)***
Distribution costs	**1,153,884**	2,361,049	-51.13%
Administrative expenses	**410,516**	503,413	-18.45%
(Reversal)/recognition of impairment loss on trade and other receivables	**(4,391)**	4,734	-192.75%
Finance costs	**244,206**	204,503	19.41%
	1,804,215	3,073,699	-41.30%

Distribution costs mainly consist of (i) marketing costs relating to academic promotion and other marketing activities; (ii) travel costs for marketing purposes; (iii) labour costs; and (iv) other costs.

The decrease in distribution costs was mainly due to (1) the corresponding decrease in marketing costs driven by shrinking sales scale of the Group's products, (2) a decrease in marketing expenses and travelling expenses relating to the organization of academic promotion activities and other marketing activities, which were mainly due to the substantial decrease in academic promotion activities as a result of COVID-19 pandemic.

Administrative expenses mainly consist of (i) R&D expenses; (ii) salaries and welfare benefits for management and administrative personnel; (iii) depreciation and amortization costs relating to our office and facilities and land use rights; and (iv) other miscellaneous costs. The decrease in administrative expenses was mainly due to the decrease in labour costs, taxes and surcharges and R&D expense.

For the year ended 31 December 2020, the Group's investment in R&D amounted to RMB1,013.94 million in total, representing 43.18% of the revenue and an increase of 523.50% as compared to the corresponding period of last year, among which expenses were RMB92.45 million and capitalized expenditures were RMB921.49 million, which mainly including a total of RMB550.0 million of Rongliflozin L-Pyroglutamic Acid and Liraglutide, both in progress of research and development project, acquired from Sunshine Lake Pharma and RMB184.51 million of development cost for hepatitis C drug transferred from the prepayment.

Finance costs mainly consist of interest expense for bank loans and convertible bonds. The increase in finance costs was mainly due to an increase in the Group's bank loans for this year and an increase in the number of interest-bearing days for convertible bonds for this year as compared with in 2019.

6. Profit Before Taxation

Profit before taxation decreased to RMB1,010.43 million in 2020, representing a decrease of RMB1,258.62 million as compared with RMB2,269.05 million in 2019.

7. Other Operating Expenses

For the year ended 31 December 2020, other operating expenses of the Group amounted to RMB1.29 million, which was mainly due to the increase in donation expenses.

8. Income Tax

For the year ended 31 December 2020, the Group's income tax expenses were RMB173.02 million, representing a decrease of RMB188.85 million as compared with RMB361.87 million for the year ended 31 December 2019, which was mainly due to the decrease in profit before taxation.

9. Profit for the Year

The Group's profit for the year was RMB837.41 million for the year ended 31 December 2020, representing a decrease of RMB1,069.78 million as compared with RMB1,907.19 million for the year ended 31 December 2019.

IV. FINANCIAL POSITION

1. Overview

As at 31 December 2020, the Group's total assets amounted to RMB9,561.27 million, with total liabilities of RMB4,457.61 million and shareholders' equity of RMB5,103.66 million.

As at 31 December 2020, the Group's capital is derived from sales of product and are used in production halls construction, distribution and administrative management etc. The management has clear goals and records in budget, financial and operating performance, and actively monitors them and regularly evaluates internal control measures.

2. Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets for the date indicated.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current assets		
Inventories	**378,268**	192,321
Trade and other receivables	**619,684**	2,359,250
Restricted cash	**221,191**	–
Cash and cash equivalents	**2,044,967**	2,779,138
Total current assets	**3,264,110**	5,330,709
Current liabilities		
Trade and other payables	**1,259,440**	1,888,220
Contract liabilities	**56,152**	131,328
Bank loans	**345,987**	132,660
Interest-bearing borrowings	**2,474,817**	–
Deferred income	**4,379**	4,379
Current taxation payable	**20,438**	155,062
Total current liabilities	**4,161,213**	2,311,649
Net current (liabilities)/assets	**(897,103)**	3,019,060

As at 31 December 2020, the Group recorded the total current assets of RMB3,264.11 million, as compared to RMB5,330.71 million as at 31 December 2019. During the Reporting Period, the current assets decreased by RMB2,066.60 million due to the decrease in sales; and the current liabilities increased by RMB1,849.56 million due to the reclassification of the convertible bonds from non-current to current in nature as a result of the trigger of an early redemption clause by the Group which was stated in the letter from the convertible bond holders, resulting in a decrease of the Group's net current assets by RMB3,916.16 million. However, a waiver from the convertible bond holders has been received by the Group upon the occurrence of the relevant event. The waiver period of the relevant waiver letter covered the duration from the date of the relevant event to 31 December 2020 and from 31 December 2020 to 1 July 2022.

