

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in YiChang HEC ChangJiang Pharmaceutical Co., Ltd., you should at once hand this circular with the accompanying forms of proxy and reply slips to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**2018 Report of the Board of Directors
2018 Report of the Board of Supervisors
2018 Consolidated Financial Statements
2018 Annual Report
2018 Profits Distribution Plan
Re-appointment of the Auditor of the Company
Proposed Election of Shareholder Representative Supervisor
of the Second Session of the Board of Supervisors
General Mandate to Issue Shares
General Mandate to Repurchase H Shares
Notice of Annual General Meeting
and
Notice of 2019 Second H Shareholders Class Meeting**

A letter from the Board of Directors is set out on pages 4 to 15 of this circular.

A notice convening the AGM to be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 10:00 a.m. on Thursday, 6 June 2019, is set out on pages 16 to 22 of this circular; a notice convening the 2019 Second H Shareholders Class Meeting to be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 11:00 a.m. (or immediately after the conclusion of the AGM or any adjournment thereof) on Thursday, 6 June 2019, is set out on pages 23 to 26 of this circular. The forms of proxy for use at the AGM and 2019 Second H Shareholders Class Meeting are also enclosed. The forms of proxy are also published on the website of the Stock Exchange (www.hkexnews.hk).

Whether or not you intend to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC for Domestic Shareholders, or the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders not less than 24 hours before the time appointed for the AGM (or any adjournment thereof) (i.e. before 10:00 a.m. on Wednesday, 5 June 2019). Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the AGM or any adjournment thereof if you so desire.

Whether or not you intend to attend the 2019 Second H Shareholders Class Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Wednesday, 5 June 2019). Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the 2019 Second H Shareholders Class Meeting or any adjournment thereof if you so desire.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expression have the meanings set forth below:

“2019 Second Domestic Shareholders Class Meeting”	the class meeting of holders of Domestic Shares to be held on Thursday, 6 June 2019
“2019 Second H Shareholders Class Meeting”	the class meeting of holders of H Shares to be held on Thursday, 6 June 2019
“AGM”	the annual general meeting of the Company to be convened and held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 10:00 a.m. on Thursday, 6 June 2019
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Class Meetings”	the 2019 Second H Shareholders Class Meeting and the 2019 Second Domestic Shareholders Class Meeting
“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
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
Domestic Shareholder(s)”	holder(s) of Domestic Shares

DEFINITIONS

“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and is (are) subscribed for and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“HKD” or “HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	2 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》)
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, 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
“Repurchase Mandate”	subject to the conditions set out in the proposed resolution(s) approving the repurchase mandate at the AGM and Class Meetings, (i) the grant of a conditional general mandate to the Board of Directors to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing of such special resolution(s); and (ii) the authorization to the Board of Directors to do all such deeds, acts, matters and things necessary or desirable for the purpose of or in connection with the exercise of the general mandate to repurchase H Shares, including, among others, to amend the Articles of Association and to cancel the H Shares repurchased upon the exercise of such general mandate

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
“Share(s)”	share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the same meaning ascribed thereto under the Listing Rules
“Supervisor”	the supervisor(s) of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“%”	percentage

In this circular, unless the context otherwise requires, the terms “core connected person(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

LETTER FROM THE BOARD OF DIRECTORS



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)

The Board of Directors:

Executive Directors:

Mr. JIANG Juncai

Mr. WANG Danjin

Mr. CHEN Yanguai

Mr. LI Shuang

Non-executive Directors:

Mr. TANG Xinfa (*Chairman*)

Mr. Eddy HUANG

Independent Non-executive Directors:

Mr. TANG Jianxin

Mr. FU Hailiang

Mr. LEE Chi Ming

**Registered Office and Principal Place
of Business in the PRC:**

No. 38 Binjiang Road

Yidu, Yichang

Hubei Province

the PRC

**Principal Place of Business
in Hong Kong:**

40th Floor, Sunlight Tower

No. 248 Queen's Road East

Wanchai

Hong Kong

9 April 2019

To the Shareholders

Dear Sir or Madam,

**2018 Report of the Board of Directors
2018 Report of the Board of Supervisors
2018 Consolidated Financial Statements
2018 Annual Report
2018 Profits Distribution Plan
Re-appointment of the Auditor of the Company
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of the Second Session of the Board of Supervisors
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General Mandate to Repurchase H Shares
Notice of Annual General Meeting
and
Notice of 2019 Second H Shareholders Class Meeting**

LETTER FROM THE BOARD OF DIRECTORS

I. INTRODUCTION

The Company proposes to hold the AGM at 10:00 a.m. on Thursday, 6 June 2019 at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC. The notice to convene the AGM is set out on pages 16 to 22 of this circular.

The Company proposes to hold the 2019 Second H Shareholders Class Meeting at 11:00 a.m. on Thursday, 6 June 2019 at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC. The notice to convene the 2019 Second H Shareholders Class Meeting is set out on pages 23 to 26 of this circular.

