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 2023

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023, the Group has recorded:

- Revenue of RMB6,294.59 million, representing an increase of 68.08% as compared to the year ended 31 December 2022.
- Profit before interest, taxation, depreciation and amortization of RMB2,745.44 million, representing an increase of 293.09% as compared to the year ended 31 December 2022.
- Profit and total comprehensive income attributable to equity shareholders of the Company of RMB1,992.62 million, representing an increase of 2,501.23% as compared to profit and total comprehensive income attributable to equity shareholders of the Company of RMB76.60 million for the year ended 31 December 2022.
- Basic and diluted earnings per share was RMB2.26 for the year ended 31 December 2023.

FINAL DIVIDEND

- The Board resolved not to recommend the payment of final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

RESULTS HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") 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 2023 (the "**Reporting Period**"), prepared in accordance with the International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	**6,294,585**	3,744,952
Cost of sales		**(1,308,821)**	(898,878)
Gross profit		**4,985,764**	2,846,074
Other net losses	4	**(499,800)**	(844,330)
Distribution costs		**(1,547,150)**	(1,216,590)
Administrative expenses		**(385,702)**	(338,452)
Research and development costs		**(192,287)**	(129,614)
(Recognition)/reversals on impairment loss of trade and other receivables		**(6,627)**	3,995
Other operating expenses		**–**	(15)
Profit from operations		**2,354,198**	321,068
Finance costs	5(a)	**(227,398)**	(281,646)
Share of loss of an associate		**(29)**	–
Profit before taxation	5	**2,126,771**	39,422
Income tax	6	**(270,945)**	9,817
Profit for the year		**1,855,826**	49,239
Profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**1,992,624**	76,603
Non-controlling interests		**(136,798)**	(27,364)
Profit and total comprehensive income for the year		**1,855,826**	49,239
Earnings per share	7		
Basic and diluted		**RMB2.26**	RMB0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023
(Expressed in Renminbi)

	Note	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
Non-current assets			
Fixed assets	*8*		
— Property, plant and equipment		**3,398,369**	3,169,613
— Right-of-use assets		**342,055**	349,152
		3,740,424	3,518,765
Intangible assets	*9*	**2,565,626**	2,920,646
Interests in an associate		**12,571**	–
Financial assets measured at fair value through profit or loss ("**FVPL**")		**19,587**	–
Prepayments	*10*	**115,379**	295,760
Deferred tax assets		**237,686**	140,609
		6,691,273	6,875,780
Current assets			
Inventories	*11*	**409,050**	315,027
Trade and other receivables	*12*	**2,112,798**	1,036,916
Prepayments		**270,809**	59,433
Financial assets measured at FVPL		**18,686**	290,000
Non-current assets held for sale		**–**	2,312,320
Restricted cash		**1,567,300**	76,781
Cash and cash equivalents		**1,674,413**	923,543
		6,053,056	5,014,020
Current liabilities			
Trade and other payables	*13*	**1,755,352**	1,718,222
Contract liabilities		**101,448**	75,386
Bank loans and other borrowings	*14*	**2,319,518**	223,343
Interest-bearing borrowings		**–**	2,906,963
Lease liabilities		**359**	–
Deferred income		**8,195**	8,195
Financial liabilities measured at FVPL		**1,139**	–
Current taxation		**146,209**	8,672
		4,332,220	4,940,781
Net current assets		**1,720,836**	73,239
Total assets less current liabilities		**8,412,109**	6,949,019

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*14*	**288,286**	691,529
Lease liabilities		**1,165**	–
Deferred income		**187,145**	187,489
		476,596	879,018
Net assets		**7,935,513**	6,070,001
Capital and reserves	*15*		
Share capital		**879,968**	879,968
Reserves		**7,055,545**	5,004,916
Total equity attributable to equity shareholders of the Company		**7,935,513**	5,884,884
Non-controlling interests		**–**	185,117
Total equity		**7,935,513**	6,070,001

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital	**Capital reserve**	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022	879,968	2,610,409	328,696	1,989,208	5,808,281	212,481	6,020,762
Changes in equity for 2022:							
Profit/(loss) and total comprehensive income for the year	–	–	–	76,603	76,603	(27,364)	49,239
Balance at 31 December 2022 and 1 January 2023	879,968	2,610,409	328,696	2,065,811	5,884,884	185,117	6,070,001
Changes in equity for 2023:							
Profit/(loss) and total comprehensive income for the year	–	–	–	1,992,624	1,992,624	(136,798)	1,855,826
Equity-settled share-based payment	–	45,136	–	–	45,136	–	45,136
Acquisition of non-controlling interests	–	12,869	–	–	12,869	(48,319)	(35,450)
Appropriation of statutory reserve	–	–	111,291	(111,291)	–	–	–
Balance at 31 December 2023	879,968	2,668,414	439,987	3,947,144	7,935,513	–	7,935,513

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION 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**") and the disclosure requirements of the Hong Kong Companies Ordinance. This financial information also comply 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 Group has applied the following amendments to IFRSs issued by the IASB to this financial information for the current accounting period:

- IFRS 17, *Insurance Contracts* and Amendment to IFRS 17, *Insurance Contracts*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *Income Taxes: International Tax Reform — Pillar Two Model Rules*

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 new and amended IFRSs are discussed below:

Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Other than the Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*, the other developments do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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 end 31 December 2023.

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 and the license fee. Revenue is after deduction of any trade discounts. The amount of each significant category of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of anti-viral drugs	**5,580,477**	3,116,059
Sales of endocrine and metabolic drugs	**164,174**	113,497
Sales of cardiovascular drugs	**184,117**	150,114
Sales of anti-infectives drugs	**106,919**	87,190
Sales of other medical products and license fee	**258,898**	278,092
	6,294,585	3,744,952

The Group's customer base is diversified and includes three customers (2022: three) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2023, 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 RMB3,533,998,000 (2022: RMB1,915,486,000).

4 OTHER NET LOSSES

	Note	**2023** *RMB'000*	2022 *RMB'000*
Impairment loss on intangible assets	9	**(485,393)**	(212,943)
Impairment loss on goodwill		**–**	(75,896)
Government grants			
— Unconditional subsidies		**8,778**	8,525
— Conditional subsidies		**8,195**	8,195
Interest income		**57,775**	6,739
Net loss on disposal of fixed assets		**(526)**	(820)
Fair value change on derivative financial instruments embedded in convertible bonds		**(79,796)**	(859,569)
Fair value change on investment in equity securities		**4,387**	522,699
Fair value change on foreign currency option contracts		**17,547**	–
Investment income from a trust investment scheme		**4,645**	–
Net foreign exchange loss		**(34,407)**	(241,432)
Others		**(1,005)**	172
		(499,800)	(844,330)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2023 *RMB'000*	2022 *RMB'000*
Interest on convertible bonds	**92,178**	257,329
Interest on bank loans and other borrowings	**142,768**	43,014
	234,946	300,343
Less: interest expense capitalised into construction in progress*	**(7,548)**	(18,697)
	227,398	281,646

* The borrowing costs have been capitalised at a rate of 3.60%–5.50% per annum (2022: 4.40%–5.39%).

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**714,304**	612,185
Contributions to defined contribution retirement benefit schemes	**38,001**	35,304
Equity-settled share-based payment expenses	**45,136**	–
	797,441	647,489

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.

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:

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provision for PRC CIT for the year	**368,088**	59,351
(Over)/under-provision for PRC CIT in respect of prior years	**(66)**	6,123
	368,022	65,474
Deferred tax		
Origination and reversal of temporary differences	**(97,077)**	(75,291)
Total income tax	**270,945**	(9,817)

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

	Note	**2023** *RMB'000*	2022 *RMB'000*
Profit before taxation		**2,126,771**	39,422
Applicable tax rate	*(i)*	**25%**	25%
Notional tax on profit before taxation		**531,693**	9,856
(Over)/under-provision for PRC CIT in respect of prior years		**(66)**	6,123
Tax effect of non-deductible expenses		**16,066**	46,891
Tax effect of preferential tax rate	*(ii)*	**(264,158)**	(33,446)
Tax effect of additional deduction of R&D expenses		**(26,709)**	(16,506)
Tax effect of additional deduction of expenditure for purchasing machinery and equipment		**–**	(13,779)
Tax effect of utilisations of tax losses for deferred tax asset not recognised in prior years		**(5,611)**	(36,571)
Tax effect of unused tax losses of deferred tax asset not recognised		**19,730**	27,615
Actual income tax		**270,945**	(9,817)

(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" for the years ended 31 December 2023 and 2022 and a subsidiary of the Company was recognised as "HNTE" for the year ended 31 December 2023, and they enjoyed a preferential CIT rate of 15% for the relevant years.