3. Gearing Ratio and Quick Ratio

Gearing ratio represents total interest-bearing borrowings as at a record date divided by total shareholders' equity as at the same record date. Quick ratio represents current assets excluding inventories as at a record date divided by current liabilities as at the same record date.

The gearing ratio and the quick ratio of the Group as at 31 December 2020 were 58.99% and 0.69 times respectively. The gearing ratio and the quick ratio of the Group as at 31 December 2019 were 65.65% and 2.22 times respectively.

4. Bank Loans

In 2020, all bank loans were denominated in RMB. As at 31 December 2020, the balance of the Group's bank loans was RMB535.84 million, representing an increase of RMB353.18 million as compared to RMB182.66 million as at 31 December 2019. The increase in bank loans was mainly due to the new bank loans used for construction in progress for this year. The Group is in good liquidity position with sufficient funding and has no repayment risk.

5. Capital Expenditure

In order to meet the production demand for our products, the Group constructed plants and buildings, purchased administration offices, machines and equipment, acquired the ownership of approvals and the right of sale for purchasing, manufacturing and launching certain pharmaceutical products from Sunshine Lake Pharma in 2020 with an aggregate capital expenditure of RMB1,918.04 million, representing an increase of 14.65% as compared to RMB1,638.45 million in 2019.

6. Major Purchase and Sales

On 13 November 2019 and 26 December 2019, the Company entered into a sale and purchase agreement and a supplemental agreement to such sale and purchase agreement with Sunshine Lake Pharma, pursuant to which, the Company agreed to acquire, and Sunshine Lake Pharma agreed to sell, the Rongliflozin L-Pyroglutamic Acid and Liraglutide together with the entire equity interests of these two products within the PRC at a total consideration of RMB1,645,600,000 (the "**Acquisition**"). The Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 January 2020. Please refer to the announcements of the Company dated 13 November 2019, 27 December 2019 and 22 January 2020 and the circular of the Company dated 5 January 2020 for further details.

7. Contingent Liabilities

As at 31 December 2020, the Group did not provide external guarantees.

8. Pledge of Assets

As of 31 December 2020, land use rights held for own use amounting to RMB85,743,000 (2019: RMB69,802,000), fixed assets held for own use amounting to RMB118,918,000 (2019: Nil) and construction in progress amounting to RMB357,445,000 (2019: RMB30,839,000) held by the Group were pledged to a bank for bank loans.

As of 31 December 2020, the Group had a total amount of RMB208,035,000 bill receivables that were pledged as securities for the issuance of new banks' acceptance bills and bank loans (2019: RMB216,363,000).

9. Employee and Remuneration Policies

(1) Human Resource Summary

As at 31 December 2020, the Group had a total of 4,766 employees.

by age:

Age Distribution	**Number**	**Percentage**
30 or below	1,396	29.29%
31–40 (inclusive)	2,807	58.90%
41–50 (inclusive)	489	10.26%
Above 50	74	1.55%
Total	4,766	100%

by education:

Education Level	**Number**	**Percentage**
Master or above	117	2.45%
Bachelor	1,485	31.16%
Associate	1,702	35.71%
Vocational or below	1,462	30.68%
Total	4,766	100%

(2) Remuneration Policy

The objective of the Group's remuneration policy is to motivate and retain talented employees to ensure the Group's development. Such policy is determined by taking into consideration factors such as remuneration in respect of the overall remuneration standard in the industry and employee motivation. The management of the Company will review the remuneration policy of employees of the Group on a regular basis.

(3) Employee Benefits

The Group strictly complies with the Labour Law, the Labour Contract Law and the Social Insurance Law of the PRC, under which it contributes various social insurance premiums and housing provident fund for employees. In addition to the statutory requirements of the PRC, the Group has established corresponding systems such as the Corporate Annuity Plan, Housing Welfare and Children's Welfare, and set up public welfare facilities such as kindergarten and infirmary room. In the future, the Group will provide employees with more benefits and protections in accordance with its development progress.

V. FUTURE OUTLOOK

With the government's encouragement in R&D and commercialization of innovative new drugs, and optimization of the approval process, innovative new drugs can be included in the Medical Reimbursement Drug List by way of negotiation in a timely manner, and domestic pharmaceutical companies enter into R&D fast track. Policies such as Consistency Evaluation of generic drugs and centralized procurement continue to promote the reform of pharmaceutical industry and accelerate the survival of the fittest among the enterprises. Pharmaceutical companies with strong R&D capabilities, diversified product pipelines, well-developed production systems, strong brand advantages and excellent sales and marketing teams will gain unprecedented development opportunities.