The purpose of this circular is to provide you with information of the resolutions to be proposed at the AGM and 2019 Second H Shareholder Class Meeting to enable you to make an informed decision on whether to vote for or against or abstain from voting at those resolutions. Such resolutions and details are set out in the Letter from the Board of Directors.

II. MATTERS TO BE RESOLVED AT THE AGM

ORDINARY RESOLUTIONS

1. Report of the Board of Directors for the year ended 31 December 2018

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Directors for the year ended 31 December 2018, the full text of which is included in the 2018 annual report of the Company to be published on the websites of the Company and the Stock Exchange in due course.

2. Report of the Board of Supervisors for the year ended 31 December 2018

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for the year ended 31 December 2018, the full text of which is included in the 2018 annual report of the Company to be published on the websites of the Company and the Stock Exchange in due course.

3. Consolidated financial statements for the year ended 31 December 2018

An ordinary resolution will be proposed at the AGM to approve the consolidated financial statements of the Company for the year ended 31 December 2018, the full text of which is included in the 2018 annual report of the Company to be published on the websites of the Company and the Stock Exchange in due course.

LETTER FROM THE BOARD OF DIRECTORS

4. 2018 Annual Report

An ordinary resolution will be proposed at the AGM to approve the 2018 annual report of the Company, which will be published on the websites of the Company and the Stock Exchange in due course.

5. Profits distribution plan and declaration of final dividend for the year ended 31 December 2018

An ordinary resolution will be proposed at the AGM to approve profits distribution plan and declaration of final dividend of the Company for the year ended 31 December 2018.

The Board of Directors proposed to distribute a final dividend of RMB0.60 (tax inclusive) per Share for the year ended 31 December 2018 (the “**2018 Final Dividend**”) with an aggregate amount of approximately RMB271.21 million to the Shareholders whose names are listed on the Company’s register of members as at 18 June 2019. The 2018 Final Dividend will be denominated and announced in RMB. The Company will pay dividends in respect of Domestic Shares in RMB and dividends in respect of H Shares in HKD. The actual amount of dividends in respect of H Shares to be paid in HKD to holders of H Shares will be calculated based on the average selling exchange rate as published by the People’s Bank of China within one week prior to and including the date on which the 2018 Final Dividend is approved at the AGM. The 2018 Final Dividend is expected to be distributed on or around Friday, 19 July 2019. The 2018 Final Dividend is subject to the approval of Shareholders in the AGM.

Meanwhile, an ordinary resolution to authorise the Board of Directors to implement the aforementioned distribution plan is proposed at the AGM.

Withholding and Payment of Final Dividend Income Tax

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, and other relevant provisions, the Company is required to withhold and pay a 10% enterprise income tax when paying the proposed 2018 Final Dividend to non-residential enterprise shareholders listed on the Company’s register of members of H shares. Any H share registered in the name of a non-individual registered shareholder, such as HKSCC Nominees Limited, other nominees or trustees or other organizations or corporates, will be deemed as shares held by a non-residential enterprise shareholder, and therefore the enterprise income tax on the receivable dividend in respect of such shares will be withheld.

Pursuant to the Individual Income Tax Law of China (《中華人民共和國個人所得稅法》) and its implementation provisions, the Notice of the State Administration of Taxation on the Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No. 045) (Guo Shui Han [2011] No. 348)《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號))

LETTER FROM THE BOARD OF DIRECTORS

and other related laws and regulations, the Company shall, as a withholding agent, withhold and pay the personal income tax at the tax rate of 10% generally for individual Shareholders of H shares. For individual Shareholders of H shares receiving dividends who are citizens from countries or regions that have entered into tax treaties with the PRC with tax rates lower than 10%, the Company will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to such Notice, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded. For individual Shareholders of H shares receiving dividends who are citizens from countries or regions that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the Company will withhold the withholding tax without any application at the agreed rates under such treaties when the Company distribute dividends. For the individual Shareholders of H shares receiving dividends who are citizens of countries or regions without taxation treaties with the PRC or any other circumstances, the Company will withhold the tax at a rate of 20%.

Pursuant to the requirements under the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) promulgated by Ministry of Finance of the PRC, State Administration of Taxation and China Securities Regulatory Commission on 5 November 2016, for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Pilot Program of the Shenzhen-Hong Kong Stock Connect (“**Shenzhen-Hong Kong Stock Connect**”), the Company shall withhold and pay individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited (“**CSDCCL**”). For dividends received by domestic enterprises from investing in H shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the Company will not withhold the income tax of dividends for domestic enterprise investors in accordance with the register of the mainland enterprise investors as provided by CSDCCL and the tax payable shall be declared and paid by those domestic enterprise investors themselves, subject to corporate income taxes according to relevant laws and regulations or exempt from the enterprise income tax.