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 RMB1,992,624,000 (2022: RMB76,603,000) and the weighted average of 879,967,700 ordinary shares (2022: 879,967,700 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the year ended 31 December 2023, and therefore, diluted earnings per share is the same as the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2022 is same as the basic earnings per share as the potential conversion of the convertible bonds had an anti-dilutive effect on the basic earnings per share.

8 FIXED ASSETS

(a) Reconciliation of carrying amount

	Property, plant and equipment						Right-of-use assets			
	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*	Other properties leased for own use *RMB'000*	Sub-total *RMB'000*	Total *RMB'000*
Cost:										
At 1 January 2022	1,575,687	752,732	349,126	2,264	567,944	3,247,753	395,748	–	395,748	3,643,501
Additions	9,490	4,964	5,468	–	434,616	454,538	–	–	–	454,538
Transfer from construction in progress	110,319	37,971	178,818	–	(327,108)	–	–	–	–	–
Disposals	–	(3,026)	(3,203)	–	–	(6,229)	–	–	–	(6,229)
At 31 December 2022	1,695,496	792,641	530,209	2,264	675,452	3,696,062	395,748	–	395,748	4,091,810
Additions	3,271	4,231	4,047	849	380,516	392,914		1,874	1,874	394,788
Transfer from construction in progress	78,827	291,729	44,898	2,314	(417,768)	–	–	–	–	–
Disposals	–	(1,303)	(1,802)	–	–	(3,105)	–	–	–	(3,105)
At 31 December 2023	1,777,594	1,087,298	577,352	5,427	638,200	4,085,871	395,748	1,874	397,622	4,483,493
Accumulated depreciation:										
At 1 January 2022	(148,479)	(141,085)	(98,740)	(641)	–	(388,945)	(38,001)	–	(38,001)	(426,946)
Charge for the year	(51,779)	(49,022)	(40,943)	(215)	–	(141,959)	(8,595)	–	(8,595)	(150,554)
Written-back on disposals	–	1,986	2,469	–	–	4,455	–	–	–	4,455
At 31 December 2022	(200,258)	(188,121)	(137,214)	(856)	–	(526,449)	(46,596)	–	(46,596)	(573,045)
Charge for the year	(53,517)	(51,303)	(58,472)	(340)	–	(163,632)	(8,595)	(376)	(8,971)	(172,603)
Written-back on disposals	–	963	1,616	–	–	2,579	–	–	–	2,579
At 31 December 2023	(253,775)	(238,461)	(194,070)	(1,196)	–	(687,502)	(55,191)	(376)	(55,567)	(743,069)
Carrying amount:										
At 31 December 2023	1,523,819	848,837	383,282	4,231	638,200	3,398,369	340,557	1,498	342,055	3,740,424
At 31 December 2022	1,495,238	604,520	392,995	1,408	675,452	3,169,613	349,152	–	349,152	3,518,765

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

(ii) As at 31 December 2023, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB549,496,000 (2022: RMB544,900,000). 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 2023, amount of RMB254,041,000 (2022: RMB159,322,000) of the ownership interests in leasehold land held for own use, amount of RMB117,949,000 (2022: RMB409,075,000) of construction in progress, and amount of RMB667,593,000 (2022: RMB609,044,000) of plant and buildings were held in pledge for bank loans.

(iv) The Group sold some of its machinery and equipment to external parties and leased them back for terms of 2-3 years in 2022 and 2023. The Group determined the transfers to buyer-lessor were not considered as sales under IFRS15, thus the Group continues to recognise the underlying assets, and recognises financial liabilities for the considerations. No gain or loss were recognised from the sale and leaseback transactions for the year ended 31 December 2023(2022: nil). As at 31 December 2023, the carrying amounts of the plant and buildings and machinery pledged for the aforementioned sale and leaseback transactions were RMB327,463,000 (2022: RMB321,727,000).

(b) Right-of-use assets

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

	2023	2022
	RMB'000	*RMB'000*
Included in fixed assets:		
— Ownership interests in leasehold land held for own use	**340,557**	349,152
— Other properties leased for own use	**1,498**	–
	342,055	349,152

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

	2023	2022
	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	**8,595**	8,595
— Other properties leased for own use	**376**	–
	8,971	8,595
Expense relating to short-term leases	**7,232**	6,905
Interest on lease liabilities	**69**	–

9 INTANGIBLE ASSETS

		Hepatitis C drugs		Other Drugs			
		Patent	Capitalised development costs	Generic drug intellectual property rights	Insulin intellectual property rights	Capitalised development costs	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2022		848,021	174,015	1,469,757	150,963	1,027,331	3,670,087
Addition through internal development		–	497	–	–	69,125	69,622
Addition and transfer from prepayment	*10*	–	–	20,381	–	–	20,381
Transfer from development costs to patents		–	–	–	110,106	(110,106)	–
At 31 December 2022		848,021	174,512	1,490,138	261,069	986,350	3,760,090
Addition through internal development		–	–	–	–	204,908	204,908
Addition and transfer from prepayment	*10*	–	–	144,978	–	–	144,978
Transfer from development costs to patents		–	–	–	95,861	(95,861)	–
Abandonment		–	(174,512)	–	–	–	(174,512)
At 31 December 2023		848,021	–	1,635,116	356,930	1,095,397	3,935,464
Accumulated amortisation:							
At 1 January 2022		(169,782)	–	(192,879)	(9,452)	–	(372,113)
Charge for the year		(67,481)	–	(143,694)	(17,229)	–	(228,404)
At 31 December 2022		(237,263)	–	(336,573)	(26,681)	–	(600,517)
Charge for the year		(62,465)	–	(127,746)	(29,302)	–	(219,513)
At 31 December 2023		(299,728)	–	(464,319)	(55,983)	–	(820,030)
Impairment loss:							
At 1 January 2022		–	–	(25,984)	–	–	(25,984)
Recognised in the year		(20,399)	(22,599)	(169,945)	–	–	(212,943)
At 31 December 2022		(20,399)	(22,599)	(195,929)	–	–	(238,927)
Recognised in the year		(139,753)	(151,913)	(193,727)	–	–	(485,393)
Written-off		–	174,512	–	–	–	174,512
At 31 December 2023		(160,152)	–	(389,656)	–	–	(549,808)
Net book value:							
At 31 December 2023		388,141	–	781,141	300,947	1,095,397	2,565,626
At 31 December 2022		590,359	151,913	957,636	234,388	986,350	2,920,646

(i) The amortisation charge for the year was 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 2023, the intangible assets under development were not yet ready for intended use.

(iii) Due to the price of generic drugs decreased after they have been included in the national centralised procurement, new market competitors were introduced or the estimated distribution and production cost increased, the estimated recoverable amount of 13 (2022: 11) out of 31 generic drugs were less than their carrying amount as at 31 December 2023.

The differences were approximately RMB193,727,000 (2022: RMB169,945,000) in total based on the impairment evaluation result, which was recognised as impairment loss in the "other net losses".

10 PREPAYMENTS

	Note	**2023** ***RMB'000***	2022 *RMB'000*
Prepayments for intangible assets	*(i)*	**6,135**	109,691
Prepayments for property, plant and equipment		**109,244**	186,069
		115,379	295,760

(i) 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, several milestone payments totalling RMB577,888,000 and contingent payments of RMB487,930,000 subject to the future sales of the Target Products.

As at 31 December 2023, the Group had made accumulated payments of RMB1,641,250,000 (2022: RMB1,599,828,000) to Sunshine Lake Pharma. During the year ended 31 December 2023, RMB144,978,000 (2022: RMB20,381,000) was transferred to intangible assets after the NMPA approvals for 2 (2022: 1) out of the Target Products has been obtained. After the transfers, the outstanding prepayments to Sunshine Lake Pharma as at 31 December 2023 was RMB6,135,000 (2022: outstanding prepayments amounted to RMB109,691,000).

