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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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)**

**2019 Report of the Board of Directors  
2019 Report of the Board of Supervisors  
2019 Consolidated Financial Statements  
2019 Annual Report**

**Proposed Bonus Issue and Proposed Distribution of 2019 Final Dividend  
Proposed Amendments to the Articles of Association  
Re-appointment of the Auditor of the Company  
Proposed Appointment of an Independent Non-executive Director  
General Mandate to Issue Shares  
General Mandate to Repurchase H Shares  
Notice of Annual General Meeting  
and  
Notice of 2020 Second H Shareholders Class Meeting**

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A letter from the Board of Directors is set out on pages 4 to 20 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, on Friday, 5 June 2020 at 10:00 a.m., is set out on pages 21 to 23 of this circular; a notice convening the 2020 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, on Friday, 5 June 2020 at 11:00 a.m. (or immediately after the conclusion of the AGM or any adjournment thereof), is set out on pages 24 to 26 of this circular. The forms of proxy for use at the AGM and 2020 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](http://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 Thursday, 4 June 2020). 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 2020 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 2020 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Thursday, 4 June 2020). Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the 2020 Second H Shareholders Class Meeting or any adjournment thereof if you so desire.

29 April 2020

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## DEFINITIONS

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

“2020 Second Domestic Shareholders Class Meeting”	the class meeting of holders of Domestic Shares to be convened and held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 11:00 a.m. on Friday, 5 June 2020
“2020 Second H Shareholders Class Meeting”	the class meeting of holders of H Shares to be convened and held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 11:00 a.m. on Friday, 5 June 2020
“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 Friday, 5 June 2020
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Board of Directors” or “Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Bonus Domestic Share(s)”	the new Domestic Share(s) to be allotted and issued under the Proposed Bonus Issue
“Bonus H Share(s)”	the new H Share(s) to be allotted and issued under the Proposed Bonus Issue
“Bonus Share(s)”	the Bonus Domestic Share(s) and the Bonus H Share(s)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Class Meetings”	the 2020 Second H Shareholders Class Meeting and the 2020 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

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## DEFINITIONS

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“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INED(s)”	the independent non-executive director(s) of the Company
“Latest Practicable Date”	21 April 2020, 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》)
“Ms. Xiang”	Ms. Xiang Ling (向凌)
“Overseas Shareholder(s)”	holder(s) of H Shares whose addresses as shown on the register of members of H Shares are outside Hong Kong on the Record Date, if any
“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
“Proposed Bonus Issue”	the proposed bonus issue of a total of 444,392,650 Shares from the undistributed profits of the Company as at 31 December 2019 on the basis of one (1) Bonus Share for every one (1) existing Share held by the Shareholders whose names are appeared on the register of members of the Company on the Record Date

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## DEFINITIONS

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“Record Date”	16 June 2020, being the date for determining the Shareholders’ entitlement to the Bonus Shares and 2019 Final Dividend
“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
“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 holder(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.*

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## LETTER FROM THE BOARD OF DIRECTORS

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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)**

**The Board of Directors:**

*Executive Directors:*

Mr. JIANG Juncai  
Mr. WANG Danjin  
Mr. CHEN Yangui  
Mr. LI Shuang

*Non-executive Directors:*

Mr. TANG Xinfa (*Chairman*)  
Mr. Eddy HUANG

*Independent Non-executive Directors:*

Mr. TANG Jianxin  
Mr. FU Hailiang  
Mr. ZHAO Dayao

**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

29 April 2020

*To the Shareholders*

Dear Sir or Madam,

**2019 Report of the Board of Directors  
2019 Report of the Board of Supervisors  
2019 Consolidated Financial Statements  
2019 Annual Report**

**Proposed Bonus Issue and Proposed Distribution of 2019 Final Dividend  
Proposed Amendments to the Articles of Association  
Re-appointment of the Auditor of the Company  
Proposed Appointment of an Independent Non-executive Director  
General Mandate to Issue Shares  
General Mandate to Repurchase H Shares  
Notice of Annual General Meeting  
and  
Notice of 2020 Second H Shareholders Class Meeting**

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## LETTER FROM THE BOARD OF DIRECTORS

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### I. INTRODUCTION

The Company proposes to convene and hold the AGM at 10:00 a.m. on Friday, 5 June 2020 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 21 to 23 of this circular.