The aforesaid non-residential enterprises and foreign individuals may enjoy the concessionary tax rate in accordance with the relevant provisions of treaties or arrangements for avoidance of double taxation entered into between their country (region) and PRC, and the Announcement No. 60 in 2015 of the State Administration of Taxation: Administrative Measures for Nonresidents to Enjoy the Treatments of Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the “**Measures**”) after completing relevant procedures. The aforesaid Shareholders shall provide complete information as required by the Measures to the Company by Tuesday, 25 June 2019. The Company will file tax return to enable the aforesaid Shareholders to enjoy the concessionary tax rate stipulated in the Measures. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Shareholders of H shares of the Company and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Shareholders of H shares of the Company or any disputes over the withholding mechanism or arrangements.

LETTER FROM THE BOARD OF DIRECTORS

6. *Re-appointment of the auditor of the Company*

An ordinary resolution will be proposed at the AGM to approve the re-appointment of KPMG as the auditor of the Company for a term of office ending on the conclusion of the next annual general meeting of the Company, and to authorize the Board of Directors to determine its remuneration.

7. *Resignation of shareholder representative Supervisor and Proposed election of shareholder representative Supervisor of the Second Session of the Board of Supervisors*

Ms. HUANG Fangfang (黃芳芳) (“**Ms. HUANG**”) has tendered her resignation as the Supervisor and the chairman of the Board of Supervisors due to adjustment of her work arrangement. The Board of Supervisors has approved the resignation of Ms. HUANG. However, as the resignation of Ms. HUANG will result in the number of members of the Board of Supervisors falling below the minimum requirement stipulated under the Articles of Association, her resignation will take effect upon the appointment of a new Supervisor at the AGM.

The Board is pleased to inform the Shareholders that Mr. TANG Jinlong (唐金龍) (“**Mr. TANG**”) has been nominated by the Board of Supervisors as the shareholder representative Supervisor of the second session of the Board of Supervisors. His nomination is subject to the approval by Shareholders at the AGM.

Mr. TANG will not receive any Supervisor’s remuneration for serving as the Supervisor during his term of office, and will only receive remuneration for his position held in the Company, the amount of which are determined by the management of the Company.

An ordinary resolution will be proposed at the AGM to elect the Mr. TANG as the shareholder representative Supervisor of the second session of the Board of Supervisors for consideration and approval. Biographical details of Mr. TANG are set out in Appendix I to this circular.

LETTER FROM THE BOARD OF DIRECTORS

SPECIAL RESOLUTIONS

8. *Proposed Grant of General Mandate for the Issuance of Shares*

A special resolution will be proposed at the AGM to approve the general mandate for the issuance of shares.

To guarantee the flexibility and the rights to handle the issuance of new shares for the Board of Directors, the Company proposed to grant a general mandate to the Board of Directors to allot, issue and deal with the Domestic Shares and H Shares which, each of them, shall not exceed 20% of the respective aggregate number of the Domestic Shares and H Shares in issue of the Company at the date of the passing of this resolution. As at the date of this circular, issued share capital of the Company comprises 226,200,000 Domestic Shares and 225,822,850 H Shares. Upon the passing of the resolution of general mandate to issue Shares, and on the basis that no further Shares are issued before holding the AGM, the Company may issue a maximum of 45,240,000 Domestic Shares and 45,164,570 H Shares.

Details of the general mandate proposed to be granted to the Board of Directors are as follows:

- (1) the Board of Directors be granted an unconditional general mandate to issue, allot and deal with additional shares in the capital of the Company, whether Domestic Shares or H Shares, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
 - (a) such mandate shall not exceed beyond the Relevant Period save that the Board of Directors may during the Relevant Period make or grant offers, agreements, or options which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate number of shares allotted or granted conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board of Directors shall not exceed:
 - (i) 20% of the aggregate number of Domestic Shares in issue as at the date of the passing of this resolution; and/or
 - (ii) 20% of the aggregate number of H Shares in issue as at the date of the passing of this resolution; and
 - (c) the Board of Directors will only exercise its power under such mandate in accordance with the Company Law and the Listing Rules (may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or relevant PRC government authorities are obtained;

LETTER FROM THE BOARD OF DIRECTORS

For the purpose of this resolution:

“Domestic Shares” means the ordinary shares issued by the Company in the PRC, with a nominal value of RMB1.00 each, which are subscribed for in RMB;

“H Shares” means the overseas-listed foreign invested shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD;

“Relevant Period” means the period from the passing of the resolution until the earliest of:

- (A) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
 - (B) the expiration of the 12-month period following the passing of this resolution; or
 - (C) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and
- (2) subject to the Board of Directors resolving to issue shares pursuant to subparagraph (1) of this resolution, the Board of Directors be authorised to:
- (a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including, without limitation determining, the time and place of issuance, making all necessary applications to the relevant authorities, entering into an underwriting agreement (or any other agreement);
 - (b) determine the use of proceeds and make all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities; and
 - (c) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, to register the increase of capital with the relevant authorities in the PRC and to make such amendments to the articles of association of the Company as it thinks fit so as to reflect the increase and any other changes in the registered capital of the Company.