11 INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**253,741**	215,311
Work in progress	**75,898**	55,006
Finished goods	**74,570**	40,445
Goods in transit	**4,841**	4,265
	409,050	315,027

The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,063,056**	519,773
Write-down of inventories	**19,991**	53,782
Cost of inventories sold	**1,083,047**	573,555

12 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**2,000,557**	892,611
Bills receivable	**89,852**	124,377
Less: allowance for doubtful debts	**(17,798)**	(11,171)
	2,072,611	1,005,817
VAT recoverable	**20,565**	22,077
Other receivables	**22,750**	11,886
Less: allowance for doubtful debts	**(3,128)**	(2,864)
	40,187	31,099
Total	**2,112,798**	1,036,916

(i) Bills receivable with carrying value of RMB19,512,000 (2022: RMB10,667,000) were pledged as securities of bank loans of the Group as at 31 December 2023.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,803,219**	784,628
More than 3 months but within 1 year	**269,355**	221,137
More than 1 year	**37**	52
	2,072,611	1,005,817

13 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payable	**86,153**	70,765
Bills payable	**113,935**	96,622
Amounts due to related parties	**441**	13,409
VAT and other taxes payable	**151,134**	151,926
Accrued payroll and benefits	**229,408**	185,638
Accrued expenses	**660,281**	740,417
Accrued royalty fee	**356,669**	261,585
Other payables for purchasing fixed assets	**136,106**	172,111
Other payables	**21,225**	25,749
Financial liabilities measured at amortised cost	**1,755,352**	1,718,222

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**81,905**	72,397
Over 1 month but within 3 months	**47,178**	54,071
Over 3 months but within 1 year	**67,486**	39,179
Over 1 year	**3,519**	1,740
	200,088	167,387

14 BANK LOANS AND OTHER BORROWINGS

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current			
Bank loans	*14(a)*	**253,998**	629,029
Obligations arising from sale and leaseback transactions	*14(b)*	**34,288**	62,500
		288,286	691,529
Current			
Bank loans	*14(a)*	**2,165,438**	147,901
Obligations arising from sale and leaseback transactions	*14(b)*	**154,080**	75,442
		2,319,518	223,343
		2,607,804	914,872

(a) Bank loans

The analysis of the repayment schedule of bank loans is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**2,165,438**	147,901
After 1 year but within 2 years	**153,998**	96,291
After 2 years but within 5 years	**100,000**	467,513
After 5 years	**–**	65,225
Total	**2,419,436**	776,930

(b) Obligations arising from sale and leaseback transactions

Obligations arising from sale and leaseback transactions were repayable as below:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**160,966**	81,042
After 1 year but within 2 years	**18,412**	64,474
After 2 year but within 3 years	**18,412**	–
Total undiscounted obligations arising from sale and leaseback transactions	**197,790**	145,516
Less: total future interest expenses	**(9,422)**	(7,574)
Total	**188,368**	137,942

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends have been declared or paid by the Company during the years ended 31 December 2022 and 2023.

(b) Share capital

	2023		2022	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Ordinary shares, issued and fully paid:				
As at 1 January and 31 December	**879,967,700**	**879,968**	879,967,700	879,968

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY REVIEW

In 2023, the pharmaceutical industry experienced unprecedented changes and challenges. As the global population ages, the market demand for chronic disease medications continued to grow. Meanwhile, the recurring COVID-19 pandemic propelled the research and development as well as the production of anti-infective drugs. Against this backdrop, the focus of the pharmaceutical industry shifted towards the research and development of innovative drugs. In China, the policy environment for the pharmaceutical industry continued to optimize. The government introduced a series of policies related to the pharmaceutical industry, with a view to promote industry innovation, ensure steady drug supply, and maintain drug quality and safety standards. In particular, the revision and implementation of the new version of the Medical Reimbursement Drug List, along with the advancement of the centralized drug procurement system, had a profound impact on the pharmaceutical market.

Driven by these policies, significant progress were made in the research and development of innovative drugs in China. With the continuous development of biotechnology, the research and development cycle of innovative drugs has been shortened, and their efficacy has become more significant. This led to the approval and launch of several groundbreaking innovative drugs, offering more treatment options for patients.

Numerous pharmaceutical companies successfully developed innovative drugs with independent intellectual property rights and has achieved good sales performance in both domestic and international markets. These drugs not only addressed the unmet needs in the domestic market but also, to a certain degree, reduced the dependence on foreign new drugs.

The outbreak of COVID-19 pandemic led to a surge in demand for anti-infective drugs, prompting governments around the world to further invest in the research and development of anti-infective drugs. This has accelerated the launching of related drugs to the market.

As global population aging intensified, the demand for chronic disease drugs continued to grow, leading to an expansion of the chronic disease medication market. Number of patients with diabetes, and other chronic diseases has been increasing year by year, which catalyzes the growth of the chronic disease medication market.

The competition among pharmaceutical companies has become increasingly fierce, shifting from solely price competition to a comprehensive competition of overall strengths, including aspects such as research and development capabilities, production capacity, sales networks and brand image. This competitive landscape has urged pharmaceutical companies to transcend in order to meet the evolving market demands.

In 2023, the internationalization process of innovative drug industry in China also made significant progress. Various pharmaceutical companies successfully launched their independently developed innovative drugs in the international market and gained global recognition. Meanwhile, Chinese pharmaceutical companies actively participated in clinical trials of various international centers, strengthening their status in the international pharmaceutical field.

Looking forward, the pharmaceutical industry in China will continue to maintain a strong development momentum. With policy guidance and market demand as driving forces, pharmaceutical enterprises will put more emphasis on product innovation, research and development, expansion of international markets and enhancement of their core competitiveness. Meanwhile, with the continuous advancement of technology and the deepening of cross-sector collaboration, the pharmaceutical industry is poised for further growth and a promising future.

2. DEVELOPMENT STRATEGIES

As a company focusing on the development, production and sales of anti-infective drugs, and chronic diseases drugs, we are committed to aligning with latest industry trends. To this end, we have formulated the following development strategies:

(1) Expand the anti-infective drug product portfolio: In light of the growing market demand for anti-infective drugs, we will actively develop new anti-infective drugs and optimize the existing product mix, aiming to improve product quality and market competitiveness.

(2) Deepen the development of chronic disease medications: With the global trend of population aging, we will focus on strengthening the development of chronic disease medications, with the objective of launching safer and more effective treatment options for chronic diseases such as diabetes.

(3) Enhance industry cooperation and exchange: We will actively engage in cooperation and exchanges with industry renowned pharmaceutical companies and research institutions to jointly promote the innovation and development of the pharmaceutical industry. By introducing advanced technologies and management experience, we strive to enhance our comprehensive capabilities and market competitiveness.

(4) Improve marketing network: Based on market demand and product characteristics, we will further enhance our domestic marketing networks by strengthening brand building and promotion efforts to enhance brand recognition and reputation of our products. In addition, we are keen on to expand our online sales channels, thereby leveraging internet and big data technologies to optimize marketing efficiency and customer experience.

(5) Strengthen the quality management system: Quality remains as the cornerstone of an enterprise. Adhering strictly to the national standards of Good Manufacture Practice of Drugs GMP, we will develop and refine the quality management system to ensure our product quality remains at an industry-leading level. Through strengthening internal quality control and implementing external quality audits, we are dedicated to improving our quality management level.

(6) Promote green and sustainable development: Aligned with the national environmental protection policies, we will actively promote a strategy for green and sustainable development. We will use environmentally friendly materials and processes in production to reduce energy consumption and waste emissions. Meanwhile, we will strengthen environmental protection publicity and training, aiming to raise our employees' awareness for and skills for environmental protection.

II. BUSINESS REVIEW

1. Summary of Overall Results

For the year ended 31 December 2023, the Group's revenue amounted to RMB6,294.59 million, representing an increase of 68.08% as compared to the corresponding period in 2022. Profit and total comprehensive income attributable to equity shareholders of the Company for the year ended 31 December 2023 was RMB1,992.62 million, representing an increase of 2,501.23% as compared to that of RMB76.60 million for the year ended 31 December 2022. The increase was mainly due to the continuous efforts of the Group in strengthening academic promotion and brand building, brand recognition of the core product, Kewei, has been further enhanced, and all business pipelines have demonstrated good performances. The overall business has shown a trend of common development of multiple product lines.

