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 2021

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021,

- Revenue was RMB913.79 million, representing a decrease of 61.08% as compared to the year ended 31 December 2020.
- Loss before interest, taxation, depreciation and amortization was RMB173.47 million, representing a decrease of 112.59% as compared to the year ended 31 December 2020.
- Loss and total comprehensive loss attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) was RMB414.92 million, representing a decrease of 170.30% as compared to profit and total comprehensive income attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) of RMB590.21 million for the year ended 31 December 2020.
- Loss and total comprehensive loss attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB587.65 million, representing a decrease of 170% as compared to profit and total comprehensive income attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) of RMB839.46 million for the year ended 31 December 2020.
- Basic and diluted losses per share were RMB0.67 and RMB0.67 respectively.

FINAL DIVIDEND

- The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the year ended 31 December 2021 (the "**Reporting Period**"), prepared under International Financial Reporting Standards ("**IFRSs**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in Renminbi)

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*3*	**913,788**	2,348,113
Cost of sales		**(430,089)**	(351,547)
Gross profit		**483,699**	1,996,566
Other income and losses	*4*	**85,961**	819,370
Distribution costs		**(521,667)**	(1,153,884)
Administrative expenses		**(358,402)**	(318,068)
Research and development costs		**(109,673)**	(92,448)
(Recognition)/reversals on impairment loss of trade and other receivables		**(3,176)**	4,391
Other operating expenses		**(119)**	(1,287)
(Loss)/profit from operations		**(423,377)**	1,254,640
Finance costs	*5(a)*	**(243,807)**	(244,206)
(Loss)/profit before taxation	*6*	**(667,184)**	1,010,434
Income tax	*6*	**79,460**	(173,023)
(Loss)/profit for the year		**(587,724)**	837,411
(Loss)/profit and total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(587,649)**	839,455
Non-controlling interests		**(75)**	(2,044)
(Loss)/profit and total comprehensive income for the year		**(587,724)**	837,411
(Loss)/earnings per share	*7*		
Basic		**RMB(0.67)**	RMB0.95
Diluted		**RMB(0.67)**	RMB0.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021
(Expressed in Renminbi)

	Note	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Non-current assets			
Fixed assets	*8*		
— Property, plant and equipment		**2,858,808**	2,489,661
— Ownership interests in leasehold land held for own use		**357,747**	346,045
		3,216,555	2,835,706
Intangible assets	*9*	**3,271,990**	2,709,591
Goodwill		**75,896**	75,896
Financial assets measured at fair value through profit or loss (FVPL)	*10*	**1,789,621**	–
Prepayments	*11*	**64,825**	635,319
Deferred tax assets		**65,318**	40,645
		8,484,205	6,297,157
Current assets			
Inventories		**279,696**	378,268
Trade and other receivables	*12*	**546,791**	599,757
Prepayments		**7,776**	19,927
Restricted cash		**91,992**	221,191
Cash and cash equivalents		**1,131,121**	2,044,967
		2,057,376	3,264,110
Current liabilities			
Trade and other payables	*13*	**911,680**	1,259,440
Contract liabilities		**74,903**	56,152
Bank loans		**48,477**	345,987
Interesting-bearing borrowings		**–**	2,474,817
Deferred income		**4,379**	4,379
Current taxation		**198,625**	20,438
		1,238,064	4,161,213
Net current assets/(liabilities)		**819,312**	(897,103)
Total assets less current liabilities		**9,303,517**	5,400,054

	Note	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Non-current liabilities			
Bank loans		**544,900**	189,853
Deferred income		**137,730**	106,542
Interesting-bearing borrowings	*14*	**2,600,125**	–
		3,282,755	296,395
Net assets		**6,020,762**	5,103,659
Capital and reserves	*15*		
Share capital		**879,968**	879,968
Reserves		**4,928,313**	4,011,135
Total equity attributable to equity shareholders of the Company		**5,808,281**	4,891,103
Non-controlling interests		**212,481**	212,556
Total equity		**6,020,762**	5,103,659

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		448,820	(142,209)	1,375,872	232,676	2,493,396	4,408,555	214,600	4,623,155
Changes in equity for 2020:									
Profit and total comprehensive income for the year		–	–	–	–	839,455	839,455	(2,044)	837,411
Appropriation of statutory reserve		–	–	–	96,020	(96,020)	–	–	–
Dividends approved in respect of the previous year	*15(ii)*	439,984	–	–	–	(571,977)	(131,993)	–	(131,993)
Dividends approved in respect of the current year	*15(i)*	–	–	–	–	(87,997)	(87,997)	–	(87,997)
Purchase of own shares	*15(iv)*	–	(136,917)	–	–	–	(136,917)	–	(136,917)
Cancellation of treasury shares	*15(iv)*	(8,836)	279,126	(270,290)	–	–	–	–	–
Balance at 31 December 2020 and 1 January 2021		879,968	–	1,105,582	328,696	2,576,857	4,891,103	212,556	5,103,659
Changes in equity for 2021:									
Loss and total comprehensive income for the year		–	–	–	–	(587,649)	(587,649)	(75)	(587,724)
Assets obtained from the controlling shareholder		–	–	1,504,827	–	–	1,504,827	–	1,504,827
Balance at 31 December 2021		879,968	–	2,610,409	328,696	1,989,208	5,808,281	212,481	6,020,762

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021
(Expressed in Renminbi)

	2021	2020
	RMB'000	*RMB'000*
Operating activities		
Cash (used in)/generated from operations	**(681,128)**	1,603,226
The People's Republic of China (the "PRC") Corporate Income Tax ("CIT") refunded/(paid)	**18,618**	(303,733)
Net cash (used in)/generated from operating activities	**(662,510)**	1,299,493
Investing activities		
Interest received	**11,346**	24,987
Payment for the purchase of property, plant and equipment	**(356,285)**	(994,159)
Payment for development cost	**(107,763)**	(149,684)
Payment for the purchase of intangible assets	**(115,636)**	(774,200)
Decrease/(increase) in restricted cash	**129,199**	(221,191)
Proceeds received from disposal of property, plant and equipment	**33**	19,619
Net cash used in investing activities	**(439,106)**	(2,094,628)
Financing activities		
Proceeds from new bank loans	**444,955**	518,006
Repayments of bank loans	**(157,678)**	(1,250)
Dividends paid to equity shareholders of the Company	**–**	(219,990)
Finance costs paid	**(99,798)**	(95,216)
Payment for purchase of own shares	**–**	(136,917)
Net cash generated from financing activities	**187,479**	64,633
Net decrease in cash and cash equivalents	**(914,137)**	(730,502)
Cash and cash equivalents at 1 January	**2,044,967**	2,779,138
Effect of foreign exchange rate changes	**291**	(3,669)
Cash and cash equivalents at 31 December	**1,131,121**	2,044,967

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL INFORMATION

These financial information have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 consolidated financial information have been prepared assuming the Group will continue as a going concern. The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations, the anticipated ability of the Group to renew or rollover of its banking or other financing sources and the anticipated ability of the Group to obtain the agreement with convertible bondholders to waive their right to issue an early redemption on the convertible bonds to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of this annual financial report, the management believes that the Group has adequate resources to continue to operate as going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt of the Group's ability to continue as a going concern.

The Group has applied the following amendments to IFRSs issued by the IASB to these financial information for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial information as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

None of these developments have had 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 2021.

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

3 REVENUE

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

Disaggregation of revenue

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of anti-viral drugs	**559,973**	2,071,614
Sales of endocrine and metabolic drugs	**77,633**	94,529
Sales of cardiovascular drugs	**96,148**	66,780
Sales of anti-infectives drugs	**80,689**	64,617
Sales of other medical products	**99,345**	50,573
	913,788	2,348,113

The Group's customer base is diversified and includes three customers (2020: three) with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2021, 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 RMB445,983,000 (2020: RMB1,266,000,000).

4 OTHER NET INCOME AND LOSSES

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Government grants			
— Unconditional subsidies		**56,468**	7,354
— Conditional subsidies		**8,865**	4,604
Interest income		**11,346**	24,987
Net loss on disposal of fixed assets		**(19,072)**	(5,269)
Fair value change on derivative financial instruments embedded in convertible bonds	*14(iii)*	**(14,161)**	382,362
Fair value change on investment in equity securities		**19,237**	–
Impairment loss on intangible assets		**(25,984)**	–
Net foreign exchange gain	*(i)*	**49,202**	150,135
Waived patent fee	*(ii)*	**–**	251,093
Others		**60**	4,104
		85,961	819,370

Notes:

(i) The amounts mainly represent foreign exchange gain arising from the translation of interest-bearing borrowings which denominated in United States dollars in 2021 and 2020.

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

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2021	2020
	RMB'000	*RMB'000*
Interest on convertible bonds	**243,352**	243,162
Interest on bank loans	**21,895**	6,658
	265,247	249,820
Less: interest expense capitalised into construction in progress*	**(21,440)**	(5,614)
	243,807	244,206

* The borrowing costs have been capitalised at a rate of 4.90%-5.39% per annum (2020: 4.90%-5.39%).

(b) Staff costs

	2021	2020
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**317,592**	639,972
Contributions to defined contribution retirement benefit schemes	**35,187**	25,019
	352,779	664,991

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

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

Since the outbreak of COVID-19, the Group were granted several months exemptions of contributions to the Schemes during 2020. No exemption of contribution was granted in 2021.

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:

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for PRC CIT for the year	**(66,776)**	111,897
Under-provision for PRC CIT in respect of prior years	**11,989**	6,010
	(54,787)	117,907
Deferred tax		
(Revised)/origination of temporary differences	**(24,673)**	55,116
Total income tax	**(79,460)**	173,023

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

	Note	**2021** ***RMB'000***	2020 *RMB'000*
(Loss)/profit before taxation		**(667,184)**	1,010,434
Applicable tax rate	*(i)*	**25%**	25%
Notional tax on (loss)/profit before taxation		**(166,796)**	252,609
Under-provision for PRC CIT in respect of prior years		**11,989**	6,010
Tax effect of non-deductible expenses		**6,358**	6,533
Tax effect of preferential tax rate	*(ii)*	**50,449**	(114,618)
Tax effect of bonus deduction of R&D expenses	*(iii)*	**(14,802)**	(9,510)
Tax effect of unused tax losses not recognised		**33,342**	31,999
Actual tax (income)/expenses		**(79,460)**	173,023

(i) The PRC CIT rate is 25%.