LETTER FROM THE BOARD OF DIRECTORS

9. *Proposed Grant of General Mandate to Repurchase H Shares*

In order to provide flexibility to the Directors in any event that it becomes desirable to repurchase H Shares, approval is proposed to be sought from the Shareholders for the grant of the Repurchase Mandate to the Board of Directors. In accordance with the requirements under the Company Law, the Mandatory Provisions and the Articles of Association, the Company is required to convene the AGM and Class Meetings to seek the aforesaid approval from the Shareholders. At each of the meetings, special resolution(s) will be proposed for the relevant Shareholders to consider and, if thought fit, to approve, among other things, (i) the grant of a conditional general mandate to the Directors to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing of such special resolution(s); and (ii) the authorization to the Directors to do all such deeds, acts, matters and things necessary or desirable for the purpose of or in connection with the exercise of the general mandate to repurchase H Shares, including, among others, to amend the Articles of Association and to cancel the H Shares repurchased upon the exercise of such general mandate.

The Repurchase Mandate will be conditional upon (a) the special resolution(s) for approving the grant of the Repurchase Mandate being passed at each of the AGM and Class Meetings; and (b) the approvals of and/or filings with SAFE (or its successor authority) and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company, if appropriate. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercisable by the Directors.

The Repurchase Mandate will expire on the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiry of a period of twelve months following the passing of the relevant resolution(s) at the AGM and Class Meetings; or (c) the date on which the authority conferred by the special resolution(s) is revoked or varied by a special resolution of the Shareholders in a general meeting or by special resolutions of H Shareholders or Domestic Shareholders at their respective Class Meeting.

The H Shares which may be repurchased by the Company pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue as at the date of passing of the special resolution(s) approving the Repurchase Mandate at the AGM and Class Meetings.

The Repurchase Mandate shall not be exercisable at any time after inside information has come to the Company's knowledge until the information is made publicly available.

LETTER FROM THE BOARD OF DIRECTORS

The Repurchase Mandate shall not be exercisable during the period of one month immediately preceding the earlier of:

- (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

In accordance with the requirements of Article 28 of the Articles of Association applicable to capital reduction, the Company will have to notify its creditors of the passing of the resolution(s) for the reduction of the registered capital of the Company. In addition, the Company Law provides that the shares repurchased by a company for the purpose of reducing its share capital will have to be cancelled and the registered capital of that company will therefore be reduced by an amount equivalent to the aggregate nominal value of the shares so cancelled. In the event of a reduction of registered capital, the Company shall inform its creditors by way of written notice and announcement within a prescribed period after the passing of the relevant resolution(s) approving such reduction. The creditors shall be entitled to request the Company for repayment of loan and/or provision of guarantee. The statutory notification requirement allows the creditors an opportunity for the recovery and/or security of the debt (in particular for those unsecured debts) where the Company's registered capital is to be reduced.

An explanatory statement giving certain information regarding the Repurchase Mandate is set out in Appendix II to this circular.

III. AGM AND VOTING METHOD

A notice convening the AGM of the Company to be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 10:00 a.m. on Thursday, 6 June 2019, is set out on pages 16 to 22 of this circular. A form of proxy for use at the AGM is also enclosed. Such form of proxy is also published on the websites of the Company and the Stock Exchange.

To the best knowledge and belief of the Company, no Shareholder shall be required to abstain from voting at the AGM.

LETTER FROM THE BOARD OF DIRECTORS

Whether or not you intend to attend the AGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC (for holders of Domestic Shares) or to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares). In any event, such form of proxy must be returned no later than 24 hours before the time appointed for the AGM (i.e. before 10:00 a.m. on Wednesday, 5 June 2019) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the AGM or any adjournment thereof if you so desire.

Shareholders intending to attend the AGM (or any adjournment thereof) should complete and return the reply slip for attending the AGM (or any adjournment thereof) personally, by facsimile or by post. The reply slip should be completed and returned to the Company's Board office by facsimile (fax number: 86-769-81768866) or by post to (or by depositing it at) Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC, for holders of Domestic Shares; or to the Company's H share registrar in Hong Kong by facsimile (fax number: 852-2865-0990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H Shares, such that the reply slip shall be received by the Company 20 days before the AGM (i.e. on or before Friday, 17 May 2019).

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the notice of the AGM shall be voted by poll. Voting by the Shareholders may be given either personally or by proxy.

IV. 2019 SECOND H SHAREHOLDERS CLASS MEETING AND VOTING METHOD

The 2019 Second H Shareholders Class Meeting will be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 11:00 a.m. on Thursday, 6 June 2019 (or immediately after the conclusion of the AGM or any adjournment thereof) for H Shareholders to consider and, if thought fit, to approve, among other things, (i) the grant of a conditional general mandate to the Directors to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of H Shares in issue as at the date of passing of such special resolution; and (ii) the authorization to the Directors to do all such deeds, acts, matters and things necessary or desirable for the purpose of or in connection with the exercise of the general mandate to repurchase H Shares, including, among others, to amend the Articles of Association and to cancel the H Shares repurchased upon the exercise of such general mandate.

