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

Independent Financial Adviser to the Independent Board Committee and the independent Shareholders

Gram Capital Limited
嘉林資本有限公司

ENTERING INTO THE DRUG R&D PIPELINE COOPERATION FRAMEWORK AGREEMENT

On 29 November 2023, the Company and Sunshine Lake Pharma entered into a drug R&D pipeline cooperation project framework agreement in relation to the proposed cooperation between the Company and Sunshine Lake Pharma on the R&D and commercialization of the undergoing and future R&D pipeline cooperation projects of Sunshine Lake Pharma in the PRC (the "**Framework Agreement**").

REASONS FOR THE DRUG R&D PIPELINE COOPERATION PROJECT

At present, the domestic pharmaceutical industry is undergoing rapid growth and the industrial competition is increasingly fierce. As a domestic platform for pharmaceutical preparation under the HEC Group, in order to maintain its long-term competitive advantages in the industry, the Company not only ensures the continuous business expansion of its existing products, but also needs to continuously consolidate its product pipeline and introduce new products to ensure its long-term growth potential.

As the controlling shareholder of the Company, Sunshine Lake Pharma has leading pharmaceutical R&D capabilities in the PRC, including pre-clinical R&D and clinical development of small molecule and large molecule new drugs, as well as the development of small molecule innovative preparations and biosimilars. It has outstanding innovative R&D capabilities and currently has a rich pipeline of drug candidates, thereby providing the Company with pharmaceutical products with potential market competitiveness. The Company is principally engaged in drug production, sales of drugs in the PRC and the re-development of existing drugs, yet its R&D capability for new products is limited.

In consideration of enhancing its long-term competitive advantages, the Company intends to enter into a Framework Agreement with Sunshine Lake Pharma, pursuant to which the Company will bear part of the R&D expenses, and both parties will collaborate on new drugs, innovative preparations and biological drugs (17 in total) and small molecule generic drugs (tentatively 20) by way of sharing sales with reference to the R&D investment amount of the relevant products in the domestic commercialization stage. The cooperation is conducive to accelerating the R&D progress of relevant products, increasing diversity of the Company's commercialized products, and enhancing the Company's long-term growth potential and comprehensive competitiveness.

The principal terms of the Framework Agreement are as follows:

Date:	29 November 2023
Parties:	the Company; and Sunshine Lake Pharma
Term:	36 months from the Effective Date of the Framework Agreement Both parties have agreed that the Framework Agreement may be renewed by mutual agreement and subject to the fulfilment of all internal and external review procedures to be performed by both parties after negotiation. Under the Framework Agreement, only the Company has the right to early terminate the Framework Agreement at any time by giving written notice to Sunshine Lake Pharma and shall not be liable to pay compensation to Sunshine Lake Pharma for such early termination.
Nature of transactions:	The Company and Sunshine Lake Pharma agreed to cooperate in a series of drug R&D projects to jointly carry out the R&D of (i) 17 innovative drugs and (ii) small molecule generic drug ("**small molecule generic drug**") pipeline projects (tentatively 20 drugs) (the "**R&D pipeline cooperation projects**") in China. Sunshine Lake Pharma will formulate the R&D plan and be solely responsible for the R&D of the R&D pipeline cooperation projects. The Company will provide financial support solely for the clinical stage R&D expenses incurred by Sunshine Lake Pharma in the R&D pipeline cooperation projects (the "**R&D pipeline cooperation expenses**"). Upon the Effective Date of the Framework Agreement, the Company has right to request Sunshine Lake Pharma to review and update the list of R&D pipeline cooperation projects within one month after the end of each financial year. If an update to such list is agreed by both parties, both parties shall sign a written confirmation and such updated list shall take effect on the signing date of the written confirmation (the "**Review of list of R&D pipeline cooperation projects**").

In addition, the Company is exclusively responsible for the commercialization of the products corresponding to the R&D pipeline cooperation projects in China, and the revenue generated from the sales of such products in China will be shared with Sunshine Lake Pharma through sales sharing.

Investment of R&D pipeline cooperation expenses:

Both parties agreed that the Company will provide maximum investment amount of R&D pipeline cooperation expenses for (i) innovative drugs of RMB150,000,000, RMB400,000,000, RMB400,000,000 and RMB250,000,000; and (ii) small molecule generic drugs of RMB25,000,000, RMB40,000,000, RMB40,000,000 and RMB10,000,000, for each of the period from the Effective Date to 31 December 2023, the two years ending 31 December 2024 and 2025, and the period from 1 January 2026 to the expiry date of the term of the Framework Agreement.

Payment method of R&D pipeline cooperation expenses:

When Sunshine Lake Pharma is required to pay the R&D pipeline cooperation expenses:

(a) The Company shall reimburse the full amount to Sunshine Lake Pharma in a timely manner according to the invoices, third-party payment notices or agreements provided by Sunshine Lake Pharma (generally no more than 5 working days from the date of receipt of the notice from Sunshine Lake Pharma), and the payment shall then be made by Sunshine Lake Pharma to external parties; or

(b) the Company shall directly pay the R&D pipeline cooperation expenses to external parties according to the documents such as third-party invoices, payment notices or agreements provided by Sunshine Lake Pharma, and according to the request by Sunshine Lake Pharma. Both parties shall conduct reconciliation in writing or by email at the end of each month.

In case of special circumstances, where the relevant expenses shall be paid in advance by Sunshine Lake Pharma. After Sunshine Lake Pharma provides the Company with the relevant bank payment slip, third-party payment notice, clinical trial agreement and other relevant documents, the Company shall pay the relevant amount in full to Sunshine Lake Pharma no later than three working days after Sunshine Lake Pharma provides the relevant documents.