(ii) The PRC CIT Law allows enterprises to apply for the certificate of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. The Company was recognised as "HNTE" and enjoyed a preferential CIT rate of 15% for the years ended 31 December 2021 and 2020.

(iii) According to relevant tax rules in the PRC, qualified R&D expenditure incurred by an enterprise in the course of carrying out R&D activities that has not formed intangible assets, the enterprise is allowed an additional 100% (2020:75%) deduction in calculating its annual CIT; if the relevant expenditure finally forming intangible assets, an additional 100% (2020:75%) deduction is allowed for its annual amortisation when calculating its annual CIT.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB587,649,000 (2020: profit of RMB839,455,000) and the weighted average of 879,967,700 ordinary shares (2020: 881,471,332 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2021	2020
	shares	*shares*
Issued ordinary shares net of treasury shares at 1 January	**879,967,700**	444,892,650
Effect of bonus issue	**–**	439,983,850
Effect of share repurchased and cancelled	**–**	(3,405,168)
Weighted average number of ordinary shares at 31 December	**879,967,700**	881,471,332

(b) Diluted earnings per share

Diluted loss per share for the year ended 31 December 2021 is same as the basic loss per share as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share.

For the year ended 31 December 2020, the calculation of diluted earnings per share is based on the profit of RMB590,213,000 and the weighted average number of ordinary shares of 1,105,757,046 shares, calculated as follows:

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

	2020
	RMB'000
Profit attributable to ordinary equity shareholders	839,455
After tax effect of effective interest on the liability component of convertible bonds	206,688
After tax effect of gain recognised on the derivative component of convertible bonds	(304,792)
After tax effect of exchange gain on the convertible bonds	(151,138)
Profit attributable to ordinary equity shareholders (diluted)	590,213

Weighted average number of ordinary shares (diluted)

	2020 *shares*
Weighted average number of ordinary shares at 31 December	881,471,332
Effect of conversion of convertible bonds	224,285,714
Weighted average number of ordinary shares (diluted) at 31 December	1,105,757,046

8 FIXED ASSETS

(a) Reconciliation of carrying amount

	Plant and Buildings *RMB'000*	Machinery *RMB'000*	Office equipment and others *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Sub-total *RMB'000*	Ownership interests in leasehold land held for own use *RMB'000*	Total *RMB'000*
Cost:								
At 1 January 2020	945,255	277,181	132,567	1,888	678,330	2,035,221	258,337	2,293,558
Additions	6,308	5,479	3,643	364	770,470	786,264	117,445	903,709
Transfer from construction in progress	95,227	71,247	95,688	–	(262,162)	–	–	–
Disposals	(25,356)	(4,699)	(3,632)	–	–	(33,687)	–	(33,687)
At 31 December 2020	1,021,434	349,208	228,266	2,252	1,186,638	2,787,798	375,782	3,163,580
Additions	54,147	5,021	3,699	–	421,410	484,277	19,966	504,243
Transfer from construction in progress	504,805	402,180	119,591	12	(1,026,588)	–	–	–
Disposals	(4,699)	(3,677)	(2,430)	–	(13,516)	(24,322)	–	(24,322)
At 31 December 2021	1,575,687	752,732	349,126	2,264	567,944	3,247,753	395,748	3,643,501
Accumulated depreciation:								
At 1 January 2020	(88,547)	(96,886)	(58,815)	(251)	–	(244,499)	(23,552)	(268,051)
Charge for the year	(28,928)	(17,933)	(15,399)	(179)	–	(62,439)	(6,185)	(68,624)
Written-back on disposals	2,087	3,373	3,341	–	–	8,801	–	8,801
At 31 December 2020	(115,388)	(111,446)	(70,873)	(430)	–	(298,137)	(29,737)	(327,874)
Charge for the year	(33,969)	(32,051)	(29,793)	(211)	–	(96,024)	(8,264)	(104,288)
Written-back on disposals	878	2,412	1,926	–	–	5,216	–	5,216
At 31 December 2021	(148,479)	(141,085)	(98,740)	(641)	–	(388,945)	(38,001)	(426,946)
Carrying amount:								
At 31 December 2021	1,427,208	611,647	250,386	1,623	567,944	2,858,808	357,747	3,216,555
At 31 December 2020	906,046	237,762	157,393	1,822	1,186,638	2,489,661	346,045	2,835,706

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

(ii) As at 31 December 2021, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB415,843,000 (2020: RMB150,052,000). 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 2021, amount of RMB83,828,000 (2020: RMB85,743,000) of the ownership interests in leasehold land held for own use, amount of RMB258,397,000 (2020: RMB357,445,000) of construction in progress, and amount of RMB262,150,000 (2020: RMB118,918,000) of plant and buildings were held in pledge for bank loans.

(b) Right-of use asset

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

	2021	2020
	RMB'000	*RMB'000*
Included in fixed assets:		
— Ownership interests in leasehold land held for own use	**357,747**	346,045

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

	2021	2020
	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	**8,264**	6,185
Expense relating to short-term leases	**7,847**	3,147

9 INTANGIBLE ASSETS

	Notes	Capitalised development costs	Patent for Hepatitis C drugs	Drugs' intellectual property rights		Total
				Generic drugs	Insulin	
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2020		294,248	335,000	300,200	–	929,448
Purchase	*(iii)*	550,000	–	–	–	550,000
Addition through internal development		184,514	–	–	–	184,514
Transfer from prepayment	*11*	186,979	513,021	531,442	–	1,231,442
Transfer from development costs to patents		(42,580)	–	–	42,580	–
At 31 December 2020		1,173,161	848,021	831,642	42,580	2,895,404
Addition through internal development		136,568	–	–	–	136,568
Addition and transfer from prepayment	*11*	–	–	638,115	–	638,115
Transfer from development costs to patents		(108,383)	–	–	108,383	–
At 31 December 2021		1,201,346	848,021	1,469,757	150,963	3,670,087
Accumulated amortisation:						
At 1 January 2020		–	(71,946)	(29,207)	–	(101,153)
Charge for the year		–	(30,355)	(51,821)	(2,484)	(84,660)
At 31 December 2020		–	(102,301)	(81,028)	(2,484)	(185,813)
Charge for the year		–	(67,481)	(111,851)	(6,968)	(186,300)
At 31 December 2021		–	(169,782)	(192,879)	(9,452)	(372,113)
Impairment loss:						
At 1 January and 31 December 2020		–	–	–	–	–
Recognised in the year	*(iv)*	–	–	(25,984)	–	(25,984)
At 31 December 2021		–	–	(25,984)	–	(25,984)
Net book value:						
At 31 December 2021		1,201,346	678,239	1,250,894	141,511	3,271,990
At 31 December 2020		1,173,161	745,720	750,614	40,096	2,709,591

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

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

As at 31 December 2021, the intangible assets under development were not yet ready for intended use.

(iii) In 2019, the Company entered into a sale and purchase agreement and a supplemental agreement to such sale and purchase agreement with Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業有限公司, "Sunshine Lake Pharma") which is a related party of the Group and has became the controlling shareholder of the Company since December of 2021. Pursuant to which the Company agreed to acquire and Sunshine Lake Pharma agreed to dispose the IPR&D in relation to two pharmaceutical products, namely Liraglutide and Rongliflozin L-Pyroglutamic within the PRC at a total consideration of RMB1,645,600,000 (the "Proposed Acquisition"). The payment terms comprised an up-front payment of RMB550,000,000, and three milestone payments of RMB246,840,000 and a contingent payment of RMB848,760,000 subject to the future sales of the target products. The Proposed Acquisition was effective after the shareholder's approval in January 2020. Up to 31 December 2021, the Company have made the up-front payment of RMB550,000,000 and have recognised IPR&D as intangible assets. The remaining payments will be accumulated into the cost of the intangible assets when the capitalisation criteria are met or recognised as a cost of sales in line with the underlying sales.

(iv) As the price of Levofloxacin tablets (anti-infective drugs) and Sildenafil Citrate tablets (penile erectile dysfunction drugs) decreased after they have been included in the national centralised procurement, the estimated recoverable amount of Levofloxacin tablets and Sildenafil Citrate tablets were less than their carrying amount. In addition, as new market competitors were introduced during the year of 2021, the estimated recoverable amount of Aripiprazole Orally Disintegrating tablets (schizophrenia drugs) was less than its carrying amount. The differences were approximately RMB25,984,000 (2020: Nil) in total based on the impairment evaluation result, which was recognised as impairment loss in the "other income and loss" in the consolidated financial information.

10 FINANCIAL ASSETS MEASURED AT FVPL

	2021	2020
	RMB'000	*RMB'000*
Investments not held for trading		
— Unlisted equity securities		
	1,789,621	–

The unlisted equity securities are shares in Sunshine Lake Pharma, a company incorporated in Dongguan and engaged in R&D and which became the Company's controlling shareholder in December 2021.

In 2021, the Company was granted with 10% equity interest in Sunshine Lake Pharma at nil consideration from Shenzhen HEC Industrial Development Co., Ltd. (深圳東陽光實業發展有限公司, "Shenzhen HEC Industrial") in connection with the Company agreed to enter into a revised non-completion agreement. The Company recognised the granted equity interest as FVPL at its fair value of RMB1,770,385,000 when it obtained the control of the equity interest in July 2021. Meanwhile, the Company recognised RMB1,504,827,000 as capital reserve after netting off tax payables of RMB265,558,000, which in relation to this transaction.

11 PREPAYMENTS

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Prepayments for intangible assets	*(i)*	**–**	444,676
Prepayments for property, plant and equipment		**64,825**	190,643
		64,825	635,319

(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 2021, the Group had made accumulated payments of RMB1,391,953,000 (2020: RMB1,276,317,000) to Sunshine Lake Pharma, during the year ended 31 December 2021, RMB638,115,000 (2020: RMB531,442,000) was transferred to intangible assets after the China National Medical Products Administration approvals for 10 (2020: 13) out of the Target Products were obtained. After the transfers, the outstanding payable to Sunshine Lake Pharma as at 31 December 2021 was RMB77,803,000 (2020: prepayment amounted to RMB444,676,000).

