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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)

PROPOSED ISSUE OF
US\$400,000,000 3.0% H SHARE CONVERTIBLE BONDS TO BLACKSTONE

Placing Agent



PROPOSED ISSUE OF THE H SHARE CONVERTIBLE BONDS

The Board is pleased to announce that, on 14 August 2018 (after trading hours), the Company and the Blackstone Fund SPVs entered into the Subscription Agreement, pursuant to which, the Blackstone Fund SPVs has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the H Share Convertible Bonds with an aggregate principal amount of US\$400,000,000.

The H Share Convertible Bonds, if issued, will bear interest at the rate of 3.0% per annum and may be converted into 82,631,578 Conversion Shares at the initial Conversion Price of HK\$38 per share (assuming full conversion of the H Share Convertible Bonds), representing approximately 18.28% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 15.46% of the total issued share capital as enlarged by the issue of the Conversion Shares.

USE OF PROCEEDS

The proceeds from the issue of the H Share Convertible Bonds are intended to be used for the purposes of the acquisition of drugs and other pharmaceutical products (including active pharmaceutical ingredients), capital expenditure on production facilities, expansion of sales and distribution networks and other purposes subject to the prior written consent of the Subscriber.

REASONS FOR, AND BENEFIT OF, THE PROPOSED ISSUE

The Company is a leading pharmaceutical company that is principally engaged in the development, manufacture and sale of pharmaceutical products in China. The Subscriber, Blackstone, is one of the largest global alternative investment firms with approximately US\$440 billion of assets under management as of 30 June 2018. Blackstone has extensive experience and resources in the healthcare sector, as well as a strong track record in healthcare investments globally.

The Proposed Issue represents an excellent opportunity for the Company to embrace market opportunities and enhance its market positions in the pharmaceutical industry.

The following is a summary of the reasons for and benefits of the Proposed Issue.

- (i) The Proposed Issue will bring in a highly reputable long term strategic investor with extensive healthcare resources and a global network, who can add significant value to the Company by bringing international best practices and experience in drug development and procurement, operational efficiency, strategy and strategic planning, global business alliances, and corporate governance. The Subscriber will also support the Company in enhancing its investor relations efforts and capital markets initiatives;
- (ii) The issue of the H Share Convertible Bonds will raise additional funds to support the Company's continued growth and business strategy, including acquiring new drugs to enhance the Company's drug portfolio, investing in the growth of the Company's sales platform, and expanding the Company's production capabilities; and
- (iii) The Proposed Issue is also in line with the Company's strategies. Since the listing of the Company's H Shares on the Stock Exchange, the Company has been committed to the implementation of professionalism, branding and differentiated development strategy. The Company's operating efficiency has substantially increased and the overall performance recorded a significant increase. Looking ahead, the Company will remain committed to optimise its international internal control standards, develop and expand its product lines and markets and continue to expand the coverage of marketing and sales, so as to facilitate the continuous growth of the Company's business and to create the greatest value for consumers and investors of the Company.

Having regard to the reasons for and benefits of the Proposed Issue, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, which are determined after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEED OF IRREVOCABLE UNDERTAKING

In connection with the Proposed Issue of the H Share Convertible Bonds, on the same date, the Subscriber and the Obligor also entered into the Deed of Irrevocable Undertaking, pursuant to which, each of the Obligor has agreed to provide certain undertakings in favour of the Subscriber.

THE EGM, THE H SHAREHOLDERS CLASS MEETING AND THE DOMESTIC SHAREHOLDERS CLASS MEETING

The EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be held to consider and, if thought fit, to approve, among other things, the Proposed Issue and the granting of authority to the Board to deal with all related matters (including any relevant amendments to the Articles of Association and the execution and performance of each of the transaction documents in relation to the Proposed Issue). A circular containing, among other things, further details of the Proposed Issue and notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be despatched by the Company to the Shareholders in due course.

GENERAL

Completion of the Proposed Issue is subject to the satisfaction and/or waiver of the Conditions Precedent therein and accordingly, the Proposed Issue may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

I. INTRODUCTION

The Board is pleased to announce that, on 14 August 2018 (after trading hours), the Company and the Blackstone Fund SPVs entered into the Subscription Agreement, pursuant to which, the Blackstone Fund SPVs has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the H Share Convertible Bonds with an aggregate principal amount of US\$400,000,000.

II. PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT AND THE H SHARE CONVERTIBLE BONDS

1. Principal Terms of the Subscription Agreement

Date 14 August 2018

Parties (i) the Company, as the issuer;

(ii) BCP VII (SG) Dawn HoldCo Pte. Ltd.,

BCP Asia (SG) Dawn HoldCo Pte. Ltd.,

BCP Asia Dawn ESC (Cayman) NQ Ltd., and

BCP VII Dawn ESC (Cayman) NQ Ltd.,

(collectively, as the “**Subscriber**” or the “**Blackstone Fund SPVs**”)

Each of the Blackstone Fund SPVs is ultimately controlled by The Blackstone Group L.P. The Blackstone Group L.P. is listed on the New York Stock Exchange.

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner(s) is an independent third party of the Company.

**Proposed issue of the
H Share Convertible
Bonds**

Subject to fulfilment (or, as the case may be, waiver) of the Conditions Precedent, the Company shall issue and deliver the H Share Convertible Bonds to the Subscriber in accordance with the conditions in the proportion (the “**Specified Proportion**”) to be specified in a notice in writing given by the Subscriber to the Company not less than five business days prior to the Completion Date, and the Subscriber shall subscribe for the H Share Convertible Bonds (free and clear from all encumbrances) for the Subscription Price in the Specified Proportion, on the Completion Date.

The Subscriber shall be entitled to assign any of its rights under the Subscription Agreement to its affiliates at any time prior to the formal submission of the application to the CSRC for its approval in connection with the Proposed Issue, or to its affiliates to whom any of the H Share Convertible Bonds are transferred in accordance with the terms and conditions of the H Share Convertible Bonds.

Subscription Price	US\$400,000,000, being the aggregate principal amount of the H Share Convertible Bonds.
Conditions Precedent	<p>The obligations of the Subscriber to effect the Completion shall be conditional upon satisfaction or waiver of the following conditions:</p> <ul style="list-style-type: none"> (a) the following approvals and authorisations from the Shareholders having been obtained, and such approvals and authorisations remaining valid and effective: <ul style="list-style-type: none"> (i) approval by way of special resolutions at each of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting by relevant Shareholders (other than those who are required by the Stock Exchange and/or the Listing Rules to abstain from voting) in respect of the issue of the H Share Convertible Bonds and the allotment and issue of the Conversion Shares and the granting of authority to the Board to deal with all related matters; and (ii) approval by way of ordinary resolutions at the EGM by the Shareholders (other than those who are required by the Stock Exchange and/or the Listing Rules to abstain from voting) in respect of the appointment of the Subscriber Director (as defined below) as a Director and the granting of authority to the Board to determine the commencement date of such appointment; (b) the extraordinary general meeting of the shareholders of Guangdong HEC having approved the issue of the H Share Convertible Bonds, the allotment and issue of the Conversion Shares and the execution and performance of the transaction documents in relation to the Proposed Issue by the Company, if applicable, in accordance with the applicable Laws and the articles of association of Guangdong HEC; (c) the following authorisations having been obtained and remaining in full force and effect and there being no statement or notification to revoke or not to renew any such authorisation having been made: <ul style="list-style-type: none"> (i) the consent and approval from the CSRC in connection with the issue of the H Share Convertible Bonds and the allotment and issue of the Conversion Shares;

- (ii) the registration with the NDRC in connection with the incurrence of foreign debt in respect of the H Share Convertible Bonds by the Company; and
 - (iii) if and to the extent expressly required by both the applicable laws and the SAFE, the registration with the SAFE in connection with the incurrence of foreign debt in respect of the H Share Convertible Bonds by the Company;
- (d) the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Conversion Shares, and such approval remains valid and effective;
- (e) the Group having adopted the anti-corruption compliance program measures as set out in the Subscription Agreement;
- (f) the Subscriber having received a legal opinion, in a form and substance to the reasonable satisfaction of the Subscriber, dated as at the Completion Date and addressed to the Subscriber in customary terms from the Company's PRC legal counsel in respect of the Company;
- (g) a Director having resigned with effect from the Completion Date and the Subscriber Director (as defined below) having been appointed as a Director with effect from the Completion Date to replace such Director;
- (h) the Company having complied with all of its obligations under the Subscription Agreement in all material respects;
- (i) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the subscription of the H Share Convertible Bonds or any transactions contemplated under the transaction documents in relation to the Proposed Issue;
- (j) there having been no occurrence of a material adverse change on or prior to Completion;

- (k) a written consent having been obtained from Industrial and Commercial Bank of China Co., Ltd., Yidu Branch (中國工商銀行股份有限公司宜都支行) as lender under the fixed assets loan agreement dated 26 September 2014 between the above lender and the Company in relation to the issue of the H Share Convertible Bonds and the allotment and issue of the Conversion Shares by the Company contemplated by the Subscription Agreement, and
- (l) the warranties by the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect on the Completion Date.