In terms of specific performance, for the year ended 31 December 2023, revenue from Kewei (Oseltamivir Phosphate Capsules and Granules), Ertongshu (Benzbromarone Tablets), Oumeining (Telmisartan Tablets), Linluoxing (Moxifloxacin Hydrochloride Tablets) and Olmesartan Tablets, being the Company's core products, accounted for 87.53%, 1.51%, 1.24%, 0.71% and 0.66% of the total revenue, respectively. At the same time, as new pharmaceutical products are successively approved for launch, they further enriched the Group's product portfolio and offer medical choices with both high quality and fair price for patients.

(1) Anti-infective paediatrics business pipeline represented by Kewei (Oseltamivir Phosphate)

In 2023, the Group was continued to commit to academic promotion and brand building. In the in-hospital market, the Group has been increasing the activities in academic promotion to constantly strengthen the influence of Kewei among doctors and patients, especially paediatricians and parents. In the out-of-hospital market, the Group has been implementing the concept of brand building to establish Kewei as the No. 1 brand of anti-influenza drugs through active brand building and doctor-patient education over the years and to continuously enhance the brand recognition of Kewei among patients. Riding on the huge potential of the primary care market, secured by solid supply chain and brand influence, Kewei is set to embrace further market growth.

(2) Chronic disease business pipeline represented by insulin

The Group's chronic disease pipeline business represented by insulin entered into a period of rapid growth, which was fueled by the Group's continuous effort in strengthening its professional promotion team, introduction of elite reputable institutions, cultivating the primary care market and exploring new patients markets as one of its priorities. Currently, the Group has developed a customer base comprising approximately 9,000 institutions, laying a solid foundation for faster growth in the future.

(3) New Drugs Represented by Emitasvir Phosphate

The Group's new drugs business pipeline, represented by Emitasvir Phosphate, has attained a satisfactory business progress. The Action Plan Against Public Health Hazards and Hepatitis C (2021–2030) (《消除丙型肝炎公共衛生危害行動工作方案（2021–2030年）》) promulgated by nine departments including the National Health Commission in 2021 put forward an aim that, within a period of 10 years, the clinical cure rate of antiviral treatment for hepatitis C patients should attain at least 95%, and the treatment rate of chronic hepatitis C should attain at least 80%. With these goals in mind, the Group has conducted targeted development and promoted the establishment of diagnosis and treatment protocols in Henan, Sichuan, Jiangsu and many other provinces in the PRC, getting actively involved in the elimination of Hepatitis C. At this stage, Emitasvir Phosphate has been shortlisted in the National Medical Reimbursement Drug List.

(4) Centralized Procurement and New Retail Channel

As of the date of this announcement, a total of 12 of the Group's chemical generic drugs have been selected for national centralized procurement, and the centralized procurement business has become a fast-growing segment of the Group. With the gradual enrichment of the variety of Group's product profile, the Company also attached great importance to the construction of the new retail system. In 2023, the Group strives to develop its pharmaceutical new retail product profile through cooperating with parties including leading corporates and sizeable pharmacy chains, so that the growth of the out-of-hospital retail business could be driven by in-hospital prescriptions through the integration of online and offline sales channels for pharmaceutical new retail. Currently, the Group's new retail system has matured and formed a relatively stable business model. Pharmaceutical new retail is a very broad market, and the Company will continue to diversify its new retail product line, expand the market channels for pharmaceutical retail, and provide patients with more medical choices that are of high quality and at fair price.

2. R&D PROGRESS

The Group made outstanding R&D progress in the therapeutic areas of endocrine and metabolic diseases during 2023.

1. 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 planning, which covers both the second and the third generations of insulin.

The Group has a complete R&D system for insulin series products established in accordance with standards on biosimilar drugs adopted in Europe and the United States, the quality of which can be compared to innovated biological drugs. The Recombinant Human Insulin Injection, Insulin Glargine Injection, Insulin Aspart Injection, Insulin Aspart 30 Injection and Mixed Protamine Human Insulin Injection (30R) developed by the Group were approved for launching, and the results of clinical trials show that the statistics of those injection are highly consistent in terms of efficacy, safety and stability when compared with innovated biological drugs. The Group also has a comprehensive product line, covering the second and 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 for diabetes from Sunshine Lake Pharma Co., Ltd. ("**Sunshine Lake Pharma**"), save for Rongliflozin L-Pyroglutamic Acid, which is in course of applying for new drug launching approval, and Liraglutide, which is under the pending submission stage of new drug application, all drugs acquired have been approved for launch. Such products are expected to be launched soon and contribute significantly to our sales in the future, which will further increase the integrated strengths of the Group and improve the revenue structure of the Group.

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 revenue** *(%)*	**Percentage of R&D investment in operating costs** *(%)*
Rongliflozin L-Pyroglutamic Acid	197,110.94	–	197,110.94	3.13%	15.06%
Liraglutide	6,280.64	–	6,280.64	0.10%	0.48%

2. *Anti-infective area*

In respect of the anti-infective area, the Group is dedicated to the research and development of hepatitis C products with a holistic business planning, In particular, the new drug application for Emitasvir Phosphate, an innovative treatment for hepatitis C genotype 1, has been approved for launch. Furthermore, the new drug launch application for Yiqibuvir, a pan-genotypic regimen, has been accepted by the China National Medical Products Administration (the "**NMPA**").

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 RMB4,824.59 million, accounting for 76.65% of the total revenue;
- The revenue of Kewei (Oseltamivir Phosphate) Capsules amounted to RMB684.91 million, accounting for 10.88% of the total revenue;
- The revenue of Ertongshu (Benzbromarone Tablets) amounted to RMB94.97 million, accounting for 1.51% of the total revenue;
- The revenue of Oumeining (Telmisartan Tablets) amounted to RMB77.98 million, accounting for 1.24% of the total revenue;
- The revenue of Linluoxing (Moxifloxacin Hydrochloride Tablets) amounted to RMB44.97 million, accounting for 0.71% of the total revenue; and
- The revenue of Olmesartan Tablets amounted to RMB41.62 million, accounting for 0.66% of the total revenue.

The total revenue of the Group's above-mentioned six core products accounted for 91.65% of the total revenue of the Group during the Reporting Period.

Kewei, the Company's core product, is the first-line drug for treatment of influenza in the PRC, which can be used in the treatment and prevention of Influenza A and Influenza B and is listed in the Influenza Treatment Guidance (2020 version) (《流行性感冒診療方案(2020年版)》) and the National Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2023 Version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年)》).

During the Reporting Period, the Group adjusted the division of labour of the sales teams in accordance with the market demand, i.e. a self-operated sales team responsible for the academic promotion of core drugs in graded hospitals and primary medical institutions, a new retail sales team responsible for all drugs in chain pharmacies, non-bidding markets and online hospitals, and a centralized sales team responsible for centralized procurement of drugs by the PRC government. During the Reporting Period, the Company has started to expand its online pharmacy channel and cooperated with a number of well-known online channel operators. As of 31 December 2023, the Group has a total of 1,788 staff in its sales teams. The establishment and development of these multi-channel sales teams shall lay a solid foundation to the sales volume of the Group's product portfolio in all sales channels.

4. Production Review

The Group's Hubei Yidu production base is the production base for a full range of insulin products and the world's largest production base for oseltamivir phosphate. Our preparation factory in Hubei Yidu production base produces oral solid preparations and freeze-dried powder injections, which are mainly supplied to the domestic market. It has passed the GMP certification in the PRC, and its dosage forms include tablets, capsules, granules, dry suspension and freeze-dried powder injections, making it the world's largest oseltamivir phosphate preparation production base.

The Group is the largest supplier of oseltamivir phosphate, providing a reliable supply of national reserve drugs. Over the years, we have demonstrated strong production capacity and high standards in response to influenza pandemic. We have advanced facilities and strict production standards, and comply with GMP and other quality management systems. Our experienced team is capable of quickly adjusting production plans to ensure the continuity and stability of drug supply. We are committed to providing a reliable guarantee for the national drug reserve.

The Group adheres to the belief of "For Everyone's Health" and strives to provide high quality medicine to patients. With this belief in mind, 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 concerned about production safety and environmental protection. In respect of production safety, to ensure no occurrence of any material 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 2023, the Group recorded revenue of RMB6,294.59 million, representing an increase of 68.08% as compared to the corresponding period of 2022. During the Reporting Period, the sales volume of the Group's core product, Kewei (Oseltamivir Phosphate Capsules and Granules), amounted to RMB5,509.50 million, representing an increase of 78.15% as compared to the corresponding period of last year. The increase in sales volume of Kewei was mainly attributed to the gradually normalized footfall and daily social activities as well as the good recovery momentum in flow of people, the number of diagnosis and treatment activities and the volume of drug prescriptions in frontline medical institutions in 2023.

