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 2024

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2024, the Group has recorded:

- Revenue of RMB3,723.78 million, representing a decrease of 40.84% as compared to the year ended 31 December 2023.
- Profit before interest, taxation, depreciation and amortization of RMB1,070.42 million, representing a decrease of 61.01% as compared to the year ended 31 December 2023.
- Profit and total comprehensive income attributable to equity shareholders of the Company of RMB482.71 million, representing a decrease of 75.78% as compared to profit and total comprehensive income attributable to equity shareholders of the Company of RMB1,992.62 million for the year ended 31 December 2023.
- Basic and diluted earnings per share was RMB0.55 for the year ended 31 December 2024.

FINAL DIVIDEND

- The Board resolved not to recommend the payment of final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: nil).

SUMMARY OF OVERALL RESULTS

For the year ended 31 December 2024, the Group's revenue was RMB3,723.78 million and the total profit and comprehensive income attributable to equity holders of the Company was RMB482.71 million. The Group continued to conduct academic promotion campaigns and deepen "Kewei" brand building, formulated a series of sales strategies covering areas such as market expansion, pipeline optimisation, increased investment in advertising, brand building and marketing activities, and patient education, and continued to enhance the brand recognition and market growth of its core product, Kewei. In 2024, the Group's core product, Kewei, as the drug of choice for influenza, was affected to a certain extent due to the substantial decline in the influenza epidemic as compared to the corresponding period last year, but still maintained its leading position in the market. Meanwhile, other business pipelines have gradually entered the harvesting period, showing a rapid growth in 2024, in particular:

For the chronic disease business pipeline represented by insulin, all 5 insulin series products self-developed by the Group were approved for launching in 2024 and was awarded the bid for centralized bulk procurement, achieving revenue of RMB136.53 million, representing a significant increase of 101.14% as compared to the corresponding period last year. In addition to the insulin series products, the Group's application for new drug launch of Class I innovative drug SGLT-2 Inhibitor Oloriglifloz in (奥洛格列淨) for the treatment of type 2 diabetes has been successfully submitted. At present, as a crucial innovative drug in the field of diabetes treatment, SGLT-2 inhibitors have become the first-line oral drugs for the treatment of type 2 diabetes leveraging its unique mechanism of action and significant hypoglycemic effect. The market is in a stage of rapid growth, and the listing of Oloriglifloz in is expected to contribute considerably to the performance for the Group.

The Group's new drug business pipeline, represented by Emitasvir Phosphate, generated a revenue of RMB89.49 million in 2024, representing a significant increase of 120.06% when comparing with the corresponding period last year. Currently, the Group's Emitasvir Phosphate capsules, a Class I innovative drug, has been approved for launching and included in the National Medical Reimbursement Drug List. Meanwhile, Encofosbuvir Tablets, a Class I innovative drug for treating the Pan-genotypic chronic Hepatitis C, was officially approved for launching in March 2025. Encofosbuvir Tablets are used together with Netanasvir Phosphate Capsules for the treatment of chronic Hepatitis C virus (HCV) infection in adults. Netanasvir Phosphate Capsules was approved for launching in February 2025. The approval for launching of the Pan-genotypic chronic Hepatitis C treatment portfolios marks a significant breakthrough for the Group in new drug development. This milestone not only further strengthens our competitive edge in the field of hepatitis C treatment but also significantly enhances our leading position among domestic innovative pharmaceutical companies.

Centralized procurement and new retail business pipelines have also become indispensable business pipelines contributing to the cash flow of the Group. The Group has been currently awarded with the bid for centralised bulk procurement of 12 chemical generic drug products of different specifications, among which a number of products have maintained a good growth momentum.

RESULTS HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**" or "**our**") for the year ended 31 December 2024 (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 2024
(Expressed in Renminbi)

	Note	**2024** ***RMB'000***	2023 *RMB'000*
Revenue	*3*	**3,723,783**	6,294,585
Cost of sales		**(929,725)**	(1,308,821)
Gross profit		**2,794,058**	4,985,764
Other net income/(loss)	*4*	**31,773**	(499,800)
Distribution costs		**(1,153,994)**	(1,547,150)
Administrative expenses		**(385,374)**	(385,702)
Research and development costs		**(493,443)**	(192,287)
Recognition of impairment loss on trade and other receivables		**(118,539)**	(6,627)
Other operating expenses		**(12)**	–
Profit from operations		**674,469**	2,354,198
Finance costs	*5(a)*	**(97,529)**	(227,398)
Share of profit/(loss) of an associate		**293**	(29)
Profit before taxation	*5*	**577,233**	2,126,771
Income tax	*6*	**(94,521)**	(270,945)
Profit for the year		**482,712**	1,855,826
Profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**482,712**	1,992,624
Non-controlling interests		**–**	(136,798)
Profit and total comprehensive income for the year		**482,712**	1,855,826
Earnings per share	*7*		
Basic and diluted		**RMB0.55**	RMB2.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2024
(Expressed in Renminbi)

	Note	**31 December 2024** ***RMB'000***	31 December 2023 *RMB'000*
Non-current assets			
Fixed assets	*8*		
— Property, plant and equipment		**3,617,986**	3,398,369
— Right-of-use assets		**345,585**	342,055
		3,963,571	3,740,424
Intangible assets	*9*	**2,503,625**	2,565,626
Interests in an associate		**25,464**	12,571
Financial assets measured at fair value through profit or loss ("**FVPL**")		**17,066**	19,587
Prepayments	*10*	**650,078**	115,379
Deferred tax assets		**236,008**	237,686
		7,395,812	6,691,273
Current assets			
Inventories	*11*	**645,929**	409,050
Trade and other receivables	*12*	**2,257,335**	2,112,798
Prepayments		**326,910**	270,809
Financial assets measured at FVPL		**3,839**	18,686
Restricted cash		**395,613**	1,567,300
Cash and cash equivalents		**1,403,777**	1,674,413
		5,033,403	6,053,056

	Note	**31 December 2024** ***RMB'000***	31 December 2023 *RMB'000*
Current liabilities			
Trade and other payables	*13*	**1,467,646**	1,755,352
Contract liabilities		**29,546**	101,448
Bank loans and other borrowings	*14*	**1,331,611**	2,319,518
Lease liabilities		**3,418**	359
Deferred income		**8,079**	8,195
Financial liabilities measured at FVPL		**–**	1,139
Current taxation		**231**	146,209
		2,840,531	4,332,220
Net current assets		**2,192,872**	1,720,836
Total assets less current liabilities		**9,588,684**	8,412,109
Non-current liabilities			
Bank loans and other borrowings	*14*	**889,235**	288,286
Lease liabilities		**10,571**	1,165
Deferred income		**180,682**	187,145
		1,080,488	476,596
Net assets		**8,508,196**	7,935,513
Capital and reserves	*15*		
Share capital		**879,968**	879,968
Reserves		**7,628,228**	7,055,545
Total equity		**8,508,196**	7,935,513

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital *RMB'000*	**Capital reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 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 payments	–	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 and 1 January 2024	**879,968**	**2,668,414**	**439,987**	**3,947,144**	**7,935,513**	**–**	**7,935,513**
Changes in equity for 2024:							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**482,712**	**482,712**	**–**	**482,712**
Equity-settled share-based payments	**–**	**89,971**	**–**	**–**	**89,971**	**–**	**89,971**
Balance at 31 December 2024	**879,968**	**2,758,385**	**439,987**	**4,429,856**	**8,508,196**	**–**	**8,508,196**

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 IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Non-current Liabilities with Covenants* and Amendment to IAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*

These new and amended IFRSs Accounting Standards have not had a material effect on the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, 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 2024.