In the event if there is any failure to obtain drug registration certificate of the R&D pipeline cooperation projects issued by the NMPA, both parties agreed (i) for innovative drugs projects, the Company has the right to request to transfer the R&D pipeline cooperation expense invested by the Company in the failed project ("**Invested monies in failed project**") to other agreed innovative drugs project(s) in its sole discretion as to increase the sharing ratio of the Company (i.e. (a) the Invested monies in failed projects will be calculated in the sharing ratio of other innovative drug projects; and (b) the sharing ratio of innovative drug projects shall not exceed its sale revenue). If there is any excess, the excess portion will not be included in the calculation and the Company has the right to decide to include the excess portion in other innovative drug projects; and (ii) for small molecule generic drugs projects, the Company has the right to determine and transfer such invested monies to other small molecule generic drugs projects, which has not been invested by the Company previously and entitle to sales sharing of the revenue as agreed by both parties.

Sales Sharing: The Company and Sunshine Lake Pharma will separately enter into sales sharing agreement for sales sharing of the revenue, which is generated from the sales of such products in the PRC. The sharing ratio is determined with reference to the following principles:

For 17 innovative drugs

The Company's basic sharing ratio (the "**Basic Sharing Ratio**") for the commercialization shall be determined with reference to the market sales expense ratio of the pharmaceutical market-oriented CSO and the Company's past sales sharing ratio for similar drugs will be taken into account to determine the Basic Sharing Ratio: Basic Sharing Ratio plus and the ratio for the Company's R&D pipeline cooperation expenses invested in such R&D pipeline cooperation projects to the total R&D pipeline cooperation expenses of such R&D pipeline cooperation projects. In respect of the adjustment ratio, the ratio of adjustment is based on the ratio of R&D pipeline cooperation expenses invested by the Company, and such adjustment will enlarge the sales sharing ratio; and

- The sales sharing ratio is calculated with reference to the following formula:

  The Company's sales sharing ratio = Basic Sharing Ratio + Basic Sharing Ratio x the ratio of the Company's R&D pipeline cooperation expenses invested in such R&D cooperative projects to the total R&D expenses of such cooperative projects.

In order to ensure the compliance of the prevailing industry practice of the Basic Share Ratio, the Company will adopt the following measures, including but not limited to (i) discussing with at least two pharmaceutical manufacturing companies, which are independent third parties engaging in manufacturing and sales of drugs similar to target products, in relation to sales sharing model; (ii) searching through publicly available information sources (i.e. the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, etc.) to seek for any public information related to similar sales sharing model; or (iii) if the Company is unable to obtain information from aforesaid (i) and (ii), engaging specialist advisors for opinions in relation to the fairness and reasonableness of the sales sharing model.

Both parties will enter into independent agreement to regulate other general terms and conditions related to the transactions of innovative drugs sales sharing arrangement. Detailed terms related to the innovative drugs sales sharing arrangement and the consideration involved will be included in the independent agreement to be entered by both parties. After finalizing the terms of innovative drugs sales sharing arrangement, if such arrangement constitutes notifiable transactions and/or non-exempt connected transactions, the Company will comply with the applicable requirements of Chapter 14 and/or Chapter 14A of the Listing Rules.

For small molecule generic drugs pipeline projects

- For the centralised procurement of drugs by medical institutions under the small molecule generic drug pipeline projects, Sunshine Lake Pharma has the right to participate in the centralised procurement of the corresponding drugs for such projects on its behalf, and pay the Company 10% of the sales revenue generated by Sunshine Lake Pharma's centralised procurement business as sales sharing on an annual basis. As Sunshine Lake Pharma will be responsible for the sales and centralised procurement, the distribution cost is not expected to be significant. As such, the Board is of the view that such sales sharing ratio is no less favourable than those offered by independent third party with reference to an authorisation of payment between the Company and an independent third party.

In determining the above sales sharing ratios, the Company primarily makes reference to payment authorizations between the Company and independent third parties (the "**revenues sharing arrangements with third parties**"). In view of the fact that under the revenues sharing arrangement with third parties, the Company is only responsible for the sales of the product in China but not for the R&D of the relevant products, and that the aforesaid arrangement is similar to the arrangement between the Company and Sunshine Lake Pharma in respect of the responsibilities under the small molecule generic drug pipeline projects (i.e. Sunshine Lake Pharma is responsible for the sales; and the Company bears the major R&D costs), the Company therefore considers that the sharing arrangement under the small molecule generic drug pipeline projects and the revenues sharing arrangement with third parties are comparable. The sharing ratio of the sharing arrangement for small molecule generic drug pipeline projects is no less favourable than those provided by the independent third parties.

- The Company will be exclusively responsible for the commercialization of the small molecule generic drug pipeline projects in the non-centralised procurement market. 70% of the revenue generated from such projects each year shall be attributed to the Company and the remaining 30% to Sunshine Lake Pharma. In order to ensure the compliance of the prevailing industry practice of the Basic Sharing Ratio, the Company will adopt the following measures, including but not limited to "70% of the revenue", which is determined with reference to (i) the sales undertaken by the Company; (ii) the ratio of historical distribution costs to the revenue of the Company; and (iii) the remaining ratio to be shared by both parties. In addition, distribution costs will be the main cost of commercialization of drugs in non-centralized markets, which is expected to account for 40% of sales revenue. As the Company will be responsible for the sales, with reference to the proportion of the distribution cost to the revenue of the Company in the past, the Board is of the view that the remaining portion shall be shared by both parties.

In determining the above revenues sharing ratio, as the Company will be responsible for sales, the Company expects that the distribution costs as a percentage of revenue is 40%, which is with reference to the proportion of distribution costs to the Company's revenue in the past. In view of the fact that the amount of incurred R&D costs for the small molecule generic drug pipeline projects currently expected to be carried out up to 31 December 2022, which have already been borne by Sunshine Lake Pharma, and the amount of R&D costs for such products (assuming that all of which are to be borne by the Company) from 1 January 2023 up to their market launch are basically the same, and therefore, the Board is of the view that the remainder of the remaining portion (i.e. 60% of the sales revenue) should be shared equally between the two parties.