To the best knowledge and belief of the Company, no H Shareholder shall be required to abstain from voting at the 2019 Second H Shareholders Class Meeting.

LETTER FROM THE BOARD OF DIRECTORS

A notice convening the 2019 Second H Shareholders Class Meeting is set out on pages 23 to 26 of this circular. The form of proxy for use at the 2019 Second H Shareholders Class Meeting is also enclosed. Whether or not you intend to attend the 2019 Second H Shareholders Class Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Wednesday, 5 June 2019). Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the 2019 Second H Shareholders Class Meeting or any adjournment thereof if you so desire.

H Shareholders intending to attend the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) should complete and return the reply slip for attending the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) personally, by facsimile or by post. The reply slip should be completed and returned to the Company's H share registrar by facsimile (fax number: 852-2865-0990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, such that the reply slip shall be received by the Company 20 days before the 2019 Second H Shareholders Class Meeting (i.e. on or before Friday, 17 May 2019).

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the notice of the 2019 Second H Shareholders Class Meeting shall be voted by poll. Voting by the Shareholders may be given either personally or by proxy.

V. CLOSURE OF REGISTER OF MEMBERS

An extraordinary general meeting of the Company will be convened on Friday, 10 May 2019 (the "EGM"). The notice of EGM has been published on 25 March 2019. Further announcement in relation to the matters of EGM will be published in due course.

In order to ascertain Shareholders' entitlement to attend and vote at the AGM and the EGM, the register of members of the Company will be closed from Wednesday, 10 April 2019 to Thursday, 6 June 2019 (both days inclusive), during which periods no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all unregistered shareholders of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, 9 April 2019.

LETTER FROM THE BOARD OF DIRECTORS

In order to ascertain Shareholders' entitlement to the proposed 2018 Final Dividend, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive), during which periods no transfer of shares will be registered.

In order to qualify for receiving the proposed 2018 Final Dividend (subject to the approval by the Shareholders at the AGM), unregistered shareholders of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Wednesday, 12 June 2019.

VI. RECOMMENDATION

The Board of Directors considers that the above-mentioned resolutions are in the interests of the Company and the Shareholders as a whole, and thereby recommends the Shareholders to vote in favour of the resolutions at the AGM and 2019 Second H Shareholders Class Meeting.

Yours faithfully

On behalf of the Board of Directors

YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

TANG Xinfa

Chairman

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “**Company**”) will be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the People's Republic of China (the “**PRC**”), at 10:00 a.m. on Thursday, 6 June 2019 to consider and, if thought fit, to pass the following resolutions. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 9 April 2019.

ORDINARY RESOLUTIONS

1. To review and approve the report of the board of directors of the Company for the year ended 31 December 2018.
2. To review and approve the report of the board of supervisors of the Company for the year ended 31 December 2018.
3. To review and approve the consolidated financial statements of the Company for the year ended 31 December 2018.
4. To review and approve the 2018 annual report of the Company.
5. To review and approve the profit distribution plan and the payment of final dividend of the Company for the year ended 31 December 2018.
6. To review and approve the re-appointment of KPMG as auditor of the Company for a term until the conclusion of the next annual general meeting of the Company, and authorize the Board of Directors to determine its remuneration.
7. To consider and approve the proposed appointment of Mr. TANG Jinlong (唐金龍) as a shareholder representative supervisor for the second session of the Board of Supervisors.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

8. To consider and, if thought fit, pass the following as special resolution:

“THAT:

- (1) the Board of Directors be granted an unconditional general mandate to allot, issue and deal with additional shares in the capital of the Company, whether domestic shares or H shares, and to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
 - (a) such mandate shall not exceed beyond the Relevant Period save that the Board of Directors may during the Relevant Period make or grant offers, agreements, or options which might require the exercise of such powers after the end of the Relevant Period;
 - (b) the aggregate amount of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board of Directors shall not exceed:
 - (i) 20 per cent of the aggregate number of Domestic Shares in issue as of the passing date of this resolution; and/or
 - (ii) 20 per cent of the aggregate number of H Shares in issue as of the passing date of this resolution; and
 - (c) the Board of Directors will only exercise its power under such mandate in accordance with the Company Law of the People’s Republic of China (the “**PRC**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (may be amended from time to time) and only if all necessary approvals from the China Securities Regulatory Commission and/or other competent PRC government authorities are obtained;

For the purpose of this resolution:

“Domestic Shares” means ordinary shares issued by the Company in the PRC, with a nominal value of RMB1.00 each, which are subscribed for in Renminbi (“**RMB**”);

“H Shares” means the overseas-listed foreign invested shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars;

NOTICE OF ANNUAL GENERAL MEETING

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (A) the conclusion of the next annual general meeting of the Company following the passing of this resolution; or
 - (B) the expiration of the 12-month period following the passing of this resolution; or
 - (C) the date on which the authority set out in this resolution is revoked or varied by a special resolution of the shareholders of the Company in a general meeting; and
- (2) subject to the Board of Directors resolving to issue shares pursuant to sub-paragraph (1) of this resolution, the Board of Directors be authorized to:
- (a) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares including, without limitation, determining the time and place of issue, making all necessary applications to the relevant authorities, and entering into an underwriting agreement (or any other agreements);
 - (b) determine the use of proceeds and to make all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities; and
 - (c) increase the registered capital of the Company in accordance with the actual increase of capital by issuing shares pursuant to sub-paragraph (1) of this resolution, to register the increase of capital with the relevant authorities in the PRC and to make such amendments to the Articles of Association as it thinks fit so as to reflect the increase and any other resultant changes in the registered capital of the Company.”

