

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

宜昌東陽光長江藥業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 01558)

CONNECTED TRANSACTIONS

ENTERING INTO THE SETTLEMENT AGREEMENT AND THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 27 April 2020 in relation to, among other things, the Plant and Equipment Leasing Contract, pursuant to which Ruyuan HEC Pharmaceutical agreed to lease its plant and equipment to the Company for the manufacture of Oseltamivir Phosphate (磷酸奧司他韋) APIs.

SETTLEMENT AGREEMENT

The Company entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical during the early period of the COVID-19 pandemic, which was also the flu peak season. Terminal medical institutions had high demand for Kewei, the Company's core product, leading more Kewei products were delivered by the Company at the early period of the pandemic. In order to meet the market demand, the Company expanded our production scale in time and entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical. With tighter measures for prevention and control of pandemic in mainland China, the traffic of visit to terminal medical institutions declined sharply, resulting in a decline in terminal prescriptions and sales of Kewei. The Company adjusted its production plan in a timely manner in accordance with the market demand, decreased the production of Kewei APIs, and no finished products had been delivered by Ruyuan HEC Pharmaceutical. After arm's length negotiation between the Company and Ruyuan HEC Pharmaceutical, the Company terminated the leasing of plants and equipment from Ruyuan HEC Pharmaceutical, and Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the Plant and Equipment Leasing Contract.

On 27 August 2021 (after trading hours), the Company entered into the Settlement Agreement with Ruyuan HEC Pharmaceutical, pursuant to which Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the Plant and Equipment Leasing Contract, being RMB8,475,000.00 (tax inclusive), to the Company as full and final settlement of its liabilities under the Plant and Equipment Leasing Contract.

SALE AND PURCHASE AGREEMENT

For the purpose of manufacturing Oseltamivir Phosphate (磷酸奥司他韦) APIs, the Company shall be responsible for supplying the Chemicals. As there were unused Chemicals at the time when the Plant and Equipment Leasing Contract expired, the Company in order not to incur further transportation cost to deliver the Chemicals back to the Company's manufacture plant in Yidu, Hubei Province of the PRC, proposed to sell and Ruyuan HEC Pharmaceutical agreed to purchase such Chemicals from the Company.

On 27 August 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with Ruyuan HEC Pharmaceutical to sell the Chemicals, which have not been used up at the time when the Plant and Equipment Leasing Contract was expired, to Ruyuan HEC Pharmaceutical for a consideration of RMB12,375,673.57 (tax inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Parent Company directly holds approximately 53.89% equity interests in the Company and is therefore a controlling shareholder and a connected person of the Company. Shenzhen HEC Industrial is the holding company of the Parent Company. Ruyuan HEC Pharmaceutical is an indirect non-wholly owned subsidiary of Shenzhen HEC Industrial and is a connected person of the Company by virtue of being an associate of the Parent Company. As a result, the transactions between the Company and Ruyuan HEC Pharmaceutical constitute a connected transaction of the Company.

As the applicable percentage ratios of in respect of the transaction contemplated under the Settlement Agreement is more than 0.1% but less than 5%, the Settlement Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Sale and Purchase Agreement when aggregated with those sale and purchase transactions between the Company and Ruyuan HEC Pharmaceutical in the preceding 12-month period (please refer to the Company's announcement dated 19 March 2021 for further details of those transactions) under Rule 14A.81 of the Listing Rules are more than 0.1% but less than 5%, the Sale and Purchase Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 27 April 2020 in relation to, among other things, the Plant and Equipment Leasing Contract, pursuant to which Ruyuan HEC Pharmaceutical agreed to lease its plant and equipment to the Company for the manufacture of Oseltamivir Phosphate (磷酸奧司他韋) APIs.

SETTLEMENT AGREEMENT

The Company entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical during the early period of the COVID-19 pandemic, which was also the flu peak season. Terminal medical institutions had high demand for Kewei, the Company's core product, leading more Kewei products were delivered by the Company at the early period of the pandemic. In order to meet the market demand, the Company expanded our production scale in time and entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical. With tighter measures for prevention and control of pandemic in mainland China, the traffic of visit to terminal medical institutions declined sharply, resulting in a decline in terminal prescriptions and sales of Kewei. The Company adjusted its production plan in a timely manner in accordance with the market demand, decreased the production of Kewei APIs, and no finished products had been delivered by Ruyuan HEC Pharmaceutical. After arm's length negotiation between the Company and Ruyuan HEC Pharmaceutical, the Company terminated the leasing of plants and equipment from Ruyuan HEC Pharmaceutical, and Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the Plant and Equipment Leasing Contract.