The Company proposes to convene and hold the 2020 Second H Shareholders Class Meeting at 11:00 a.m. on Friday, 5 June 2020 at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC. The notice to convene the 2020 Second H Shareholders Class Meeting is set out on pages 24 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 2020 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

#### ***1. Report of the Board of Directors for the year ended 31 December 2019***

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Directors for the year ended 31 December 2019, the full text of which is included in the 2019 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 2019***

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for the year ended 31 December 2019, the full text of which is included in the 2019 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 2019***

An ordinary resolution will be proposed at the AGM to approve the consolidated financial statements of the Company for the year ended 31 December 2019, the full text of which is included in the 2019 annual report of the Company to be published on the websites of the Company and the Stock Exchange in due course.

#### ***4. 2019 Annual Report***

An ordinary resolution will be proposed at the AGM to approve the 2019 annual report of the Company, which will be published on the websites of the Company and the Stock Exchange in due course.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 5. *Proposed Bonus Issue and Proposed Distribution of 2019 Final Dividend*

References are made to the announcements of the Company dated 27 March 2020 regarding the Proposed Bonus Issue and proposed distribution of final dividend of the Company for the year ended 31 December 2019 (the “**2019 Final Dividend**”) and dated 14 April 2020 regarding the Proposed Bonus Issue from undistributed profits of the Company.

A special resolution will be proposed at the AGM and Class Meetings to approve the Proposed Bonus Issue and proposed distribution of 2019 Final Dividend.

The Board of Directors recommended to distribute one (1) Bonus Share (tax inclusive) per every one (1) existing Share held by the Shareholders and a final dividend of RMB0.3 (tax inclusive) per Share for the year ended 31 December 2019 from undistributed profit to the Shareholders whose name are appeared on the Company’s register of members as at 16 June 2020. The Bonus Shares will be issued by way of conversion of undistributable profit of the Company.

#### **A. Proposed Bonus Issue**

##### *(a) Basis of Proposed Bonus Issue*

Subject to the conditions set out under the paragraph headed “Conditions to the Proposed Bonus Issue” below having been fulfilled, the Bonus Shares will be issued and credited as fully paid at par on the basis of one (1) Bonus Share for every one (1) existing Share held by all the Shareholders whose names are appeared on the register of members of the Company on the Record Date (i.e. one (1) Bonus H Shares and one (1) Bonus Domestic Shares to be issued in respect of every one (1) H Shares and one (1) Domestic Shares held by the Shareholders, respectively). The Bonus Shares will be issued by way of conversion of undistributable profit of the Company.

##### *(b) Effect of the Proposed Bonus Issue on the Shareholding Structure of the Company*

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposed Bonus Issue (assuming that no further H Shares or Domestic Shares will be issued or repurchased from the Latest Practicable Date to the completion of the Proposed Bonus Issue):

	<b>As at the date of Latest Practicable Date</b>		<b>Immediately upon completion of the Proposed Bonus Issue</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Domestic Shares	226,200,000	50.90	452,400,000	50.90
H Shares	218,192,650	49.10	436,385,300	49.10
Total	<u>444,392,650</u>	<u>100.00</u>	<u>888,785,300</u>	<u>100.00</u>



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## LETTER FROM THE BOARD OF DIRECTORS

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***(c) Entitlements and Treatment of Fraction of Bonus Shares***

The Bonus Shares will, subject to the Articles of Association, rank *pari passu* in all respects with the existing H Shares and Domestic Shares, as the case may be, in issue on the Record Date. Holders of the Bonus Shares will be entitled to receive all future dividends and distributions (if any) to be declared, made or paid after the date on which the Bonus Shares are allotted and issued, but will not be entitled to the dividends declared by the Company before the date of allotment and issue of the Bonus Shares, including but not limited to the proposed 2019 Final Dividend.