Both parties will enter into independent agreement to regulate the aforesaid sales sharing ratio for commercialisation of small molecule generic drugs under the Framework Agreement and other general terms and conditions related to the transactions of small molecule generic drugs sales sharing arrangement. Detailed terms related to the small molecule generic drugs sales sharing arrangement and the consideration involved will be included in the independent agreement to be entered by both parties. The Company will further access the relevant sales sharing ratio prior to the commencement of commercialisation and to ensure it will comply with the sales sharing ratio for commercialisation of small molecule generic drugs under this Framework Agreement. After finalizing the terms of small molecule generic drugs sales sharing arrangement, if such arrangement constitutes notifiable transactions and/or non-exempt connected transactions, the Company will comply with the applicable requirements of Chapter 14 and/or Chapter 14A of the Listing Rules.

Under the cooperation model between the Company and Sunshine Lake Pharma, the Company is exclusively responsible for the commercialization of counterpart products in China for some of the joint pipeline projects, while Sunshine Lake Pharma is responsible for another part.

Both parties agreed, if the Framework Agreement is terminated by the expiry of the term or in accordance with its terms, regardless of whether or not the relevant pipeline has obtained the approval for registration of drug within the term of the Framework Agreement, the commercialization of each pipeline project and the sales sharing arrangement which have actually commenced under the Framework Agreement shall continue to be executed in accordance with the relevant provisions of the Framework Agreement during the validity period of the intellectual property rights and approvals in respect of the relevant pipeline as required by law.

Under the circumstance where the product is commercialized exclusively by the Company (i.e. the Company is responsible for the commercialization of innovative drugs in China and the commercialization of small molecule generic drug pipeline projects in the non-centralised procurement market), the Company sells the relevant products to distributors, and the Company is responsible for the after-sale and quality obligations of the products, and bears the risk of inventory before delivery of the products. As the primary responsible party, the Company's revenue is recognized on the basis of the total consideration received or receivable, which is in compliance with the requirements of relevant accounting standards. Meanwhile, the sales sharing payable to Sunshine Lake Pharma is classified as contractual performance costs and is included in the operating costs of drugs in accordance with the accruals, which is in compliance with the requirements of relevant accounting standards.

Under the circumstance where the product is commercialized exclusively by Sunshine Lake Pharma on an exclusive basis (i.e. Sunshine Lake Pharma is responsible for the centralised procurement of drugs by medical institutions under the small molecule generic drug projects), the Company, as an agent, recognizes revenue in accordance with the sales sharing receivable from Sunshine Lake Pharma, which is in compliance with the requirements of relevant accounting standards.

The Company's accounting treatment for its sales sharing is consistent with that of listed companies in the pharmaceutical manufacturing industry, as follows:

Name of company	**Accounting treatment**
Warrant Pharmaceutical (華納藥廠) (688799.SH)	Sales revenue from the Company's collaborative products upon realization of sales is recognized by using the gross-up method, and revenue apportioned to other collaborating parties represents the performance costs incurred in realizing sales revenue from the products, which are accounted for in operating costs
Garden Biopharma (花園生物) (300401.SZ)	The Company has control over the drugs before transferring it to its customer, the Company is the primary responsible party and should recognize revenue based on the total consideration received or receivable, while the share of proceeds paid to the unit is a contractual cost of performance and is included in the cost of sales of the drugs
BeiGene (百濟神州) (688235.SH)	The Company and the collaborating parties will distribute the collaborating parties' profits from the collaboration in the PRC on a 50:50 basis. The Company is the primary responsible party for the sales to the master distributor and therefore revenue should be recognized on a full-rate basis, with the portion of profit distribution to be adjusted for the cost of the main business

The relevant accountant of the Company confirmed that they do not have any adverse opinion of the above accounting treatment for sales sharing.

Intellectual property rights:

In addition to the drug registration approval, other intangible assets related to production technologies, procedures, formulas, skills and related technical information, achievements, patents and other intangible assets related to products or compounds obtained from or licenced from third parties under each R&D pipeline cooperation projects under the Framework Agreement are solely owned by Sunshine Lake Pharma.

As related drug R&D corporation projects are actually an access to clinical or post-clinical pipeline, the Company has not participated in the pre-clinical stage such as finding of the abovementioned pipeline compounds and pilot tests. All of the costs in relation to such pipeline pre-clinical stage are self-invested by Sunshine Lake Pharma and therefore Sunshine Lake Pharma exclusively enjoys other production technology, process, formulation, production crafts in relation to products or compounds and related technology information, results and patent-related intellectual property rights, which are reasonable. Meanwhile, as stated above, the Company is not required to pay any further cost to Sunshine Lake Pharma in relation to commercialized products.

In respect of the drug registration approval, when any R&D pipeline cooperation projects under the Framework Agreement meets the requirements for application for the drug registration certificate from the NMPA and its subordinate units, the Company has the right to choose to apply for the drug registration certificate directly by using the name of the Company as applicant.

In respect of the drug registration certificate registered as the marketing authorization holder of the drug registration certificate by Sunshine Lake Pharma, during the validity period of such drug registration certificate, if the relevant regulatory requirements allow Sunshine Lake Pharma to change the marketing authorization holder of such drug registration certificate to the Company or its subsidiary, the Company shall have the right to request Sunshine Lake Pharma to change the marketing authorization holder of such drug registration certificate to the Company or its subsidiary by written notice.

The abovementioned terms allow the Company to choose whether to hold the relevant certificate of registration for drugs at different points in time, which in effect gives the Company a higher degree of flexibility at the commercialization option level. The Company has effectively protected its commercial interests by choosing to hold the registration approvals for drugs, which is a fair and reasonable way of distributing the benefits as allowing Sunshine Lake Pharma to hold the relevant intellectual property rights.

Both parties agreed the Company is exclusively responsible for the commercialization of counterpart products in China for some of the cooperation pipeline projects and the Company and Sunshine Lake Pharma conduct sales sharing. The costs deducted from the sharing do not relate to the costs of use of intellectual property rights and the Company is not required to pay any further cost to Sunshine Lake Pharma in relation to commercialized products including to use of intellectual property rights at any time during the validity period of the certificate of registration of such drugs. Therefore, the Board is of the view that the abovementioned intellectual property rights arrangements do not affect the drug commercialization scheme under the Framework Agreement and such intellectual property rights arrangements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Both parties will enter into an independent agreement to regulate any intellectual property rights that may be generated by the Framework Agreement, which includes (among others) the ownership, use and commercialization of the intellectual property rights, any applicable licensing arrangements and/or other usual terms and conditions related to the transactions contemplated therein. Detailed terms of, among other things, the transfer, import licensing or external licensing arrangements of the intellectual property rights and the consideration involved will be included in separate agreements to be entered into between the parties.