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

	Year ended 31 December				Change compared with last year
	2023		2022		
	(RMB'000)	%	*(RMB'000)*	%	(%)
Anti-viral drugs	**5,580,477**	**88.66%**	3,116,059	83.21%	**79.09%**
— Kewei (Oseltamivir Phosphate) Granules	**4,824,592**	**76.65%**	2,585,151	69.03%	**86.63%**
— Kewei (Oseltamivir Phosphate) Capsules	**684,911**	**10.88%**	507,554	13.55%	**34.94%**
Endocrine and metabolic drugs	**164,174**	**2.61%**	113,497	3.03%	**44.65%**
Anti-infective drugs	**106,919**	**1.70%**	87,190	2.33%	**22.63%**
Cardiovascular and cerebrovascular drugs	**184,117**	**2.92%**	150,114	4.01%	**22.65%**
Others	**258,898**	**4.11%**	278,092	7.42%	**-6.90%**
Total	**6,294,585**	**100%**	3,744,952	100%	**68.08%**

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 increased by 45.61% to RMB1,308.82 million for the year ended 31 December 2023 from RMB898.88 million for the year ended 31 December 2022, which was mainly due to the increase in sales volume of the Group's core product Kewei during the Reporting Period.

3. Gross Profit

For the year ended 31 December 2023, the Group's gross profit was RMB4,985.76 million, representing an increase of 75.18% as compared with RMB2,846.07 million for the year ended 31 December 2022. It was mainly due to the increase in sales volume of the Group's core product Kewei during the Reporting Period.

4. Other Net Losses

Other net losses/income of the Group mainly included (1) government subsidies; (2) interest income; (3) net foreign exchange loss; (4) fair value change on convertible bonds embedded in conversion option; (5) impairment loss on intangible assets and goodwill; and (6) other miscellaneous gains and losses.

For the year ended 31 December 2023, the Group's other net losses were RMB499.80 million, representing a decrease of RMB344.53 million as compared to other net losses of RMB844.33 million for the year ended 31 December 2022, which was due to the decrease in fair value change and exchange loss arising from convertible bonds, and partially offset by the increase in impairment losses on intangible assets.

5. Expenses Analysis

For the year ended 31 December 2023, the Group's total expenses amounted to RMB2,359.16 million, representing an increase of 20.22% as compared to RMB1,962.31 million for the year ended 31 December 2022. The main components of the Group's expenses are as follows:

	Year ended 31 December		
	2023 ***(RMB'000)***	2022 *(RMB'000)*	**Change compared to last year** ***(%)***
Distribution costs	**1,547,150**	1,216,590	**27.17%**
Administrative expenses	**385,702**	338,452	**13.96%**
Research and development cost	**192,287**	129,614	**48.35%**
Recognition/(reversal) of impairment loss on trade and other receivables	**6,627**	(3,995)	**–265.88%**
Finance costs	**227,398**	281,646	**–19.26%**
	2,359,164	1,962,307	**20.22%**

Distribution costs mainly consist of (1) marketing expenses relating to conducting academic promotion activities and other marketing activities; (2) travelling expenses for marketing purposes; (3) labour cost; and (4) other expenses. The increase in distribution costs was mainly due to (i) the corresponding increase in marketing costs driven by increase in sales of the Group's products; and (ii) an increase in marketing expenses and travelling expenses relating to the organization of academic promotion activities and other marketing activities.

Administrative expenses mainly consist of (1) salary and welfare benefits for the management and administrative personnel; (2) depreciation and amortization costs relating to our office facilities and land use rights; and (3) other miscellaneous expenses. The increase in administrative costs was mainly due to the increase in tax surcharges resulting from the sales increase in 2023.

For the year ended 31 December 2023, the Group's total investment in R&D amounted to RMB397.20 million, representing 6.31% of the revenue and an increase of 99.36% as compared to the corresponding period of last year, among which expenses recognised in profit or loss were RMB192.29 million and capitalized expenditures were RMB204.91 million.

Finance costs mainly consist of interest expense for bank loans and other borrowings and convertible bonds.

6. Profit Before Taxation

For the year ended 31 December 2023, the Group's profit before taxation amounted to RMB2,126.77 million in total, representing an increase of RMB2,087.35 million as compared to the profit before taxation of RMB39.42 million for the year ended 31 December 2022, which was mainly due to the increase in sales volume of core product Kewei.

7. Income Tax

For the year ended 31 December 2023, the income tax expenses of the Group amounted to RMB270.95 million, as compared to the income tax credit of RMB9.82 million for the year ended 31 December 2022, mainly due to the increase in the Group's profit before taxation.

8. Profit for the Reporting Period

For the year ended 31 December 2023, the Group recorded a net profit amounted to RMB1,855.83 million, representing an increase of RMB1,806.59 million as compared to the net profit of RMB49.24 million for the year ended 31 December 2022, which was mainly due to the increase in sales volume of core product Kewei.

9. Profit and Total Comprehensive Income attributable to Equity Shareholders of the Company

For the year ended 31 December 2023, profit and total comprehensive income attributable to equity shareholders of the Company was RMB1,992.62 million, representing an increase of 2,501.23% as compared to profit and total comprehensive income attributable to equity shareholders of the Company of RMB76.60 million for the year ended 31 December 2022, which was mainly due to the gradually normalized footfall and daily social activities as well as the good recovery momentum in flow of people, the number of diagnosis and treatment activities and the volume of drug prescriptions in frontline medical institutions in 2023, resulting in a significant recovery of the sales and a substantial increase in sales volume of Kewei, the core product of the Group.

IV. FINANCIAL POSITION

1. Overview

As at 31 December 2023, the Group's total assets amounted to RMB12,744.33 million, with liabilities of RMB4,808.82 million and shareholders' equity of RMB7,935.51 million.

As at 31 December 2023, the Group's capital is derived from sales of product and are used in production workshop 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	
	2023	2022
	RMB'000	*RMB'000*
Current assets		
Inventories	**409,050**	315,027
Trade and other receivables	**2,112,798**	1,036,916
Prepayments	**270,809**	59,433
Financial assets measured at FVPL	**18,686**	290,000
Non-current assets held for sale	**–**	2,312,320
Restricted cash	**1,567,300**	76,781
Cash and cash equivalents	**1,674,413**	923,543
Total current assets	**6,053,056**	5,014,020
Current liabilities		
Trade and other payables	**1,755,352**	1,718,222
Contract liabilities	**101,448**	75,386
Bank loans and other borrowings	**2,319,518**	223,343
Interest-bearing borrowings	**–**	2,906,963
Lease liabilities	**359**	–
Deferred income	**8,195**	8,195
Financial liabilities measured at FVPL	**1,139**	–
Current taxation	**146,209**	8,672
Total current liabilities	**4,332,220**	4,940,781
Net current assets	**1,720,836**	73,239

As at 31 December 2023, the Group recorded the total current assets of RMB6,053.06 million, as compared to RMB5,014.02 million as at 31 December 2022. During the Reporting Period, the current assets increased due to the increase in trade receivables derived from the sales of Kewei.

3. Intangible Assets

As at 31 December 2023, the Group's intangible assets was RMB2,565.63 million, representing a decrease of RMB355.02 million as compared to RMB2,920.65 million as at 31 December 2022. The decrease in intangible assets was mainly due to the amortization and impairment loss was recognised for some generic drugs and Hepatitis C drugs.

4. 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 2023 were 32.86% and 1.30 times, respectively. The gearing ratio and the quick ratio of the Group as at 31 December 2022 were 62.96% and 0.95 times, respectively.

5. Bank Loans and other borrowings

As at 31 December 2023, the Group's loans balance included RMB2,419.44 million of bank loan and RMB188.37 million of obligation arising from sales and lease back transactions, representing an increase of RMB1,692.94 million as compared to RMB914.87 million as at 31 December 2022. The Group is in good liquidity position with sufficient funding and has no repayment risk. The Group's bank loans were denominated in RMB and USD as at 31 December 2023.