On 27 August 2021 (after trading hours), the Company entered into the Settlement Agreement with Ruyuan HEC Pharmaceutical, pursuant to which Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the Plant and Equipment Leasing Contract, being RMB8,475,000.00 (tax inclusive), to the Company as full and final settlement of its liabilities under the Plant and Equipment Leasing Contract.

The principal terms of the Settlement Agreement are summarised as follows:

Date

27 August 2021

Parties

- (1) the Company; and
- (2) Ruyuan HEC Pharmaceutical

Subject Matter

The Company entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical during the early period of the COVID-19 pandemic, which was also the flu peak season. Terminal medical institutions had high demand for Kewei, the Company's core product, leading more Kewei products were delivered by the Company at the early period of the pandemic. In order to meet the market demand, the Company expanded our production scale in time and entered into the Plant and Equipment Leasing Contract with Ruyuan HEC Pharmaceutical. With tighter measures for prevention and control of pandemic in mainland China, the traffic of visit to terminal medical institutions declined sharply, resulting in a

decline in terminal prescriptions and sales of Kewei. The Company adjusted its production plan in a timely manner in accordance with the market demand, decreased the production of Kewei APIs, and no finished products had been delivered by Ruyuan HEC Pharmaceutical. After arm's length negotiation between the Company and Ruyuan HEC Pharmaceutical, the Company terminated the leasing of plants and equipment from Ruyuan HEC Pharmaceutical, and Ruyuan HEC Pharmaceutical agreed to refund all the rental paid by the Company under the Plant and Equipment Leasing Contract, being RMB8,475,000.00 (tax inclusive) one off in cash, to the Company on or before 31 December 2021.

SALE AND PURCHASE AGREEMENT

For the purpose of manufacturing Oseltamivir Phosphate (磷酸奧司他韋) APIs, the Company shall be responsible for supplying the Chemicals. As there were unused Chemicals at the time when the Plant and Equipment Leasing Contract expired, the Company in order not to incur further transportation cost to deliver the Chemicals back to the Company's manufacture plant in Yidu, Hubei Province of the PRC, proposed to sell and Ruyuan HEC Pharmaceutical agreed to purchase such Chemicals from the Company.

On 27 August 2021 (after trading hours), the Company entered into the Sale and Purchase Agreement with Ruyuan HEC Pharmaceutical to sell the Chemicals, which have not been used up at the time when the Plant and Equipment Leasing Contract was expired, to Ruyuan HEC Pharmaceutical for a consideration of RMB12,375,673.57 (tax inclusive).

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

27 August 2021

Parties

- (1) the Company, as the seller; and
- (2) Ruyuan HEC Pharmaceutical, as the purchaser

Subject Matter

The Company agreed to sell and Ruyuan HEC Pharmaceutical agreed to purchase the Chemicals, which have not been used up at the time when the Plant and Equipment Leasing Contract was expired, for a consideration of RMB12,375,673.57 (tax inclusive).

Consideration

The consideration (the "**Consideration**") for selling the Chemicals is RMB12,375,673.57 (tax inclusive) one off in cash, which shall be settled by Ruyuan HEC Pharmaceutical on or before 31 December 2021 in accordance with the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiation between the Company and Ruyuan HEC Pharmaceutical on normal commercial terms and taking into account the cost incurred by the Company for procuring the Chemicals.

REASONS AND BENEFITS OF THE SETTLEMENT AGREEMENT AND THE SALE AND PURCHASE AGREEMENT

The reasons and benefits of the Settlement Agreement and the Sale and Purchase Agreement are set out in the paragraphs headed “Settlement Agreement” and “Sale and Purchase Agreement” above.