The Board is of the view that the transfer of intellectual property rights is costly and not on economic benefit to the Company, while Sunshine Lake Pharma will allow the Company to use the intellectual property rights free-of-charge and at any time during the validity period of the certificate of registration is of the benefit of the Company and its Shareholders as a whole.

As at the date of this announcement, no agreement has been reached in respect of the intellectual property rights which may arise under the Framework Agreement. Upon the implementation of the terms of the agreements related to the intellectual property rights arising from each R&D corporation project (if any) under the Framework Agreement, the Company will comply with the applicable requirements under Chapter 14 and/or Chapter 14A of the Listing Rules if such arrangements constitute a notifiable transaction and/or a non-exempt connected transaction.

Further, Sunshine Lake Pharma shall not transfer, licence or otherwise dispose of all or any part of the intangible assets corresponding to the relevant pipelines in respect of which the research and development costs have been paid by the Company in accordance with the agreements under the Framework Agreement to any other third party prior to obtaining written consent from the Company.

Conditions precedent: The Framework Agreement shall become effective upon the fulfillment of the following conditions precedent:

1. Both parties having passed the necessary internal approval procedures and duly executed the Framework Agreement; and

2. The Company has performed the necessary procedures in accordance with the relevant laws, regulations, rules, articles of association and internal compliance procedures, including but not limited to:

   (i) obtaining the Board's approval for the Framework Agreement and the transactions thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses channels);

   (ii) obtaining of the independent Shareholders' approval of the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses); and

   (iii) compliance with the relevant requirements under the Listing Rules or the Stock Exchange.

List of R&D pipeline cooperation projects:

List of 17 innovative drugs

Drug Name	Application	Status of Research and Development
Item A	Hepatitis C	Pre-NDA
Item B	Esophageal Cancer	Clinical Trial Stage III
Item C	Acute Myeloid Leukemia	Clinical Trial Stage III
Item D	Depression	Clinical Trial Stage II/III
Item E	Idiopathic Pulmonary Fibrosis	Clinical Trial Stage II
Item F	Pulmonary Hypertension	Clinical Trial Stage II
Item G	Chemotherapy-related Anemia	Clinical Trial Stage II
Item H	Nonalcoholic steatohepatitis	Clinical Trial Stage II
Item I	Gout	Clinical Trial Stage I
Item J	Migraine	Clinical Trial Stage I
Item K	Solid Carcinoma	Clinical Trial Stage I
Item L	Diabetes	Clinical Trial Stage III
Item M	Diabetes	Clinical Trial Stage I/III
Item N	Diabetes	Clinical Trial Stage II
Item O	Gastroesophageal Reflux	Clinical Trial Stage I
Item P	Alzheimer's disease	Clinical Trial Stage I
Item Q	COPD, Asthma	Clinical Trial Approved

List of small molecule generic drugs items

Drug Name	Application	Status of Research and Development	Way of commercialisation
Item 1	Overactive Bladder	Submitted CDE supplementary reply	centralised procurement and non-centralised procurement markets
Item 2	HBV、HIV	Pending approval	centralised procurement and non-centralised procurement markets
Item 3	Alzheimer's disease	Submitted CDE supplementary reply	centralised procurement and non-centralised procurement markets
Item 4	Treatment of mild to moderate dehydration caused by diarrhea	Pending submission of application	centralised procurement and non-centralised procurement markets
Item 5	Epilepsy	Pending submission of application	centralised procurement and non-centralised procurement markets

Drug Name	Application	Status of Research and Development	Way of commercialisation
Item 6	muscular relaxants	Pending submission of application	centralised procurement and non-centralised procurement markets
Item 7	Type 2 Diabetes	BE Trial completed, submitted application	centralised procurement and non-centralised procurement markets
Item 8	Gastroesophageal reflux disease	Registered batch production completed	centralised procurement and non-centralised procurement markets
Item 9	Non-Metastatic Castration Resistant Prostate Cancer	Formula development	centralised procurement and non-centralised procurement markets
Item 10	Hyperphosphatemia chronic kidney disease	Formula development	centralised procurement and non-centralised procurement markets
Item 11	Treatment of influenza A and B for age 12 and above	Formula development; first batch of pilot scale-up production completed	centralised procurement and non-centralised procurement markets
Item 12	Influenza Prevention for 5 years old and above	Pending procurement of reference formulations	centralised procurement and non-centralised procurement markets
Item 13	Heart Failure	Pending API development	centralised procurement and non-centralised procurement markets
Item 14	COVID treatment	Formula development	centralised procurement and non-centralised procurement markets
Item 15	Type 2 Diabetes	Formula development	centralised procurement and non-centralised procurement markets
Item 16	Adjunctive treatment for major depression in adults; Schizophrenia in patients 13 years and above	Formula development	centralised procurement and non-centralised procurement markets
Item 17	chronic kidney disease related to Type 2 Diabetes	Pending API development	centralised procurement and non-centralised procurement markets
Item 18	Neuropathic Pain	Formula development	centralised procurement and non-centralised procurement markets

Drug Name	Application	Status of Research and Development	Way of commercialisation
Item 19	Rheumatoid Arthritis	Formula development	centralised procurement and non-centralised procurement markets
Item 20	Gout, Hyperuricemia	Pending API development	centralised procurement and non-centralised procurement markets

Pricing policy

The proposed annual caps for the R&D pipeline cooperation expenses under the Framework Agreement are determined after negotiation at arm's length based on the actual R&D pipeline cooperation expenses for the R&D pipeline cooperation projects incurred by the Company and Sunshine Lake Pharma.

Historical Amount

The Company and Sunshine Lake Pharma had not conducted any transaction under the Framework Agreement in the past.