6. Capital Expenditure

In order to meet the production demand for our products, the Group's aggregate capital expenditure for construction of plants and buildings, purchasing administration offices, machines and equipment, investment in the capitalised expenditure of development cost and acquired the ownership of approvals for purchasing, manufacturing and launching certain pharmaceutical products as at 31 December 2023 amounted to RMB595.08 million.

7. Contingent Liabilities

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2023.

8. Pledge of Assets

As at 31 December 2023, land use rights held for own use amounting to RMB254.04 million (2022: RMB159.32 million), fixed assets held for own use amounting to RMB995.06 million (2022: RMB930.77 million), construction in progress amounting to RMB117.95 million (2022: RMB409.08 million), bill receivables amounting to RMB19.51 million (2022: RMB10.67 million) and restricted cash amounting to RMB1,545.24 million (2022: nil) held by the Group were pledged for bank loans and other borrowings.

9. Employee and Remuneration Policies

(1) Human Resource Summary

As at 31 December 2023, the Group had a total of 4,618 employees. The staff costs, including Directors' emoluments but excluding any contributions to pension scheme, were approximately RMB714.30 million for the year ended 31 December 2023.

by age:

Age Distribution	**Number**	**Percentage**
30 or below	1,336	28.93%
31–50 (inclusive)	3,177	68.80%
Above 50	105	2.27%
Total	**4,618**	**100%**

by education:

Education Level	**Number**	**Percentage**
Master or above	108	2.34%
Bachelor	1,586	34.34%
Associate	1,482	32.09%
Vocational or below	1,442	31.23%
Total	**4,618**	**100%**

(2) Remuneration Policy

The objective of the Group's remuneration policy is to motivate and retain talented employees to ensure the Group's sustainable development. Such policy is determined by taking into consideration of 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 of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), 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

Looking forward, as the development direction of China's pharmaceutical industry is gradually shifting from generic drugs to innovation drugs, drug innovation has become the core competitiveness which supports the future development of enterprises. In order to capture opportunities in the fierce competition, pharmaceutical companies need to make continuous efforts in various aspects including product R&D, refinement of technical processing abilities, production and supply chain management and sales management. Meanwhile, pharmaceutical companies will have to be on top of market demands and trends of the pharmaceutical industry, effectively captivate opportunities in strategic targeted markets and consolidate its market position, grasp initiative of industry competition, thereby garnering sustainable development as its competitive edge.

The Company will continually increase its investment in drug R&D and accelerate the transformation of drug R&D into clinical applications in the therapeutic areas of anti-infective, endocrine and metabolic diseases. In addition, the Company will continue to strengthen its product R&D and innovation capabilities, constantly introduce new products and enrich the existing product portfolio to enhance the market competitiveness of its products.

The Company will also continue to optimize its scientific and sustainable marketing strategy, strengthen academic promotion and drug promotion activities, further promote its core products in graded hospitals and primary care markets, and strive to create a highly recognized business image and well-respected reputation in the domestic market, in order to lay a solid foundation for new products to be rapidly launched in the market in the future.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the 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 the Shareholders and investors to make the best investment decisions. The general meeting of the Company provides a platform for direct 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 2023 (for the year ended 31 December 2022: Nil).

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 2023 to be held on Friday, 7 June 2024 (the "**AGM**"), the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024 (both days inclusive), during which 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, 3 June 2024. The record date for the entitlement to attend and vote at the AGM is Tuesday, 4 June 2024.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

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 C1 of the Rules Governing the Listing Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period.

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 C3 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, all Directors and supervisors of the Company confirmed that each of them had fully complied with the Model Code during the Reporting Period.

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 2023 as set out in this 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 conclusion 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 Ms. XIANG Ling, 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 make independent recommendations on the effectiveness of our financial reporting procedures, internal control and risk management systems and maintaining good relationship with external auditors of the Group, so as to assist the Board in supervising the audit process and perform other responsibilities and related duties assigned by the Board. The Audit Committee has met with the external auditors of the Company and internal auditors, and reviewed 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 2023 annual results announcement and the financial statements for the year ended 31 December 2023 prepared in accordance with the IFRSs.

OTHER SIGNIFICANT EVENTS

1. Repurchase of the H Share Convertible Bonds

The Company entered into a bond purchase agreement with the bondholders (the "**Sellers**") of the US$400,000,000 3.0% H Share convertible bonds issued by the Company (the "**Bonds**") on 13 January 2023, pursuant to which the Company agreed to purchase certain Bonds (1) in the aggregate principal amount of US$28,911,534 from the Sellers at the total purchase price of US$40,000,000 on or before 31 January 2023 (the "**First Tranche of Repurchased Bonds**"); and (2) in the aggregate principal amount of US$43,118,778 from the Sellers at the total purchase price of US$60,000,000 on or before 28 February 2023 (the "**Second Tranche of Repurchased Bonds**"). The total purchase price was determined after arm's length negotiation between the Company and the Sellers.

On 27 February 2023, the Company further entered into a supplemental agreement with the Sellers in respect of the Second Tranche of Repurchased Bonds (the "**Supplemental Agreement**"), under which both parties agreed to revise the date of repurchase of part of the Second Tranche of Repurchased Bonds. Pursuant to the Supplemental Agreement, the Company agreed to complete the repurchase of the Second Tranche of Repurchased Bonds from the Sellers on or before 15 March 2023. The total purchase price for the Second Tranche of Repurchased Bonds remained unchanged at US$60,000,000.

On 9 March 2023, the Company entered into the third bond purchase agreement with the Sellers, pursuant to which the Company agreed to (i) purchase a portion of bonds in the aggregate principal amount of US$38,547,623 from the Sellers at the total purchase price of US$54,075,477 on or before 3 April 2023; and (ii) purchase a portion of bonds in the aggregate principal amount of US$194,161,057 from the Sellers at the total purchase price of US$278,191,332 on or before 30 June 2023 (the "**Third Partial Repurchase of Bonds**"). The total purchase price of the Third Partial Repurchase of Bonds was determined after arm's length negotiation between the Company and the Sellers.

On 30 June 2023, the Company and the Sellers further entered into a supplemental agreement to the third bond purchase agreement (the "**Further Supplemental Agreement**") in respect of the Second Tranche of Repurchased Bonds under the Third Partial Repurchase of Bonds, pursuant to which both parties agreed to change the aggregate purchase price of the Second Tranche of Repurchased Bonds from US$278,191,332 to US$263,191,332, and to complete the repurchase of the Second Tranche of Repurchased Bonds on or before 5 July 2023.

On 5 July 2023, the Company completed the repurchase under the Further Supplemental Agreement. Upon completion, the principal of the bonds has been fully repurchased, and the Sellers will no longer have any interests in the bonds and/or any rights arising therefrom.

Please refer to the announcements of the Company dated 13 January 2023, 27 February 2023, 9 March 2023, 30 June 2023 and 5 July 2023 for details.

2. Continuing Connected Transactions

On 10 February 2023, the Company and Shenzhen HEC Industrial Development Co., Ltd. ("**Shenzhen HEC Industrial**") entered into the Leasing and Other Services Framework Agreement, pursuant to which Shenzhen HEC Industrial will provide leasing of office buildings, warehouse, inspection and testing services, conference accommodation and other services to the Company during the three years ending 31 December 2025. The proposed annual caps under the Leasing and Other Services Framework Agreement for the three years ending 31 December 2025 are RMB12,383,300, RMB12,999,500 and RMB13,003,300, respectively.

On 10 February 2023, the Company and Shenzhen HEC Industrial entered into the APIs and Pharmaceutical Products Sales Framework Agreement, pursuant to which the Company agreed to sell APIs such as Esomeprazole Magnesium, Oseltamivir Phosphate, Olanzapine, Entacapone and Febuxostat to Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the APIs and Pharmaceutical Products Sales Framework Agreement for each of three years ending 31 December 2025 are RMB18,000,000, RMB20,000,000 and RMB22,000,000, respectively.

On 27 February 2023:

(1) the Company and Shenzhen HEC Industrial entered into the Energy Purchase Framework Agreement, pursuant to which the Company agreed to purchase electricity and steam power required for its production from Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the Energy Purchase Framework Agreement for each of the three years ending 31 December 2025 are RMB50,400,000, RMB56,750,000 and RMB56,750,000, respectively.