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:

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of anti-viral drugs	**2,584,574**	5,580,477
Sales of endocrine and metabolic drugs	**249,009**	164,174
Sales of cardiovascular drugs	**270,249**	184,117
Sales of anti-infectives drugs	**114,676**	106,919
Sales of other medical products and license fee	**505,275**	258,898
	3,723,783	6,294,585

The Group's customer base is diversified and includes four customers (2023: three) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2024, including sales to entities which are known to the Group to be under common control with single customer. Revenue from these customers amounted to approximately RMB1,894,720,000 (2023: RMB3,533,998,000).

4 OTHER NET INCOME/(LOSS)

	Note	**2024**	2023
		RMB'000	*RMB'000*
Impairment loss on intangible assets	*9*	**(86,518)**	(485,393)
Government grants			
— Unconditional subsidies		**17,608**	8,778
— Conditional subsidies		**8,079**	8,195
Interest income		**70,279**	57,775
Net gain/(loss) on disposal of fixed assets		**10,331**	(526)
Fair value change on derivative financial instruments embedded in convertible bonds		**–**	(79,796)
Fair value change on investment in equity securities		**(2,521)**	4,387
Fair value change on investment in a private fund		**734**	–
Net gain on foreign currency option contracts		**7,681**	17,547
Investment income from a trust investment scheme		**–**	4,645
Investment income from an investment in equity securities		**310**	–
Investment income from investment in a private fund		**8,105**	–
Net foreign exchange loss		**(2,889)**	(34,407)
Others		**574**	(1,005)
		31,773	(499,800)

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2024	2023
	RMB'000	*RMB'000*
Interest on convertible bonds	**–**	92,178
Interest on bank loans and other borrowings	**117,532**	142,768
	117,532	234,946
Less: interest expense capitalised into construction in progress*	**(20,003)**	(7,548)
	97,529	227,398

* The borrowing costs have been capitalised at a rate of 3.50%–5.40% per annum (2023: 3.60%–5.50%).

(b) Staff costs

	2024	2023
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**592,901**	714,304
Contributions to defined contribution retirement benefit schemes	**41,930**	38,001
Equity-settled share-based payments expenses	**89,971**	45,136
	724,802	797,441

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:

	2024	2023
	RMB'000	*RMB'000*
Current tax		
Provision for PRC CIT for the year	**86,751**	368,088
Under/(over)-provision for PRC CIT in respect of prior years	**6,092**	(66)
	92,843	368,022
Deferred tax		
Origination and reversal of temporary differences	**1,678**	(97,077)
Total income tax	**94,521**	270,945

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

	Note	**2024** ***RMB'000***	2023 *RMB'000*
Profit before taxation		**577,233**	2,126,771
Applicable tax rate	*(i)*	**25%**	25%
Notional tax on profit before taxation		**144,308**	531,693
Under/(over)-provision for PRC CIT in respect of prior years		**6,092**	(66)
Tax effect of non-deductible expenses		**22,365**	16,066
Tax effect of preferential tax rate	*(ii)*	**(68,547)**	(264,158)
Tax effect of additional deduction of R&D expenses		**(28,224)**	(26,709)
Tax effect of utilisations of tax losses for deferred tax assets not recognised in prior years		**(1,001)**	(5,611)
Tax effect of unused tax losses of deferred tax assets not recognised		**19,528**	19,730
Actual income tax		**94,521**	270,945

(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 and a subsidiary were recognised as "HNTE" for the years ended 31 December 2024 and 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 RMB482,712,000 (2023: RMB1,992,624,000) and the weighted average of 879,967,700 ordinary shares (2023: 879,967,700 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023, and therefore, diluted earnings per share is the same as the basic earnings per share.

8 FIXED ASSETS

(a) Reconciliation of carrying amount

	Property, plant and equipment						Right-of-use assets			
	Plant and Buildings	Machinery	Office equipment and others	Motor vehicles	Construction in progress	Sub-total	Ownership interests in leasehold land held for own use	Other properties leased for own use	Sub-total	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:										
At 1 January 2023	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
Additions	11,227	7,827	8,096	520	445,353	473,023	–	15,652	15,652	488,675
Transfer from construction in progress	58,279	106,391	92,227	97	(256,994)	–	–	–	–	–
Reclassification	(11,181)	3,875	7,306	–	–	–	–	–	–	–
Disposals	(60,354)	(9,342)	(2,468)	–	–	(72,164)	–	–	–	(72,164)
At 31 December 2024	1,775,565	1,196,049	682,513	6,044	826,559	4,486,730	395,748	17,526	413,274	4,900,004
Accumulated depreciation:										
At 1 January 2023	(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)
Charge for the year	(55,782)	(71,684)	(68,497)	(545)	–	(196,508)	(8,596)	(3,526)	(12,122)	(208,630)
Written-back on disposals	11,774	1,600	1,892	–	–	15,266	–	–	–	15,266
At 31 December 2024	(297,783)	(308,545)	(260,675)	(1,741)	–	(868,744)	(63,787)	(3,902)	(67,689)	(936,433)
Carrying amount:										
At 31 December 2024	1,477,782	887,504	421,838	4,303	826,559	3,617,986	331,961	13,624	345,585	3,963,571
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

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

(ii) As at 31 December 2024, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB271,583,000 (2023: RMB432,426,000). 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 2024, amount of RMB282,646,000 (2023: RMB254,041,000) of the ownership interests in leasehold land held for own use, amount of RMB228,404,000 (2023: RMB117,949,000) of construction in progress, and amount of RMB455,123,000 (2023: RMB667,593,000) 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 for the years ended 31 December 2023 and 2024. 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 received. No gain or loss were recognised from the sale and leaseback transactions for the year ended 31 December 2024 (2023: nil). As at 31 December 2024, the carrying amounts of the plant and buildings and machinery pledged for the aforementioned sale and leaseback transactions were RMB290,816,000 (2023: RMB327,463,000).