Proposed Annual Caps and Basis of Determination for the R&D Pipeline Cooperation Expenses

The Company estimates that the proposed annual caps for the R&D pipeline cooperation expenses of innovative drugs for each of the period from the Effective Date to 31 December 2023, the two years ending 31 December 2024 and 2025, and the period from 1 January 2026 to the expiry date of the term of the Framework Agreement are RMB150,000,000, RMB400,000,000, RMB400,000,000 and RMB250,000,000, respectively. The Company has determined the annual caps on the R&D pipeline cooperation expenses with reference to (i) the sums of the estimated annual R&D pipeline cooperation expenses of 17 innovative product items are expected to be RMB395,000,000, RMB450,000,000, RMB617,000,000 and RMB620,000,000, respectively for the four years ending 31 December 2026; and (ii) pursuant to the average R&D pipeline cooperation expenses of innovative product items (i.e. RMB23,500,000 each year) and the estimated number of 17 innovative product items.

The proposed annual caps for the R&D pipeline cooperation expenses of small molecule generic drug pipeline project for each of the period from the Effective Date to 31 December 2023, the two years ending 31 December 2024 and 2025, and the period from 1 January 2026 to the expiry date of the term of the Framework Agreement are RMB25,000,000, RMB40,000,000, RMB40,000,000 and RMB10,000,000, respectively. In considering the proposed annual caps, the Company has determined the annual caps on the R&D pipeline cooperation expenses of each small molecule generic drug items with reference to (i) the sums of the R&D pipeline cooperation expenses of small molecule generic drug items (expected to be 20 items) are expected to be RMB24,900,000, RMB36,400,000, RMB39,900,000 and RMB9,270,000, respectively for the four years ending 31 December 2026; (ii) pursuant to the average R&D pipeline cooperation expenses of each generic drug item (i.e. RMB2,000,000 each year) and the estimated 20 small molecule generic drug items.

Reasons for and benefits of the transactions

In order to actively respond to the "Healthy China 2030" strategy to build a long-term, stable and positive cooperative relationship and leverage to the advantages of both parties, so as to accelerate the R&D progress for Sunshine Lake Pharma and provide high-quality pharmaceutical products for the Company, as well as to rapidly implement the development strategy of both parties, they will carry out in-depth cooperation on the existing high-quality R&D pipeline cooperation projects of Sunshine Lake Pharma based on the principle of "strengthening cooperation, complementary advantages, common development, and win-win with mutual benefit".

The Group is a pharmaceutical enterprise integrating R&D, production and sales of pharmaceutical products. In recent years, China's innovative drug industry has been highly valued by the government and supported by national industrial policies, and the innovative drug industry has a high rate of return with both economic and social benefits. The Group's development policy is to continue to increase R&D investment, accelerate the transformation of drug R&D to clinical application in the fields of anti-infective, endocrine and metabolic diseases, and continuously improve product R&D and innovation capabilities. The pharmaceutical R&D pipeline cooperation projects contemplated under the Framework Agreement will effectively enhance the Company's product capabilities, enrich the existing product portfolio, enhance the market competitiveness and core advantages of the Group's products, and facilitate the overall strategic layout of the Group's business development.

The Company is principally engaged in drug production, sales of drugs in the PRC and the re-development of existing drugs. Sunshine Lake Pharma is principally engaged in drug development, production and sales outside the PRC. In terms of R&D, the Company can only carry out the re-development of existing drugs, while Sunshine Lake Pharma has full-cycle drug development capabilities covering all aspects, including pre-clinical R&D and clinical development of small molecule and large molecule new drugs, as well as the development of small molecule generic drugs and biosimilars.

In terms of the R&D strength of Sunshine Lake Pharma, it has built a full-cycle drug development platform with full coverage, and has more than 1,200 R&D personnel, including 4 experts included in the "National 1,000 People Plan" (國家千人計畫) and 1 "Young Leadership Programme" (青年領軍人才) of the Ministry of Science and Technology. It has established a technical team consisting of scientists with extensive working experience in multinational pharmaceutical companies and young backbone talents with rich practical R&D experience, and has formed a large-scale, professional and comprehensive R&D team. Sunshine Lake Pharma established a research institute in 2005 to establish an independent R&D platform from early drug discovery to late-stage clinical development. All aspects can be closely connected, operated efficiently and equipped with the capability of continuous independent innovation.

For the discovery and development of small molecule drugs, Sunshine Lake Pharma has always adhered to independent original research and innovation, and has excellent early development capabilities. It has built a variety of technology platforms such as biological target verification, compound design optimisation, computational chemistry and AI, small nucleic acid sequence design and drug R&D, in-vivo and in-vitro evaluation models,

crystalline screening and crystallisation optimisation, CMC research, solubilization technology for insoluble drugs, drug-device combination inhalation preparation technology, pharmacokinetics evaluation, and toxicology evaluation.

For the development of macromolecular drugs, Sunshine Lake Pharma has built a complete R&D platform for recombinant protein, antibody, cell and gene therapy products, covering a variety of technology platforms such as target discovery and verification, fully human antibody library technology, phage and yeast display technology, antibody engineering, long-acting, dual (multi) anti-technology, CAR structure design technology, non-viral vector technology, macromolecular oral submission technology, macromolecular development, etc. In the field of biosimilar drugs, the Group has a full range of layout for diabetes biologics, and is one of the few enterprises in the world that can fully independently develop and commercialise a full range of insulin products and GLP-1 analogues. In the field of bio-innovative drugs, the Group focuses on two major fields, i.e. metabolism and oncology. In particular, the metabolism field aims at multi-target collaboration and improving patient compliance. A number of pipeline drugs have gradually entered clinical stage, such as the world's first GLP-1/FGF21 dual-target project that has entered clinical stage. In the field of oncology, the Company developed diversified products including dual (multi) anti-CART technology and oncolytic virus, focusing on innovative, differentiated and effective combination therapy.