2020 was a year of remarkable results in the Group's business development. In response to national policies, the Group actively participated in the centralized procurement of drugs, and has won bids for multiple products (see "4. Successful Bid for the Centralized Procurement of Products" on page 51 of this announcement for details). The Emitasvir Phosphate Capsules, intellectual property rights owned by the Company, has obtained approval to launch. Emitasvir Phosphate Capsule is national Class 1 innovative new drug with the intellectual property rights owned by the Company, which is an anti-hepatitis C oral direct-acting antiviral drug, continuing to consolidate the Group's advantage in the anti-virus therapeutic area. Recombinant Human Insulin Injection, of which research and development was carried out by the Group, has obtained approval for launch. Recombinant Human Insulin Injection is the first biologic drug of the Group approved to launch, which marked the beginning of the brand of the Group entering the field of biological medicine. The registrations of domestic production for Insulin Glargine Injection and Insulin Aspart 30 Injection have been accepted. Linagliptin Tablets, Linagliptin and Metformin Hydrochloride Tablets, Sitagliptin Tablets, Sitagliptin Phosphate and Metformin Hydrochloride Tablets and Alogliptin Benzoate Tablets obtained approvals to launch. The Group's drugs in the field of diabetes keep entering into the market, providing patients with high-quality and cost-effective medication options. Furthermore, the Group has also obtained approvals for the launch of multiple generic drug varieties (see "13. Approval Status and Registration Acceptance of the Products During the Reporting Period" on page 55 and "EVENTS AFTER THE REPORTING PERIOD" on page 56 of this announcement for details). It is expected that the approvals for more than a dozen drug varieties will be obtained within two years. As more products are approved for launch, the therapeutic areas covered by the Group's product lines will be further diversified, providing new growth drivers for the Group's mid- to long-term development. Meanwhile, the Group actively expands external cooperation. For example, the Group entered into a strategic cooperation agreement with China Resources Pharmaceutical Commercial Group Co., Ltd. (華潤醫藥商業集團有限公司) ("**CR Pharmaceutical Commercial**") to jointly develop an internet E-commerce platform dedicated to improving terminal coverage of the products. The Group also renewed the 2015 Strategic Cooperation Agreement with Shenzhen HEC Industrial Development Co., Ltd. ("**Shenzhen HEC Industrial**"), under which the Group continues to enjoy the rights of product acquisition options and pre-emption rights, providing a strong guarantee for the Group's subsequent product layout.

Looking forward, the Company will continue to enrich its product portfolio and improve its income structure by way of in-house R&D and external collaborations. The Company will integrate the resources of internal and external R&D, production and sales channels of the Group, and will expand its scope of business, strive to be a leading brand in the pharmaceutical manufacturing industry as well as an influential pharmaceutical corporate in China in therapeutic areas including anti-viral, anti-infective and endocrine and metabolic diseases.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders of the Company (the "**Shareholders**") is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions. The shareholders meeting of the Company provides a forum for face-to-face communication between the Board and the Shareholders.

The Company sets out the following contact details for the Shareholders to communicate with the Company:

Telephone number : 86–0769–81768866

Company website : www.hec-changjiang.com

E-mail address : pengqiyun@hec.cn

FINAL DIVIDEND

The Board resolved not to recommend the payment of final dividend for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB0.3 per share (tax inclusive)).

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

In order to ascertain Shareholders' entitlement to attend and vote at the annual general meeting of the Company for the year of 2020 to be held on Friday, 4 June 2021 (the "**AGM**"), the register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which periods no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all unregistered H shareholders of the Company shall lodge transfer documents together with the relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Monday, 31 May 2021. The Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 31 May 2021 are entitled to attend the AGM.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2020, the Company repurchased and cancelled a total of 4,908,800 H Shares ("**H Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate cash consideration of HK$148,123,340 (excluding expenses). Particulars of the repurchases are as follows:

Period of repurchase	Total number of H Shares repurchased	Price paid per share		Aggregate consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
January 2020	500,000	40.70	40.10	20,201,860
April 2020	1,280,600	29.89	28.95	37,845,520
May 2020	3,128,200	29.65	26.88	90,075,960
	4,908,800			148,123,340

The Directors exercise the repurchase mandate depending on the real-time market conditions and the funding arrangements of the Company. The Directors believe that the repurchase during the aforementioned period was advantageous for stabilizing the intrinsic value of shares and enhancing the Company's profile and the net assets per share and/or earnings per share, the repurchase of shares is in the interests of the Company and the Shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2020.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors and supervisors of the Company.