9. To consider and, if thought fit, pass the following as special resolution:

“THAT:

To authorise the Board of Directors to repurchase H Shares of the Company (the “**H Shares**”) subject to the following conditions:

- (a) subject to paragraphs (b) and (c) below, the exercise by the Board during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue of the Company on the Stock

NOTICE OF ANNUAL GENERAL MEETING

Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;

- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this special resolution;
- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the AGM of the Company to be held on Thursday, 6 June 2019 (or on such adjourned date as may be applicable); and the 2019 second class meetings for holders of H Shares of the Company and for holders of Domestic Shares of the Company to be held on Thursday, 6 June 2019 (or on such adjourned date as may be applicable);
 - (ii) the approval of all the competent PRC regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 28 of the Articles of Association;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of domestic shares of the Company at their respective class meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorised to:
 - (i) make such amendments to the Articles of Association as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and
 - (ii) file the amended Articles of Association with the relevant governmental authorities of the PRC and to apply for registration with the relevant companies registration authorities in the PRC of the change of registered capital of the Company in accordance with all applicable laws, rules, regulations and/or requirements of the relevant governmental or regulatory body in the PRC.

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

Hubei, the PRC, 9 April 2019

Notes:

1. In order to determine the list of shareholders who will be entitled to attend and vote at the AGM to be held on Thursday, 6 June 2019 and the extraordinary general meeting of the Company to be held on Friday, 10 May 2019, the registers of members of the Company will be closed from Wednesday, 10 April 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be effected. Shareholders whose names appear on the registers of members of the Company on Wednesday, 10 April 2019 shall be entitled to attend and vote at the AGM. In order for the shareholders to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC, for holders of domestic shares, or the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares no later than 4:30 p.m. on Tuesday, 9 April 2019 for registration.
2. In order to ascertain shareholders' entitlement to the proposed 2018 final dividend, the register of members of the Company will be closed from Thursday, 13 June 2019 to Tuesday, 18 June 2019 (both days inclusive), during which period no transfer of shares will be registered. Shareholders whose names appear on the registers of members of the Company on Tuesday, 18 June 2019 shall be entitled to receive the proposed 2018 final dividend (subject to the approval by the shareholders of the Company at the AGM). In order to qualify for receiving the proposed 2018 final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC, for holders of domestic shares, or the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares no later than 4:30 p.m. on Wednesday, 12 June 2019. The proposed 2018 final dividend is expected to be paid on or around Friday, 19 July 2019 if being approved by the shareholders of the Company at the AGM.

NOTICE OF ANNUAL GENERAL MEETING

3. Shareholders intending to attend the AGM (or any adjournment thereof) should complete and return the reply slip for attending the AGM (or any adjournment thereof) personally, by facsimile or by post. The reply slip should be completed and returned to the Company's Board office by facsimile (fax number: 86-769-81768866) or by post to (or by depositing it at) Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC, for holders of domestic shares; or to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited by facsimile (fax number: 852-2865-0990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares, such that the reply slip shall be received by the Company 20 days before the AGM (i.e. on or before Friday, 17 May 2019).
4. Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the AGM (or any adjournment thereof) on his behalf. A proxy need not be a shareholder of the Company.
5. Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder of the Company or by a person duly authorized by the relevant shareholder of the Company in writing ("**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant shareholder of the Company as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate shareholder of the Company appoints a person other than its legal representative to attend the AGM (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate shareholder of the Company or duly signed by its director or any other person duly authorized by that corporate shareholder of the Company as required by the articles of association of such company.
6. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note 5 above must be delivered to the Company's Board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC for holders of domestic shares, or the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares not less than 24 hours before the time appointed for the AGM (or any adjournment thereof) (i.e. before 10:00 a.m. on Wednesday, 5 June 2019).
7. A shareholder of the Company or his proxy should produce proof of identity when attending the AGM (or any adjournment thereof). If a corporate shareholder's legal representative or any other person duly authorized by such corporate shareholder of the Company attends the AGM (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
8. The AGM (or any adjournment thereof) is expected to last less than one day. Shareholders or their proxies who attend the AGM (or any adjournment thereof) shall bear their own travelling, meal and accommodation expenses.
9. The Company's principal place of business in the PRC is situated at:

No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC
Tel No.: 86-769-81768866
Fax No.: 86-769-81768866

The address of the Company's H share registrar, Computershare Hong Kong Investor Services Limited is:

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel No.: 852-2862-8555
Fax No.: 852-2865-0990

NOTICE OF ANNUAL GENERAL MEETING

10. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the date of this notice, the board of directors of the Company consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang as executive directors; Mr. TANG Xinfu and Mr. Eddy HUANG as non-executive directors; and Mr. TANG Jianxin, Mr. FU Hailiang and Mr. LEE Chi Ming as independent non-executive directors.