On the basis of one (1) Bonus Share for every one (1) existing Share held by the Shareholders on the Record Date, no fractional entitlement will arise. The Company will not allot any fraction of the Bonus Share pursuant to the Proposed Bonus Issue.

***(d) Conditions to the Proposed Bonus Issue***

The Proposed Bonus Issue shall become effective upon the fulfilment of the following conditions:

- (i) the Proposed Bonus Issue having been approved by the Shareholders at the AGM and Class Meetings of the Company;
- (ii) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus H Shares; and
- (iii) the compliance with the relevant legal procedures and requirements under the Company Law of the People's Republic of China that are applicable to the Proposed Bonus Issue, if applicable, and the Articles of Association.

***(e) Overseas Shareholders***

The Company will make enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange and upon the enquiry, if the Board is of the view that for Overseas Shareholders who will not be entitled to the Bonus Shares because of the legal restrictions under the laws or statutory regulations of their jurisdiction or the requirements of the stock exchange in that jurisdiction, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Overseas Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium, net of expenses, can be obtained.

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## LETTER FROM THE BOARD OF DIRECTORS

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***(f) Listing and Dealings***

Application will be made to the listing committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Bonus H Shares.

Subject to the granting of the listing of, and permission to deal in, the Bonus H Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Bonus H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the date of commencement of dealings in the Bonus H Shares or such other date as determined by HKSCC.

***(g) Reasons for the Proposed Bonus Issue***

Based on the positive expectations on the future development of the Company, and with reference to the operating and the overall financial status of the Company, the Proposed Bonus Issue by the Company is in accordance with the provisions in relation to profit distribution in the Articles of Association and for the purposes of promoting the continuous sustainable development of the Company and increasing the liquidity of the Shares.

Having considered the alternative method (including share subdivision, change of board lot size and bonus issue), the Board takes the view that the Proposed Bonus Issue is in the interest of the Company and the Shareholders as a whole as it will enable the Shareholders to enjoy a pro-rata increase in the number of Shares being held in the Company without incurring any significant costs to them. Despite the fact that the price per Share on an ex-entitlement basis would be reduced and the Proposed Bonus Issue is not expected to increase their proportionate equity interests in the Company, the Proposed Bonus Issue will substantially increase the number of Shares to be held by the Shareholders, which will enable them to enjoy more flexibility in managing their own investment portfolios such as giving them an opportunity to dispose of their Shares and realise a cash return to meet the individual Shareholders' financial needs in good market conditions.

The expenses arising from the Proposed Bonus Issue will be relatively low. Compared with other alternatives mentioned above such as share sub-division, the Proposed Bonus Issue involves simpler administrative procedures and incurs much lower expenses.

Other than the expenses incurred by and in relation to the proposed Bonus Issue, the Proposed Bonus Issue will not alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders. The Board believes that the Proposed Bonus Issue will not have any adverse impact on the financial position of the Company.

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## LETTER FROM THE BOARD OF DIRECTORS

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### *(h) Expected Timetable*

Dates or deadlines specified in this circular are indicative only and may be varied by the Company. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Latest time for lodging transfer of H Shares in order to be qualified for attending and voting at the AGM and Class Meetings .....	4:30 p.m. on 1 June 2020
Record date for attending and voting at the AGM and Class Meetings .....	at the close of business on 1 June 2020
Register of members of H Shares closes.....	from 2 June 2020 to 5 June 2020 (both dates inclusive)
AGM and Class Meetings .....	10:00 a.m. on 5 June 2020
Publication of the poll results of the AGM and Class Meetings .....	5 June 2020
Last day of dealings in H Shares on a cum-entitlement basis .....	8 June 2020
First day of dealings in H Shares on an ex-entitlement basis.....	9 June 2020
Latest time for lodging transfer of H Shares in order to be entitled to the Bonus H Shares and 2019 Final Dividend .....	4:30 p.m. on 10 June 2020
Register of members of H Shares closes.....	from 11 June 2020 to 16 June 2020 (both dates inclusive)
Record Date for determination of entitlement to Bonus H Shares and 2019 Final Dividend .....	at the close of business on 16 June 2020
Register of members of H Shares re-opens .....	17 June 2020
Certificates for the Bonus H Shares are expected to be despatched on and Payment of 2019 Final Dividend .....	10 July 2020
Commencement of dealings in the Bonus H Shares .....	13 July 2020