(2) the Company and Shenzhen HEC Industrial entered into the APIs Purchase Agreement, pursuant to which the Company agreed to purchase certain APIs such as Aripiprazole, Rivaroxaban, Escitalopram Oxalate, Clarithromycin from Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the APIs Purchase Agreement for each of the three years ending 31 December 2025 are RMB38,946,300, RMB53,786,800 and RMB75,442,100, respectively.

(3) the Company and Shenzhen HEC Industrial entered into the Packaging and Production Materials Purchase Framework Agreement, pursuant to which the Company agreed to purchase packaging materials for packaging and production of the drugs manufactured by the Group from Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the Packaging and Production Materials Purchase Framework Agreement for each of the three years ending 31 December 2025 are RMB40,600,000, RMB40,600,000 and RMB40,600,000, respectively.

(4) the Company and Shenzhen HEC Industrial entered into the Equipment Purchase and Civil Construction Framework Agreement, pursuant to which the Company agreed to purchase certain equipment and civil construction services from Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the Equipment Purchase and Civil Construction Framework Agreement for each of the three years ending 31 December 2025 are RMB27,050,000, RMB7,900,000 and RMB7,900,000, respectively.

(5) the Company and Shenzhen HEC Industrial entered into the Entrusted Processing Framework Agreement, pursuant to which the Company agreed to purchase processing services for its certain pharmaceutical products, including Olmesartan Tablets, Moxifloxacin Tablets, Clarithromycin Tablets, Aripiprazole Tablets, Levofloxacin Tablets, Rivaroxaban Tablets, Duloxetine Enteric-coated Capsules, Escitalopram Oxalate Tablets, Xadiafil Tablets, Aripiprazole Orally Disintegrating Tablets, Entacapone Tablets, Rongliflozin and other APIs from Shenzhen HEC Industrial during the three years ending 31 December 2025. The proposed annual caps under the Entrusted Processing Framework Agreement for each of the three years ending 31 December 2025 are RMB94,805,500, RMB108,832,000 and RMB139,468,200, respectively.

(6) the Company and Shenzhen HEC Industrial entered into the Equipment Sales Framework Agreement, pursuant to which the Company agreed to sell specific pharmaceutical production and inspection equipment (including Glatter fluidized bed), quality inspection equipment and other equipment to Shenzhen HEC Industrial. The proposed annual cap under the Equipment Sales Framework Agreement for the year ended 31 December 2023 is RMB30,496,500.

(7) the Company and Shenzhen HEC Industrial entered into the Entrusted Production and Inspection Services Framework Agreement, pursuant to which the Company agreed to provide production and inspection services to Shenzhen HEC Industrial during the three years ending 31 December 2025. The scope of the entrusted production and inspection services includes provision of production, inspection and testing services to Dong An Tai, Dong An Qiang, Dong An Rui, Dong Tong Shen, other generic drugs, other new drugs, insulin degludec/insulin aspart, insulin degludec/liraglutide injection and intermediates of generic drugs. The proposed annual caps under the Entrusted Production and Inspection Services Framework Agreement for each of the three years ending 31 December 2025 are RMB105,230,000, RMB68,992,000 and RMB49,250,000, respectively.

The abovementioned (1) Energy Purchase Framework Agreement, (2) APIs Purchase Agreement, (3) Packaging and Production Materials Purchase Framework Agreement, (4) Equipment Purchase and Civil Construction Framework Agreement, (5) Entrusted Processing Framework Agreement, (6) Equipment Sales Framework Agreement and (7) Entrusted Production and Inspection Services Framework Agreement and the transactions contemplated thereunder (including the respective annual caps) have been approved by the independent Shareholders at the annual general meeting of the Company for the year of 2022 held on 2 June 2023.

On 29 November 2023, the Company and Sunshine Lake Pharma entered into a drug R&D pipeline cooperation project framework agreement in relation to the proposed cooperation between the Company and Sunshine Lake Pharma on the R&D and commercialization of the undergoing and future R&D pipeline cooperation projects of Sunshine Lake Pharma in the PRC (the "**Framework Agreement**"). Pursuant to the Framework Agreement, the Company and Sunshine Lake Pharma agreed to cooperate in a series of drug R&D projects to jointly carry out the R&D of (i) 17 innovative drugs and (ii) small molecule generic drug ("**small molecule generic drug**") pipeline projects (tentatively 20 drugs) (the "**R&D pipeline cooperation projects**") in China. Sunshine Lake Pharma will formulate the R&D plan and be solely responsible for the R&D of the R&D pipeline cooperation projects. The Company will provide financial support solely for the clinical stage R&D expenses incurred by Sunshine Lake Pharma in the R&D pipeline cooperation projects (the "**R&D pipeline cooperation expenses**"). Pursuant to the Framework Agreement, the Company will provide maximum investment amount of R&D pipeline cooperation expenses for (i) innovative drugs of RMB150,000,000, RMB400,000,000, RMB400,000,000 and RMB250,000,000; and (ii) small molecule generic drugs of RMB25,000,000, RMB40,000,000, RMB40,000,000 and RMB10,000,000, for each of the period from the effective date to 31 December 2023, the two years ending 31 December 2024 and 2025, and the period from 1 January 2026 to the expiry date of the term of the Framework Agreement.

The above annual caps of the continuing connected transactions contemplated under the Framework Agreement were approved by the independent Shareholders at the third extraordinary general meeting for the year of 2023 held on 27 December 2023 (the "**Third EGM**").

Please refer to the announcements of the Company dated 10 February 2023, 27 February 2023, 2 June 2023, 29 November 2023 and 27 December 2023 and the circulars of the Company dated 17 May 2023 and 8 December 2023 for details.

3. Revision of Annual Caps of Continuing Connected Transactions

On 30 October 2023, the Board proposed to revise the annual caps for certain continuing connected transactions entered into with Shenzhen HEC Industrial as follows:

(1) It is expected that the Group's demand for energy will be higher in the fourth quarter of 2023 in light of the historical energy consumption pattern with higher demand for electricity in winter, and the fact that the insulin factory of the Group has commenced production. Accordingly, to satisfy the Group's energy demand for the year ended 31 December 2023, the Board proposed an upward adjustment of RMB940,000 for the annual cap under the Energy Purchase Framework Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the Energy Purchase Framework Agreement for the year ended 31 December 2023 was RMB51,340,000.

(2) As of 30 September 2023, the transaction amount under the APIs Purchase Agreement amounted to approximately RMB29,358,000, representing approximately 75.4% of the original annual cap for the year ended 31 December 2023 with only approximately one-fourth of the original annual cap available for the Group's drug production in the fourth quarter of 2023, and it is expected to be insufficient to meet the production demand of the Group in the fourth quarter of 2023. Therefore, in order to satisfy the Group's production needs for the fourth quarter of 2023, the Board proposed an upward adjustment of RMB18,411,800 for the annual cap under the APIs Purchase Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the APIs Purchase Agreement for the year ended 31 December 2023 was RMB57,358,100.

(3) As of 30 September 2023, the transaction amount under the Packaging and Production Materials Purchase Framework Agreement amounted to approximately RMB30,520,000, representing approximately 75.2% of the original annual cap for the year ended 31 December 2023 with only approximately one-fourth of the original annual cap available for the Group's drug production in the fourth quarter of 2023, and it is expected to be insufficient to meet the production demand of the Group in the fourth quarter of 2023. Therefore, in order to satisfy the Group's production needs for the fourth quarter of 2023, the Board proposed an upward adjustment of RMB3,380,000 for the annual cap under the Packaging and Production Materials Purchase Framework Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the Packaging and Production Materials Purchase Framework Agreement for the year ended 31 December 2023 was RMB43,980,000.

(4) In light of the recovering market sentiment in 2023, the Group has initiated more academic conferences and marketing events in order to capture the market opportunities. Accordingly, the expenses in rental for venue for hosting the relevant academic conferences and marketing events increased. After taking into consideration the marketing plan and conference schedule of the Group in the fourth quarter of 2023, the Board proposed an upward adjustment of RMB10,000,000 for the annual cap under the Leasing and Other Services Framework Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the Leasing and Other Services Framework Agreement for the year ended 31 December 2023 was RMB22,383,300.

(5) As of 30 September 2023, the Group has received invoices under the APIs and Pharmaceutical Products Sales Framework Agreement with an aggregate sum of approximately RMB12,553,000, representing 69.7% of the original annual cap for the year ended 31 December 2023. After taking into consideration the production needs of the Group, the Board proposed an upward adjustment of RMB12,818,500 for the annual cap under the APIs and Pharmaceutical Products Sales Framework Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the APIs and Pharmaceutical Products Sales Framework Agreement for the year ended 31 December 2023 was RMB30,818,500.