Upon making specific enquiries to all the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that each of them had complied with the Model Code during the year ended 31 December 2020.

AUDITORS

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG ("**KPMG**"), Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises of two independent non-executive directors, namely Mr. Tang Jianxin and Mr. Zhao Dayao, and a non-executive director, namely Mr. Tang Xinfa. With professional qualification and experience in finance, Mr. Tang Jianxin was appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to give independent recommendations on the effectiveness of our financial reporting procedures, internal control and risk management systems and maintaining communication with external auditors of the Group, so as to assist the Board, supervise the audit process and perform other responsibilities and related duties assigned by the Board. The Audit Committee meets with the external auditors of the Company and in-house auditors, and reviews their plans, audit procedures, their results of audits and reviews of the risk management and internal supervision system.

The Audit Committee has reviewed the Group's 2020 annual results announcement and the financial statements for the year ended 31 December 2020 prepared in accordance with the IFRSs.

OTHER SIGNIFICANT EVENTS

1. Connected Transactions and Continuing Connected Transactions

On 13 November 2019 and 26 December 2019, the Company entered into a sale and purchase agreement and a supplemental agreement to such sale and purchase agreement with Sunshine Lake Pharma, pursuant to which, the Company agreed to acquire, and Sunshine Lake Pharma agreed to sell, the Rongliflozin L-Pyroglutamic Acid and Liraglutide together with the entire equity interests of these two products within the PRC at a total consideration of RMB1,645,600,000. The Acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 January 2020. For details, please refer to the announcements of the Company dated 13 November 2019, 27 December 2019 and 22 January 2020 and the circular of the Company dated 6 January 2020.

On 27 February 2020, the Company entered into an entrusted processing framework agreement (the "**Entrusted Processing Framework Agreement**") with Sunshine Lake Pharma, pursuant to which Sunshine Lake Pharma will provide drug processing services for six drugs namely, Clarithromycin Sustained Release Tablets, Clarithromycin Tablets, Levofloxacin Tablets, Moxifloxacin Hydrochloride Tablets, Olmesartan Tablets and Oseltamivir Phosphate Capsules, with an annual cap of approximately RMB119,523,300 (value added tax exclusive) for the year ended 31 December 2020 to the Company and Dongguan Yangzhikang Pharmaceutical Co., Ltd. Individual transactions are conducted in the form of entrusted processing order. Each separate entrusted processing order shall set out details in relation to the drugs to be processed. The terms of the separate entrusted processing order shall be in line with the provisions under the Entrusted Processing Framework Agreement. The unit price of processing each drug is agreed in the Entrusted Processing Framework Agreement. For details, please refer to the announcements of the Company dated 27 February 2020 and 11 March 2020.

On 27 April 2020, (i) the Company and Yidu Changjiang Machinery Equipment Co., Ltd. (宜都長江機械設備有限公司) ("**Yidu Machinery**") entered into an industrial products sale and purchase contract I, pursuant to which the Company will purchase workshop transforming equipment from Yidu Machinery with an annual cap of RMB21,483,200 for the year ended 31 December 2020 and (ii) YiChang HEC Pharmaceutical Manufacturing Co., Ltd. (宜昌東陽光製藥有限公司) ("**HEC Pharmaceutical Manufacturing**") and Yidu Machinery entered into an industrial products sale and purchase contract II, pursuant to which HEC Pharmaceutical Manufacturing will purchase tank area and workshop transforming equipment from Yidu Machinery with an annual cap of RMB21,000,000 for the year ended 31 December 2020. For details, please refer to the announcement of the Company dated 27 April 2020.