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## LETTER FROM THE BOARD OF DIRECTORS

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### *Warning of Risks of Dealing in the H Shares*

The Proposed Bonus Issue is conditional upon the conditions set out in the paragraph headed “Conditions to the Proposed Bonus Issue” above. Any Shareholder or other person dealing in the Shares prior to the conditions of the Proposed Bonus Issue having been fulfilled by the Group will accordingly bear the risk that the Proposed Bonus Issue cannot become unconditional and may not be able to receive Bonus Shares. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

### **B. Proposed distribution of 2019 Final Dividend**

The 2019 Final Dividend will be denominated and declared 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 H Share dividends paid in HKD to H Shareholders 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 2019 Final Dividend was approved at the AGM and Class Meetings.

The Bonus Shares and 2019 Final Dividend is expected to be distributed on or around Friday, 10 July 2020.

The relevant tax on Bonus Shares will be deducted from the 2019 Final Dividend. To ensure the relevant tax on Bonus Shares will have been deducted from 2019 Final Dividend by the time the Bonus Shares are issued and allotted, the date for the allotment of Bonus Shares and payment of 2019 Final Dividend are proposed on the same date.

### **Withholding and Payment of Bonus Shares and 2019 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 Bonus Shares and 2019 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 nonresidential enterprise shareholder, and therefore the enterprise income tax on the receivable dividend in respect of such shares will be withheld.

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 Bonus Shares and 2019 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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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 Concerning Individual Income Tax on the Dividends, Bonuses that Foreign Individuals Obtain from Foreign invested Enterprises Issued by the Ministry of Finance of Hubei Province (《湖北省地方稅務局關於對外籍個人從外商投資企業取得股息紅利所得徵收個人所得稅問題的公告》), 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)) and other related laws and regulations, the Company will withhold and pay the personal income tax at the tax rate of 10% for individual Shareholders of H shares. For the individual Shareholders of H shares who are citizens of countries or regions that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the Company will withhold the tax at the agreed rates under such treaties. For the individual Shareholders of H shares who are citizens of countries or regions without taxation treaties with the PRC, 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) (《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 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 enterprise Shareholders and foreign individual Shareholders 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 the 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 25 June 2020. The Company will file tax return with competent tax authority of the place where the Company is located on behalf of such shareholders, who can enjoy relevant concessionary tax rate upon approval. 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 6. *Proposed Amendments to the Articles of Association*

Reference is made to the announcement of the Company dated 14 April 2020 regarding the proposed amendments of Articles of Association. A special resolution will be proposed at the AGM to approve the Proposed Amendments to the Articles of Association.

In light of the Proposed Bonus Issue, the Board (subject to the approval of resolution on Proposed Bonus Issue and 2019 Final Dividend at the AGM and Class Meetings) has also proposed to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure of the Company upon completion of the Proposed Bonus Issue as follows (the “**Proposed Amendments to the Articles of Association**”).

#### Original Articles

**Article 20** In December 2015, upon the approval of the document of No. [2015] 2191 by the China Securities Regulatory Commission, the Company issued 90,132,000 foreign shares, which were listed on the Hong Kong Stock Exchange on 29 December 2015; in January 2016, the Company issued additional 163,400 foreign shares pursuant to the partial exercise of the over-allotment option, which were listed on the Hong Kong Stock Exchange on 20 January 2016; in 2017, the Company issued 1,200,000 domestic shares; in 2019, the Company repurchased 3,202,800 foreign shares; during the period between September 2019 and January 2020, the Company repurchased 4,427,400 foreign shares. **Subsequent to the completion of the matters mentioned above, the share capital structure of the Company was as follows: 444,392,650 ordinary shares, of which 226,200,000 shares were held by shareholders of domestic shares, representing 50.90% of the entire ordinary share capital in issue of the Company; 218,192,650 shares were held by shareholders of overseas listed foreign shares, representing 49.10% of the entire ordinary share capital in issue of the Company.**