12 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Current		
Trade receivables	**445,634**	262,626
Bills receivable	**48,504**	210,448
Less: allowance for doubtful debts	**(15,097)**	(12,565)
	479,041	460,509
VAT recoverable and prepaid CIT	**57,263**	130,232
Other receivables	**13,428**	11,840
Less: allowance for doubtful debts	**(2,941)**	(2,824)
	67,750	139,248
Total	**546,791**	599,757

(i) Bills receivable with carrying value of RMB6,460,000 (2020: RMB192,380,000) were pledged as securities of bank loans of the Group as at 31 December 2021.

(ii) Bills receivable with carrying value of RMB13,116,000 (2020: RMB15,655,000) were pledged as securities of issuing bills by the Group as at 31 December 2021.

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:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**403,721**	396,214
More than 3 months but within 1 year	**69,403**	64,295
More than 1 year	**5,917**	–
	479,041	460,509

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

	2021	2020
	RMB'000	*RMB'000*
Trade payable	**76,908**	33,976
Bills payable	**38,414**	205,575
Amounts due to related parties	**83,816**	42,499
VAT and other taxes payable	**52,130**	7,126
Accrued payroll and benefits	**88,216**	86,090
Accrued expenses	**334,580**	656,355
Other payables for purchasing fixed assets	**198,936**	203,647
Other payables	**38,680**	24,172
Financial liabilities measured at amortised cost	**911,680**	1,259,440

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**19,264**	61,537
Over 1 month but within 3 months	**28,910**	69,985
Over 3 months but within 1 year	**52,270**	104,206
Over 1 year	**14,878**	3,823
	115,322	239,551

14 INTEREST-BEARING BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Convertible bonds		
— Current	**–**	2,474,817
— Non-current	**2,600,125**	–
	2,600,125	2,474,817

(i) On 20 February 2019, the Company issued a tranche of 1,600 H share convertible bonds with an aggregate principal amount of USD400,000,000 (equivalent to approximately RMB2,702,320,000). Each number of bond has a face value of USD250,000 and a maturity date of 20 February 2026. The bonds bear interest at 3.0% per annum payable semi-annually in arrears on 30 June and 31 December of each year. The bondholders have the right to convert the bonds to the Company's ordinary shares at a price of HK$19 per conversion share, which subject to adjustment in relation to the adjusted net profit for the year ended 31 December 2021. The bonds are unsecured.

As the convertible bonds do not contain an equity component, the derivative component of the convertible bonds above is measured at fair value and the liability component is carried at amortised cost. No conversion or redemption of the convertible bonds has occurred up to 31 December 2021.

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

The Group had obtained 8 waiver letters from the bondholders. The latest waiver latter dated on 30 September 2021 and pursuant to such letter, the bondholders agreed to waive their right to issue an early redemption on the convertible bonds until 1 January 2023.

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

	Liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	2,248,640	603,960	2,852,600
Change on derivative financial instruments embedded in convertible bonds	–	(382,362)	(382,362)
Accrued interest	243,162	–	243,162
Interest paid	(84,557)	–	(84,557)
Exchange gain	(154,026)	–	(154,026)
At 31 December 2020	2,253,219	221,598	2,474,817
Change on derivative financial instruments embedded in convertible bonds	–	14,161	14,161
Accrued interest	243,352	–	243,352
Interest paid	(77,902)	–	(77,902)
Exchange gain	(54,303)	–	(54,303)
At 31 December 2021	2,364,366	235,759	2,600,125

15 CAPITAL AND DIVIDENDS

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

	2021 ***RMB'000***	2020 *RMB'000*
No final dividend declared and paid (2020: RMB0.10 per ordinary share)	**–**	87,997

Pursuant to the resolution passed at the directors' meeting of the Company on 21 March 2022, no final dividend for the year ended 31 December 2021 (2020: Nil) were proposed.

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

	2021	2020
	RMB'000	*RMB'000*
No final dividends in respect of the previous financial year, approved and paid during the year (2020: RMB0.30 per ordinary share and one bonus share per every one existing share held by the shareholder of the Company)	**–**	571,977

(iii) Bonus issue

On 16 June 2020, the Company made a bonus issue on the basis of one bonus share for every one existing shares held by shareholders in recognition of their continual support. A total of 439,983,850 ordinary shares were issued pursuant to the bonus issue. No bonus shares were issued during 2021.

(iv) Purchase of own shares

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

In 2020, the Company repurchased 4,908,800 H shares in total, representing 1.1% of the total shares of the Company for an aggregate price of HK$148,123,000 (equivalent approximately to RMB134,031,000) and with transaction expenses of RMB2,886,000. During the year ended 31 December 2020, the Company has cancelled those 8,836,200 treasury shares repurchased.

For the year ended 31 December 2021, the Company did not repurchase any shares.

I. INDUSTRY REVIEW

In 2021, with the adoption of more scientific and precise epidemic preventive measures across China, and the popularization and strengthening of vaccination against the novel coronavirus ("**COVID-19**"), the prevention and control of the epidemic in China has generally shown a positive trend. However, looking at the global epidemic situation, it is difficult to reverse the trend of overseas spread of the epidemic in the short term, and the COVID-19 epidemic is still affecting the social development and the public health. Pharmaceutical industry, being an important industry in safeguarding people's health and livelihood, has a major mission in human health and medical hygiene protection, especially in the prevention and control of the current epidemic. At present, with the continuous development of the biomedical industry, the continuous innovation of in-vitro diagnostic technology and its continuous expansion in the application field, as well as the continuous enhancement of vaccine research and development capabilities, the COVID-19 epidemic will be effectively controlled. As a major pharmaceutical manufacturing country, China is also responsible for protecting the lives and health of 1.4 billion people, and has been adhering to the concept of a community of a shared future for mankind by actively promoting international cooperation and making positive contributions to the global fight against the epidemic.

Medical insurance negotiation is a major innovation for the Chinese pharmaceutical market in recent years in terms of access to the Medical Reimbursement Drugs List. Through the form of negotiation mainly by the National Healthcare Security Administration, not only will it provide practical support for innovative drugs, and also more drugs with high quality and fair price for the majority of patients, and has a positive impact on improving the effectiveness of the use of medical insurance funds. For pharmaceutical companies, especially innovative pharmaceutical companies, the impact of entering the Medical Reimbursement Drugs List is more obvious on the drug volume. The exchange of price for volume through negotiations to increase market share is of great significance to the long-term development of enterprises and the establishment of a good corporate image, which is conducive to the realization of "Healthy China" strategy of pharmaceutical companies and China, deepening the pace of the reform of the medical and health system in line with the policy. Since the establishment of the National Healthcare Security Administration, the normalization of adjustment to the Medical Reimbursement Drugs List, the institutionalization of national negotiations for innovative drugs and the acceleration of the process of new drugs from approval to entry into the Medical Reimbursement Drugs List facilitated the rapid market capture of new drugs and stimulated the research and development ("**R&D**") innovation of enterprises. As a result, pharmaceutical companies with strong R&D capabilities and leading innovation ability will have better development opportunities due to policy drivers.

Looking forward, with the development direction of China's pharmaceutical industry gradually switching from generic drugs to innovative drugs, drug innovation has become the core competitiveness that supports the future development of enterprises and is the driving force for China's local pharmaceutical companies to enter the international market. In order to capture opportunities in the fierce competition, pharmaceutical companies need to make continuous efforts in various aspects including product research and development, technical process improvement, production and supply chain management and sales management, while striving to grasp the initiative of industry competition and forming a good sustainable advantage by grasping the market demand and trend of the pharmaceutical industry and consolidating and expanding the corresponding strategic target markets more effectively.

II. BUSINESS REVIEW

1. Summary of Overall Results

In 2021, the Group achieved a revenue of RMB913.79 million, representing a decrease of 61.08% as compared to 2020, which was mainly attributed to the fact that at the beginning of the COVID-19 pandemic outbreak, the mobility of China's domestic population has declined, and the number of medical activities, prescriptions and sales volume of drugs in hospitals has also decreased accordingly. The Group's core product, Kewei, is a prescription medicine sold primarily at tiered hospitals, and the sales volume of this product has also declined due to the impact of the COVID-19 pandemic. During the Reporting Period, a number of the Group's generic drug products, including Aripiprazole Tablets (阿立哌唑片), Aripiprazole Orally Disintegrating Tablets (阿立哌唑口崩片), Entacapone Tablets (恩他卡朋片), Escitalopram Oxalate Tablets (草酸艾司西酞普蘭片), Febuxostat Tablets (非布司他片), Atorvastatin Calcium Tablets (阿托伐他汀鈣片), Apixaban Tablets (阿哌沙班片), Rivaroxaban Tablets (利伐沙班片), Sildenafil Citrate Tablets (枸櫞酸西地那非片) and Metoprolol Succinate Sustained-release Tablets (琥珀酸美托洛爾緩釋片), as well as the Group's biologic drugs, namely Insulin Glargine Injection (甘精胰島素注射液), were granted listing approvals, which is conducive to the Group's active exploration of new market areas and the continuous optimization of the Group's product portfolio, and thus the improvement of the Group's future results. As at 31 December 2021, the Group's 13 products have won the bid for centralized bulk purchase of drugs. In addition to enriching the Group's revenue structure and increasing the Group's profitability, centralized bulk purchase of drugs will also further expand the relevant product channels, enhance the Group's brand influence and lay a market foundation for the launch of new products in the future.

The entering into of the "Amendments to the Non-Competition Agreement" between the Group and Sunshine Lake Pharma Co., Ltd. (廣東東陽光藥業有限公司, "**Sunshine Lake Pharma**") on 19 March 2021 is conducive to the Group's introduction of more new products in a timely manner based on market demand and its optimization of product structure and business model, which has a positive impact on the Group's future performance.

In terms of specific performance, during the Reporting Period, revenue generated from the core product of the Group, Kewei, reached RMB554.59 million, representing a decrease of 73.19% as compared to the corresponding period of 2020. Loss and total comprehensive loss attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB587.65 million, representing a decrease of 170% as compared to profit and total comprehensive income attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) of RMB839.46 million for the year ended 31 December 2020.