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)

NOTICE OF 2019 SECOND H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2019 Second H shareholders class meeting (the “**2019 Second H Shareholders Class Meeting**”) of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “**Company**”) will be held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the People's Republic of China (the “**PRC**”) at 11:00 a.m. on Thursday, 6 June 2019 (or immediately after the conclusion of the annual general meeting of the Company to be convened on the same day or any adjournment thereof) to consider and, if thought fit, to approve the following resolution. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 9 April 2019.

SPECIAL RESOLUTION

1. To consider and, if thought fit, pass the following as special resolution:

“THAT:

To authorise the Board of Directors to repurchase H Shares of the Company (the “**H Shares**”) subject to the following conditions:

- (a) subject to paragraphs (b) and (c) below, the exercise by the Board during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue of the Company on the Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
- (b) the aggregate nominal value of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this special resolution;

NOTICE OF 2019 SECOND H SHAREHOLDERS CLASS MEETING

- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the AGM of the Company to be held on Thursday, 6 June 2019 (or on such adjourned date as may be applicable); and the 2019 second class meetings for holders of H Shares of the Company and for holders of Domestic Shares of the Company to be held on Thursday, 6 June 2019 (or on such adjourned date as may be applicable);
 - (ii) the approval of all the competent PRC regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 28 of the Articles of Association;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of domestic shares of the Company at their respective class meeting.
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorised to:
 - (i) make such amendments to the Articles of Association as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and

NOTICE OF 2019 SECOND H SHAREHOLDERS CLASS MEETING

- (ii) file the amended Articles of Association with the relevant governmental authorities of the PRC and to apply for registration with the relevant companies registration authorities in the PRC of the change of registered capital of the Company in accordance with all applicable laws, rules, regulations and/or requirements of the relevant governmental or regulatory body in the PRC.

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

Hubei, the PRC
9 April 2019

Notes:

1. In order to determine the list of Shareholders who will be entitled to attend and vote at the 2019 Second H Shareholders Class Meeting and the annual general meeting of the Company to be held on Thursday, 6 June 2019 and the extraordinary general meeting of the Company to be held on Friday, 10 May 2019, the H share registers of members of the Company will be closed from Wednesday, 10 April 2019 to Thursday, 6 June 2019 (both days inclusive), during which period no transfer of shares will be effected. Shareholders whose names appear on the H share registers of members of the Company on Wednesday, 10 April 2019 shall be entitled to attend and vote at the 2019 Second H Shareholders Class Meeting. In order for the H Shareholders to qualify to attend and vote at the 2019 Second H Shareholders Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H shares no later than 4:30 p.m. on Tuesday, 9 April 2019 for registration.
2. H Shareholders intending to attend the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) should complete and return the reply slip for attending the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) personally, by facsimile or by post. The reply slip should be completed and returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited by facsimile (fax number: 852-2865-0990) or by post to (or by depositing it at) 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, such that the reply slip shall be received by the Company 20 days before the 2019 Second H Shareholders Class Meeting (i.e. on or before Friday, 17 May 2019).
3. H Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) on his behalf. A proxy need not be a Shareholder.

NOTICE OF 2019 SECOND H SHAREHOLDERS CLASS MEETING

4. H Shareholders must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant H Shareholder or by a person duly authorized by the relevant H Shareholder in writing (“**power of attorney**”). If the form of proxy is signed by the person authorized by the relevant H Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate H Shareholder appoints a person other than its legal representative to attend the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) on its behalf, the relevant form of proxy must be affixed with the company seal of the corporate H Shareholder or duly signed by its director or any other person duly authorized by that corporate H Shareholder of the Company as required by the articles of association of the company.
5. To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in note 4 above must be delivered to the Company’s H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Wednesday, 5 June 2019).
6. An H Shareholder or his proxy should produce proof of identity when attending the 2019 Second H Shareholders Class Meeting (or any adjournment thereof). If a corporate H Shareholder’s legal representative or any other person duly authorized by such corporate H Shareholder attends the 2019 Second H Shareholders Class Meeting (or any adjournment thereof), such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative or the valid authorization document (as the case may be).
7. The 2019 Second H Shareholders Class Meeting (or any adjournment thereof) is expected to last less than one day. H Shareholders or their proxies who attend the 2019 Second H Shareholders Class Meeting (or any adjournment thereof) shall bear their own travelling, meal and accommodation expenses.
8. The address of the Company’s H share registrar, Computershare Hong Kong Investor Services Limited is:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
Tel No.: 852-2862-8555
Fax No.: 852-2865-0990
9. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the date of this notice, the board of directors of the Company consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang as executive directors; Mr. TANG Xinfu and Mr. Eddy HUANG as non-executive directors; and Mr. TANG Jianxin, Mr. FU Hailiang and Mr. LEE Chi Ming as independent non-executive directors.