**Article 23** The registered capital of the Company is RMB**448,820,050**.

#### Revised Articles

**Article 20** In December 2015, upon the approval of the document of No. [2015] 2191 by the China Securities Regulatory Commission, the Company issued 90,132,000 foreign shares, which were listed on the Hong Kong Stock Exchange on 29 December 2015; in January 2016, the Company issued additional 163,400 foreign shares pursuant to the partial exercise of the over-allotment option, which were listed on the Hong Kong Stock Exchange on 20 January 2016; in 2017, the Company issued 1,200,000 domestic shares; in 2019, the Company repurchased 3,202,800 foreign shares; during the period between September 2019 and January 2020, the Company repurchased 4,427,400 foreign shares. **In July 2020, the Company distributed bonus shares on the basis of 1 bonus share for every 1 share. Subsequent to the completion of the matters mentioned above, the share capital structure of the Company was as follows: 888,785,300 ordinary shares, of which 452,400,000 shares were held by shareholders of domestic shares, representing 50.90% of the entire ordinary share capital in issue of the Company; 436,385,300 shares were held by shareholders of overseas listed foreign shares, representing 49.10% of the entire ordinary share capital in issue of the Company.**

**Article 23** The registered capital of the Company is RMB**888,785,300**.



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## LETTER FROM THE BOARD OF DIRECTORS

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### **7. *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 until the conclusion of the next annual general meeting of the Company, and to authorize the Board of Directors to determine its remuneration.

### **8. *Proposed Appointment of an Independent Non-executive Director***

Reference is made to the announcement of the Company dated 27 March 2020 in relation to the proposed appointment of an INED.

An ordinary resolution will be proposed at the AGM to approve the proposed appointment of an INED.

The Board is pleased to announce that it has proposed to nominate Ms. Xiang as an INED at the AGM and authorize it to determine the commencement date of the appointment of Ms. Xiang as an INED.

The brief biography of Ms. Xiang is set out below:

Xiang Ling (向凌), aged 38, graduated from the Law School of Hunan Normal University (湖南師範大學法學院) in 2003 with a Bachelor's degree in law. She further obtained a Master's degree in Laws (International Economic Law) from the Law School of Sun Yat-sen University (中山大學法學院) in 2006 and a Doctoral degree of Judicial Science (Theory of Law) (法學博士(法學理論)學位) from the Law School of Sun Yat-sen University in 2013.

Since July 2006, Ms. Xiang has been teaching at the School of Law of Guangdong University of Finance. Her research mainly covers contract law, company law, intellectual property law, and international economic law. Currently, she takes lead of 2 provincial-level research topics, and has participated as a main participant in the projects of National Social Science Foundation (國家社科基金項目), the projects of Humanities and Social Sciences Research Foundation of the Ministry of Education (教育部人文社科基金項目), and the projects of several provincial-level research topics. She has published more than ten papers in core journals such as Political Science and Law (《政治與法律》), Intellectual Property (《知識產權》), Academics in China (《學術界》), Social Sciences in Guangdong (《廣東社會科學》), Journal of Hunan University (《湖南大學學報》), and Presentday Law Science (《時代法學》).

Ms. Xiang participated and successfully graduated in the 97th Independent Director Training (第97期獨立董事培訓) held by the Shenzhen Stock Exchange in September 2018 and was eligible to be incumbent as an independent director of a listed company.

