Lianhe Global has assigned 'BBB' global scale Long-term Issuer Credit Rating to Sunshine Lake Pharma Co., Ltd.; Rating Outlook Stable

HONG KONG, 30 October 2026 – Lianhe Ratings Global Limited ("Lianhe Global"), an international credit rating company, has assigned 'BBB' global scale Long-term Issuer Credit Rating to Sunshine Lake Pharma Co., Ltd. ("Sunshine Pharma"). The Rating Outlook is Stable.

The Issuer Rating reflects Sunshine Pharma's (6887.HK) leading position in China's anti-infective drug market, its vertically integrated platform covering research and development ("R&D"), production and commercialization, its diversifying product portfolio with innovative drugs gradually entering the harvest stage, and its strong profitability. However, the rating is constrained by the company's high revenue concentration on oseltamivir, whose sales fluctuate with influenza seasonality, and its high proportion of short-term debt.

The Stable Outlook reflects our expectation that Sunshine Pharma would maintain its established market position in anti-infective drugs, and that its revenue would keep growing, driven by the ramp-up of its chronic disease drugs and the progressive commercialization of its innovative drug pipeline, which could help the company to maintain its financial leverage and liquidity at a manageable level.

Key Rating Rationales

Dominant Position in China's Anti-Infective Drug Market: Sunshine Pharma is the largest anti-infective drug manufacturer in China by sales. Its core product, Kewei (oseltamivir phosphate), ranked first in China's oseltamivir market with a 54.8% market share by sales in 2024. The company's anti-infective drug segment recorded revenue of RMB3.8 billion in 2025, of which oseltamivir contributed c. RMB3.6 billion. In addition, the company also owns the most comprehensive domestic hepatitis C product portfolio covering most prevalent genotypes, the capsid assembly modulator morphothiadin (GLS4) in its hepatitis B pipeline is the only such candidate in Phase III clinical trials in China, and the siRNA candidate HECN30227 is among the most advanced domestically.

Diversifying Portfolio with Innovative Drugs Entering Harvest Stage: Beyond anti-infectives, Sunshine Pharma has built a comprehensive chronic disease product line. All five of its self-developed insulin products have been approved and selected in national volume-based procurement ("VBP"), with insulin series revenue surging 78.7% year-over-year to RMB244 million in 2025. Its insulin glargine was approved by the U.S. Food and Drug Administration (FDA) in April 2026, which would make it the first Chinese domestic pharmaceutical company to enter the U.S. market. The company has four Class 1 innovative drugs on the market, including three newly approved in 2025 (two hepatitis C drugs completing its pan-genotypic portfolio and one SGLT-2 inhibitor for type 2 diabetes), and three additional products under marketing application review. Its GLP-1/FGF21 dual agonist HEC88473 was

out-licensed to Apollo Therapeutics (UK) in November 2024 for up to USD940 million (including a USD12 million upfront payment), demonstrating the international recognition of its innovation capabilities.

Strong R&D and Commercialization Capabilities: Sunshine Pharma hosts the State Key Laboratory of Anti-Infective Drug Development, and operates fully independent R&D platforms covering both small and large molecules, with a research team of around 1,000 personnel and more than 2,000 invention patents. The company has also established six proprietary AI models covering the full drug discovery chain, and its first AI-assisted molecule HEC169584 (for MASH) has entered clinical trials. As of June 2026, the company had more than 150 approved drugs globally and more than 100 drug candidates in the pipeline, including 49 Class 1 innovative drug candidates. On the commercialization front, the company has a self-built marketing system of over 1,800 professional sales staff covering over 100,000 medical institutions nationwide, and an overseas sales network spanning five continents, with over 60 products approved overseas and its azithromycin tablets ranking first in the German market among comparable products.

Strong Profitability but Revenue Volatility Remains: Sunshine Pharma's revenue fluctuates considerably with influenza seasonality, as oseltamivir accounted for 74.3% of its total revenue in 2025. The company's revenue declined by 37.1% to RMB4.0 billion in 2024 from the flu-peak level of RMB6.4 billion in 2023. Driven by a significantly higher influenza incidence in the second half of 2025 and volume growth across product lines, the company's revenue rebounded by 19.8% to RMB4.8 billion in 2025. Its gross margin remained high and stable at 76.5% in 2025, indicating strong profitability.

Moderate Debt Burden with High Proportion of Short-term Debt: Sunshine Pharma's total debt decreased steadily to RMB4.8 billion at end-2025 from RMB5.6 billion at end-2023, while the proportion of short-term debt in total debt was elevated to 70.1% from 63.0% over the same period, posing higher requirements for liquidity management and refinancing. The company's financial leverage, as measured by debt to capitalization ratio, was 52.6% at end-2025, down from 53.6% at end-2024 and 57.1% at end-2023. We expect the company's financial leverage to trend down gradually over 2026-2028, supported by revenue growth and disciplined capital expenditure.

Moderate Liquidity: Sunshine Pharma had unrestricted cash of RMB1.5 billion at end-2025, compared with its short-term debt of RMB3.4 billion. Nevertheless, the company has access to multiple financing channels, including bank borrowings and other non-traditional financing channels. Following its listing on the Stock Exchange of Hong Kong in August 2025, the company can also finance through equity placement.

Rating Sensitivities

We would consider downgrading Sunshine Pharma's rating if (1) it were to pursue aggressive business expansions or R&D investments which result in an increase in its financial leverage as measured by its debt over EBITDA leverage consistently above 4.5x or EBITDA interest coverage consistently below 5x; (2) its operating performance in terms of revenue, margin or

cash flow from operations experiences a material decline, or (3) its liquidity is materially worsened.

We would consider upgrading Sunshine Pharma's rating if (1) it were to significantly improve its operating scale and business diversification, thereby reducing its reliance on oseltamivir while maintaining its profitability; (2) it continues to demonstrate prudent financial management and maintain its financial leverage as measured by its EBITDA interest coverage and debt over EBITDA leverage consistently.

Principal Methodology Applied

General Corporate Rating Criteria (published on 31 December 2025)
The methodology can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. None of the aforementioned entities nor its related parties participate in the rating process aside from providing information requested by Lianhe Global.

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