As at the date of this announcement, 28 generic drugs acquired by the Group from Sunshine Lake Pharma have been approved for launch by the China National Medical Products Administration. With the successive approval for launch of the generic drug products, the Group's product portfolio will be further enriched while providing majority of patients with medical choices with both high quality and fair price.

Status of drugs approved for launch during the Reporting Period

No.	Therapeutic areas	Drugs	Specifications	Essential Drugs List	Medical Reimbursement Drugs List
1	Schizophrenia	Aripiprazole	5mg	2018 Essential Drugs List	Maintained listed
2	Schizophrenia	Aripiprazole	10mg	2018 Essential Drugs List	Maintained listed
3	Schizophrenia	Aripiprazole Orally Disintegrating Tables	10mg	2018 Essential Drugs List	Maintained listed
4	Schizophrenia	Aripiprazole Orally Disintegrating Tables	15mg	–	Maintained listed
5	Parkinson's disease	Entacapone Tablets	0.2g	–	Maintained listed
6	Depression	Escitalopram Oxalate Tablets	5mg	2018 Essential Drugs List	Maintained listed
7	Depression	Escitalopram Oxalate Tablets	10mg	2018 Essential Drugs List	Maintained listed
8	Depression	Escitalopram Oxalate Tablets	15mg	–	Maintained listed
9	Depression	Escitalopram Oxalate Tablets	20mg	2018 Essential Drugs List	Maintained listed
10	Hyperuricemia with gout symptoms	Febuxostat Tablets	40mg	–	Maintained listed
11	Hyperuricemia with gout symptoms	Febuxostat Tablets	80mg	–	Maintained listed
12	Hypercholesterolemia	Atorvastatin Calcium Tablets	10mg	2018 Essential Drugs List	Maintained listed
13	Hypercholesterolemia	Atorvastatin Calcium Tablets	20mg	2018 Essential Drugs List	Maintained listed
14	Hypercholesterolemia	Atorvastatin Calcium Tablets	40mg	–	Maintained listed
15	Anticoagulant	Apixaban Tablets	2.5mg	–	Maintained listed
16	Anticoagulant	Rivaroxaban Tablets	10mg	2018 Essential Drugs List	Maintained listed
17	Anticoagulant	Rivaroxaban Tablets	15mg	2018 Essential Drugs List	Maintained listed
18	Anticoagulant	Rivaroxaban Tablets	20mg	2018 Essential Drugs List	Maintained listed
19	Diabetes	Insulin Glargine Injection	3ml: 300 units (prefilled pen-type)	2018 Essential Drugs List	Maintained listed
20	ED, PAH	Sildenafil Citrate Tablets	25mg	–	–
21	ED, PAH	Sildenafil Citrate Tablets	50mg	–	–
22	ED, PAH	Sildenafil Citrate Tablets	100mg	–	–
23	Cardiovascular system	Metoprolol Succinate Sustained-release Tablets	190mg	2018 Essential Drugs List	Maintained listed
24	Cardiovascular system	Metoprolol Succinate Sustained-release Tablets	47.5mg	2018 Essential Drugs List	Maintained listed
25	Cardiovascular system	Metoprolol Succinate Sustained-release Tablets	95mg	2018 Essential Drugs List	Maintained listed

2. R&D PROGRESS

The Group made outstanding R&D progress in the therapeutic areas of anti-virus, endocrine and metabolic diseases during 2021.

1. Anti-virus therapeutic area

The Phase III clinical trial for NS3/4A protease inhibitor furaprevir jointly developed with TaiGen Biopharmaceuticals Co. (Beijing), Ltd. in combination with Emitasvir Phosphate was completed.

2. Endocrine and metabolic diseases area

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

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

Projects	**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** *(%)*	**Last period investment** *(RMB'000)*	**Percentage change in the amount for the current period as compared to the same period last year** *(%)*	**Explanation**
Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R)	8,764.86	–	8,764.86	0.96%	2.04%	27,368.35	-67.97%	Decrease in clinical trial fees at the clinical stage before launching
Insulin Aspart Injection and Insulin Aspart Injection Insulin Aspart 30 Injection	8,273.41	–	8,273.41	0.91%	1.92%	29.795.58	-72.23%	Decrease in clinical trial fees at the clinical stage before launching

The Group has established a complete research and development system for insulin series products in accordance with standards on biosimilar drugs adopted in Europe and the United States with quality equivalent to originator drugs. The Recombinant Human Insulin Injection and Insulin Glargine Injection developed by the Group were approved to launch, 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 the originator biologics. The Group also has a comprehensive product line, which covers both the second and the third generations of insulin, that meets the clinical medication needs of doctors and patients. Moreover, the product line adopts a yeast expression system which is advanced in technology and easy for large scale production.

Insulin Aspart Injection and Insulin Aspart 30 Injection, the Company's self-developed products, are under the approval stage of new drug application. The new drug application of Isophane Protamine Recombinant Human Insulin Injection (Pre-mixed 30R) has been accepted by the China National Medical Products Administration.

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, all of which have been approved for marketing, except for Rongliflozin L-Pyroglutamic Acid and Liraglutide under Phase III clinical stage. Such products are expected to be marketed in a rapid manner and generate considerable 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 *(%)*	Last period investment *(RMB'000)*	Percentage change in the amount for the current period as compared to the same period last year *(%)*	Explanation
Rongliflozin L-Pyroglutamic Acid	48,883.53	–	48,883.53	5.35%	11.37%	536,366.50	-90.89%	Decrease in clinical trial fees at the clinical stage
Liraglutide	13,460.43	–	13,460.43	1.47%	3.13%	57,333.76	-76.53%	Decrease in clinical trial fees at the clinical stage

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

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

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

During the Reporting Period, Apixaban Tablets, Entacapone Tablets, Aripiprazole Tablets, Escitalopram Oxalate Tablets, Febuxostat Tablets, Aripiprazole Orally Disintegrating Tablets, Rivaroxaban Tablets, Atorvastatin Calcium Tablets, Metoprolol Succinate Sustained-release Tablets and Sildenafil Citrate Tablets of the Group were approved to listing. These products approved to listing further enriched the Group's product lines and offered more medical choices with both high quality and fair price for patients. The Group also continuously promotes the progress of new products development and management line and strives to supplement undesirable clinical medication needs. The latest progress of other drug portfolio acquired from Sunshine Lake Pharma are as follow:

Progress of drug portfolio acquired in 2018

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Number of passed Consistency Evaluation manufacturers
Anti-infection	Clarithromycin Tablet	Anti-infection	Class 6 chemical drug	Approved	10
Anti-infection	Clarithromycin Sustained Release Tablets	Anti-infection	Class 6 chemical drug	Approved	2
Anti-infection	Levofloxacin Tablet	Anti-infection	Class 6 chemical drug	Approved	17
Anti-infection	Moxifloxacin Tablets	Anti-infection	Class 4 chemical drug	Approved	17
Cardiovascular	Olmesartan Tablets	Hypertension	Class 4 chemical drug	Approved	12
Digestive system	Esomeprazole Magnesium Enteric-Coated Capsules	Gastric acid related diseases	Class 3 chemical drug	Approved	5

Progress of drug portfolio acquired in 2019

Therapeutic areas	Name of product	Indications	Drugs Registration Classification	Domestic progress	Number of passed Consistency Evaluation manufacturers
Cardiovascular	Ticagrelor Tablet	Antithrombus	Class 4 chemical drug	Approved	25
Cardiovascular	Apixaban Tablets	Antithrombus	Class 4 chemical drug	Approved	21
Cardiovascular	Atorvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	24
Cardiovascular	Rosuvastatin Calcium Tablets	Hyperlipidemia	Class 4 chemical drug	Approved	25
Cardiovascular	Amlodipine Tablets	Hypertension	Class 6 chemical drug	Filed	47
Cardiovascular	Metoprolol Succinate Sustained — release Tablets	Hypertension	Class 3 chemical drug	Approved	7
Cardiovascular	Clopidogrel Tablets	Antithrombus	Class 4 chemical drug	Filed	13
Cardiovascular	Rivaroxaban Tablets	Antithrombus	Class 4 chemical drug	Approved	26
Anti-virus/anti-infection	Entecavir Tablets	HBV	Class 4 chemical drug	Approved	26
Anti-virus/anti-infection	Tenofovir Alafenemide Tablets	HBV/HIV	Class 4 chemical drug	Filed	13
Anti-virus/anti-infection	Azithromycin Tablets	Anti-infection	Class 4 chemical drug	Filed	14
Nervous system	Olanzapine Tablets	Schizophrenia	Class 4 chemical drug	Approved	15
Nervous system	Olanzapine Orally Disintegrating Tablets	Schizophrenia	Class 4 chemical drug	Approved	8
Nervous system	Entacapone Tablets	Parkinson's Disease	Class 4 chemical drug	Approved	2
Nervous system	Aripiprazole Tablets	Schizophrenia	Class 4 chemical drug	Approved	5
Nervous system	Aripiprazole Orally Disintegrating Tablets	Schizophrenia	Class 3 chemical drug	Approved	4
Nervous system	Duloxetine Hydrochloride Enteric Capsules	Depression	Class 4 chemical drug	Approved	9
Nervous system	Escitalopram Oxalate Tablets	Depression	Class 4 chemical drug	Approved	10
Endocrine/ metabolism	Sitagliptin Phosphate and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	4
Endocrine/ metabolism	Linagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	4
Endocrine/ metabolism	Sitagliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	10
Endocrine/ metabolism	Linagliptin and Metformin Hydrochloride Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	2
Endocrine/ metabolism	Alogliptin Tablets	Type 2 Diabetes	Class 4 chemical drug	Approved	11
Endocrine/ metabolism	Febuxostat Tablets	Hyperuricemia	Class 3 chemical drug	Approved	11
Urinary system	Sildenafil Citrate Tablets	ED, PAH	Class 4 chemical drug	Approved	18
Urinary system	Tadalafil Tablets	ED, PAH	Class 4 chemical drug	Approved	18
Urinary system	Solifenacin Tablets	Bladder Hyperactivity Disorder	Class 4 chemical drug	Filed	7

Notes:

HBV: Hepatitis B Virus
HIV: Human Immunodeficiency Virus
ED: Erectile Dysfunction
PAH: Pulmonary Artery Hypertensio

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 RMB469.48 million, accounting for 51.38% of the total revenue;

- The revenue of Kewei (Oseltamivir Phosphate) Capsules amounted to RMB85.11 million, accounting for 9.31% of the total revenue;

- The revenue of Ertongshu (Benzbromarone Tablets) amounted to RMB77.13 million, accounting for 8.44% of the total revenue;

- The revenue of Oumeining (Telmisartan Tablets) amounted to RMB49.68 million, accounting for 5.44% of the total revenue;

- The revenue of Olmesartan Tablets amounted to RMB37.15 million, accounting for 4.07% of the total revenue;

The total revenue of the above-mentioned five drugs, being the core products of the Group, accounted for 78.64% of the total revenue during the Reporting Period.