Ms. Xiang has been an independent director of SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) since June 2019, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000717). She is currently an executive director (常務理事) of the Intellectual Property Committee (知識產權學會) of the Guangdong Province Law Society (廣東省法學會), a director (理事) of the Financial Law Research Committee (金融法學研究會) of the Guangdong Province Law Society, a director of the International Law Research Committee (國

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## LETTER FROM THE BOARD OF DIRECTORS

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際法學研究會) of the Guangdong Province Law Society, a director of the Economic Law Research Committee (經濟法學研究會) of the Guangdong Province Law Society, a director of the Guangzhou Law Society, Tianhe District (廣州市天河區法學會), a director of the fifth council of The Association of Registered Tax Agents of Guangdong Province (廣東省註冊稅務師協會第五屆理事會), a consultant on the area of marine rights and interests (海洋權益諮詢專家) of the South China Sea Branch of State Oceanic Administration, a legal consultant of Guangdong Xuping Jewelry Co., Ltd. (廣東旭平首飾有限公司) and a part-time lawyer of the Legal Aid Center of Guangdong University of Finance (廣東金融學院法律援助中心).

Upon the appointment of Ms. Xiang as an INED becoming effective, the Company will enter into a service contract with Ms. Xiang for a term commencing on the effective date of the appointment of Ms. Xiang and ending at the expiry of the term of the second session of the Board. The proposed annual remuneration of Ms. Xiang will be approximately RMB100,000, which is determined by the Board with reference to her duties, the remuneration policy of the Company and the prevailing market conditions if being appointed as an INED.

As at the Latest Practicable Date, save as disclosed above, Ms. Xiang confirmed that (i) she did not hold any directorship in any other listed companies during the past three years; (ii) she does not hold any position in the Company or its subsidiaries; (iii) she has no relationship with any Director, supervisor, senior management member, substantial shareholder or controlling shareholder of the Company; and (iv) she 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, Ms. Xiang 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.

Upon her appointment as an INED, Ms. Xiang will also act as the chairman of the remuneration and evaluation committee of the Board and a member of the nomination committee of the Board with effect from the same date.

After receiving the proposal on the appointment of Ms. Xiang as an INED and her biography, the nomination committee of the Board of Directors and/or the Board also considered various factors in relation to the diversity of the Board, including but not limited to diversity in gender, age, culture and educational background, professional experience, skills, knowledge and industrial and regional experience, to determine whether Ms. Xiang is suitable to serve as an INED.

The Board is of the view that, Ms. Xiang has a legal background and has been independent non-executive directors in other listed companies. She has substantial working experiences which will benefit the management and development of the Company in the future. In view of the above, the Board believes Ms. Xiang will be able to make valuable contributions to the Company.



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## LETTER FROM THE BOARD OF DIRECTORS

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### ***9. 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 Latest Practicable Date, issued share capital of the Company comprises 226,200,000 Domestic Shares and 218,192,650 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 43,638,530 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;

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;

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## LETTER FROM THE BOARD OF DIRECTORS

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“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.

### ***10. 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

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## LETTER FROM THE BOARD OF DIRECTORS

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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.

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

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## LETTER FROM THE BOARD OF DIRECTORS

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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 I to this circular.

### III. AGM AND VOTING METHOD

A notice convening the AGM 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 Friday, 5 June 2020, is set out on pages 21 to 23 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.

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 Thursday, 4 June 2020) 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.

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. 2020 SECOND H SHAREHOLDERS CLASS MEETING AND VOTING METHOD

The 2020 Second H Shareholders Class Meeting will be convened and held at the meeting room of the Company, No. 38 Binjiang Road, Yidu, Yichang, Hubei Province, the PRC, at 11:00 a.m. on Friday, 5 June 2020 (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

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## LETTER FROM THE BOARD OF DIRECTORS

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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 2020 Second H Shareholders Class Meeting.

A notice convening the 2020 Second H Shareholders Class Meeting is set out on pages 24 to 26 of this circular. The form of proxy for use at the 2020 Second H Shareholders Class Meeting is also enclosed. Whether or not you intend to attend the 2020 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 2020 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Thursday, 4 June 2020). Completion and return of the form of proxy shall not preclude you from attending, and voting in person at the 2020 Second H Shareholders Class Meeting or any adjournment thereof if you so desire.

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 2020 Second H Shareholders Class Meeting shall be voted by poll. Voting by the Shareholders may be given either personally or by proxy.