Biographical details of the candidate for shareholder representative Supervisor for the second session of the Board of Supervisors are set out below:

Mr. TANG Jinlong (唐金龍) (“Mr. Tang”), aged 50, joined the Company in July 2001 as deputy head (副部長) of the development department of the Company. He was the head of development department of the Company from June 2003 to July 2004 and chief engineer of the Company from August 2004 to January 2008. Mr. Tang was the deputy general manager of Yidu HEC Biochemical Manufacturing Co., Ltd. (宜都東陽光生化製藥有限公司) from March 2006 to December 2010 and the factory manager of Hecheng factory (合成分廠廠長) from January 2008 to December 2010. Since June 2015, Mr. Tang is the director of HEC Pharm Co., Ltd. (宜昌東陽光藥業股份有限公司). Since February 2018, Mr. Tang is the chairman and legal representative of YiChang HEC Biochemical API Co., Ltd. (宜昌東陽光化學原料藥有限公司) and the director of Yichang HEC Pharmaceutical Co., Ltd. (宜昌東陽光製藥有限公司). Mr. Tang is the standing committee member of 6th, 7th and 8th Yidu City Committee of the Chinese People’s Political Consultative Conference (宜都市政協常委).

Mr. Tang has obtained a degree in chemistry and pharmacy (化學製藥學士學位) in Wuhan Institute of Technology (武漢工程大學) in June 1990.

Subject to the approval by the Shareholders, the Company will enter into a service contract with Mr. Tang for a term of commencing on the date of the approval of his appointment by the Shareholders at the AGM until the expiration of the term of the second session of the Board of Supervisors. He will not receive any Supervisor’s remuneration for serving as the Supervisor during his term of office, and will only receive remuneration for his position held in the Company, the amount of which is determined by the management of the Company.

As at the Latest Practicable Date, save as disclosed above, Mr. Tang confirmed that (i) he did not hold any directorship in any other listed companies during the past three years; (ii) he does not hold any job position in the Group; (iii) he has no relationship with any Director, Supervisor, senior management member, substantial shareholder or controlling shareholder of the Company; and (iv) he has not owned any interest as defined in Part XV of the Securities and Futures Ordinance (Cap 571, Laws of Hong Kong) in the Shares or underlying shares of the Company.

Save as disclosed above, Mr. Tang has no involvement in any matter which is required to be disclosed pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which is required to be notified to the Shareholders or the Stock Exchange.

This appendix serves as an explanatory statement, as required by the Listing Rules, to enable the Shareholders to make an informed decision on whether to vote for or against the grant of the Repurchase Mandate.

I. LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below. The Company is empowered by the Articles of Association to repurchase its own securities.

II. SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares issued by the Company was 452,022,850 (including 226,200,000 Domestic Shares and 225,822,850 H Shares). Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 22,582,285 H Shares, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolution.

III. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

IV. FUNDING OF REPURCHASES

In repurchasing its H Shares, the Company may only apply funds from the Company's internal resources legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws, rules and regulations of the PRC, including but not limited to surplus funds and undistributed profits of the Company.

V. IMPACT ON WORKING CAPITAL

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with its position as at 31 December 2018, being disclosed in the Company's latest published audited accounts contained in the annual report for the year ended 31 December 2018. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the

gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing, in the best interests of the Company.

VI. STATUS OF REPURCHASED H SHARE

The Listing Rules provide that the listing of all the H Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws, the H Shares repurchased by the Company will be cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.

VII. H SHARE PRICES

The highest and lowest prices at which the H Shares have traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2018		
April	47.50	33.20
May	44.45	36.00
June	50.15	37.25
July	48.00	36.70
August	39.50	28.55
September	37.10	30.20
October	33.45	24.90
November	29.90	25.30
December	31.15	25.75
2019		
January	35.25	25.85
February	36.65	31.45
March	36.30	33.00
April (up to the Latest Practicable Date)	38.65	34.35

VIII. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

IX. DISCLOSURE OF INTERESTS

To the best of knowledge of the Directors having made all reasonable enquiries, none of the Directors or their respective close associates have any present intention to sell to the Company any of the H Shares in the Company if the Repurchase Mandate is approved at the AGM and the Class Meetings.

As at the Latest Practicable Date, no core connected person of the Company has notified the Company that he/she/it has a present intention to sell any H Shares nor has such core connected person undertaken not to sell any of the securities held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

X. IMPLICATIONS UNDER THE TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 26 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the Directors are not aware of any consequence which may arise under the Takeovers Code and any similarly applicable laws as a consequence of any repurchase of Shares under the Repurchase Mandate.

XI. SECURITIES REPURCHASE MADE BY THE COMPANY

The Company had not purchased any H Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.