(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:

	2024	2023
	RMB'000	*RMB'000*
Included in fixed assets:		
— Ownership interests in leasehold land held for own use	**331,961**	340,557
— Other properties leased for own use	**13,624**	1,498
	345,585	342,055

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

	2024	2023
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:		
— Ownership interests in leasehold land held for own use	**8,596**	8,595
— Other properties leased for own use	**3,526**	376
	12,122	8,971
Expense relating to short-term leases	**6,373**	7,232
Interest on lease liabilities	**566**	69

9 INTANGIBLE ASSETS

	Note	Hepatitis C drugs		Other Drugs			
		Patents	Capitalised development costs	Generic drug intellectual property rights	Insulin intellectual property rights	Capitalised development costs	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2023		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 prepayments		–	–	144,978	–	–	144,978
Transfer from development costs to patents	*10*	–	–	–	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
Addition through internal development		–	–	–	–	99,952	99,952
Addition though cooperative R&D		–	–	–	–	112,048	112,048
At 31 December 2024		848,021	–	1,635,116	356,930	1,307,397	4,147,464
Accumulated amortisation:							
At 1 January 2023		(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)
Charge for the year		(40,502)	–	(111,288)	(35,693)	–	(187,483)
At 31 December 2024		(340,230)	–	(575,607)	(91,676)	–	(1,007,513)
Impairment loss:							
At 1 January 2023		(20,399)	(22,599)	(195,929)	–	–	(238,927)
Recognised in the year		(139,753)	(151,913)	(193,727)	–	–	(485,393)
Written-off	*(iii)*	–	174,512	–	–	–	174,512
At 31 December 2023		(160,152)	–	(389,656)	–	–	(549,808)
Recognised in the year	*(iii)*	–	–	(68,308)	–	(18,210)	(86,518)
At 31 December 2024		(160,152)	–	(457,964)	–	(18,210)	(636,326)
Net book value:							
At 31 December 2024		347,639	–	601,545	265,254	1,289,187	2,503,625
At 31 December 2023		388,141	–	781,141	300,947	1,095,397	2,565,626

(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 2024, the intangible assets under development were not yet ready for intended use.

(iii) Impairment review on the intangible assets of the Group has been conducted by the management as at 31 December 2024. For the purpose of impairment test, the recoverable amount of the intangible assets is determined based on value-in-use calculations. These calculations use the cash flow projections based on the financial forecasts approved by management, with reference to professional valuation reports issued by China Alliance Appraisal Co., Ltd. and Beijing KYSIN Assets Appraisal Co., Ltd., independent firms of professionally qualified valuers.

10 PREPAYMENTS

	Note	**2024** ***RMB'000***	2023 *RMB'000*
Prepayments for intangible assets	*(i)*	**6,135**	6,135
Prepayments for property, plant and equipment		**643,943**	109,244
		650,078	115,379

(i) In 2018 and 2019, the Company entered into two acquisition agreements with Sunshine Lake Pharma Co., Ltd. ("**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 2024, the Group had made accumulated payments of RMB1,641,250,000 (2023: RMB1,641,250,000) to Sunshine Lake Pharma. During the year ended 31 December 2024, there was no transfer of intangible assets (2023: RMB144,978,000) since no China National Medical Products Administration approvals out of the Target Products has been obtained (2023: 2). The outstanding prepayments to Sunshine Lake Pharma as at 31 December 2024 was RMB6,135,000 (2023: RMB6,135,000).

11 INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**364,271**	253,741
Work in progress	**104,825**	75,898
Finished goods	**174,060**	74,570
Goods in transit	**2,773**	4,841
	645,929	409,050

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

	2024	2023
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**818,797**	1,063,056
Write-down of inventories	**41,993**	19,991
Cost of inventories sold	**860,790**	1,083,047

12 TRADE AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**1,860,032**	2,000,557
Bills receivable	**380,894**	89,852
Less: allowance for doubtful debts	**(137,243)**	(17,798)
	2,103,683	2,072,611
Tax recoverable	**101,781**	20,565
Other receivables	**53,485**	22,750
Less: allowance for doubtful debts	**(1,614)**	(3,128)
	153,652	40,187
Total	**2,257,335**	2,112,798

(i) Bills receivable with carrying value of RMB105,843,000 (2023: RMB19,512,000) were pledged as securities of bank loans of the Group as at 31 December 2024.

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:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**1,226,400**	1,803,219
More than 3 months but within 1 year	**731,331**	269,355
More than 1 year	**145,952**	37
	2,103,683	2,072,611

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

13 TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payable	**133,610**	86,153
Bills payable	**43,676**	113,935
Amounts due to related parties	**343,319**	441
VAT and other taxes payable	**92,703**	151,134
Accrued payroll and benefits	**89,644**	229,408
Accrued expenses	**589,688**	660,281
Accrued royalty fee	**2,630**	356,669
Other payables for purchasing fixed assets	**154,303**	136,106
Other payables	**18,073**	21,225
Financial liabilities measured at amortised cost	**1,467,646**	1,755,352

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 month	**29,518**	81,905
Over 1 month but within 3 months	**59,135**	47,178
Over 3 months but within 1 year	**84,625**	67,486
Over 1 year	**4,008**	3,519
	177,286	200,088

14 BANK LOANS AND OTHER BORROWINGS

	Note	**2024** ***RMB'000***	2023 *RMB'000*
Non-current			
Bank loans	*14(a)*	**747,265**	253,998
Obligations arising from sale and leaseback transactions	*14(b)*	**141,970**	34,288
		889,235	288,286
Current			
Bank loans	*14(a)*	**1,173,706**	2,165,438
Obligations arising from sale and leaseback transactions	*14(b)*	**157,905**	154,080
		1,331,611	2,319,518
		2,220,846	2,607,804

(a) Bank loans

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

	2024 ***RMB'000***	2023 *RMB'000*
Within 1 year or on demand	**1,173,706**	2,165,438
After 1 year but within 2 years	**425,862**	153,998
After 2 years but within 5 years	**236,070**	100,000
After 5 years	**85,333**	–
Total	**1,920,971**	2,419,436

(b) Obligations arising from sale and leaseback transactions

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**168,540**	160,966
After 1 year but within 2 years	**128,924**	18,412
After 2 year but within 3 years	**18,336**	18,412
Total undiscounted obligations arising from sale and leaseback transactions	**315,800**	197,790
Less: total future interest expenses	**(15,925)**	(9,422)
Total	**299,875**	188,368

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends have been declared or paid by the Company during the years ended 31 December 2023 and 2024.

(b) Share capital

	2024		2023	
	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

1. INDUSTRY REVIEW

In 2024, the pharmaceutical industry faced new development opportunities and challenges amid ongoing transformation. The progression of aging population further intensified and the demand for chronic disease management continued to grow on a worldwide basis, which have promoted the R&D of related drugs and expansion of the market. Meanwhile, anti-infective drugs continued to maintain rapid development as a result of the potential threat of new type of infectious diseases and the mutation of existing diseases. Under such circumstances, precision medication and personalized treatments have become the core direction of industry innovation, while advanced technologies such as gene therapy and cellular therapy gradually advanced from laboratory testing to clinical application.

In 2024, the policy environment of the Chinese pharmaceutical industry has been further optimized and refined. The Chinese government has continued to step up its support for pharmaceutical innovation and introduced a series of favourable policies and measures to encourage the R&D of new drugs and accelerate their evaluation and approval. At the same time, the dynamic adjustment mechanism of the Medical Reimbursement Drug List has become more sophisticated, with more innovative drugs and high-value drugs being included in the scope of medical insurance reimbursement, thereby enhancing accessibility of different types of drugs to patients. The centralized drug procurement system has gradually achieved normalization and standardization in the course of further advancement, which further lowered drug prices, alleviated the burden on patients, and allowed enterprises to improve the quality and competitiveness of their products. In addition, the Chinese government has continued to strengthen its supervision over the entire life cycle of drugs, in particular, a series of new regulations were introduced in respect of the production quality management of drugs and supply chain safety to ensure the safety and efficacy of drugs.