Oseltamivir Phosphate, 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(二零二零年版)》).

During the Reporting Period, the Group continued to adopt its comprehensive marketing strategy by four sale teams, i.e. a self-operated sales team responsible for the academic promotion of core drugs in Class II or above hospitals, a self-operated sales team handling all drugs in general practitioner-based medical institutions (Class I hospitals and clinics), a self-operated sales team responsible for all drugs in OTC pharmacies and a distribution-based team responsible for generic drugs in hospitals ranked Class II and above. During the Reporting Period, the Company also started expanding its online pharmacy channel and cooperated with a number of well-known online channel operators. As of 31 December 2021, the Group has a total of 1,746 staff in its sales teams. The establishment of these four sales teams shall lay a solid foundation to the sales volume of the Group's product portfolio in all channels.

4. Production Review

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

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

III. OPERATING RESULTS AND ANALYSIS

1. Revenue

For the year ended 31 December 2021, the Group recorded a revenue of RMB913.79 million, representing a decrease of 61.08% as compared with the corresponding period of 2020. During the Reporting Period, a number of the Group's generic drugs, including Aripiprazole Tablets (阿立哌唑片), Aripiprazole Orally Disintegrating Tablets (阿立哌唑口崩片), Entacapone Tablets (恩他卡朋片), Escitalopram Oxalate Tablets (草酸艾司西酞普蘭片), Febuxostat Tablets (非布司他片), Atorvastatin Calcium Tablets (阿托伐他汀鈣片), Apixaban Tablets (阿哌沙班片), Rivaroxaban Tablets (利伐沙班片), Sildenafil Citrate Tablets (枸櫞酸西地那非片) and Metoprolol Succinate Sustained-release Tablets (琥珀酸美托洛爾緩釋片), as well as the Group's biologic drugs, namely Insulin Glargine Injection (甘精胰島素注射液), were granted listing approvals, which is conducive to the Group's active exploration of new market areas and the continuous optimization of the Group's product portfolio, and thus the improvement of the Group's future results. As at 31 December 2021, the Group's 13 products have won the bid for centralized bulk purchase of drugs. In addition to enriching the Group's revenue structure and increasing the Group's profitability, centralized bulk purchase of drugs will also further expand the relevant product channels, enhance the Group's brand influence and lay a market foundation for the launch of new products in the future.

The entering into of the "Amendments to the Non-Competition Agreement" between the Group and Sunshine Lake Pharma on 19 March 2021 is conducive to the Group's introduction of more new products in a timely manner based on market demand and its optimization of product structure and business model, which has a positive impact on the Group's future performance.

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

	Drugs Registration Classification	Year ended 31 December 2021		2020		Change compared with last year
		(RMB'000)	*%*	*(RMB'000)*	*%*	*(%)*
Anti-viral drugs		**559,973**	**61.28%**	2,071,614	88.23%	**-72.97%**
— Kewei (Oseltamivir Phosphate) Granules	Class 5 active chemical drug	**469,477**	**51.38%**	1,147,837	48.88%	**-59.10%**
— Kewei (Oseltamivir Phosphate) Capsules	Class 6 active chemical drug	**85,109**	**9.31%**	920,890	39.22%	**-90.76%**
Endocrine and metabolic drugs		**77,633**	**8.50%**	94,529	4.03%	**-17.87%**
— Ertongshu (Benzbromarone Tablets)	Class 4 active chemical drug	**77,134**	**8.44%**	94,498	4.02%	**-18.37%**
Anti-infectives drugs		**80,689**	**8.83%**	64,617	2.75%	**24.87%**
— Linluoxing (Moxifloxacin Hydrochloride Tablets)	Class 4 chemical drug	**20,466**	**2.24%**	15,161	0.65%	**34.98%**
— Clarithromycin Tablets	Class 6 chemical drug	**25,543**	**2.80%**	25,866	1.10%	**-1.25%**
— Levofloxacin Tablets	Class 6 chemical drug	**30,927**	**3.38%**	22,747	0.97%	**35.96%**
Cardiovascular and cerebrovascular drugs		**96,148**	**10.52%**	66,780	2.84%	**43.98%**
— Olmesartan Tablets	Class 4 chemical drug	**37,148**	**4.07%**	27,188	1.16%	**36.63%**
— Xinhanining (Amlodipine Tablets)	Class 4 chemical drug	**4,783**	**0.52%**	10,411	0.44%	**-54.05%**
— Oumeining (Telmisartan Tablets)	Class 2 chemical drug	**49,683**	**5.44%**	27,515	1.17%	**80.57%**
Others		**99,345**	**10.87%**	50,573	2.15%	**96.44%**
Total		**913,788**	**100%**	2,348,113	100%	**-61.08%**

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 22.34% to RMB430.09 million for the year ended 31 December 2021 from RMB351.55 million for the year ended 31 December 2020, which was mainly due to the increase of inventory provision. The Group has made provisions for Kewei products that are nearing their expiry dates, resulting in a significant increase in cost of sales.

3. Gross Profit

For the year ended 31 December 2021, the Group's gross profit was RMB483.70 million, representing a decrease of 75.77% as compared with RMB1,996.57 million for the year ended 31 December 2020. It was mainly due to the decrease in revenue from Kewei during the Reporting Period, which is a product with high gross profit margin, and the increase in the inventory provision.

4. Other Net Income and Losses

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

For the year ended 31 December 2021, the Group's other income was RMB85.96 million, representing a decrease of 89.51% as compared with RMB819.37 million for the year ended 31 December 2020, which was due to the decrease in gains from fair value change on convertible bonds embedded in conversion option and the absence of waiver for patent fees during this year.

5. Expenses Analysis

For the year ended 31 December 2021, the Group's total expenses amounted to RMB1,236.73 million, representing a decrease of 31.45% as compared with RMB1,804.22 million for the year ended 31 December 2020. The main components of the Group's expenses are as follows:

	Year ended 31 December		
	2021 ***(RMB'000)***	2020 *(RMB'000)*	**Change compared with last year** ***(%)***
Distribution costs	**521,667**	1,153,884	**-54.79%**
Administrative expenses	**358,402**	318,068	**12.68%**
Research and development cost	**109,673**	92,448	**18.63%**
(Recognition)/reversal of impairment loss on trade and other receivables	**3,176**	(4,391)	**-172.33%**
Finance costs	**243,807**	244,206	**-0.16%**
	1,236,725	1,804,215	**-31.45%**

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

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

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

For the year ended 31 December 2021, the Group's investment in R&D amounted to RMB246.24 million in total, representing 26.95% of the revenue and a decrease of 75.71% as compared to the corresponding period of last year, among which expenses were RMB109.67 million and capitalized expenditures were RMB136.57 million.

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

6. Loss/Profit Before Taxation

For the year ended 31 December 2021, the Group's loss before taxation amounted to RMB667.18 million in total, representing a decrease of 166.03% as compared to the profit before taxation of RMB1,010.43 million for the year ended 31 December 2020, which was mainly due to decrease in sales volume of core product Kewei.

7. Other Operating Expenses

For the year ended 31 December 2021, other operating expenses of the Group amounted to RMB0.1 million, which was mainly external donation expenditure.

8. Income Tax

For the year ended 31 December 2021, the income tax credits of the Group amounted to RMB79.46 million, and the income tax expenses amounted to RMB173.0 million for the year ended 31 December 2020, which was mainly due to the fact that the Company recorded a loss before taxation for the first time, which was deducted from income tax.

9. Loss/Profit for the Reporting Period

For the year ended 31 December 2021, the Group recorded a net loss amounted to RMB587.72 million for the first time, representing a decrease of 170.18% as compared to the net profit of RMB837.41 million for the year ended 31 December 2020.

10. Loss/Profit and Total Comprehensive Loss/Profit attributable to Equity Shareholders of the Company

For the year ended 31 December 2021, loss and total comprehensive loss attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) was RMB414.92 million, representing a decrease of 170.30% as compared to profit and total comprehensive income attributable to equity shareholders of the Company (without taking into account the effect of the convertible bonds) of RMB590.21 million for the year ended 31 December 2020.

For the year ended 31 December 2021, loss and total comprehensive loss attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) was RMB587.65 million, representing a decrease of 170% as compared to profit and total comprehensive income attributable to equity shareholders of the Company (taking into account the effect of the convertible bonds) of RMB839.46 million for the year ended 31 December 2020.

IV. FINANCIAL POSITION

1. Overview

As at 31 December 2021, the Group's total assets amounted to RMB10,541.6 million, with total liabilities of RMB4,520.8 million and shareholders' equity of RMB6,020.8 million.

As at 31 December 2021, the Group's capital is derived from sales of product and are used in production halls construction, distribution and administrative management etc. The management has clear goals and records in budget, financial and operating performance, and actively monitors them and regularly evaluates internal control measures.

