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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)

CONNECTED TRANSACTION
ACQUISITION OF HEC PHARMACY

On 14 December 2018, the Company entered into the Acquisition Agreement with HEC Pharm and Yidu HEC Industrial, pursuant to which the Company agreed to acquire, and HEC Pharm and Yidu HEC Industrial agreed to dispose of, the entire equity interests in HEC Pharmacy.

As at the date of this announcement, Shenzhen HEC Industrial is a controlling shareholder of the Company. Both HEC Pharm and Yidu HEC Industrial are subsidiaries of Shenzhen HEC Industrial. Accordingly, each of HEC Pharm and Yidu HEC Industrial constitutes a connected person of the Company by virtue of being an associate of Shenzhen HEC Industrial and the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio applicable to the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement according to Chapter 14A of the Listing Rules.

The Board is pleased to announce that, on 14 December 2018, the Company entered into the Acquisition Agreement with HEC Pharm and Yidu HEC Industrial, pursuant to which the Company agreed to acquire, and HEC Pharm and Yidu HEC Industrial agreed to dispose of, the entire equity interests in HEC Pharmacy.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

Date 14 December 2018

Parties HEC Pharm (as a vendor);
Yidu HEC Industrial (as a vendor); and
the Company (as the purchaser).

Target Assets	100% equity interests of HEC Pharmacy, 85% of which are held by HEC Pharm and the rest 15% are held by Yidu HEC Industrial as at the date of this announcement
Conditions Precedent	<p>The completion of the Acquisition shall take place upon the satisfaction of the following conditions precedent:</p> <ul style="list-style-type: none"> (i) the Acquisition Agreement has been duly executed by each party; (ii) the articles of association of HEC Pharmacy has been amended and executed by its then shareholders; (iii) the Company has paid in full the consideration of the Acquisition to HEC Pharm and Yidu HEC Industrial pursuant to the Acquisition Agreement; and (iv) the alteration of applicable administrative registration of the PRC under the Acquisition has been completed.
Consideration and Payment	<p>The total consideration for the Acquisition is RMB124,700, including RMB105,995 payable to HEC Pharm and RMB18,705 payable to Yidu HEC Industrial by the Company.</p> <p>The Company shall pay the consideration in cash to each of the vendor by wiring transfer within 15 business days after the completion of the alteration of applicable administrative registration of the PRC under the Acquisition.</p>
Basis of Consideration	<p>The consideration was determined after arm's length negotiation between the Company and the vendors, taking into consideration the value of the entire equity interests in HEC Pharmacy of RMB124,700 as of 31 October 2018 per the valuation performed by an independent third-party valuer engaged by the Company, based on the asset-based approach.</p> <p>The valuation took into account, among other things, (i) the total assets of HEC Pharmacy as of 31 October 2018 in the amount of RMB98,699,137.21; (ii) the total liabilities of HEC Pharmacy as of 31 October 2018 in the amount of RMB98,860,048.54. The total liabilities of HEC Pharmacy consists of accounts payable in the amount of RMB95,010,048.54 and other payables in the amount of RMB3,850,000, which include, among others, the amounts payable under a land use rights transfer agreement with Shenzhen HEC Industrial and a construction agreement with Yidu Construction.</p>

Termination

If the Company fails to pay the consideration pursuant to the Acquisition Agreement and fails to redeem the relevant default within 10 days after receiving the written notice sent by the vendors, the vendors shall have the rights to terminate the Acquisition Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a PRC pharmaceutical manufacturing company that focuses on the development, manufacturing and sale of pharmaceutical products. HEC Pharmacy is a PRC company mainly engaged in the manufacturing of API. The products of HEC Pharmacy can be widely applied in the Company's manufacturing of pharmaceutical products. The Company is of the view that the Acquisition will be beneficial to the further enhancement of production by the Company, and lay a solid foundation for the continuous launch and sales of the Company's pipeline products in the future.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is on normal commercial terms, which are fair and reasonable, and although the Acquisition is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and its shareholders as a whole.