An increasing number of Chinese pharmaceutical companies are accelerating their pace of internationalization, initiatives to expand into overseas markets were seen including entering into license-out agreements, overseas merger and acquisitions and etc., thereby speeding up their global outreach. By collaborating with multinational pharmaceutical companies, they are strengthening international cooperation to jointly develop new drugs and explore the market. With the accelerating pace of internationalization, the R&D strengths, product quality and international influence of Chinese pharmaceutical companies continued to rise, gradually positioning them at the center of the world stage.

The Chinese government places high importance on the pharmaceutical industry's responsibility towards environmental protection and sustainable development, and that the urge of promoting a green and low-carbon transformation, enhancement of resource conservation and recycling, and improvement of the transparency and fairness of the supply chain has been reinforced. Through the implementation of policies such as the "Green Manufacturing Action Plan for the Pharmaceutical Industry" (《醫藥行業綠色製造行動計劃》), the government has guided pharmaceutical companies to adopt clean production technologies, reduce pollutant emissions, lower energy consumption, as well as to encourage the development of environmental-friendly products. The deepening of environmental policies has prompted pharmaceutical companies to accelerate their transformation towards green manufacturing, optimizing production processes, improving resource utilization efficiency, and promoting green management across all aspects of the supply chain. This has not only strengthened the environmental awareness and sense of social responsibility of the pharmaceutical industry, but also provided robust support for the industry's sustainable development. In the long term, the green transformation will help pharmaceutical companies establish a positive brand image, enhance market competitiveness, and secure a more advantageous position in the global pharmaceutical market, contributing to the coordinated development of the economy, environment, and society.

In general, driven by policy support, technological innovation, and market demand, the pharmaceutical industry demonstrated a high-quality development momentum in 2024, and the industry is poised to face new challenges brought about by global competition and regulatory upgrades.

II. BUSINESS REVIEW

1. Summary of Overall Results

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

Relying on years of intensive cultivation in the fields of pediatrics and anti-infection, the Group's core product Kewei (oseltamivir phosphate) has accumulated profound brand value and extensive market influence, continuously consolidating its leading position in the domestic anti-influenza field and demonstrating strong competitive advantages. The Group relies on the "Kewei" brand and continues to deepen brand building, steadily increasing its brand awareness and market share through precise market strategies and diversified academic promotion activities.

In the in-hospital market, the Group continued to launch academic promotional activities, adhering to the sales philosophy of "tapping deep and widen coverage", focusing precisely on influenza patient groups, significantly increasing the prescription rate of influenza patients, and further expanding the scale of sales in medical institutions at all levels. At the same time, the Group actively expanded its sales channels and extended the market to grassroots medical institutions, continuously strengthening the brand influence of Kewei among doctors and patients, especially pediatricians and parents. In the out-of-hospital market, the Group has made every effort to promote the establishment and improvement of the out-of-hospital sales system and implement the concept of brand building. With years of in-depth efforts in the field of medical and patient education, the Group has built Kewei into the leading brand in the field of anti-influenza drugs. In the future, the Group will fully rely on the huge potential of the grassroots market, strong supply chain security and widely recognized brand influence to further enhance Kewei's market share and achieve sustainable product growth. At the same time, the Group will further enhance the production capacity of Kewei to make adequate preparations for any influenza outbreak, thereby significantly enhancing its control and response capabilities in the influenza market and further improving its market grasp.

In 2024, the Group carried out a comprehensive product, category and brand upgrade for its core brand "Kewei". By upgrading the market positioning of the "Kewei" series of products from "the first choice for the prevention and treatment of influenza" to "the cornerstone drug for the prevention and treatment of influenza", its brand image in the field of influenza treatment has been further strengthened, and the close connection between the brand and influenza treatment has been significantly enhanced. This strategic move not only enhanced the market competitiveness of the Kewei brand, but also significantly improved its brand awareness. In 2024, it successfully ranked 19th among the top 50 health brands in China, rising 17 places compared to 2023. In addition, Kewei was awarded three "best in the world" honors by the internationally renowned consulting firm Frost & Sullivan, including "best oseltamivir production base by scale in the world", "best in the world at oseltamivir cumulative production in five years" and "best in the world at oseltamivir cumulative shipments in five years". These honors not only demonstrate the leading position of Kewei in the global anti-influenza drug field, but also further consolidate its outstanding influence in the domestic market. In addition, the Group has also upgraded the process for improving the taste of Kewei granules, especially optimizing the medication experience for children. By improving the formula and production process, the taste of Kewei granules is made more suitable for children, which significantly improves children's medication compliance, further enhances the competitiveness of the Kewei brand in the children's medication market, and lays a solid foundation for the long-term development of the brand.

In terms of market foundation, the Group has further consolidated Kewei's leading market position by strengthening the refined management and organisational capacity building of the sales team. The hospital sales system strengthens daily management and capacity training by improving the product line management team, guiding the team to carry out daily work in an orderly manner, and continuously providing high-quality academic activities and publicity during the flu season. In the retail market, by strengthening the dynamic sales system, the institutions coverage rate of Kewei granules has continued to increase. At the same time, relying on the strong influence of the "Kewei" brand in the pediatric field, the Group actively deployed peripheral products that have synergistic effects with Kewei, and added a number of cooperative products, including Pediatric Paracetamol Granules, Pediatric Faropenem Granules and children's fever patch, to meet the diversified needs of children's medication and further consolidate the Group's brand position in the field of influenza treatment. In addition, the Group has also actively invested in the R&D of new influenza drugs by leveraging the strong R&D capabilities of its controlling shareholder. Through strategic development and extension of product lines, the "Kewei" brand has been expanded from the field of influenza treatment to the broader field of respiratory health, laying a solid foundation for the long-term development of the Group.

(2) Chronic disease business pipeline represented by insulin

As one of the Group's new performance growth curves, the chronic diseases business pipeline represented by insulin is gradually entering the harvest period, as the Group's insulin series products achieved revenue of RMB136.53 million in 2024, representing a significant increase of 101.14% when compared with the corresponding period last year, 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 optimizing the sales channels at all levels. During the Reporting Period, 5 of the Group's self-developed insulin products, namely Recombinant Human Insulin Injection, Insulin Glargine Injection, Insulin Aspart Injection, Insulin Aspart 30 Injection and Mixed Protamine Human Insulin Injection (30R) have all been approved for launching. Specifications of these products are highly consistent with the original biologics in terms of efficacy, safety and stability, and all 5 insulin products were awarded the bids for centralized bulk procurement. With further promotion of insulin series products, it is expected to contribute considerably to the Company's chronic disease business pipeline.

