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**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)**

## **CONTINUING CONNECTED TRANSACTION RENEWAL OF THE SHARING AGREEMENT**

### **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 26 April 2024 in relation to the Sharing Agreement entered into between the Company and Sunshine Lake Pharma. Pursuant to the Sharing Agreement, Sunshine Lake Pharma agreed to distribute to the Company its revenues or profits generated from the sale of designated pharmaceutical products within the PRC as authorised by the Company.

### **II. 2025 SHARING AGREEMENT**

Given that the Sharing Agreement has expired on 31 December 2024 and the Company anticipates that it would continue the sharing arrangement under the Sharing Agreement with Sunshine Lake Pharma in the future, the Board is pleased to announce that the Company and Sunshine Lake Pharma entered into the 2025 Sharing Agreement on 7 February 2025 to renew the Sharing Agreement.

#### **1. Principal terms of the 2025 Sharing Agreement**

- Parties: (1) the Company; and  
(2) Sunshine Lake Pharma
- Term: From 7 February 2025 to 31 December 2025
- Sharing arrangement: (i) For the centralized tender business, Sunshine Lake Pharma shall distribute to the Company 10% of its sales revenue generated from the sale of designated pharmaceutical products;

- (ii) For the non-centralized tender business, Sunshine Lake Pharma shall distribute to the Company 70% of its sales revenue generated from the sale of designated pharmaceutical products; and
- (iii) If the sum of total profits generated by Sunshine Lake Pharma from the sale of designated pharmaceutical products under the 2025 Sharing Agreement exceed the total revenue sharing amount as calculated in accordance with paragraphs (i) and (ii) above, then Sunshine Lake Pharma shall distribute the aggregate sum of all profits generated from the sale of designated pharmaceutical products under the 2025 Sharing Agreement to the Company.

With respect to the above revenue or profit sharing arrangement, the Company is not required to provide any services to Sunshine Lake Pharma in order to receive the relevant revenues or profits.

Payment terms:

Sunshine Lake Pharma shall provide the Company with a breakdown of its revenues and profits from the sale of designated pharmaceutical products within ten business days of the completion of its annual audit, and shall distribute the revenues or profits to the Company within seven business days of receipt of written confirmation from the Company.

## **2. Basis for determining the sharing arrangement**

When determining the relevant sales sharing ratio of the 2025 Sharing Agreement, the Company and Sunshine Lake Pharma mainly made reference to factors including the reasons for and benefits of entering into the sharing arrangement, the sales sharing ratio under the Sharing Agreement, the sharing ratio of the licensing arrangement with independent third parties, the profit margins for centralized tender business and non-centralized tender business, as well as the proportion of costs to revenue to be incurred by Sunshine Lake Pharma.

### 3. Historical transaction amount

Set out below is the amount of revenue sharing or profits received from Sunshine Lake Pharma for each of the years ended 31 December 2023 and 31 December 2024:

	For the years ended	
	31 December	
	2023	2024
	(RMB million)	(RMB million)
Amount of revenue sharing or profits received from Sunshine Lake Pharma	23.0	60.9

\* The Company confirms that there was no revenue sharing or profits received from Sunshine Lake Pharma during the period from 1 January 2025 to 6 February 2025.

### 4. Annual cap and basis of determination

Pursuant to the 2025 Sharing Agreement, the annual cap in respect of the share of revenue or profit to be received from Sunshine Lake Pharma for the period between 7 February 2025 and 31 December 2025 is RMB70.0 million.

In determining the annual cap of the 2025 Sharing Agreement, the Company has considered the following: (i) the profit of RMB60.9 million for the year ended 31 December 2024 received by the Company from Sunshine Lake Pharma under the Sharing Agreement; (ii) Sunshine Lake Pharma's revenue or profit projections from the sale of designated pharmaceutical products under the 2025 Sharing Agreement for the period between 7 February 2025 and 31 December 2025; and (iii) the revenue sharing ratios as prescribed under the 2025 Sharing Agreement.

## III. IMPLICATIONS UNDER THE LISTING RULES

Sunshine Lake Pharma controls the exercise of approximately 51.41% of the voting rights of the Company and is therefore a controlling shareholder and a connected person of the Company. Accordingly, the transactions under the 2025 Sharing Agreement constitute connected transactions of the Company.

As the highest applicable percentage ratio (as defined in the Listing Rules) of the annual cap under the 2025 Sharing Agreement is more than 0.1% but less than 5%, the connected transactions contemplated under the 2025 Sharing Agreement would be subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The demand for high-quality and effective pharmaceutical products from domestic pharmaceutical companies has surged in recent years as a result of rising domestic income levels and rising expectations for the quality and efficacy of pharmaceutical products. To make the best use of the Company's sales resources, the Company focuses on participating in higher-margin business opportunities, while constantly assessing and re-evaluating other business opportunities that yield relatively lower margins. In order to maximize the profits of the Company, the Company has been actively establishing cooperation programs with competent partners through different cooperation modes to realize complementary advantages and win-win situation. Sunshine Lake Pharma is principally engaged in the development, production and sales of pharmaceutical products outside the PRC, and possesses full-cycle drug development capabilities with comprehensive coverage, including preclinical R&D and clinical development of small molecule and large molecule new drugs, as well as development of small molecule generics and biologics, and also possesses the capacity to sell pharmaceutical products. By entering into the 2025 Sharing Agreement, the Company is able to generate additional revenues by utilizing the pharmaceutical production and sales capacity of Sunshine Lake Pharma so as to make more effective use of the Company's existing sales resources in the event that the Company faces short-term production capacity constraints under special circumstances.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the sharing arrangement under the 2025 Sharing Agreement and the annual cap thereunder are conducted in the ordinary and usual course of business of the Group, and such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