On 27 April 2020, (i) YiChang HEC Pharmaceutical Co., Ltd. (宜昌東陽光醫藥有限公司) ("**HEC Pharmaceutical**") and HEC Medicine Retail Chain Co., Ltd., Yidu branch (東陽光藥零售連鎖有限公司宜都店) ("**HEC Medicine Retail (Yidu)**") entered into a 2020 sales contract I, pursuant to which HEC Pharmaceutical will sell pharmaceutical products, such as Oseltamivir Phosphate Granules, and Telmisartan Tablets etc., to HEC Medicine Retail (Yidu) with an annual cap of RMB8,000,000 for the year ended 31 December 2020 and (ii) HEC Pharmaceutical and HEC Medicine Retail Chain (Dongguan) Co., Ltd. (東陽光藥零售連鎖(東莞)有限公司) ("**HEC Medicine Retail (Dongguan)**") entered into a 2020 sales contract II, pursuant to which HEC Pharmaceutical will sell pharmaceutical products, such as Oseltamivir Phosphate Granules, and Telmisartan Tablets etc., to HEC Medicine Retail (Dongguan) with an annual cap of RMB500,000 for the year ended 31 December 2020. For details, please refer to the announcement of the Company dated 27 April 2020.

On 27 April 2020, the Company and Ruyuan HEC Pharmaceutical Co., Ltd. (乳源東陽光藥業有限公司) ("**Ruyuan HEC Pharmaceutical**") entered into a plant and equipment Leasing Contract, pursuant to which Ruyuan HEC Pharmaceutical will lease its plant to the Company for the production of APIs with a maximum monthly rental fee of RMB10,000,000 (tax exclusive). The annual caps for the year ended 31 December 2020 and for the period ending 26 April 2021 are RMB80,000,000 (tax exclusive) and RMB40,000,000 (tax exclusive), respectively. For details, please refer to the announcement of the Company dated 27 April 2020.

On 28 July 2020, HEC Pharmaceutical Manufacturing and Yidu Shanchengshuidu Project Construction Co., Ltd. (宜都山城水都建築工程有限公司) ("**Yidu Construction**") entered into a construction work contract, pursuant to which HEC Pharmaceutical Manufacturing entrusted Yidu Construction to provide EPC (Engineering, Procurement and Construction) services for its synthesis workshop 5, synthesis workshop 6 and synthesis workshop 8 in the phase I of the innovative and generic drug project of the Company, which is located at Louzihe Village, Zhicheng Town, Yidu, China. The annual caps for the year ended 31 December 2020 and the year ending 31 December 2021 under the construction work contract are RMB28,000,000 and RMB27,893,045, respectively. For details, please refer to the announcement of the Company dated 28 July 2020.

2. Completion of the Full Circulation of H shares

On 15 November 2019, the China Securities Regulatory Commission ("**CSRC**") issued the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (CSRC Announcement [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》 (中國證券監督管理委員會公告[2019]22號)) and the supporting catalogue of materials for application for "Full Circulation" of H shares and key points for review and of concern, so as to comprehensively roll out the "Full Circulation" reform of H shares. On 22 November 2019, Guangdong HEC Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) ("**HEC**"), a shareholder of the Company, held the eighteenth meeting of the tenth session of the Board of Directors at which the Proposal on Application for "Full Circulation" of the Domestic Shares of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. held by Guangdong HEC Technology Holding Co., Ltd. (《關於申請廣東東陽光科技控股股份有限公司持有的宜昌東陽光長江藥業股份有限公司內資股股份「全流通」的議案》) was considered and approved. HEC decided to convert all the then domestic shares of the Company held by it (i.e. 226,200,000 domestic shares) to overseas listed shares and list the same on the Main Board of the Stock Exchange, and entrust the Company to make the application to the CSRC for "Full Circulation" of H shares and proceed with other matters related to the share conversion. For particulars, please refer to the announcement of the Company dated 22 November 2019.

A formal approval letter from the CSRC in relation to the application submitted by the Company in respect of the full circulation of H Shares has been received on 2 June 2020 ("**CSRC Approval**"). Pursuant to the CSRC Approval, 226,200,000 domestic unlisted Shares ("**Domestic Shares**") held by HEC, a shareholder of the Company, could be converted into overseas listed shares ("**H Shares**"). Such Shares will be allowed to be listed on the Stock Exchange upon completion of the conversion (the "**Share Conversion and Listing**"). On 18 August 2020, the approval of the Share Conversion and Listing was granted by the Stock Exchange. The listing of the converted 226,200,000 H Shares on the Stock Exchange has been commenced at 9:00 a.m. on 3 September 2020. The application for a domestic transaction commission code and abbreviation (domestic transaction commission code: 299910; abbreviation: 東陽光藥) submitted by the Company has been confirmed by China Securities Depository and Clearing Corporation Limited, Shenzhen Branch pursuant to the authorization of the Shenzhen Stock Exchange. HEC, the controlling shareholder of the Company, has opened a specified fund account for H Share "Full Circulation" at Huatai Securities Co., Ltd. and has completed the permission activation. For particulars, please refer to the announcements of the Company dated 3 June 2020, 19 August 2020, 2 September 2020 and 16 September 2020.