The Group has a complete diabetes product line, and in addition to insulin products, the Group's products under development are also progressing smoothly, especially the application for new drug launch of Class I innovative drug SGLT-2 Inhibitor Oloriglifl ozin for the treatment of type 2 diabetes has been submitted. As an important innovative drug in the current field of diabetes treatment, SGLT-2 inhibitors have become the first-line oral drugs for the treatment of type 2 diabetes due to their unique mechanism of action and significant hypoglycemic effects, and the market is in a stage of rapid growth. In the future, the launch of Oloriglifl ozin is expected to further enrich the Group's diabetes product pipeline, enhance the Group's market competitiveness in the field of diabetes treatment, and bring significant performance growth to the Group.

In the field of chronic diseases, in 2024, the Group has successfully held a number of large-scale academic conferences with national influence. Through the activities of "Entering Sunshine Lake Pharma", meetings in various cities and hospital department and other methods, with the aid of the Group's high-quality diabetes treatment drugs, the awareness of the Group's products in the field of diabetes has been further improved. At the same time, the Company clearly established a patient-centered service system, provided high-quality chronic disease management services, and made full use of the national centralized procurement policy to provide patients with high-quality and affordable treatment drugs in the field of diabetes.

(3) New drug business pipeline represented by Emitasvir Phosphate

As the Group's first Class I innovative drug being approved, Emitasvir Phosphate capsules have achieved excellent performance in the market due to their excellent efficacy and safety. The revenue in 2024 was approximately RMB89.49 million, representing a significant increase of 120.06% when compared to the corresponding period last year. Since its approval for launching at the end of 2020, the market penetration rate of Emitasvir Phosphate capsules has continued to increase, and the number of patients treated has shown a good trend of continuous growth.

In 2022, Emitasvir Phosphate capsules were successfully included in the National Medical Reimbursement Drug List, further enhancing its recognition and accessibility in the medical community. With its high cure rate of 99.8% (SVR12) and good tolerability, the drug has won wide recognition from doctors and patients due to its excellent efficacy and safety. Currently, in terms of market performance, the cumulative sales scale of Emitasvir Phosphate capsules has reached more than 100 million, and the market share has also increased significantly, successfully ranking among the top three in the industry in 2024. The outstanding performance of Emitasvir Phosphate capsules is not only due to its own product advantages, but also inseparable from the Group's deep foundation and extensive market layout in the anti-infective field. In the future, as the hepatitis C treatment market continues to grow, Emitasvir Phosphate capsules are expected to bring greater performance contribution to the Group.

In 2023, the total number of confirmed cases of chronic hepatitis C patients in China was approximately 2.6 million, and it was expected to reach 2.8 million by 2026 and 3.1 million by 2030, respectively. The current diagnosis rate of chronic hepatitis C remains relatively low, with a conservative estimation of the potential number of patients falling within the range of tens of millions. 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%. Based on this goal, the next 10 years will be a golden period for the Hepatitis C treatment market.

In the domestic field of hepatitis C treatment, in addition to the Group, only a few domestic pharmaceutical companies like Gilead are committed to the field of hepatitis C and still proactively deployed in this field. Relying on years of deep cultivation in the field of anti-infection, the Group not only has a complete product portfolio, but also shows stronger competitive advantages in the primary treatment market, and has potential of being a leading enterprise in China's hepatitis C drug market. The Group's Encofosbuvir Tablets, a Class I innovative drug for the treatment of Pan-genotypic chronic Hepatitis C, was officially approved for launching in March 2025. This drug is used in combination with Netanasvir Phosphate capsules to treat chronic hepatitis C virus (HCV) infection in adults. Netanasvir Phosphate capsules was officially approved in February 2025. The approval for launching of the Pan-genotypic chronic hepatitis C treatment portfolios marks a significant breakthrough for the Group in new drug development. This milestone not only further strengthens our competitive edge in the field of hepatitis C treatment but also significantly strengthened our leading position among innovative pharmaceutical companies in China.

In the future, the Group will continue to leverage the strong research and development capabilities of the controlling shareholder, to continuously expand its new drug product pipeline, to further consolidate the Group's leading position amongst the innovative pharmaceutical companies in China, meanwhile providing a solid guarantee for the commercialization of its new drug business line.

(4) Centralised Procurement and New Retail business pipeline

Centralized procurement and new retail lines have become one of the Company's core cashflow business pipelines. Currently, the Group has been awarded the bids for a total of 12 different types of chemical generic products in the national centralized procurement. The centralized procurement business as a whole shows characteristics such as low sales expense ratio and steady increase in revenue. In 2024, the Group's selected and centrally procured products showed good growth performance as a whole.

With its rich product portfolio, the Group actively deploys national centralized mass procurement. In the future, the Group will further optimize its revenue structure and increase its market share leveraging the centralized procurement policy. At the same time, the in-hospital sales of centralized purchasing products also contributed positively towards the construction of a new retail system. At present, the Group's new retail system has gradually matured and has formed a relatively more stable business model. Through cooperation with leading commercial companies and large chain pharmacies, the Group utilises in-hospital prescriptions to drive the growth of out-of-hospital retail business. The new retail of medicine market demonstrates immense potential, and the Group will continue to expand the new retail product line, increase the market channels of pharmaceutical retail, and provide patients with more drug choices with excellent quality and at affordable price.

2. R&D PROGRESS

The Group made outstanding R&D progress in the areas of chronic diseases during 2024.

The Group has acquired multiple drugs for diabetes from Sunshine Lake Pharma Co., Ltd. ("**Sunshine Lake Pharma**"), and Oloriglifloxin is in course of applying for new drug launching approval. 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 *(%)*
Oloriglifloxin	113,826.12	14,520.82	99,305.30	3.06	12.24

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 RMB2,181.51 million, accounting for 58.58% of the total revenue;
- The revenue of Kewei (Oseltamivir Phosphate) Capsules amounted to RMB306.95 million, accounting for 8.24% of the total revenue;
- The revenue of Oumeining (Telmisartan Tablets) amounted to RMB110.28 million, accounting for 2.96% of the total revenue;
- The revenue of Ertongshu (Benzbromarone Tablets) amounted to RMB109.53 million, accounting for 2.94% of the total revenue; and
- The revenue of Emitasvir Phosphate Capsules amounted to RMB89.49 million, accounting for 2.40% of the total revenue.

The total revenue of the above-mentioned core products accounted for 75.12% 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 2024, the Group has a total of 1,854 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 national Good Manufacture Practice of Drugs (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 in China, providing a solid guarantee for the supply of national reserve drugs. Over the years, we have demonstrated strong production capacity and high standards in response to influenza pandemic. Our factory is capable of quickly adjusting the production plans and adapting to work at full capacity, to meet the market supply in case of a large-scale outbreak of influenza across the country, and make every effort to meet public demand for medication. We have advanced facilities and strict production standards, complying with GMP and other quality management systems. In order to strengthen the quality management system in the future, we will strictly adhere to the GMP requirements. We will further develop and refine the quality management system to ensure that every aspect of our production complies with international standards and domestic regulations. Through enhancing internal audits, staff trainings and implementing external quality audits, we are dedicated to improving the Company's quality management level. Meanwhile, we are committed to providing a reliable foundation for the national drug reserve with higher standards and more stringent requirements, to ensure the continuity and stability of drug supply, increasing our commitment to national health.