As Mr. TANG Xinfu, a non-executive Director, is a director of Sunshine Lake Pharma, he is deemed to be materially interested in the transactions contemplated under the 2025 Sharing Agreement and has abstained from voting on the Board resolution approving the transactions contemplated under the 2025 Sharing Agreement and the annual cap. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the 2025 Sharing Agreement and no other Director has abstained from voting on the Board resolution.

## V. INTERNAL CONTROL POLICIES

In addition to the annual review by the auditors and the independent non-executive Directors as required under Chapter 14A of the Listing Rules, the Company has implemented or will implement the following internal control measures to ensure the sharing arrangement under the 2025 Sharing Agreement shall be conducted in accordance with the 2025 Sharing Agreement and on normal commercial terms or more favourable terms:

- (i) The finance department of the Company is responsible for monitoring the transaction amounts at the end of each month under the 2025 Sharing Agreement, including proactively contacting the finance department and sales department of Sunshine Lake Pharma on a monthly basis to confirm the revenues or profits generated from the sale of designated pharmaceutical products for that month and cross-checking the sales figures provided by the two departments. It will also request relevant invoices and payment records from Sunshine Lake Pharma to confirm the accuracy of the sales figures. Upon confirmation of the revenues or profits generated from the sale of designated pharmaceutical products for that month, the Company will enter into a written confirmation with Sunshine Lake Pharma confirming the amount of revenue sharing or profits distributed to the Company under the 2025 Sharing Agreement. In the event that the total revenue sharing or profits from Sunshine Lake Pharma reaches 80% or higher of the annual cap, the Company's finance department shall forthwith notify the Board to determine the appropriate action to be taken, such as re-calculating the annual cap for the relevant year;
- (ii) At the beginning of each month, the finance department of the Company will also communicate in advance with the sales department of Sunshine Lake Pharma to estimate in advance the estimated revenues or profits to be shared for the following month, and to ensure that the estimated revenues or profits to be shared will neither exceed nor come close to the annual cap of the 2025 Sharing Agreement;
- (iii) Arranging respective internal training programs for all senior management and relevant staff of all business divisions (including the sales and procurement departments) and the finance department of the Group to reinforce the compliance with and understanding of relevant requirements under Chapter 14A of the Listing Rules;
- (iv) In case of doubt relating to the transactions under the 2025 Sharing Agreement, the Company shall forthwith seek timely advice from its legal advisers; and
- (v) The Company shall commence the renewal procedure with Sunshine Lake Pharma at least three months prior to the expiry of the 2025 Sharing Agreement (if required), and shall also seek legal advice from legal advisers and the company secretary of the Company.

## VI. INFORMATION OF THE PARTIES

### The Company

The Company is a pharmaceutical manufacturing company focusing on the development, manufacturing and sales of pharmaceutical products in the therapeutic areas of anti-infective, endocrine and metabolic diseases. The ultimate beneficial owners of the Company are Ms. GUO Meilan and Mr. ZHANG Yushuai.

### Sunshine Lake Pharma

Sunshine Lake Pharma is a company incorporated in China and principally engaged in the development, manufacturing and sales of pharmaceutical products. The ultimate beneficial owners of Sunshine Lake Pharma are Ms. GUO Meilan and Mr. ZHANG Yushuai.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“2025 Sharing Agreement”	the sharing agreement dated 7 February 2025 entered into by the Company and Sunshine Lake Pharma, pursuant to which, Sunshine Lake Pharma agreed to distribute to the Company its revenues or profits generated from the sale of designated pharmaceutical products within the PRC as authorised by the Company
“Board”	the board of Directors of the Company
“Company”	YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (宜昌東陽光長江藥業股份有限公司), a company established in the PRC on 11 May 2015 as a joint stock company with limited liability
“connected person(s)”	has the meanings ascribed to them under the Listing Rules (as modified by the Stock Exchange from time to time)
“designated pharmaceutical products”	products such as Liprodicaine cream, quetiapine fumarate tablets, metformin hydrochloride tablets, oseltamivir phosphate capsules, oseltamivir phosphate dry suspension, adapalene gel and ketoprofen gel
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and the Taiwan region of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sharing Agreement”	the sharing agreement dated 26 December 2022 entered into by the Company and Sunshine Lake Pharma, pursuant to which, Sunshine Lake Pharma agreed to distribute to the Company its revenues or profits generated from the sale of designated pharmaceutical products within the PRC as authorised by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunshine Lake Pharma”	Sunshine Lake Pharma Co., Ltd.* (廣東東陽光藥業股份有限公司), a company incorporated in the PRC and a controlling shareholder of the Company
“%”	per cent

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

Hubei, the PRC  
7 February 2025

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

\* *For identification purpose only*