2. Net Current Assets

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current assets		
Inventories	**279,696**	378,268
Trade and other receivables	**546,791**	599,757
Prepayment	**7,776**	19,927
Restricted cash	**91,992**	221,191
Cash and cash equivalents	**1,131,121**	2,044,967
Total current assets	**2,057,376**	3,264,110
Current liabilities		
Trade and other payables	**911,680**	1,259,440
Contract liabilities	**74,903**	56,152
Bank loans	**48,477**	345,987
Interest-bearing borrowings	**–**	2,474,817
Deferred income	**4,379**	4,379
Current taxation	**198,625**	20,438
Total current liabilities	**1,238,064**	4,161,213
Net current (liabilities)/assets	**819,312**	(897,103)

For the year ended 31 December 2021, the Group recorded the total current assets of RMB2,057.4 million, as compared to RMB3,264.1 million for the year ended 31 December 2020. During the Reporting Period, the current assets decreased by RMB1,206.7 million due to the decrease in sales; and the total current liabilities decreased by RMB2,923.2 million due to the reclassification of the convertible bonds to non-current liabilities that are not required to be settled within 12 months, both of which resulted in an increase in the Group's net current assets by RMB1,716.4 million.

3. Intangible Assets

For the year ended 31 December 2021, the Group's intangible assets was RMB3,272.0 million, representing an increase of RMB562.4 million as compared to RMB2,709.6 million for the year ended 31 December 2020. The increase in intangible assets was mainly because 10 out of the Target Products were transferred to intangible assets after obtaining approvals from the China National Medical Products Administration (NMPA) for this year.

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 2021 were 53.04% and 1.44 times respectively. The gearing ratio and the quick ratio of the Group as at 31 December 2020 were 58.99% and 0.69 times respectively.

5. Bank Loans

For the year ended 31 December 2021, all bank loans were denominated in RMB. For the year ended 31 December 2021, the Group's bank loans was RMB593.4 million, representing an increase of RMB57.6 million as compared to RMB535.8 million for the year ended 31 December 2020. The increase in bank loans was mainly due to the new bank loans used for construction in progress for this year. The Group is in good liquidity position with sufficient funding and has no repayment risk.

6. Capital Expenditure

In order to meet the production demand for our products, the Group constructed plants and buildings, purchased administration offices, machines and equipment, acquired the ownership of approvals and the right of sale for purchasing, manufacturing and launching certain pharmaceutical products from Sunshine Lake Pharma during the year ended 31 December 2021 with an aggregate capital expenditure of RMB569.8 million, representing a decrease of 70.3% as compared to RMB1,918.0 million for the year ended 31 December 2020.

7. Material Acquisitions and Disposals

On 19 March 2021, the Company waived the right to acquire the R&D and commercialization rights of seven pipeline projects (i.e. HIF-PHD inhibitor, soluble guanylate cyclase stimulator, mineralocorticoid receptor antagonist, farnesoid X receptor, 5-HT reuptake inhibitor and 5-HT1A receptor partial agonist, FLT3 highly selective inhibitor and Axl and Mer double-target small molecule tyrosine kinase inhibitor) from Sunshine Lake Pharma. As the projects above are currently under the pre-clinical research stage to phase I of clinical stage, it is expected to have a long R&D cycle, large R&D investment and high R&D risk. Moreover, the projects above have little relevance to the indication area deployment, product pipeline layout and future development plans of the Company. Considering that the subsequent acquisition of the projects above will involve significant devotion in terms of time and capital to establish and improve the production workshops and commercial promotion teams in the relevant indication fields, while the overall cost is material and the return on profit is uncertain, the Company waived the pre-emptive right over the projects above. For details, please refer to the announcement of the Company dated 19 March 2021.

8. Contingent Liabilities

For the year ended 31 December 2021, the Group did not provide external guarantees.

9. Pledge of Assets

For the year ended 31 December 2021, land use rights held for own use amounting to RMB83,828,000 (2020: RMB85,743,000), fixed assets held for own use amounting to RMB262,150,000 (2020: RMB118,918,000) and construction in progress amounting to RMB258,397,000 (2020: RMB357,445,000) held by the Group were pledged for bank loans.

For the year ended 31 December 2021, the Group had a total amount of RMB19,576,000 bill receivables that were pledged as securities for the issuance of new banks' acceptance bills and bank loans (2020: RMB208,035,000).

10. Employee and Remuneration Policies

(1) Human Resource Summary

For the year ended 31 December 2021, the Group had a total of 3,616 employees. The staff costs, including directors' emoluments but excluding any contributions to pension scheme, were approximately RMB356,586,000 for the year ended 31 December 2021.

by age:

Age Distribution	**Number**	**Percentage**
30 or below	800	22.12%
31–50 (inclusive)	2,713	75.03%
Above 50	103	2.85%
Total	3,616	100%

by education:

Education Level	**Number**	**Percentage**
Master or above	80	2.21%
Bachelor	1,175	32.49%
Associate	1,354	37.45%
Vocational or below	1,007	27.85%
Total	3,616	100%

(2) Remuneration Policy

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

(3) Employee Benefits

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

V. FUTURE OUTLOOK

2021 was a year of remarkable results in the Group's business in different aspects. In response to national policies, the Group actively participated in the centralized procurement of drugs and has won bids for multiple products, which would enhance the Group's penetration rate of drugs and it is also expected to significantly increase the sales volume of drugs. At the same time, the approval for launch of multiple generic drug varieties further broadens the Company's product line portfolio. In the field of biologic drugs, the Company has made breakthrough progress. Currently, the Company's Recombinant Human Insulin Injection and Insulin Glargine Injection have been approved to launch, and approval notices relating to the registration for domestic production of Insulin Aspart Injection and Insulin Aspart 30 Injection have been received. In the future, if the products pass the premarket assessment and approval process of the China National Medical Products Administration, the Company's product portfolio in the area of diabetes treatment will be further enriched, and medical choices of both high quality and fair price of diabetes drugs will be offered to more patients.

Looking forward, the pharmaceutical industry will continue to play a pivotal role in enhancing national health and maintaining the national economy and livelihood. With the continuous implementation of a series of policies such as consistency evaluation of generic drugs, bulk purchase and negotiation on medical insurance, the Group will comply with national policies, continue to promote research and development and innovation to enrich its product portfolio; strengthen production management capabilities to ensure the supply of high-quality products; and improve the establishment of the sales team, to fully utilize the advantages of academic promotion and increase the coverage of medical institutions at all levels. At the same time, the Group will continue to take "for everyone's health" as its mission, build a comprehensive pharmaceutical platform integrating research and development, production and sales, and strive toward the goal of becoming first-tier pharmaceutical enterprise in China.

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 shareholders meeting of the Company provides a forum 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 2021 (for the year ended 31 December 2020: 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 2021 to be held on Thursday, 2 June 2022 (the "**AGM**"), the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which periods no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all unregistered H shareholders of the Company shall lodge transfer documents together with the relevant share certificates with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, 27 May 2022. The record date for the entitlement to attend and vote at the AGM is Monday, 30 May 2022.

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 year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

Upon making specific enquiries to all the directors and supervisors of the Company, all directors and supervisors of the Company confirmed that each of them had fully complied with the Model Code during the year ended 31 December 2021.

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 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG ("**KPMG**"), Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's 2021 annual results announcement and the financial statements for the year ended 31 December 2021 prepared in accordance with the IFRSs.

OTHER SIGNIFICANT EVENTS

1. Successful Bid for the Centralized Procurement of Products

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

On 23 June 2021, the Company participated in the tender process in respect of the Fifth National Centralized Procurement of Pharmaceuticals (第五批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Aripiprazole Tablets and Rivaroxaban Tablets have won the bid for the centralized procurement. For details, please refer to the announcement of the Company dated 24 June 2021.

On 26 November 2021, the Company participated in the tender process in respect of the Sixth National Centralized Procurement of Pharmaceuticals (第六批國家組織藥品集中採購) organized by the National Organization Office for the Centralized Procurement and Usage of Pharmaceuticals* (國家組織藥品集中採購和使用聯合採購辦公室). Recombinant Human Insulin Injection and Insulin Glargine Injection of the Company have won the bid for the centralized procurement.

2. Waiver of Pre-Emptive Right

References are made to the strategic cooperation agreement (《宜昌東陽光長江藥業股份有限公司與深圳市東陽光實業發展有限公司戰略合作協議》) (the "**2015 Strategic Cooperation Agreement**") entered into between the Company and Shenzhen HEC Industrial Development Co., Ltd.* (深圳市東陽光實業發展有限公司) ("**Shenzhen HEC Industrial**") on 6 December 2015 and the supplemental agreement to the strategic cooperation agreement (the "**Supplemental Agreement**") entered into between the Company and Shenzhen HEC Industrial on 24 December 2020 for the renewal of the 2015 Strategic Cooperation Agreement, in which the Company has the rights such as acquisition right and pre-emptive right over the research and development results of the pharmaceutical R&D segment of its controlling shareholder and actual controller.

In March 2021, the Company was informed by Shenzhen HEC Industrial that in order to focus on the R&D project of its anti-infection and antitumor metabolic core product lines, Sunshine Lake Pharma (which is controlled by Shenzhen HEC Industrial) intended to grant the R&D and commercialization rights of seven pipeline projects with independent intellectual property rights (i.e. HIF-PHD inhibitor, soluble guanylate cyclase stimulator, mineralocorticoid receptor antagonist, farnesoid X receptor, 5-HT reuptake inhibitor and 5-HT1A receptor partial agonist, FLT3 highly selective inhibitor and Axl and Mer double-target small molecule tyrosine kinase inhibitor) to external parties by way of, including but not limited to, exclusive licensing, and inquired with the Company on whether to exercise the pre-emptive right under the 2015 Strategic Cooperation Agreement and the Supplemental Agreement. As the projects to be licensed are currently under the pre-clinical research stage to phase I of clinical stage, it is expected to have a long R&D cycle, large R&D investment and high R&D risk. Moreover, the projects to be licensed have little relevance to the indication area deployment, product pipeline layout and future development plans of the Company. Considering that the acquisition of the products under such projects will involve subsequently significant devotion in terms of time and capital to establish the production workshops and commercial promotion teams in the relevant indication fields, while the overall cost is material and the return on profit is uncertain, the Company waived the pre-emptive right over the projects.

For details, please refer to the announcement of the Company dated 19 March 2021.