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 terms of environmental protection management, the Group takes environmental protection as its responsibility and adheres to green production. It has adopted targeted treatment for various pollutants generated in the production process so as to achieve environmental protection and at the same time realise the reuse of resources. In the future, the Group will promote green and sustainable development, actively implement the concept of green development, and integrate such concept into all aspects of its business operations. With a view to improving resource utilisation while reducing energy consumption and minimising the discharge of pollutants, the Group will optimise its production processes and adopt advanced production techniques and equipment. It will also classify and collect, conduct harmless treatment and implement resource utilisation of wastes generated in the production process to realise the reduction, recycling and harmlessness of wastes. The Group will enhance the transparency of its supply chain by establishing a drug traceability system, and raise the environmental awareness together with the sense of responsibility of its employees through improving staff training on environmental protection awareness.

III. OPERATING RESULTS AND ANALYSIS

1. Revenue

For the year ended 31 December 2024, the Group's revenue was RMB3,723.78 million and the total profit and comprehensive income attributable to equity holders of the Company was RMB482.71 million. The Group continued to conduct academic promotion campaigns and deepen "Kewei" brand building, formulated a series of sales strategies covering areas such as market expansion, pipeline optimisation, increased investment in advertising, brand building and marketing activities, and patient education, and continued to enhance the brand recognition and market growth of its core product, Kewei. In 2024, the Group's core product, Kewei, as the drug of choice for influenza, was affected to a certain extent due to the substantial decline in the influenza epidemic as compared to the corresponding period last year, but still maintained its leading position in the market. Meanwhile, other business pipelines have gradually entered the harvesting period, showing a rapid growth in 2024.

2. Cost of Sales

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

The Group's cost of sales decreased by 28.96% to RMB929.73 million for the year ended 31 December 2024 from RMB1,308.82 million for the year ended 31 December 2023, which was mainly due to the decrease in sales volume of the Group's core product Kewei during the Reporting Period.

3. Gross Profit

For the year ended 31 December 2024, the Group's gross profit was RMB2,794.06 million, representing a decrease of 43.96% as compared with RMB4,985.76 million for the year ended 31 December 2023. It was mainly due to the decrease in sales volume of the Group's core product Kewei during the Reporting Period.

4. Other Net Income/(Loss)

Other net income/loss of the Group mainly included (1) government subsidies, primarily representing amortization of government subsidies for the construction of the production line for Kewei recognized by instalments in accordance with accounting standards, and other subsidies or incentives granted by the local government; (2) interest income; (3) net foreign exchange; (4) net profit or loss from disposal of fixed assets; and (5) other miscellaneous gains.

For the year ended 31 December 2024, the Group's other net income was RMB31.77 million, representing an increase of RMB531.57 million as compared to other net expenses of RMB499.80 million for the year ended 31 December 2023, which was mainly due to the decrease in impairment loss on intangible assets and net foreign exchange loss of the Group in 2024, which resulted in a decrease in loss on fair value change of derivative financial instruments embedded in convertible bonds.

5. Expenses Analysis

For the year ended 31 December 2024, the Group's total expenses amounted to RMB2,248.88 million, representing a decrease of 4.67% as compared to RMB2,359.16 million for the year ended 31 December 2023. The main components of the Group's expenses are as follows:

	Year ended 31 December		
	2024	2023	**Change compared to last year**
	(RMB'000)	*(RMB'000)*	***(%)***
Distribution costs	**1,153,994**	1,547,150	**-25.41%**
Administrative expenses	**385,374**	385,702	**-0.09%**
Research and development cost	**493,443**	192,287	**156.62%**
Recognition of impairment loss on trade and other receivables	**118,539**	6,627	**1,688.73%**
Finance costs	**97,529**	227,398	**-57.11%**
	2,248,879	2,359,164	**-4.67%**

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 decrease in distribution costs was mainly due to (i) the corresponding decrease in marketing costs driven by decrease in sales of the Group's products.

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) taxes and surcharges and other miscellaneous costs.

For the year ended 31 December 2024, the Group's total investment in R&D amounted to RMB687.23 million, representing 18.46% of the revenue and an increase of 103.77% as compared to the corresponding period of last year, among which expenses recognised in profit or loss were RMB493.44 million and capitalized expenditures were RMB193.79 million.

The impairment loss on trade and other receivables amounted to RMB118.54 million is recognized based on the expected credit loss model. The amount increased as compared to last year mainly due to the increased long-aged trade receivables.

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 2024, the Group's profit before taxation amounted to RMB577.23 million in total, representing a decrease of RMB1,549.54 million as compared to the profit before taxation of RMB2,126.77 million for the year ended 31 December 2023, which was mainly due to the decrease in sales volume of core product Kewei.

7. Income Tax

For the year ended 31 December 2024, the income tax expenses of the Group amounted to RMB94.52 million, representing a decrease of RMB176.43 million as compared to the income tax expenses of RMB270.95 million for the year ended 31 December 2023, mainly due to the decrease in the Group's profit before taxation.

8. Profit for the Reporting Period

For the year ended 31 December 2024, the Group recorded a net profit amounted to RMB482.71 million, representing a decrease of RMB1,373.11 million as compared to the net profit of RMB1,855.83 million for the year ended 31 December 2023, which was mainly due to the decrease 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 2024, profit and total comprehensive income attributable to equity shareholders of the Company was RMB482.71 million, representing a decrease of 75.78% as compared to profit and total comprehensive income attributable to equity shareholders of the Company of RMB1,992.62 million for the year ended 31 December 2023, which was mainly due to the decrease in sales of core product Kewei.

IV. FINANCIAL POSITION

1. Overview

As at 31 December 2024, the Group's total assets amounted to RMB12,429.22 million, with liabilities of RMB3,921.02 million and shareholders' equity of RMB8,508.20 million.

As at 31 December 2024, 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	
	2024	2023
	RMB'000	*RMB'000*
Current assets		
Inventories	**645,929**	409,050
Trade and other receivables	**2,257,335**	2,112,798
Prepayments	**326,910**	270,809
Financial assets measured at FVPL	**3,839**	18,686
Restricted cash	**395,613**	1,567,300
Cash and cash equivalents	**1,403,777**	1,674,413
Total current assets	**5,033,403**	6,053,056
Current liabilities		
Trade and other payables	**1,467,646**	1,755,352
Contract liabilities	**29,546**	101,448
Bank loans and other borrowings	**1,331,611**	2,319,518
Lease liabilities	**3,418**	359
Deferred income	**8,079**	8,195
Financial liabilities measured at FVPL	**–**	1,139
Current taxation	**231**	146,209
Total current liabilities	**2,840,531**	4,332,220
Net current assets	**2,192,872**	1,720,836

As at 31 December 2024, the Group recorded the total current assets of RMB5,033.40 million, as compared to RMB6,053.06 million as at 31 December 2023.