3. Strategic Cooperation Framework Agreement

On 3 January 2020, the Company entered into a strategic cooperation framework agreement with CR Pharmaceutical Commercial, pursuant to which, the Company and CR Pharmaceutical Commercial will jointly develop an internet platform dedicated to establishing online channels directly serving end-users and patients by leveraging on the distribution network and drug storage capability of CR Pharmaceutical Commercial, in order to enhance response to unexpected demand for the Company's core product, oseltamivir phosphate series, across the PRC as well as to improve terminal coverage of other products. The strategic cooperation framework agreement is for a term of three years. For details, please refer to the announcement of the Company dated 3 January 2020.

4. Successful Bid for the Centralized Procurement of Products

On 17 January 2020, the Company participated in the tender process in respect of the Second National Centralized Procurement of Pharmaceuticals (第二批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Fudosteine Tablet, Moxifloxacin Hydrochloride Tablet and Olmesartan Tablet of the Company have won the bid for the centralized procurement. For details, please refer to the announcement of the Company dated 17 January 2020.

On 20 August 2020, the Company participated in the tender process in respect of the Third National Centralized Procurement of Pharmaceuticals (第三批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Clarithromycin Tablets and Olanzapine Orally Disintegrating Tablets of the Company have won the bid for the centralized procurement. For details, please refer to the announcement of the Company dated 24 August 2020.

5. Donations in relation to the outbreak of the COVID-19

(1) On 26 January 2020, the Company made a donation of RMB1 million to the Wuhan Charity Federation (武漢市慈善總會). The donations will be used for procuring materials for epidemic prevention and control, including medical supplies, medical equipment, reagents, drugs, protective equipment and materials, cleansing equipment and consumables.

(2) On 14 February 2020, the Company donated 0.1 million disposable protective masks, 3,900 N95 surgical masks, 20 barrels of sodium hypochlorite disinfectant to People's Government of Yidu City for the containment of the COVID-19 outbreak in Yidu City.

(3) On 21 February 2020, the Company donated 7 tonnes of 84 disinfectant in total to the hospitals designated to treat COVID-19 and multiple medical institutions in Jinan under the active cooperation from the Angel Health Project Fund (天使健康專項基金) and the Shandong Angel Health Charity Alliance (山東天使健康救助聯盟) of the Shandong Foundation for Development of Poverty Alleviation (山東省扶貧開發基金會).

The Group puts corporate social responsibility as the highest priority, showing love and care and making contributions to the society. We pay tribute to all frontline workers and with the hope to protect front-line medical workers in the fight against COVID-19.

6. Amendments to the Articles of Association and Amendments to Rules and Procedures of Shareholders' General Meetings

On 6 March 2020, the Shareholders approved the amendments to the articles of association and the amendments to the rules and procedures of shareholders' general meetings at the 2020 2nd extraordinary general meeting, the 2020 1st H shareholders class meeting and the 2020 1st domestic shareholders class meeting. Please refer to the announcements of the Company dated 10 January 2020, 23 February 2020 and 6 March 2020 and the circular of the Company dated 7 February 2020 for details of the amendments to the articles of association and the amendments to the rules and procedures of shareholders' general meetings.

On 9 April 2020 and 10 June 2020, the Company completed the cancellation of the repurchased shares, and the registered capital was reduced accordingly. Therefore, the registered capital set out in the Company's articles of association has been revised. For details of the amendment of the Company's articles of association, please refer to the announcements and articles of association of the Company dated 9 April 2020 and 10 June 2020.

On 10 July 2020, the Company completed the distribution of bonus shares, i.e. one (1) bonus Share was issued for every one (1) existing Share of the Company (including tax). Following the completion of the aforesaid issue, the total share capital increased accordingly. Therefore, the registered capital and share capital structure set out in the Company's articles of association have been revised. For details of the amendments to the Company's articles of association, please refer to the Company's next day disclosure return and articles of association dated 10 July 2020.

On 25 September 2020, the Shareholders passed a resolution in relation to the amendment of the Company's articles of association at the 2020 third extraordinary general meeting to reflect the addition of an independent non-executive director to the Board and the new structure of the Board. The number of Board members increased from nine to ten, of which the number of independent non-executive directors increased from three to four. For details of the amendments to the Company's articles of association, please refer to the Company's circular dated 9 September 2020 and the announcement and articles of association of the Company dated 25 September 2020.