3. Amendments to the Non-Competition Agreement

As the Company and Sunshine Lake Pharma (being a controlled subsidiary of the controlling shareholders of the Company) will make more specific arrangements in relation to relevant business cooperation matters, the relevant contents of the 2015 Non-Competition Agreement will no longer be applicable to Sunshine Lake Pharma. Therefore, the controlling shareholders of the Company proposed to amend the 2015 Non-Competition Agreement to stipulate that the relevant contents of the 2015 Non-Competition Agreement will no longer be applicable to Sunshine Lake Pharma. On 19 March 2021, the Company (i) entered into the 2021 Non-Competition Agreement with HEC Pharm Co., Ltd.* (宜昌東陽光藥業股份有限公司), Yichang HEC Pharmaceutical Co., Ltd.* (宜昌東陽光健康藥業有限公司) (formerly known as Linzhi HEC Pharmaceutical Investment Co., Ltd.* (林芝東陽光藥業投資有限公司)), Dongguan HEC Industrial Development Co., Ltd.* (東莞市東陽光實業發展有限公司), Shenzhen HEC Industrial Development Co., Ltd.* (深圳市東陽光實業發展有限公司), Ruyuan Yao Autonomous County Yuneng Electric Industrial Co., Ltd.* (乳源瑤族自治縣寓能電子實業有限公司), Ruyuan Yao Autonomous County Xinjing Technology Development Co., Ltd.* (乳源瑤族自治縣新京科技發展有限公司), Ms. Guo Meilan (郭梅蘭) and Mr. Zhang Yushuai (張寓帥) (the "**2021 Non-Competition Agreement**"), pursuant to which, the provisions involving Sunshine Lake Pharma (as a controlled subsidiary of the controlling shareholders of the Company) were excluded from the 2021 Non-Competition Agreement. Other terms of the 2021 Non-Competition Agreement remain the same as the terms of the 2015 Non-Competition Agreement; (ii) entered into the Sunshine Lake Pharma Non-Competition Agreement with Sunshine Lake Pharma (the "**Sunshine Lake Pharma Non-Competition Agreement**"), pursuant to which, the Company and Sunshine Lake Pharma (a) undertook and procured their respective subsidiaries to undertake certain scope of non-competition and commitments with the counterparty and its subsidiaries; and (b) agreed to cooperate in sales of pharmaceutical products within the PRC; and (iii) entered into the Gift Agreement on Equity Interests with Shenzhen HEC Industrial (the "**Gift Agreement on Equity Interests**", together with the 2021 Non-Competition Agreement and the Sunshine Lake Pharma Non-Competition Agreement, collectively the "**Revised Non-Competition Agreements**"), pursuant to which, the controlling shareholders of the Company intended to transfer 10% of the equity of Sunshine Lake Pharma to compensate the Company through themselves or a third party designated by them.

On 25 June 2021, the shareholders of the Company (other than Guangdong HEC Technology Holding Co., Ltd.* (廣東東陽光科技控股股份有限公司)) approved the Revised Non-Competition Agreements at the 2021 first extraordinary general meeting of the Company.

On 10 August 2021, the Company received a notice from Shenzhen HEC Industrial that it has designated its controlling subsidiary, Yichang HEC Research Co., Ltd.* (宜昌東陽光藥研發有限公司) (being the direct controlling shareholder of Sunshine Lake Pharma), to transfer 10% of the equity of Sunshine Lake Pharma to the Company. As at the date of this announcement, Sunshine Lake Pharma has completed the relevant registration procedures in respect of the aforesaid change in shareholding interests with the market regulation department.

For details, please refer to the Company's announcements dated 19 March 2021, 25 June 2021 and 10 August 2021 and the Company's circular dated 28 May 2021.

4. Continuing Connected Transactions and Connected Transactions

On 19 March 2021, Dongguan Yangzhikang Pharmaceutical Co., Ltd.* (東莞市陽之康醫藥有限責任公司) ("**Dongguan Yangzhikang**") and Ruyuan HEC Pharmaceutical Co., Ltd.* (乳源東陽光藥業有限公司) ("**Ruyuan HEC Pharmaceutical**") entered into the API Purchase Contract (I), pursuant to which, Dongguan Yangzhikang agreed to purchase active pharmaceutical ingredients ("**APIs**"), such as Alogliptin Benzoate, Moxifloxacin Hydrochloride and Aripiprazole, from Ruyuan HEC Pharmaceutical, and the annual cap for the year ended 31 December 2021 thereunder is RMB5,000,500.

On 19 March 2021, Dongguan Yangzhikang and Yichang HEC Biochemical Manufacturing Co. Ltd.* (宜昌東陽光生化製藥有限公司) ("**Yichang HEC Biochemical Manufacturing**") entered into the API Purchase Contract (II), pursuant to which, Dongguan Yangzhikang shall purchase APIs such as Clarithromycin from Yichang HEC Biochemical Manufacturing, and the annual cap for the year ended 31 December 2021 thereunder is RMB19,200,000.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the API Purchase Contract (III), pursuant to which, the Company agreed to purchase APIs such as Alogliptin Benzoate, Escitalopram Oxalate, Aripiprazole, Linagliptin, Sitagliptin phosphate monohydrate and Rivaroxaban from Ruyuan HEC Pharmaceutical, and the annual cap for the year ended 31 December 2021 thereunder is RMB5,099,100.

On 19 March 2021, the Company and Shaoguan HEC Packaging and Printing Co., Ltd.* (韶關東陽光包裝印刷有限公司) (a subsidiary of Shenzhen HEC Industrial, "**Shaoguan HEC Packaging**") entered into the Packaging Materials Purchase Contract, pursuant to which, the Company agreed to purchase printed packaging materials from Shaoguan HEC Packaging, and the annual cap for the year ended 31 December 2021 thereunder is RMB16,150,000.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Supplemental Chemical Materials and Hardware Materials Purchase Agreement, pursuant to which, the Company agreed to purchase chemical materials and hardware materials from Yichang HEC Biochemical Manufacturing, and the annual cap for the year ended 31 December 2021 thereunder is RMB8,000,000.

On 19 March 2021, the Company and Yichang HEC Power Plant Co., Ltd.* (宜昌東陽光火力發電有限公司) ("**Yichang HEC Power Plant**") entered into the Steam Supply Supplemental Agreement (I), pursuant to which, the Company agreed to purchase steam from Yichang HEC Power Plant, and the annual cap for the year ended 31 December 2021 thereunder is RMB9,000,000.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Steam Supply Supplemental Agreement (II), pursuant to which the Company agreed to purchase steam from Yichang HEC Biochemical Manufacturing with an annual cap of RMB9,000,000 for the year ended 31 December 2021.

On 19 March 2021, YiChang HEC Pharmaceutical Manufacturing Co., Ltd.* (宜昌東陽光製藥有限公司) ("**YiChang HEC Pharmaceutical Manufacturing**") and Yichang HEC Power Plant entered into the 2021 Steam Supply Contract, pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase steam from Yichang HEC Power Plant with an annual cap of RMB4,200,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Yichang HEC Power Plant entered into the Power Supply Supplemental Agreement, pursuant to which the Company agreed to purchase electricity from Yichang HEC Power Plant with an annual cap of RMB30,300,000 for the year ended 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and Yichang HEC Power Plant entered into the 2021 Power Supply Contract, pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase electricity from Yichang HEC Power Plant with an annual cap of RMB3,200,000 for the year ended 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and Yidu Changjiang Machinery Equipment Co., Ltd.* (宜都長江機械設備有限公司) ("**Yidu Changjiang Machinery Equipment**") entered into the Industrial Products Sale and Purchase Contract (I), pursuant to which Yichang HEC Pharmaceutical Manufacturing agreed to purchase tank field and workshop renovation equipment from Yidu Changjiang Machinery Equipment with an annual cap of RMB11,000,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Yidu Changjiang Machinery Equipment entered into the Industrial Products Sale and Purchase Contract (II), pursuant to which the Company agreed to purchase workshop renovation equipment from Yidu Changjiang Machinery Equipment with an annual cap of RMB7,000,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the Entrusted Inspection Contract (I), pursuant to which the Company agreed to engage Ruyuan HEC Pharmaceutical to conduct quality control inspection on the talcum powder with an annual cap of RMB2,300,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Dongguan HEC Generic Drugs Development and Research Co. Ltd.* (東莞市東陽光仿製藥研發有限公司) ("**HEC Generic Drugs Development and Research**") entered into the Entrusted Inspection Contract (II), pursuant to which the Company engaged HEC Generic Drugs Development and Research to conduct testing on the compatibility of injection packaging materials, production component compatibility, drug device compatibility, closure integrity research and analysis of excessive impurities structure during the stability process with an annual cap of RMB1,500,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Yichang HEC Biochemical Manufacturing entered into the Supplemental Entrusted Sewage Treatment Agreement, pursuant to which the Company engaged Yichang HEC Biochemical Manufacturing for the treatment of sewage generated during the Company's production process with an annual cap of RMB3,600,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Sunshine Lake Pharma entered into the Entrusted Processing Framework Agreement (I), pursuant to which the Company agreed to engage Sunshine Lake Pharma to process certain pharmaceutical products, including Clarithromycin Tablets, Levofloxacin Tablets, Moxifloxacin Hydrochloride Tablets, Olmesartan Tablets, Alogliptin Benzoate Tablets, Duloxetine Hydrochloride Enteric-coated Capsules, Aripiprazole Tablets, Febuxostat Tablets, Tadalafil Tablets, Ticagrelor Tablets, Olanzapine Tablets, Rosuvastatin Calcium Tablets, Linagliptin Tablets, Sitagliptin Tablets and Entacapone Tablets with an annual cap of RMB105,280,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Ruyuan HEC Pharmaceutical entered into the Entrusted Processing Framework Agreement (II), pursuant to which the Company agreed to engage Ruyuan HEC Pharmaceutical to process the Rongliflozin API with an annual cap of RMB25,050,700 for the year ended 31 December 2021.

On 19 March 2021, the Company and Yidu Shanchengshuidu Project Construction Co., Ltd.* (宜都山城水都建築工程有限公司) ("**Yidu Construction**") entered into the Project Construction Contract, pursuant to which the Company agreed to engage Yidu Construction to carry out the civil works of minor maintenance projects with an annual cap of RMB17,050,000 for the year ended 31 December 2021.

