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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)

**INSIDE INFORMATION IN RELATION TO A POSSIBLE TRANSFER OF
SHARES IN THE COMPANY**

UNUSUAL PRICE MOVEMENTS

**ANNOUNCEMENT PURSUANT TO RULE 3.7 OF
THE TAKEOVERS CODE
AND INSIDE INFORMATION
IN RELATION TO A POSSIBLE MERGER OF THE COMPANY**

**AND
RESUMPTION OF TRADING**

This announcement is made by YiChang HEC ChangJiang Pharmaceutical Co., Ltd. (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and Rule 3.7 of the Code on Takeovers and Mergers (the “**Takeovers Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”).

POSSIBLE TRANSFER OF SHARES IN THE COMPANY

The Company has been informed by Sunshine Lake Pharma Co., Ltd.* (廣東東陽光藥業股份有限公司) (“**Sunshine Lake Pharma**”), the parent company of the Company, that it and its wholly-owned subsidiary HEC (Hong Kong) Sales Co., Limited (“**HEC (Hong Kong)**”, the immediate shareholder of the Company holding 226,200,000 H shares (representing approximately 25.71% of the total issued share capital of the Company) (the “**Sale Shares**”), entered into a share transfer agreement (the “**Agreement**”) on 8 March 2024 (after trading hours), pursuant to which HEC (Hong Kong) will, subject to the terms and conditions of the Agreement, transfer to Sunshine Lake Pharma the Sale Shares (the “**Share Transfer**”) at a consideration of HK\$9.14 per share (the “**Transfer Consideration**”). The Transfer Consideration was determined with reference to the average closing price of approximately HK\$9.14 per share based on the daily closing price as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the 20 trading days prior to the signing of the Agreement.

The total consideration for the Share Transfer is HK\$2,067,468,000, which will be paid by Sunshine Lake Pharma in cash or through other means agreed between Sunshine Lake Pharma and HEC (Hong Kong) in full no later than 360 days after the date of the Completion.

Completion of the transfer of the rights and obligations attached to, and the profit or loss arising from, the Sale Shares (the “**Completion**”) has taken place on 8 March 2024.

HEC (Hong Kong) further undertakes that after the date of the Completion, it will use its best endeavours to procure the Company to complete the updating of the register of members of the Company in relation to the Share Transfer.

The Company has been informed by Sunshine Lake Pharma that the Share Transfer is part of a group restructuring which may involve a Possible Merger between Sunshine Lake Pharma and the Company (as defined and set out below).

The ultimate beneficial owners of Sunshine Lake Pharma are Ms. Guo Meilan and Mr. Zhang Yushuai, who together own approximately 62.12% equity interest in Sunshine Lake Pharma beneficially. The ultimate beneficial owners of Sunshine Lake Pharma (being Ms. Guo Meilan and Mr. Zhang Yushuai) and the level of their aggregate shareholding interest in Sunshine Lake Pharma will not change immediately before and after the Completion.

Implications under the Takeovers Code

The Share Transfer will result in Sunshine Lake Pharma directly holding more than 30% of the voting rights in the Company. Accordingly, Sunshine Lake Pharma has applied to the Executive Director of the Corporate Finance Division of the SFC (the “**Executive**”) for, and the Executive has indicated that it is minded to grant, a waiver of its obligation to make a mandatory general offer for the shares of the Company pursuant to Note 6(a)(i) to Rule 26.1 of the Takeovers Code.

As the Share Transfer involves Sunshine Lake Pharma purchasing 10% or more of the voting rights (as defined under the Takeovers Code) currently exercisable at a class meeting of H shares of the Company from its wholly-owned subsidiary HEC (Hong Kong), Sunshine Lake Pharma has applied to the Executive for, and the Executive has indicated that it is minded to grant, a waiver from the requirements under Rule 23.1 for Sunshine Lake Pharma to pay cash or offer a cash alternative for the Possible Merger (as defined and set out below) at not less than the Transfer Consideration.

POSSIBLE MERGER

The Company has noted the increases in the price and trading volume of the shares of the Company on 1 March 2024. The Company has made enquiries with Sunshine Lake Pharma and understands that Sunshine Lake Pharma is considering a merger by absorption of the Company by way of share exchange (the “**Possible Merger**”). Sunshine Lake Pharma aims to (1) create an integrated pharmaceutical industry chain of R&D, production and sales and a leading global integrated pharmaceutical enterprise by opening up the domestic and overseas sales channels; (2) improve the group’s comprehensive operational efficiency by shortening the business decision-making process and reducing the management costs; and (3) enable the Company to share Sunshine Lake Pharma’s comprehensive and integrated independent R&D system and R&D platform covering the complete life cycle of drugs, introduce new product lines to ensure long-term growth potential and realise long-term value creation through the Possible Merger.