In terms of clinical research, Sunshine Lake Pharma has built a clinical development team with excellent design capability and efficient execution. There are medical, project management, supervision, data statistics, clinical pharmacology, drug safety, QA and other functional departments to ensure the rapid advancement of clinical trials. It covers nearly 300 clinical trial institutions and over 700 professional departments of medical institutions in China, with an average of over 3,800 subjects administered on a monthly basis. At the same time, the Group is also gradually building a clinical pharmacology platform to effectively predict effective Phase III clinical dosage based on early clinical data modelling and simplify the drug development process.

The technology and R&D capabilities of Sunshine Lake Pharma have been recognised by national, provincial and ministerial government departments, scientific research institutions and other units. It is a national high-tech enterprise, a national intellectual property demonstration enterprise, and a national-level technology centre for internationalisation and industrialization of preparations. It was approved to establish a national key laboratory for the R&D of anti-infective new drugs through reorganisation in 2023. In 2022, it was awarded the "Golden Horse Award for the Most Innovative Enterprise with R&D Strength" (最具研發實力創新Big Pharma企業金馬獎) and was successively awarded the "Top 100 Pharmaceutical Enterprises in China"(中國醫藥工業百強企業) and the "Best Industrial Enterprise with Pharmaceutical R&D Product Line in China" (中國醫藥研發產品線最佳工業企業). It has been successively awarded the "China Pharmaceutical R&D Strength Ranking TOP30" (中國藥品研發實力排行榜TOP30) and the "China Chemical R&D Strength Ranking TOP30"(中國化藥研發實力排行榜TOP30). The Group actively builds a globally innovative patent protection system. As of 30 June 2023, Sunshine Lake Pharma and its subsidiaries have obtained a total of 1,963 patents (including patents under application), including 1,055 domestic patents and 908 overseas patents. Sunshine Lake Pharma has undertaken a total of 25 major national science and technology projects "Major

New Drug Development" (重大新藥創製) projects/sub-projects/tasks, and 10 provincial and municipal projects such as provincial-level key areas R&D plans, innovation teams, and science and technology projects.

As mentioned above in relation to the R&D capabilities of Sunshine Lake Pharma, the Company currently does not possess the full-cycle drug development capabilities similar to that of Sunshine Lake Pharma. The Company's core competitiveness lies in its strong domestic product commercialization capabilities. In the fast-changing domestic pharmaceutical market, it is the best cooperation model to cooperate with Sunshine Lake Pharma in R&D and participate in commercialization sharing. R&D pipeline cooperation projects is conducive to accelerating the R&D progress of relevant products, so as to provide more high-quality pharmaceutical products for the Company's domestic commercialization in the future, and achieve complementary advantages, win-win and mutual benefit.

The 17 R&D pipeline cooperation projects developed by the Company and Sunshine Lake Pharma are mainly focused on the fields of anti-infection, anti-tumour and endocrine and metabolic diseases, which is conducive to accelerating the Company's construction of a more diversified pipeline layout. The key R&D pipeline cooperation projects are as follows:

(1) The indication of hepatitis C virus. It is a Class 1 innovative drug with independent intellectual property rights owned by Sunshine Lake Pharma. It is a new and pan-genotypic NS5A inhibitor targeting HCV, which inhibits the assembly and replication of HCV. The combination of Antaitasvir and Yiqibuvir is the Company's self-developed NS5A + NS5B combination therapy for HCV 12-week standard. It can treat the first-line or interferon-administered gene-1, 2, 3 and 6 chronic hepatitis C virus (HCV) infection in adults, covering all major genotypes in China. It is the first fully self-developed all-oral regimen for HCV pan-genotypes in China, with a clinical cure rate (SVR12) of up to 95%. It has the advantages of high cure rate, high safety and low resistance, and has obtained the special support for the creation of Major New Drug Development under the National 13th Five-Year Major Science and Technology Project (國家「十三五」科技重大專項).

    The number of HCV infected patients in China was approximately 9,000,000 in 2022, and the total number is expected to be approximately 7,900,000 in 2026 and approximately 7,000,000 in 2030. The HCV antiviral drug market was approximately RMB2,900,000,000, RMB2,500,000,000 and RMB2,400,000,000 in 2018, 2019 and 2020, respectively.

(2) The indication of esophageal cancer. It is a small molecule class 1 new drug independently developed by Sunshine Lake Pharma, and a selective epidermal growth factor receptor (EGFR) kinase inhibitor. It has obtained the support of the National Major Science and Technology Project of "Major New Drug Development" (「重大新藥創製」). As the product pipeline of small molecule targeted therapy drugs under research in esophageal squamous cell carcinoma in China with the fastest progress, it is also the only product that has entered Phase III clinical trial. Larotinib is undergoing phase III registration clinical trial in multiple centres across the country, and is the first domestic self-developed and key clinical oral small molecule targeted drug for esophageal cancer. The results of early-stage clinical studies have demonstrated positive anti-tumour efficacy for esophageal cancer.

The market size of esophageal cancer drugs in China reached RMB3,800,000,000 in 2022, representing a CAGR of 9.2% from 2018 to 2022, and is expected to continue to grow to reach RMB10,300,000,000 in 2026 and RMB21,200,000,000 in 2030.

(3) The indication of acute myeloid leukaemia (AML). It is a small molecule class 1 new drug independently developed by Sunshine Lake Pharma. It is a highly selective oral FLT3 inhibitor and has been supported by the National Major Science and Technology Project of ''Major New Drug Development''. Clifutinib mainly targets relapsed and refractory acute myeloid leukemia (AML) with FLT-3 ITD mutations, and its indications under development have been extended to the first-to-treatment adult AML, greatly expanding the indication population. Among the same target competitors, only Gilteritinib was launched in China in January 2021, but was not included in medical insurance, which is expensive for treatment and difficult for ordinary patients. As a second-generation, highly selective FLT3 inhibitor, the first and only domestic product with FLT3 high selectivity that has entered Phase III of an innovative FLT3 inhibitor drug candidate in China for the treatment of AML. Clifutinib is expected that the imported drug will be replaced with higher cost-performance ratio, with a broad market prospect.

The market size of AML drugs in China reached RMB300,000,000 in 2022, representing a CAGR of 53.4% from 2018 to 2022, and it is expected that market size will continue to grow, reaching RMB1,800,000,000 in 2026 and RMB4,500,000,000 in 2030.