3. Intangible Assets

As at 31 December 2024, the Group's intangible assets was RMB2,503.63 million, representing a decrease of RMB62.00 million as compared to RMB2,565.63 million as at 31 December 2023. This was due to the increase in the amount of development costs for some of the drug collaborative R&D pipeline projects and the new drug project for Oloriglifloz in, partially offset by the depreciation of intangible assets and the impairment of some of the generic drugs, which resulted in the decrease in the amount of intangible assets.

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 2024 were 26.10% and 1.54 times, respectively. The gearing ratio and the quick ratio of the Group as at 31 December 2023 were 32.86% and 1.30 times, respectively.

5. Bank Loans and other borrowings

As at 31 December 2024, the Group's loans balance of other borrowings included RMB1,920.97 million of bank loans and RMB299.88 million of obligation arising from sale and leaseback transactions, representing a decrease of RMB386.97 million as compared to RMB2,607.81 million as at 31 December 2023. The Group is in good liquidity position with sufficient funding and has no repayment risk. The Group's bank loans were denominated in RMB as at 31 December 2024.

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 2024 amounted to RMB1,182.10 million.

7. Contingent Liabilities

The Group had no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2024.

8. Pledge of Assets

As at 31 December 2024, land use rights held for own use amounting to RMB282.65 million (2023: RMB254.04 million), fixed assets held for own use amounting to RMB745.94 million (2023: RMB995.06 million), construction in progress amounting to RMB228.40 million (2023: RMB117.95 million), bill receivables amounting to RMB105.84 million (2023: RMB19.51 million) and restricted cash amounting to RMB244.51 million (2023: 1,545,24) held by the Group were pledged to the bank for bank loans and other borrowings.

9. Employee and Remuneration Policies

(1) Human Resource Summary

As at 31 December 2024, the Group had a total of 4,861 employees. For the year ended 31 December 2024, staff costs (including Directors' emoluments but excluding any pension scheme contributions) were approximately RMB592.90 million.

by age:

Age distribution	**Number**	**Percentage**
30 or below	1,376	28.31%
31–50 (inclusive)	3,358	69.08%
Above 50	127	2.61%
Total	**4,861**	**100%**

by education:

Education Level	**Number**	**Percentage**
Master or above	145	2.98%
Bachelor	1,714	35.26%
Associate	1,541	31.70%
Vocational or below	1,461	30.06%
Total	**4,861**	**100%**

(2) Remuneration Policy

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

(3) Employee Benefits

The Group strictly complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Social Insurance Law of the People's Republic of China, 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 benefit and protection 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.

FINAL DIVIDEND

The Board resolved not to recommend the payment of final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time for convening the 2024 annual general meeting of the Company as soon as practicable, and the notice of the 2024 annual general meeting of the Company will be published and dispatched to the shareholders of the Company in a timely manner in accordance with the requirements of Listing Rules and the Company's articles of association. Once the date of the 2024 annual general meeting of the Company is finalized, the Company will announce the period of closure of register of members of the Company in the notice of the 2024 annual general meeting of the Company.

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 (including sales of treasury shares) of the Company during the Reporting Period.

As at 31 December 2024, the Company did not hold any treasury shares.

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 2024 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 Company's 2024 annual results announcement and the financial statements for the year ended 31 December 2024 prepared by the Group in accordance with the IFRSs.

OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1. Possible transfer of shares in the company and merger with Sunshine Lake Pharma

On 8 March 2024, the Company has been informed by Sunshine Lake Pharma, the parent company of the Company, that it and its wholly-owned subsidiary HEC (Hong Kong) Sales Co., Limited, the immediate shareholder of the Company holding 226,200,000 H shares (representing approximately 25.71% of the total issued share capital of the Company)), entered into a share transfer agreement, pursuant to which HEC (Hong Kong) will, subject to the terms and conditions of the agreement, transfer to Sunshine Lake Pharma the sale shares at a consideration of HK$9.14 per share. The transfer consideration was determined with reference to the average closing price of approximately HK$9.14 per share based on the daily closing price as quoted on the Stock Exchange for the 20 trading days prior to the signing of the Agreement. The total consideration for the Share Transfer is HK$2,067,468,000, which will be paid by Sunshine Lake Pharma in cash or through other means agreed between Sunshine Lake Pharma and HEC (Hong Kong) Sales Co., Limited in full no later than 360 days after the date of the completion.

Completion of the transfer of the rights and obligations attached to, and the profit or loss arising from, the sale shares has taken place on 8 March 2024.

On 10 May 2024, Sunshine Lake Pharma and the Company have entered into the merger agreement, pursuant to which Sunshine Lake Pharma and the Company have agreed to implement the merger subject to the terms and conditions of the merger agreement, including the pre-conditions and the conditions. Following the fulfilment (or waiver, as applicable) of the pre-conditions and conditions and the completion of the share exchange, the Company will be delisted from the Stock Exchange, H shares to be issued to Sunshine Lake Pharma will be listed on the Main Board of the Stock Exchange by way of introduction and the Company will be merged into and absorbed by Sunshine Lake Pharma in accordance with the terms of the merger agreement and PRC Company Law and other applicable PRC Laws.

Following the fulfilment (or waiver, as applicable) of the pre-conditions and the conditions and the completion of the share exchange, (i) H shares to be issued to Sunshine Lake Pharma will be listed on the Main Board of the Stock Exchange by way of introduction; and (ii) the share exchange shareholders will become shareholders of Sunshine Lake Pharma. Sunshine Lake Pharma will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company from the implementation date; and the Company will be eventually deregistered in the PRC.

Pre-condition (3) was fulfilled on 11 December 2024. As at the date of this announcement, pre-conditions (1) and (2) have yet to be fulfilled, and Sunshine Lake Pharma has been working towards completing the relevant filing and registration and obtaining the relevant approvals.

For details, please refer to the announcements of the Company dated 8 March 2024, 10 May 2024, 7 June 2024, 5 August 2024, 4 September 2024, 4 October 2024, 5 November 2024, 5 December 2024, 11 December 2024, 10 January 2025, 10 February 2025 and 10 March 2025 respectively.

2. Revision of proposed annual cap under the sharing agreement

On 26 April 2024, after taking into account (i) the revenue sharing received by the Company from Sunshine Lake Pharma under the sharing agreement for the year ended 31 December 2023; (ii) the revenue sharing receivable by the Company from Sunshine Lake Pharma for the period from 1 January 2024 to 31 March 2024 under the sharing agreement; (iii) Sunshine Lake Pharma's updated forecast of revenue or profit from the sale of designated pharmaceutical products under the sharing agreement for the year ending 31 December 2024; and (iv) the revenue sharing ratios as prescribed under the sharing agreement, the Board has resolved to revise the annual cap of the revenue sharing or profit to be received from Sunshine Lake Pharma under the sharing agreement for the year ending 31 December 2024 to RMB70.0 million.

Save as the revision of the original proposed annual cap for the year ending 31 December 2024, all other terms and conditions under the sharing agreement remain unchanged.

For details, please refer to the announcement of the Company dated 26 April 2024.