### **V. RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS**

In order to qualify for attending and voting at the AGM and 2020 Second H Shareholders Class Meeting all unregistered shareholders of the Company shall lodge transfer documents together with the relevant share certificates 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 Monday, 1 June 2020. The Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 1 June 2020 are entitled to attend the AGM and 2020 Second H Shareholders Class Meeting.

In order to ascertain Shareholders' entitlement to the Bonus Shares and 2019 Final Dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020 (both days inclusive), during which periods no transfer of shares will be registered. The Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 16 June 2020 are entitled to receive the Bonus Shares and 2019 Final Dividend.

In order to qualify for receiving the Bonus Shares and 2019 Final Dividend (subject to the approval by the Shareholders at the AGM and Class Meetings), unregistered shareholders of the Company shall lodge transfer documents together with the relevant share certificates 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, 10 June 2020.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 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 2020 Second H Shareholders Class Meeting.

Yours faithfully

On behalf of the Board of Directors

**YiChang HEC ChangJiang Pharmaceutical Co., Ltd.**

**TANG Xinfa**

*Chairman*

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

### 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, at 10:00 a.m. on Friday, 5 June 2020 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 (the “**Circular**”) dated 29 April 2020.

#### ORDINARY RESOLUTIONS

1. To review and approve the report of the Board of Directors for the year ended 31 December 2019.
2. To review and approve the report of the Board of Supervisors for the year ended 31 December 2019.
3. To review and approve the consolidated financial statements of the Company for the year ended 31 December 2019.
4. To review and approve the 2019 annual report of the Company.
5. 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.
6. To consider and approve the appointment of Ms. Xiang Ling as an independent non-executive director and authorize the Board of Directors to determine the commencement date of the appointment.

#### SPECIAL RESOLUTIONS

7. To consider and approve the Proposed Bonus Issue and the distribution of 2019 Final Dividend.
8. To consider and approve the Proposed Amendments to the Articles of Association.
9. To consider and approve the general mandates to the Board to issue Shares.



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## NOTICE OF ANNUAL GENERAL MEETING

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10. To consider and approve the general mandates to the Board to repurchase H Shares.

Details of the above resolutions submitted to the AGM are set out in the Circular and is available for viewing on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.hec-changjiang.com](http://www.hec-changjiang.com)).

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

Hubei, the PRC  
29 April 2020

*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 Friday, 5 June 2020, the registers of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020, 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 at the close of business on Monday, 1 June 2020 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 Monday, 1 June 2020 for registration.
2. In order to ascertain Shareholders' entitlement to the Bonus Shares and the 2019 Final Dividend, the register of members of the Company will be closed from Thursday, 11 June 2020 to Tuesday, 16 June 2020 (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 at the close of business on Tuesday, 16 June 2020 shall be entitled to receive the Bonus Shares and the 2019 Final Dividend (subject to the approval by the Shareholders at the AGM and Class Meetings). In order to qualify for receiving the Bonus Shares and the 2019 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, 10 June 2020. The Bonus Shares and the 2019 Final Dividend are expected to be allotted and issued and paid on or around Friday, 10 July 2020 if being approved by the Shareholders at the AGM and Class Meetings.
3. 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.
4. 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 or by a person duly authorized by the relevant Shareholder in writing ("**power of attorney**"). If the form of proxy is signed by the person authorized by the relevant Shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorization (if any) must be notarized. If a corporate Shareholder 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 or duly signed by its director or any other person duly authorized by that corporate Shareholder as required by the articles of association of such company.



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## NOTICE OF ANNUAL GENERAL MEETING

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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 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 Thursday, 4 June 2020).
6. A Shareholder 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 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).
7. 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.
8. 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.: 86-769-81768886  
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
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 consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yangui and Mr. LI Shuang as executive directors; Mr. TANG Xinfa and Mr. Eddy HUANG as non-executive directors; and Mr. TANG Jianxin, Mr. FU Hailiang and Mr. ZHAO Dayao 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 2020 SECOND H SHAREHOLDERS CLASS MEETING**

**NOTICE IS HEREBY GIVEN** that the 2020 Second H shareholders class meeting (the “**2020 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, at 11:00 a.m. on Friday, 5 June 2020 (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 resolutions. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 29 April 2020 (the “**Circular**”).