7. Increasing Capital in Guangdong HEC Biological Pharmacy Co., Ltd.* (廣東東陽光生物製劑有限公司)

On 2 April 2020, in order to further increase the production capacity of the Company and to safeguard its production capacity for launching subsequent reserve products, the Company intended to use its internal funds to increase capital in its wholly-owned subsidiary, Guangdong HEC Biological Pharmacy Co., Ltd.* (廣東東陽光生物製劑有限公司) (the "**Biological Pharmacy Co.**") by RMB486 million, which would be used for the production and operation facilities of Biological Pharmacy Co. (the "**Capital Increase**"). Upon the completion of the Capital Increase, the registered capital of Biological Pharmacy Co. has been increased to RMB530 million.

On 2 April 2020, HEC, the holding company of the Company, convened its twenty-second meeting of the tenth session of the board of directors and approved "The resolution in relation to increase capital in its controlling subsidiary* (關於對控股子公司增資的議案)" to increase capital in Biological Pharmacy Co. by the Company. For details, please refer to the announcement of the Company dated 2 April 2020.

8. Adjustment to the Conversion Price of US$400,000,000 3.0% H Share Convertible Bonds to Blackstone

The Bonus Shares were issued and credited as fully paid at par by the Company on the basis of one (1) Bonus Share for every one (1) existing Share held by all the Shareholders whose names are appeared on the register of members of the Company on 16 June 2020 (i.e. one (1) Bonus H Shares and one (1) Bonus Domestic Shares to be issued in respect of every one (1) H Shares and one (1) Domestics Shares held by the Shareholders, respectively). Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price is subject to adjustment for, among other things, capitalisation of profits and reserves made by the Company. Therefore, the Conversion Price of the Convertible Bonds has been adjusted from HK$38 per Conversion Share to HK$19 per Conversion Share. Based on the total outstanding principal amount of the Convertible Bonds of US$400,000,000, the maximum number of Shares that will be issued upon conversion of all the outstanding Bonds at the initial Conversion Price and the adjusted Conversion Price are 82,631,578 Shares and 165,263,156 Shares, respectively. For details, please refer to the announcement of the Company dated 16 June 2020.

9. Completion of Bonus Issue of Shares

At the 2019 annual general meeting, 2020 second H shareholders class meeting, and 2020 second domestic shareholders class meeting held on 5 June 2020, the Shareholders approved the issue of one (1) bonus share ("**Bonus Share**") (tax inclusive) per every one (1) existing Share held by the Shareholders whose names appeared on the Company's register of members as of 16 June 2020. The Bonus Shares had been issued from the Company's undistributed profit on 10 July 2020. For details, please refer to the announcements of the Company dated 14 April 2020, 5 June 2020, 16 June 2020 and 23 June 2020, the next day disclosure return of the Company dated 10 July 2020 and the circular of the Company dated 29 April 2020.

10. Letter of Intent in respect of Establishment of a National Military-Civilian Integrated Collaborative Industrialization Platform for Drugs of Emergency Prevention and Control Cum National Antiviral Drug Centre

On 21 August 2020, a letter of intent was entered into among the Company, Wuhan Institute of Virology, Chinese Academy of Sciences* (中國科學院武漢病毒研究所), National Engineering Technology Research Center for Drugs of Emergency Prevention and Control* (國家應急防控藥物工程技術研究中心) and Sunshine Lake Pharma, pursuant to which, these parties will jointly establish a national military-civilian integrated collaborative industrialization platform for drugs of emergency prevention and control cum national antiviral drug centre. For details, please refer to the announcement of the Company dated 24 August 2020.

11. Renewal of the 2015 Strategic Cooperation Agreement

On 24 December 2020, the Company decided to renew the strategic cooperation agreement (《宜昌東陽光長江藥業股份有限公司與深圳市東陽光實業發展有限公司戰略合作協議》) (the "**2015 Strategic Cooperation Agreement**") and entered into a supplemental agreement to the 2015 Strategic Cooperation Agreement (the "**Supplemental Agreement**") with Shenzhen HEC Industrial. According to the Supplemental Agreement, the term of the 2015 Strategic Cooperation Agreement shall extend five years (i.e. from 29 December 2020 to 28 December 2025). Except for the extension of the cooperation period, the terms and conditions remain the same as the 2015 Strategic Cooperation Agreement. For details of the 2015 Strategic Cooperation Agreement, please refer to the section "Business — Research and Development — Strategic Cooperation Agreement with Shenzhen HEC Industrial" in the prospectus of the Company dated 15 December 2015. For details of the Supplemental Agreement, please refer to the announcement of the Company dated 24 December 2020.