(4) The indication of depression. It is a small molecule class 1 new drug independently developed by Sunshine Lake Pharma. It is a new anti-depression drug with a new multi-target mechanism of action. It also has 5-HT transporter (SERT) inhibition and 5-hydroxytide (5-HT1A and 5-HT1B) receptor agonist. The drug is a partial agonist with the fastest 5-HT reuptake inhibition/5-HT1A/5-HT1B in China, and is currently in phase II/III clinical trial. In 2019, the Group obtained the clinical trial approval for Mitizodone and completed the phase I clinical trial, showing good pharmacokinetic properties and safety in healthy subjects. In 2021, the Group communicated with the CDE to directly carry out phase II/III clinical trial, which was approved by the CDE. The Group has completed the enrollment of the national multi-centre phase II clinical trial (a total of 403 subjects were included in the group), initially demonstrating excellent anti-depression efficacy, and has the potential to quickly cure and improve anxiety.

In 2022, the market size of anti-depression drugs in China reached approximately RMB9,500,000,000, representing a CAGR of 2.3% from 2018 to 2022. It is expected that the market size will continue to grow, reaching approximately RMB18,500,000,000 in 2026 and approximately RMB35,400,000,000 in 2030.

(5) The indications of diabetes. Sunshine Lake Pharma's Insulin Degludec and Insulin Degludec Aspart are biosimilars of Class 3.3, all of which have progressed to clinical stage III. It is the only domestic manufacturer in China that simultaneously owns the clinical research pipeline of Insulin Degludec and Insulin Degludec Aspart and has entered clinical stage III. It is the first echelon of domestic manufacturers.

In 2022, the size of China's diabetes drug market reached approximately RMB66,400,000,000, representing a CAGR of 3.7% from 2018 to 2022. It is expected that this market size will continue to grow, reaching approximately RMB98,600,000,000 in 2026 and approximately RMB131,000,000,000 in 2030. In 2022, the global diabetes drug market reached US$85,700,000,000. The global diabetes drug market is expected to grow to US$103,100,000,000 in 2026 and US$118,900,000,000 in 2030.

In conclusion, the pipeline of the R&D cooperation will continuously enhance the Company's product R&D and innovation capabilities, which is in the interests of the Company and its shareholders as a whole.

The Company hereby confirms that, with the optimisation of the new drug policy environment and the gradual improvement of the national intellectual property infrastructure, innovation activities have begun to flourish, and the R&D of new drugs in China is booming, thus accelerating the development of the new drug industry in China. Benefiting from favourable policies and rapid development of the industry, the number and variety of new drugs approved in China have increased significantly. According to the National Reimbursement Drug List for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (2022) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2022)》), which was promulgated by the National Healthcare Security Administration (國家醫療保障局) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) and came into effect on 1 March 2023, 111 new drugs were added to the New version of National Medical Reimbursement Drug List.

With the normalisation of medical insurance catalogue adjustment and the institutionalisation of national new drug negotiations, the size of China's new drug market will expand steadily. The R&D of new drugs is of great significance to China as an innovative country. The invention of drugs with independent intellectual property rights not only has better treatment effect for major diseases, but also reduces the dependence on foreign new drugs. Therefore, the new pharmaceutical industry has a higher rate of return and economic and social benefits. It is expected that the demand for effective drugs from domestic pharmaceutical companies will surge due to the rising income level of domestic citizens and the rising expectations of drug quality and efficacy. Therefore, pharmaceutical companies with strong commercialization capabilities, reasonable research pipelines, compatible R&D capabilities and capital levels, outstanding clinical trial results and strong drug innovation capabilities will have better development potential and investment value.

The Company does not have full-cycle drug development capabilities with full coverage, and it is the best cooperation model to cooperate with Sunshine Lake Pharma in R&D and participate in commercialization. R&D pipeline cooperation projects is conducive to accelerating the R&D progress of Sunshine Lake Pharma, providing high-quality pharmaceutical products for the Company, promoting the rapid implementation of the development strategy of both parties, and achieving complementary advantages and win-win benefits. Therefore, the Company will continue to increase investment in R&D and accelerate the transformation of drug R&D into clinical application in the therapeutic areas of anti-infective, endocrine and metabolic diseases. In addition, the Company will continue to strengthen product R&D and innovation capabilities, continuously launch new products, enrich the existing product portfolio and enhance the market competitiveness of products.

The Board (excluding all independent non-executive Directors, who will give their opinion after taking into account the recommendation from the Independent Financial Adviser) considers that the terms of the Framework Agreement and the transactions contemplated thereunder and the Authorisation are on normal commercial terms and in the ordinary and usual course of business of the Group, and the proposed annual caps for the R&D pipeline cooperation expenses are on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Sunshine Lake Pharma has the right to control the exercise of approximately 51.41% of the voting rights in the Company, and is therefore a controlling Shareholder and a connected person of the Company. Therefore, the transactions between the Company and Sunshine Lake Pharma constitute a continuing connected transaction of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed annual caps for the R&D pipeline cooperation expenses under the Framework Agreement exceeds 5%, pursuant to Rule 14A.81 of the Listing Rules, the Framework Agreement and the proposed annual caps for R&D pipeline cooperation expenses contemplated thereunder are subject to the reporting, announcement, circular, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. TANG Xinfa, a non-executive Director, serves as a director and the general manager of Shenzhen HEC, which is the holding company of Sunshine Lake Pharma, Mr. TANG Xinfa is considered to have a material interest in the transactions contemplated between the Group and Sunshine Lake Pharma, and has abstained from voting on the resolutions of the Board approving the Framework Agreement and the transactions thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses).