**SPECIAL RESOLUTIONS**

1. To consider and approve the Proposed Bonus Issue and the distribution of 2019 Final Dividend.
2. To consider and approve the general mandates to the Board to repurchase H shares.

Details of the above resolutions submitted to the 2020 Second H Shareholders Class Meeting are set out in the Circular and is available for viewing on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.hec-changjiang.com](http://www.hec-changjiang.com)).

On behalf of the Board

**YiChang HEC ChangJiang Pharmaceutical Co., Ltd.**

**TANG Xinfa**

*Chairman*

Hubei, the PRC

29 April 2020

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## NOTICE OF 2020 SECOND H SHAREHOLDERS CLASS MEETING

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*Notes:*

1. In order to determine the list of Shareholders who will be entitled to attend and vote at the 2020 Second H Shareholders Class Meeting of the Company to be held on Friday, 5 June 2020, the H share registers of members of the Company will be closed from Tuesday, 2 June 2020 to Friday, 5 June 2020 (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 at the close of business on Monday, 1 June 2020 shall be entitled to attend and vote at the 2020 Second H Shareholders Class Meeting. In order for the H Shareholders to qualify to attend and vote at the 2020 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, Wan Chai, Hong Kong, for holders of H Shares no later than 4:30 p.m. on Monday, 1 June 2020 for registration.
2. H Shareholders may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2020 Second H Shareholders Class Meeting (or any adjournment thereof) on his behalf. A proxy needs not be a Shareholder.
3. 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 2020 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 as required by the articles of association of the company.
4. 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 3 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, Wan Chai, Hong Kong not less than 24 hours before the time appointed for the 2020 Second H Shareholders Class Meeting (or any adjournment thereof) (i.e. before 11:00 a.m. on Thursday, 4 June 2020).
5. H Shareholder or his proxy should produce proof of identity when attending the 2020 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 2020 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 a legal representative or the valid authorization document (as the case may be).
6. The 2020 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 2020 Second H Shareholders Class Meeting (or any adjournment thereof) shall bear their own travelling, meal and accommodation expenses.
7. 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, Wan Chai, Hong Kong  
Tel No.: 852-2862-8555  
Fax No.: 852-2865-0990
8. 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.

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## NOTICE OF 2020 SECOND H SHAREHOLDERS CLASS MEETING

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*As at the date of this notice, the Board consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. CHEN Yanguai 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. ZHAO Dayao as independent non-executive Directors.*

*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 444,392,650 (including 226,200,000 Domestic Shares and 218,192,650 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 21,819,265 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 2019, being disclosed in the Company's latest published audited accounts contained in the annual report for the year ended 31 December 2019. 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:

	<b>Highest</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
<b>2019</b>		
April	42.550	34.350
May	39.900	33.100
June	39.350	35.200
July	44.000	38.250
August	41.450	35.500
September	38.800	35.400
October	49.300	37.000
November	50.100	40.400
December	45.400	37.450
<b>2020</b>		
January	54.450	39.400
February	49.700	41.000
March	48.850	32.100
April (up to the Latest Practicable Date)	38.900	33.900

**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 repurchased a total of 1,994,000 H Shares on the Stock Exchange during the six months immediately preceding the Latest Practicable Date. Details of which are as follows:

<b>Date of Repurchase</b>	<b>Number of Shares repurchased</b>	<b>Price paid per H Share</b>	
		<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>
<b>2019</b>			
14 November	523,200	46.367	45.65
18 November	970,800	44.06	43.10
<b>2020</b>			
13 January	<u>500,000</u>	40.70	40.10
<b>Total</b>	<u><u>1,994,000</u></u>		

Save as disclosed above, the Company had not purchased any H Shares on the Stock Exchange or otherwise during the six months immediately preceding the Latest Practicable Date.