3. Election of directors of the fourth session of the Board and the fourth session of the board of supervisors

On 7 June 2024, the shareholders of the Company approved the election of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Hao and Mr. LI Shuang as executive Directors of the fourth session of the Board, Mr. TANG Xinfa as non-executive Director of the fourth session of the Board and Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors of the fourth session of the Board at the 2023 annual general meeting of shareholders held on 7 June 2024 (the "**2023 AGM**").

On 7 June 2024, the shareholders of the Company approved the election of Mr. TANG Jinlong and Mr. LUO Zhonghua as shareholder representative supervisors of the Company's fourth session of the board of supervisors at the 2023 AGM.

On 30 April 2024, Mr. WANG Shengchao was elected as the employee representative supervisor of the fourth session of the board of supervisors by the Company's first employee representative meeting in 2024.

For details, please refer to the announcements of the Company dated 6 May 2024, 7 May 2024 and 7 June 2024 and the circular of the Company dated 8 May 2024 respectively.

4. Becoming a constituent of Hang Seng family of indexes

On 9 September 2024, the Company has been selected as a constituent of the following Hang Seng family of indexes: 1) Hang Seng Composite Index; 2) Hang Seng Composite Industry Index — Healthcare; 3) Hang Seng Composite MidCap & SmallCap Index; 4) Hang Seng Composite SmallCap Index; 5) Hang Seng SmallCap (Investable) Index; 6) Hang Seng Healthcare Index; 7) Hang Seng Hong Kong-Listed Biotech Index; 8) Hang Seng Stock Connect Hong Kong Index; 9) Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index; 10) Hang Seng Stock Connect Hong Kong SmallCap Index; 11) Hang Seng Innovative Drug Index; 12) Hang Seng SCHK Innovative Drug Index; 13) Hang Seng SCHK Mainland China Companies Index; 14) Hang Seng SCHK Innovative Drug Select Index; 15) Hang Seng SCHK Pharmaceuticals & Biotechnology (Investable) Index.

The Hang Seng Composite Index offers a comprehensive Hong Kong market benchmark that covers about 95% of the total market capitalisation of the companies listed on the Main Board of the Stock Exchange. Hang Seng Healthcare Index aims to reflect the overall performance of stocks listed in Hong Kong that are related to medical and pharmaceutical and healthcare businesses. The Hang Seng Stock Connect Hong Kong Index provides a benchmark for the performance of equities listed in Hong Kong which are eligible for trading via the southbound trading link of the Stock Connect Scheme.

Please refer to the announcement of the Company dated 16 August 2024 for further details.

5. Entering into a licensing agreement with Apollo Therapeutics Group Limited ("Apollo") to develop and commercialise APL-18881 (HEC88473)

On 12 November 2024, Sunshine Lake Pharma entered into a licensing agreement with Apollo, a portfolio biopharmaceutical company based in the United Kingdom and the United States of America, for the development of APL-18881 (HEC88473). Under the terms of the agreement, Sunshine Lake Pharma will retain development, manufacturing and commercialisation rights of APL-18881 (HEC88473) in China and has granted Apollo the exclusive development, manufacturing and commercialisation rights of APL-18881 (HEC88473) in the rest of the world for all current and future therapeutic indications and under the terms of the agreement, Sunshine Lake Pharma can receive up to US$938 million in payments, including an upfront cash payment of US$12 million and development, regulatory and commercial milestone payments of up to US$926 million, over the licensing agreement's term. The development milestone payments are contingent upon reaching defined research stages. The regulatory milestone payments are contingent upon obtaining certain regulatory approvals. The commercial milestone payments are contingent upon reaching defined annual sales thresholds across major markets. Separately, if and when APL-18881 (HEC88473) is successfully commercialized outside of China, Sunshine Lake Pharma may, during the licensing agreement's term, receive royalties ranging from high single to low double-digit percentages based on net sales outside of China. The licensing agreement's term is from the date of signing of the licensing agreement to at least ten years following the date of the first commercial sale.

For details, please refer to the announcement of the Company dated 12 November 2024.

6. Entering into a licensing agreement with Shenyang Sunshine Pharmaceutical., Ltd. to commercialise Clifutinib Besylate

On 25 November 2024, Sunshine Lake Pharma and the Company entered into a licensing agreement with Shenyang Sunshine Pharmaceutical a biopharmaceutical company based in Shenyang, the PRC, and a subsidiary of 3SBio Inc., a company listed on the Main Board of the Stock Exchange (stock code: 1530), for Clifutinib Besylate ("**Clifutinib**"). Under the terms of the agreement, Shenyang Sunshine was granted the exclusive commercialisation rights of Clifutinib in respect of specific indications in China and Sunshine Lake Pharma and the Company will retain the commercialisation rights of Clifutinib outside of China and Sunshine Lake Pharma can receive an upfront cash payment of RMB$60 million and development, regulatory and commercial milestone payments, over the licensing agreement's term. The development and registration milestone payments are contingent upon reaching defined research stages and obtaining certain regulatory approvals within a specific timeframe, among other defined circumstances. Following the first commercial sale of Clifutinib in China and in each month during the term of the

licensing agreement, Sunshine Lake Pharma Co., Ltd. will pay an agreed percentage of the net sale proceeds Sunshine Lake Pharma Co., Ltd. received in respect of the sale of Clifutinib in China in that month as service fee to Shenyang Sunshine. The commercial milestone payments are contingent upon reaching defined annual sales thresholds. The licensing agreement's term is from the date of signing of the licensing agreement to at least fifteen years following the date of the first commercial sale.

Please refer to the announcement of the Company dated 25 November 2024 for further details.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1. Renewal of the Sharing Agreement

On 7 February 2025, the Company and Sunshine Lake Pharma entered into the sharing agreement to renew the sharing agreement dated 26 December 2022 entered into by the Company and Sunshine Lake Pharma, pursuant to which, Sunshine Lake Pharma agreed to distribute to the Company its revenues or profits generated from the sale of designated pharmaceutical products within the PRC as authorised by the Company (the "**2025 Sharing Agreement**"). The term of the 2025 Sharing Agreement was from 7 February 2025 to 31 December 2025, the annual cap in respect of the share of revenue or profit to be received from Sunshine Lake Pharma for the period between 7 February 2025 and 31 December 2025 is RMB70.0 million.

For further details, please refer to the announcement of the Company dated 7 February 2025.

2. Encofosbuvir Tablets (0.3g) approved for launch

On 27 March 2025, Encofosbuvir Tablets (0.3g) (previously known as Yiqibuvir Tablets (0.3g)), a Class I innovative drug in China independently researched and developed by the Company, has undergone the assessment and approval process and has been approved for launching by the China National Medical Products Administration. In combination with Netanasvir Phosphate Capsules, the drug is used for the treatment of Hepatitis C virus (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.

For further details, please refer to the announcement of the Company dated 27 March 2025.

Save as disclosed herein, the Directors confirmed that there has been no material events which would materially affect the Company's operating and financial performance subsequent to the Reporting Period and up to the date of this announcement.

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 2024 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 2025

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*