12. Repurchase and cancellation of H shares of the Company

The Company had repurchased H Shares 9 times from 1 January 2020 to 31 December 2020. A total of 4,908,800 H Shares repurchased had been cancelled on 9 April 2020 and 10 June 2020, respectively. Details of the repurchases conducted were set out in the next day disclosure returns of the Company published on 13 January 2020, 29 April 2020, 4 May 2020, 5 May 2020, 13 May 2020, 15 May 2020, 22 May 2020, 28 May 2020 and 29 May 2020, respectively. Details of the cancellation of H Shares were set out in the next day disclosure returns of the Company published on 9 April 2020 and 10 June 2020.

13. Approval Status and Registration Acceptance of the Products During the Reporting Period

No.	Indications	Name of Product	Progress	Remarks	Date of Announcement
1	Anti-hepatitis C virus	Emitasvir Phosphate Capsules	Approved to launch	Intellectual property rights owned by the Company	28 December 2020
2	Anti-hepatitis B virus	Entecavir Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	21 May 2020
3	Diabetes	Recombinant Human Insulin Injection	Approved to launch	Self-developed by the Company	15 June 2020
4	Diabetes	Insulin Glargine Injection	Registration of domestic production accepted	Self-developed by the Company	16 October 2020
5	Diabetes	Linagliptin Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	20 July 2020
6	Diabetes	Linagliptin and Metformin Hydrochloride Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 August 2020
7	Diabetes	Sitagliptin Phosphate Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 August 2020
8	Diabetes	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 August 2020
9	Diabetes	Alogliptin Benzoate Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	23 December 2020
10	Cardiovascular system	Ticagrelor Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	19 November 2020
11	Cardiovascular system	Rosuvastatin Calcium Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	21 December 2020
12	Urinary system drugs	Tadalafil Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	14 December 2020
13	Proton pump inhibitor, a class of acid-suppression medication	Esomeprazole Magnesium Enteric-Coated Capsules	Approved to launch	Acquired from Sunshine Lake Pharma	26 May 2020
14	Schizophrenia	Olanzapine Orally Disintegrating Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	1 June 2020
15	Schizophrenia	Olanzapine Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	28 September 2020
16	Depression	Duloxetine Hydrochloride Enteric Capsules	Approved to launch	Acquired from Sunshine Lake Pharma	5 January 2021

EVENTS AFTER THE REPORTING PERIOD

1. Approval Status and Registration Acceptance of Products

No.	Indications	Name of Product	Progress	Remarks	Date of Announcement
1	Cardiovascular system	Apixaban Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	5 February 2021
2	Diabetes	Insulin Aspart 30 Injection	Registration of domestic production accepted	Self-developed by the Company	19 February 2021
3	Diabetes	Insulin Aspart Injection	Registration of domestic production accepted	Self-developed by the Company	1 March 2021
4	Schizophrenia	Aripiprazole Tablets	Approved to launch	Acquired from Sunshine Lake Pharma	25 February 2021

2. Successful Bid for the Centralized Procurement of Products

On 3 February 2021, the Company participated in the tender process in respect of the Fourth National Centralized Procurement of Pharmaceuticals (第四批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Esomeprazole Magnesium Enteric-Coated Capsules, Levofloxacin Tablets, Duloxetine Hydrochloride Enteric Capsules and Telmisartan Tablets have won the bid for this centralized procurement. For details, please refer to the Company's announcement dated 3 February 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.hec-changjiang.com. The 2020 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management of the Company for their dedication and diligence, which are the key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all its shareholders.

CHANGE OF BUILDING NAME OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Board hereby announces that the building name of the Company's principal place of business in Hong Kong has been changed from "Sunlight Tower" to "Dah Sing Financial Centre", therefore the principal place of business of the Company in Hong Kong had been updated as 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong with effect from 19 March 2021.

Saved for the change of the building name, the physical location of the Company's principal place of business in Hong Kong remains unchanged. The Company's website, telephone number and facsimile number remain unchanged.

On behalf of the Board
YiChang HEC ChangJiang Pharmaceutical Co., Ltd.
TANG Xinfa
Chairman

Hubei, the PRC
19 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang; the non-executive directors are Mr. TANG Xinfa and Mr. Eddy HUANG; and the independent non-executive directors are Mr. TANG Jianxin, Mr. ZHAO Dayao, Ms. XIANG Ling and Mr. LI Xuechen.