On 7 November 2023, the Board further proposed to revise the annual caps for certain continuing connected transactions entered into with Shenzhen HEC Industrial as follows:

(6) As of 30 September 2023, the transaction amount under the Entrusted Processing Framework Agreement amounted to approximately RMB66,246,900, representing approximately 69.9% of the original annual cap for the year ended 31 December 2023 with only approximately one-third of the original annual cap available for the purchasing Processing Service by the Group in the fourth quarter of 2023, and it is expected to be insufficient to meet the demand of Processing Services by the Group in the fourth quarter of 2023. Therefore, in order to satisfy the need of Processing Services to meet high market demand of certain pharmaceutical products, the Board proposed an upward adjustment of RMB11,000,000 for the annual cap under the Entrusted Processing Framework Agreement for the year ended 31 December 2023. Hence, the revised annual cap under the Entrusted Processing Framework Agreement for the year ended 31 December 2023 was RMB105,805,500.

(7) As disclosed in the Company's announcement dated 30 October 2023, as of 30 September 2023, the transaction amount under the APIs Purchase Agreement amounted to approximately RMB29,358,000, representing approximately 75.4% of the original annual cap for the year ended 31 December 2023. Therefore, in order to satisfy the Group's growing production needs and expected future expansion in the output level of the Group, in addition to the proposed revision of the annual cap under the APIs Purchase Agreement for the year ended 31 December 2023, the Board proposed an upward adjustment of RMB20,000,000 for the annual caps under the APIs Purchase Agreement for the years ended/ending 31 December 2023, 2024 and 2025, respectively. Hence, the revised annual caps under the APIs Purchase Agreement for the years ended/ending 31 December 2023, 2024 and 2025 will be RMB58,946,300, RMB73,786,800 and RMB95,442,100, respectively.

(8) As disclosed in the Company's announcement dated 30 October 2023, as of 30 September 2023, the transaction amount under the Packaging and Production Materials Purchase Framework Agreement amounted to approximately RMB30,520,000, representing approximately 75.2% of the original annual cap for the year ended 31 December 2023. With reference to the growing production capacity and expected future expansion of output level of the Group, in order to satisfy the Group's production needs, in addition to the proposed revision of the annual cap under the Packaging and Production Materials Purchase Framework Agreement for the year ended 31 December 2023, the Board proposed an upward adjustment of RMB8,000,000 for the annual caps under the Packaging and Production Materials Purchase Framework Agreement for the years ended/ ending 31 December 2023, 2024 and 2025. Hence, the revised annual caps under the Packaging and Production Materials Purchase Framework Agreement for the years ended/ending 31 December 2023, 2024 and 2025 will be RMB48,600,000, RMB48,600,000 and RMB48,600,000, respectively.

The revision to the annual caps of the continuing connected transactions mentioned under items (1) to (8) above has been approved by the independent Shareholders at the Third EGM.

Please refer to the announcements of the Company dated 30 October 2023, 7 November 2023 and 27 December 2023 and the circular of the Company dated 8 December 2023 for details.

4. **Change of Stock Short Name**

Due to the similarities between the stock short names of the Company and other pharmaceutical companies under the group formed by Shenzhen HEC Industrial and other subsidiaries (the "**HEC Group**"), in order to better distinguish the stock short names of the Company and other pharmaceutical companies of the HEC Group and reflect the uniqueness of the stock short name of the Company, the Company has changed its stock short name from "HEC PHARM" to "HEC CJ PHARM" in English and from "東陽光藥" to "東陽光長江藥業" in Chinese with effect from 9:00 a.m. on 25 May 2023. The English and Chinese names of the Company remains "YiChang HEC ChangJiang Pharmaceutical Co., Ltd." and "宜昌東陽光長江藥業股份有限公司", respectively, while the stock code for H shares on the Stock Exchange remains unchanged as "1558". The change of the stock short name of the Company does not affect the rights of the existing Shareholders of the Company.

Please refer to the announcement of the Company dated 19 May 2023 for details.

5. **Completion of the Major and Connected Transaction in relation to the Disposal of Target Equity in Sunshine Lake Pharma**

On 23 December 2022, the Company, Shenzhen HEC Industrial and Sunshine Lake Pharma entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which, the Company agreed to transfer and Shenzhen HEC Industrial agreed to acquire the capital contribution in the amount of RMB27,720,405 (representing 9.9134% of equity interest) in Sunshine Lake Pharma held by the Company at a consideration of RMB2,312,319,650 (the "**Consideration**"). All conditions precedents under the Equity Transfer Agreement have been fulfilled on 27 June 2023, the Company has received the Consideration under the Equity Transfer Agreement in full and the completion has taken place on 27 June 2023. Upon the completion, the Company ceased to hold any interest in Sunshine Lake Pharma.

Please refer to the announcements of the Company dated 23 December 2022 and 27 June 2023 and the circular dated 10 March 2023 for details.

6. **Resignation of an Executive Director, Proposed Appointment of an Executive Director and Proposed Amendments to the Articles of Association**

On 14 August 2023, Mr. CHEN Yangui, tendered his resignation as an executive Director due to his decision to devote more time to his other business commitments.

On the same date, the Board has resolved to nominate Mr. CHEN Hao as an executive Director. In addition, the Board proposed to make amendments to certain articles in the articles of association of the Company in light of the business development needs of the Company. The abovementioned appointment of Director and proposed amendments to the articles of association of the Company have been approved by the Shareholders at the second extraordinary general meeting of the Company for the year of 2023 held on 8 September 2023. The resignation of Mr. CHEN Yangui as the executive Director has also been effective from the same date upon which the appointment of Mr. CHEN Hao as the executive Director was approved.

Please refer to the announcements of the Company dated 14 August 2023 and 8 September 2023 and the circular of the Company dated 21 August 2023 for details.

7. **Application for Launching of Yiqibuvir Tablets being Accepted**

On 15 August 2023, the Company's self-researched and developed product, Yiqibuvir Tablets (0.3g) (the "**Yiqibuvir Tablets**"), has received the Notice of Acceptance issued by the NMPA, and the new drug application of the Product has been accepted. The Yiqibuvir Tablets is a Class 1 innovative drug in China, which is a NS5B polymerase inhibitor of Pan-genotypic chronic Hepatitis C treatment direct antiviral agent (DAA). In combination with Antaitasvir Capsules, the Yiqibuvir Tablets is used for the treatment of HCV infection in adults with genotypes 1, 2, 3, and 6 in primary or interferon-treated cases, which may or may not be comorbid with compensated cirrhosis. The Yiqibuvir Tablets has the advantages of high cure rate, high safety and not prone to develop drug resistance. Looking forward, if the application for approval of the launching of Yiqibuvir Tablets is granted by the NMPA, the Company's product portfolio in the field of antiviral drugs will be further enriched and enhance the Company's capability to provide patients with more affordable and quality drugs choices.

Please refer to the announcement of the Company dated 15 August 2023 for details.

8. **Mixed Protamine Human Insulin Injection (30R) Approved for Launch**

On 25 September 2023, the Company announced that Mixed Protamine Human Insulin Injection (30R) (the "**Mixed Protamine Human Insulin Injection**"), independently researched and developed by the Company, has undergone the assessment and approval process and obtained approval for launch from the NMPA. The Mixed Protamine Human Insulin Injection is a biological drug of the Group approved for launch. The cumulative research and development expense we invested in it was approximately RMB130.1 million. Moreover, the Group has long been involved in the treatment of diabetes with a comprehensive product plan and a complete product line in place. The Mixed Protamine Human Insulin Injection being successfully approved for launch will be beneficial for the expansion of the Group's business of treating endocrine and metabolic diseases and further enrich the Group's product portfolio.

Please refer to the announcement of the Company dated 25 September 2023 for details.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.hec-changjiang.com. The 2023 annual report of the Company containing all the information required by the Listing Rules 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 the Shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all Shareholders.

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

Hubei, the PRC
28 March 2024

As at the date of this announcement, the Board consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Hao and Mr. LI Shuang as executive Directors; Mr. TANG Xinfa as a non-executive Director; and Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors.

* *For identification purpose only*