The Directors (including the independent non-executive Directors) are of the view that the respective terms of the Settlement Agreement and the Sale and Purchase Agreement were entered into by the Company after arms’ length negotiations with Ruyuan HEC Pharmaceutical, and the transactions contemplated under the Settlement Agreement and the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company

The Company was established in the PRC as a joint stock company with limited liability and the issued shares of which are listed on the Stock Exchange. The Group is principally engaged in the development, manufacturing and sales of pharmaceutical products in the therapeutic areas of anti-virus, endocrine and metabolic diseases as well as cardiovascular diseases.

Ruyuan HEC Pharmaceutical

Ruyuan HEC Pharmaceutical is a company established in the PRC in 2010 and is an indirect non-wholly owned subsidiary of Shenzhen HEC Industrial. It is principally engaged in the pharmaceutical manufacturing industry.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Parent Company directly holds approximately 53.89% equity interests in the Company and is therefore a controlling shareholder and a connected person of the Company. Shenzhen HEC Industrial is the holding company of the Parent Company. Ruyuan HEC Pharmaceutical is an indirect non-wholly owned subsidiary of Shenzhen HEC Industrial and is a connected person of the Company by virtue of being an associate of the Parent Company. As a result, the transactions between the Company and Ruyuan HEC Pharmaceutical constitute connected transactions of the Company.

As the applicable percentage ratios of in respect of the transaction contemplated under the Settlement Agreement is more than 0.1% but less than 5%, the Settlement Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transaction contemplated under the Sale and Purchase Agreement when aggregated with those sale and purchase transactions between the Company and Ruyuan HEC Pharmaceutical in the preceding 12-month period (please refer to the Company’s announcement dated 19 March 2021 for further details of these transactions) under Rule 14A.81 of the Listing Rules are more than 0.1% but less than 5%, the Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. TANG Xinfu, a non-executive Director, is considered to have a material interest in the transactions contemplated under the Settlement Agreement and the Sale and Purchase Agreement by virtue of his position as a director and general manager of Shenzhen HEC Industrial (being the holding company of the Parent Company) and has abstained from voting on the Board resolutions approving the transactions contemplated under the Settlement Agreement and the Sale and Purchase Agreement.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“APIs”	active pharmaceutical ingredients
“Board”	board of Directors of the Company
“Chemicals”	chemicals for producing Oseltamivir Phosphate (磷酸奧司他韋) APIs
“Company”	YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (宜昌東陽光長江藥業股份有限公司), a company established in the PRC on 11 May 2015 as a joint stock company with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholders other than the Parent Company, and who are not involved in, or interested in transactions contemplated under the Settlement Agreement and the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NMPA”	the National Medical Products Administration of the PRC

“Parent Company”	Guangdong HEC Technology Holding Co., Ltd.* (廣東東陽光科技控股股份有限公司), a company incorporated in the PRC with limited liability and the immediate controlling shareholder of the Company holding approximately 53.89% equity interest in the Company as at the date of this announcement
“Plant and Equipment Leasing Contract”	the plant and equipment leasing contract entered into between the Company and Ruyuan HEC Pharmaceutical dated 27 April 2020 in relation to the leasing of the plant and equipment to the Company for the manufacture of APIs
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ruyuan HEC Pharmaceutical”	Ruyuan HEC Pharmaceutical Co., Ltd.* (乳源東陽光藥業有限公司), an indirect non-wholly owned subsidiary of Shenzhen HEC Industrial
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Company and Ruyuan HEC Pharmaceutical on 27 August 2021 in relation to the sale and purchase of Chemicals
“Settlement Agreement”	the settlement agreement entered into between the Company and Ruyuan HEC Pharmaceutical dated 27 August 2021 in relation to the settlement arrangement as a result of Ruyuan HEC Pharmaceutical’s breach of the Plant and Equipment Leasing Contract
“Shareholder(s)”	holder(s) of the shares in the share capital of the Company, with a nominal value of RMB1.00 each
“Shenzhen HEC Industrial”	Shenzhen HEC Industrial Development Co., Ltd.* (深圳市東陽光實業發展有限公司), a company established in the PRC and directly and indirectly holds approximately 43.47% equity interest in the Parent Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Percentage

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

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

Hubei, the PRC

27 August 2021

As at the date of this announcement, the Board 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. ZHAO Dayao, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors.

* *For identification purposes only*