Due to his position in Shenzhen HEC Industrial and HEC Pharm, Mr. TANG Xinfu, a non-executive Director, is regarded as having a material interest in the Acquisition and has abstained from voting on the resolution for approving the Acquisition during the meeting of Board.

INFORMATION OF THE PARTIES**The Company**

The Company is a pharmaceutical manufacturing company focusing on the development, manufacturing and sale of pharmaceutical products in the therapeutic areas of anti-virus, endocrine and metabolic diseases as well as cardiovascular diseases.

HEC Pharm

HEC Pharm is a company incorporated in the PRC. The principal business of HEC Pharm and the its subsidiaries comprises (i) research of biological drugs and new drugs, (ii) production and sale of various APIs, and (iii) production and sale of pharmaceutical products overseas.

Yidu HEC Industrial

Yidu HEC Industrial is a company incorporated in the PRC. The principal business of Yidu HEC Industrial comprises the provision of aluminum products, pharmaceutical products and energy.

HEC Pharmacy

HEC Pharmacy is a company incorporated in the PRC in February 2018 with a registered share capital of RMB30 million; and HEC Pharm and Yidu HEC Industrial subscribed for RMB25.5 million and RMB 4.5 million in the registered share capital of HEC Pharmacy, respectively. It is primarily engaged in the manufacturing of API.

The following table sets forth the audited financial information of HEC Pharmacy prepared by Pan-China Certified Public Accountants LLP (Special General Partnership) in accordance with China Accounting Standards for Business Enterprises for the period from February to October 2018.

	February to October 2018 <i>(RMB yuan)</i>
Net loss before taxation	160,911.33
Net loss after taxation	160,911.33
	As at 31 October 2018 <i>(RMB yuan)</i>
Net liabilities	160,911.33

LISTING RULES IMPLICATION

As at the date of this announcement, Shenzhen HEC Industrial is a controlling shareholder of the Company. Both HEC Pharm and Yidu HEC Industrial are subsidiaries of Shenzhen HEC Industrial. Accordingly, each of HEC Pharm and Yidu HEC Industrial constitutes a connected person of the Company by virtue of being an associate of Shenzhen HEC Industrial and the Acquisition constitutes a connected transaction of the Company.

As the highest applicable percentage ratio applicable to the Acquisition is more than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirement according to Chapter 14A of the Listing Rules.

DEFINITION

“Acquisition”	the acquisition of the entire equity interests in HEC Pharmacy under the Acquisition Agreement by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into among the Company, HEC Pharm and Yidu HEC Industrial in relation to the acquisition of the entire equity interests in HEC Pharmacy on 14 December 2018
“API(s)”	active pharmaceutical ingredient
“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
“Director(s)”	the director(s) of the Company
“HEC Pharm”	HEC Pharm Co., Ltd. (宜昌東陽光藥業股份有限公司), a PRC incorporated company and a subsidiary of Shenzhen HEC Industrial
“HEC Pharmacy”	HEC Pharmacy Co., Ltd. (宜昌東陽光製藥有限公司), a PRC incorporated company established by HEC Pharm and Yidu HEC Industrial
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen HEC Industrial”	Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司), a PRC incorporated company and a controlling shareholder of the Company
“Yidu Construction”	Yidu Shanchengshuidu Project Construction Co., Ltd. (宜都山城水都建築工程有限公司), a PRC incorporated company and a subsidiary of Shenzhen HEC Industrial

“Yidu HEC Industrial”

Yidu HEC Industrial Development Co., Ltd. (宜都市東陽光實業發展有限公司), a PRC incorporated company and a subsidiary of Shenzhen HEC Industrial

“%”

means per cent

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as amended from time to time.

On behalf of the Board

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

TANG Xinfu

Chairman

Hubei, the PRC, 14 December 2018

As of the date of this announcement, the Board consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui, Mr. ZHU Qiaohong and Mr. LI Shuang as executive Directors; Mr. TANG Xinfu as non-executive Director; and Mr. TANG Jianxin, Mr. FU Hailiang and Mr. LEE Chi Ming as independent non-executive Directors.