Sunshine Lake Pharma has informed the Company that it currently proposes that pursuant to the Possible Merger, new H shares in Sunshine Lake Pharma (the “**New H Shares**”) which are to be listed on the Main Board of the Stock Exchange by way of introduction (the “**Possible Listing**”) will be offered as cancellation price for the H shares of the Company other than those held by Sunshine Lake Pharma or HEC (Hong Kong). Application for the Possible Listing is being prepared and will be made to the Stock Exchange when ready. Following the completion of the Possible Merger, the Company will be delisted from the Stock Exchange. The Possible Merger and the Possible Listing remain in the preliminary stage, and there is no certainty that the Possible Merger or the Possible Listing will proceed.

Disclosure of relevant securities

As at the date of this announcement, the Company has a total issued share capital of 879,967,700 shares comprising 653,767,700 H shares and 226,200,000 domestic shares. Save as disclosed, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement.

As at the date of this announcement, Sunshine Lake Pharma holds (1) 226,200,000 H shares of the Company (representing approximately 34.60% of the total number of H shares in issue and approximately 25.71% of the total issued share capital of the Company) indirectly; and (2) all of the domestic shares of the Company in issue (representing approximately 25.71% of the total issued share capital of the Company) directly.

As at the date of this announcement, Sunshine Lake Pharma has a total issued share capital of 463,943,215 ordinary shares. Save as disclosed, Sunshine Lake Pharma has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date of this announcement. The shares of Sunshine Lake Pharma are not listed on any stock exchange.

Disclosure of dealings

For the purpose of the Takeovers Code, the offer period has commenced on the date of this announcement, being 8 March 2024.

In accordance with Rule 3.8 of the Takeovers Code, associates of Sunshine Lake Pharma and the Company (including persons who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Sunshine Lake Pharma or the Company) are hereby reminded to disclose their dealings in the relevant securities of Sunshine Lake Pharma and the Company pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

Monthly updates

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the Possible Merger will be made by the Company until an announcement is made of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with the Possible Merger.

Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and/or the Takeovers Code (as the case may be).

WARNING: There is no assurance that the Possible Merger or the Possible Listing will materialise or eventually be consummated, and any future discussion between Sunshine Lake Pharma and the Company in relation to the Possible Merger or the Possible Listing may or may not result in the privatisation and delisting of the Company from the Stock Exchange or the listing of the New H Shares on the Main Board of the Stock Exchange. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisors.

INFORMATION ABOUT THE PARTIES

Sunshine Lake Pharma is a joint stock company incorporated in the People's Republic of China. Founded in 2003, Sunshine Lake Pharma is a comprehensive pharmaceutical company driven by independent R&D, with integrated capabilities in R&D, manufacturing and sales. Focusing on the development of drugs to treat diseases in the areas of infection, chronic disease and oncology, it has been approved by the Ministry of Science and Technology of the People's Republic of China to establish a State Key Laboratory of Anti-Infective Drug Development with its rich pipeline of infectious drugs. Focusing on innovative drugs, improved new drugs and high-end generic drugs, Sunshine Lake Pharma has a diversified and large product portfolio and a sustainable pipeline under development. Leveraging its all-round and integrated independent R&D system and R&D platform covering the complete life cycle of the development of small and large molecule drugs, Sunshine Lake Pharma has more than 100 approved drugs in the People's Republic of China, the United States and Europe, over 100 drugs under development, and 10 innovative drugs in clinical phases II and III. Meanwhile, Sunshine Lake Pharma is the controlling shareholder of the Company and has established international standard production capacity and a global sales network.

HEC (Hong Kong) is a limited liability company incorporated in Hong Kong and a direct wholly-owned subsidiary of Sunshine Lake Pharma.

The Company is a pharmaceutical manufacturing company that focuses on the production, sales and development of pharmaceutical products in the therapeutic areas of anti-infectives, endocrine and metabolism.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 4 March 2024 pending the release of this announcement.

Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 11 March 2024.

By Order of the Board
YiChang HEC ChangJiang Pharmaceutical Co., Ltd.
TANG Xinfu
Chairman

Hubei, the PRC
8 March 2024

As at the date of this announcement, the Board consists of Mr. JIANG Juncai, Mr. WANG Danjin, Mr. LI Shuang and Mr. CHEN Hao as executive Directors; Mr. TANG Xinfu as non-executive Director; and Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

* *For identification purpose only*