INTERNAL CONTROL LEVEL

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:

(i) To ensure that the pricing terms of the Framework Agreement are on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole, the finance department of the Company will review the invoices, third party payment notices, agreements or any evidence of the actual cooperative pipeline R&D pipeline cooperation expenses to be paid by Sunshine Lake Pharma before arranging for reimbursement; The procurement department of the Company will cross-check the aforementioned documents (provided by Sunshine Lake Pharma) to determine whether the actual cooperation pipeline R&D pipeline cooperation expenses are in line with market practice. This can be done by comparing them with quotes obtained from at least two independent third parties for similar and comparable projects, or if the Company is unable to obtain comparable projects, expert consultants will be engaged to provide opinions on the fairness and reasonableness of the costs. In addition, the Finance Department is responsible for monitoring the transaction amount of these transactions on a monthly basis. Finally, the Company will also arrange the Group's auditors to conduct a special audit on the transactions under the Framework Agreement and Sunshine Lake Pharma will arrange its group auditors to conduct a special audit on the transactions under the Framework Agreement;

(ii) the procurement department of the Group will cross-check the aforesaid item (i) documents, which is provided by Sunshine Lake Pharma, to see if the actual R&D Pipeline Cooperation expenses is in line with the market practice (i.e. comparing with quotation of similar and comparable items obtained from at least two independent third parties, or engage an expert consultant to issue opinion on the fairness and reasonableness of cost if there is no comparable can be obtained by the Group); and

(iii) The Company will regularly review the transactions entered into with Sunshine Lake Pharma to identify any transactions that may be at risk of exceeding the annual caps for the R&D pipeline cooperation expenses and any measures taken in response to such transactions. The finance department is responsible for monitoring the transaction amounts of the continuing connected transactions at the end of each month and reporting to the Board, among other things, the implementation of the continuing connected transactions and the actual monetary amounts of the continuing connected transactions conducted during each quarter from January to September and at the end of each month from October to December (or more frequently if necessary). In the event that the total transaction amount reaches 80% of the annual cap for the R&D pipeline cooperation expenses or is expected to exceed the annual cap for the R&D pipeline cooperation expenses the next two months, the personnel of the finance department shall immediately notify the Board to determine the appropriate actions to be taken, such as recalculation of the annual cap for the R&D pipeline cooperation expenses for the relevant year. The Company will initiate the procedures for increasing the annual caps of the R&D pipeline cooperation expenses (including obtaining Shareholders' approval) and reserve approximately 2 to 3 months to complete such procedures.

The Board considers that the above measures and procedures can ensure that the pricing and other terms of the transactions contemplated under the Framework Agreement are on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and that the transactions contemplated under the Framework Agreement are conducted as agreed in the Framework Agreement respectively and in compliance with Chapter 14A of the Listing Rules.

INFORMATION OF THE PARTIES

The Company

The Company is a pharmaceutical manufacturing company that focuses on the production, sales and development of pharmaceutical products in the therapeutic areas of anti-infectives, endocrine and metabolism. 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 the PRC. It primarily engages in the development, manufacturing and sale of pharmaceutical product. The ultimate beneficial owners of Sunshine Lake Pharma are Ms. GUO Meilan and Mr. ZHANG Yushuai.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen, has been established to advise the independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses).

The Company has appointed Gram Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses).

EXTRAORDINARY GENERAL MEETING

An EGM will be convened to, among other things, consider and, if thought fit, approve the Framework Agreement (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses).

As at the date of this announcement, Sunshine Lake Pharma has the right to control 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, and has a material interest in the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses), therefore is required to abstain from voting on the relevant resolutions at the EGM. Shenzhen HEC is the holding company of Sunshine Lake Pharma. Therefore, Shenzhen HEC and its associates (such as HEC (Hong Kong) Sales Co., Limited) shall abstain from voting on the resolutions in relation to the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation projects).

A circular containing, among other things, (i) further details of the Framework Agreement (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses); (ii) the recommendation of the Independent Board Committee in respect of the Framework Agreement (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholder(s) in respect of the Framework Agreement (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses); and (iv) other information as required by the Listing Rules will be despatched to the Shareholders. As additional time is required to prepare and finalise the content of the circular, the circular is expected to be despatched to the Shareholders on or before 1 December 2023.

"Authorisation"	the authorisation of the Board to Review the list of R&D pipeline cooperation projects under the Framework Agreement
"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
"CSO"	Contract Sales Organisation, which mainly refers to a commercial organisation that provides product sales services for pharmaceutical enterprises through contracts
"Director(s)"	the director(s) of the Company
"Effective Date"	the date on which all conditions precedent under the Framework Agreement are fulfilled
"EGM"	the extraordinary general meeting to be convened to, among other things, consider and, if thought fit, approve the Framework Agreement (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses)
"Group"	the Company and its subsidiaries
"HEC Group"	the group formed by Shenzhen HEC and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee (comprising Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen, all being independent non-executive Directors) established by the Company to advise the independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Authorisation and the proposed annual caps for the R&D pipeline cooperation expenses)

"Independent Financial Adviser"	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial advisor appointed by the Company to advise the Independent Board Committee and the independent Shareholders in respect of the Framework Agreement and the transactions thereunder (including the proposed annual caps for the R&D pipeline cooperation expenses)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"NMPA"	National Medical Products Administration of the PRC
"PRC" or "China"	the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"R&D"	Research and development
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	issued share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen HEC"	Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司), a company incorporated in the PRC and a holding company of Sunshine Lake Pharma as at the date of this announcement
"small molecule generic drugs"	Drugs that are classified as "Class 3 chemical drugs — imitation of overseas listed but domestically unlisted drugs by domestic applicants (化學藥品3類：境內申請人仿製境外上市但境內未上市原研藥品的藥品)" and "Class 4 chemical drugs — Imitation of domestically listed drugs by domestic applicants (化學藥品4類：境內申請人仿製已在境內上市原研藥品的藥品)" under the relevant regulations including the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) and the Requirements for the Registration, Classification and Application of Chemicals (《化學藥品註冊分類及申報資料要求》)
"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 on 29 December 2003, and a controlling Shareholder of the Company
"%"	per cent.

In this announcement, unless the context requires otherwise, the terms "associate(s)", "connected person(s)", "connected transaction(s)" and "subsidiary(ies)" shall have the meanings ascribed to them under the Listing Rules (as modified by the Stock Exchange from time to time).

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

Hubei, the PRC
29 November 2023

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

* *For identification purpose only*