On 19 March 2021, the Company and Dongguan HEC Medicine Development and Research Co., Ltd.* (東莞東陽光藥物研發有限公司) ("**HEC Medicine Development and Research**") entered into the Property Lease Contract, pursuant to which the Company agreed to lease a property at No. 368 Zhen An Zhong Road, Chang'an County, Dongguan from HEC Medicine Development and Research with an annual cap of RMB2,426,101.20 for the year ended 31 December 2021.

On 19 March 2021, the Company entered into the API Sales Contract with Sunshine Lake Pharma, pursuant to which the Company agreed to sell APIs of Olmesartan Medoxomil, Moxifloxacin Hydrochloride, Esomeprazole Magnesium, Entacapone, Febuxostat, Duloxetine Hydrochloride, Olanzapine and Levofloxacin to Sunshine Lake Pharma with an annual cap of RMB30,000,000 for the year ended 31 December 2021.

On 19 March 2021, the Company entered into the Pharmaceutical Sales Contract with Sunshine Lake Pharma, pursuant to which after engaging the Company to produce the Morphothiadine Mesylate, Sunshine Lake Pharma agreed to purchase the finished products of Morphothiadine Mesylate from the Company with an annual cap of RMB4,580,000 for the year ended 31 December 2021.

On 19 March 2021, the Company entered into the Entrusted Processing Framework Agreement (III) with Sunshine Lake Pharma, pursuant to which Sunshine Lake Pharma engaged the Company to develop, research and process Yiqibuvir Tablets, Dong An Tai (東安泰), Dong An En (東安恩) and Dong Tong Shen (東通神) with an annual cap of RMB29,296,263.44 for the year ended 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing entered into the Entrusted Production Service Framework Agreement (I) with Sunshine Lake Pharma, pursuant to which Sunshine Lake Pharma agreed to engage Yichang HEC Pharmaceutical Manufacturing to evaluate and inspect the production and safety response of Phenylcarbonohydrazonoyl dicyanide, Dong An En, Dong Jian Ze (東健澤), Dong Tong Rui (東通瑞), Dong Tong Shun (東通順), Dong Tong Run (東通潤), Rongliflozin RG04 and other new pharmaceutical intermediates with an annual cap of RMB40,000,000 for the year ended 31 December 2021.

On 19 March 2021, Yichang HEC Pharmaceutical Manufacturing and HEC Generic Drugs Development and Research entered into the Entrusted Production Service Framework Agreement (II), pursuant to which HEC Generic Drugs Development and Research engaged Yichang HEC Pharmaceutical Manufacturing to evaluate and inspect the production and safety response on Palamevir, Siponimod and other generic drugs with an annual cap of RMB5,000,000 for the year ended 31 December 2021.

On 19 March 2021, the Company entered into the API Purchase Contract (IV) with Yichang HEC Biochemical Manufacturing, pursuant to which the Company agreed to purchase APIs (Clarithromycin and Azithromycin) from Yichang HEC Biochemical Manufacturing at a consideration of RMB3,000,000.

On 19 March 2021, the Company entered into the Entrusted Production Contract with HEC Generic Drugs Development and Research, pursuant to which the Company has been engaged by HEC Generic Drugs Development and Research to manufacture insulin degludec and insulin degludec/liraglutide injection under GMP conditions, and the Company will provide a warehouse for the storage of drugs and related raw materials, auxiliary materials and other goods for a term until HEC Generic Drugs Development and Research has completed clinical trials at a consideration of RMB6,069,203.

On 25 June 2021, API Purchase Contract (I), the API Purchase Contract (II), the API Purchase Contract (III), API Purchase Contract (IV), the Packaging Materials Purchase Contract, the Supplemental Chemical Materials and Hardware Materials Purchase Agreement, the Steam Supply Supplemental Agreement (I), the Steam Supply Supplemental Agreement (II), the 2021 Steam Supply Contract, the Power Supply Supplemental Agreement, the 2021 Power Supply Contract, the Industrial Products Sale and Purchase Contract (I), the Industrial Products Sale and Purchase Contract (II), the Entrusted Inspection Contract (I), the Entrusted Inspection Contract (II), the Supplemental Entrusted Sewage Treatment Agreement, the Entrusted Processing Framework Agreement (I) and the Entrusted Processing Framework Agreement (II) and the transactions contemplated thereunder (including the respective annual caps) were approved by the shareholders of the Company (other than Guangdong HEC Technology Holding Co., Ltd.* (廣東東陽光科技控股股份有限公司)) at the 2021 first extraordinary general meeting of the Company.

For details of the transactions under the above-mentioned agreements, please refer to the announcements of the Company dated 19 March 2021 and 25 June 2021 and the circular of the Company dated 28 May 2021.

5. Election of Directors of the Third Session of the Board and Election of Supervisors of the Third Session of the Board of Supervisors

On 4 June 2021, the shareholders of the Company approved the election of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang as executive Directors, Mr. TANG Xinfa and Mr. Eddy HUANG as non-executive Directors and Mr. TANG Jianxin, Mr. ZHAO Dayao, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors of the third session of the Board at the 2020 annual general meeting ("**2020 AGM**") held on 4 June 2021.

On 4 June 2021, the shareholders of the Company approved the election of Mr. TANG Jinlong and Mr. LUO Zhonghua as shareholder representative supervisors of the third session of the board of supervisors of the Company at the 2020 AGM.

On 10 March 2021, Mr. WANG Shengchao was elected as the employee representative supervisor of the third session of the Board of Supervisors by the 2021 first meeting of the employee representatives of the Company.

For details, please refer to the announcements of the Company dated 19 March 2021 and 4 June 2021 and the circular of the Company dated 16 April 2021.

6. Settlement Agreement

On 27 August 2021, the Company entered into a settlement agreement with Ruyuan HEC Pharmaceutical, pursuant to which Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the plant and equipment leasing contract entered into between the Company and Ruyuan HEC Pharmaceutical dated 27 April 2020 (the "**Plant and Equipment Leasing Contract**"), being RMB8,475,000.00 (tax inclusive), to the Company as full and final settlement of its liabilities under such contract. For details, please refer to the announcement of the Company dated 27 August 2021.

7. Sale and Purchase Agreement

On 27 August 2021, the Company entered into a sale and purchase agreement with Ruyuan HEC Pharmaceutical to sell the chemicals, which have not been used up at the time when the Plant and Equipment Leasing Contract was expired, to Ruyuan HEC Pharmaceutical at a consideration of RMB12,375,673.57 (tax inclusive). For details, please refer to the announcement of the Company dated 27 August 2021.

8. Share Transfer by Controlling Shareholder of the Company

On 31 August 2021, the Company was informed by its then controlling shareholder Guangdong HEC Technology Holding Co., Ltd.* (廣東東陽光科技控股股份有限公司) ("**Guangdong HEC**") that, Guangdong HEC intended to transfer 452,400,000 shares, representing no more than 51.41% of the issued share capital of the Company, to Sunshine Lake Pharma and its wholly-owned subsidiary, HEC (Hong Kong) Sales Co., Limited ("**HEC (Hong Kong)**") (the "**Proposed Transfer**").

On 30 December 2021, the Company had been informed by Guangdong HEC that Guangdong HEC has entered into a "Memorandum of Understanding on the Completion of the Major Asset Disposal" with Sunshine Lake Pharma and HEC (Hong Kong) on 29 December 2021 for the purpose of determining the completion date of the Proposed Transfer was on 29 December 2021 (the "**Completion Date**"). Since the Completion Date, Guangdong HEC lost control of the Company, and the Company was no longer a subsidiary of Guangdong HEC by means of its financial accounts is not consolidated to the financial accounts of Guangdong HEC.

During the Reporting Period, (i) 226,200,000 domestic shares of the Company (equivalent to 25.71% of the issued share capital of the Company) held by Guangdong HEC have been transferred and registered under the name of Sunshine Lake Pharma; and (ii) 114,298,800 H shares out of the 226,200,000 H shares of the Company (equivalent to 12.99% of the issued share capital of the Company) held by Guangdong HEC have been transferred and registered under the name of HEC (Hong Kong), and the remaining 111,901,200 H shares (the "**Remaining Shares**") have not been transferred and registered under the name of HEC (Hong Kong). The parties will continue to carry out the transfer and registration procedures for the Remaining Shares in accordance with the major asset disposal agreement entered into by the parties.

For details, please refer to the announcements of the Company dated 31 August 2021, 11 November 2021, 10 December 2021, 20 December 2021 and 30 December 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1. Approved launch of Metoprolol Succinate Sustained-release Tablets

Metoprolol Succinate Sustained-release Tablets (specifications: 47.5mg and 95mg) acquired by the Company from Sunshine Lake Pharma has undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration.

For details, please refer to the announcement of the Company dated 10 January 2022.

2. Change of joint company secretary, authorized representative and process agent

Ms. Ng Wing Shan has tendered her resignation as the joint company secretary of the Company (the "**Joint Company Secretary**"), the authorized representative of the Company (the "**Authorized Representative**") as required under Rule 3.05 of the Listing Rules and the authorized representative for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**") for personal reasons with effect from 25 February 2022, and Mr. Wong Wai Chiu has been appointed as the Joint Company Secretary, an Authorized Representative and the Process Agent on the same day. Mr. Peng Qiyun will continue to serve as the other Joint Company Secretary.

For details, please refer to the announcement of the Company dated 25 February 2022.

3. Approved launch of Azithromycin Tablets

Azithromycin Tablets (specifications: 0.25g and 0.5g) acquired by the Company from Sunshine Lake Pharma have undergone the assessment and approval process and obtained approval for launch from the China National Medical Products Administration.

For details, please refer to the announcement of the Company dated 8 March 2022.

4. Proposed adjustment of remuneration of Mr. Li Xuechen

On 21 March 2022, the remuneration and evaluation committee of the Company has considered and the Board has considered and approved that the remuneration of Mr. Li Xuechen, an independent non-executive director of the Company, be adjusted from RMB160,000 per annum to RMB340,000 per annum (the "**Proposed Adjustment**"). The Proposed Adjustment will only take effect subject to the shareholders' consideration and approval at the AGM.

For details, please refer to the announcement of the Company dated 21 March 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.hec-changjiang.com. The 2021 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

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

Hubei, the PRC
21 March 2022

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

* *For identification purpose only*