The obligations of the Company to effect Completion shall be conditional upon satisfaction or waiver of the following conditions:

- (1) approval by way of special resolutions at each of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting by relevant Shareholders (other than those who are required by the Stock Exchange and/or the Listing Rules to abstain from voting) in respect of the issue of the H Share Convertible Bonds and the allotment and issue of the Conversion Shares and the granting of authority to the Board to deal with all related matters;
- (2) the extraordinary general meeting of the shareholders of Guangdong HEC having approved the issue of the H Share Convertible Bonds, the allotment and issue of the Conversion Shares and the execution and performance of the transaction documents in relation to the Proposed Issue by the Company, if applicable, in accordance with the applicable Laws and the articles of association of Guangdong HEC;
- (3) the following authorisations having been obtained and remaining in full force and effect and there being no statement or notification to revoke or not to renew any such authorisation having been made:
 - (i) the consent and approval from the CSRC in connection with the issue of the H Share Convertible Bonds and the allotment and issue of the Conversion Shares;

- (ii) the registration with the NDRC in connection with the incurrence of foreign debt in respect of the H Share Convertible Bonds by the Company; and
 - (iii) if and to the extent expressly required by both the applicable laws and the SAFE, the registration with the SAFE in connection with the incurrence of foreign debt in respect of the H Share Convertible Bonds by the Company;
- (4) the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Conversion Shares, and such approval remains valid and effective;
- (5) the Subscriber having complied with all of its obligations under the Subscription Agreement in all material respects;
- (6) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the subscription of the H Share Convertible Bonds or any transactions contemplated under the transaction documents in relation to the Proposed Issue, and
- (7) the warranties by the Subscriber under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect on the Completion Date.

The Subscriber or the Company (as the case may be) may waive (in whole or in part, whether conditionally or unconditionally) any of the Conditions Precedent above, except for conditions (a) to (d) (by the Subscriber) or conditions (1) to (4) (by the Company) set out above.

**Appointment of New
INED and Subscriber
Director**

Subject to the Completion and the compliance with any mandatory requirements of applicable law, including the Listing Rules, from time to time, so long as the Subscriber (and/or any of its affiliates) remains a Bondholder and so long as the Qualification Condition is satisfied, unless with the prior written consent of the Subscriber, the Company shall use its all reasonable endeavors to procure:

- (i) the appointment of a new independent non-executive Director jointly nominated by the Subscriber and Shenzhen HEC Industrial (the “**New INED**”) and the New INED as a member of the audit committee of the Company at the first annual general meeting of the Company to be held after the Completion, and the appointment of a non-executive Director nominated by the Subscriber (the “**Subscriber Director**”);
- (ii) that the New INED or the Subscriber Director will not be removed as an independent non-executive Director or a Director before the expiration of their respective maximum term permitted by the Articles of Association (other than a voluntary resignation of such Directors or a removal proposed by the Shareholders, but which shall not be initiated, solicited or recommended by the Company, Guangdong HEC or Shenzhen HEC Industrial or any of their respective affiliates);
- (iii) the re-appointment of a New INED upon the first New INED coming up for retirement after the expiration of the maximum term permitted by the Articles of Association or his resignation, and the re-appointment of a Subscriber Director as a non-executive Director upon the existing Subscriber Director coming up for retirement after the expiration of the maximum term permitted by the Articles of Association or his resignation, and
- (iv) to procure that an individual nominated by the Subscriber from time to time is invited to attend and participate in the discussions at any meeting of the Board and any committee thereof as an observer (without voting power) and that such individual be provided with a copy of all information provided to the Directors or the committee members, in each case, at the same time and in the same manner as the Directors or committee members;

The nomination and appointment of the New INED and the Subscriber Director will follow the procedures as provided in the Articles of Association, the terms of reference for the nomination committee of the Company and relevant rules and regulations.

**Strategic Operating
Committee and Drug
Acquisition Committee**

At the Completion, the Company shall set up a strategic operating committee and a drug acquisition committee, reporting to the Board, and each with at least one representative designated by the Subscriber being member(s) of such committees.

Pre-emptive Right

Subject to the Completion and the compliance with any mandatory requirements of applicable law, including the Listing Rules, from time to time, so long as the Subscriber (and/or any of its affiliates) remains a Bondholder and so long as the Qualification Condition is satisfied, in the event that the Company (by itself or through any other member of the Group) issues or offers to issue any new securities to any third party (other than H Shares issued on the exercise of any rights of conversion into H Shares under the H Share Convertible Bonds), the Company shall offer to issue a number of such new securities (the “**Relevant Securities**”) to the Subscriber on the same terms and conditions as those offered to such third party, so as to enable the Subscriber to maintain its proportional interest in the Company on an as-converted basis.

Notwithstanding the above, in the event that (i) the Subscriber is a connected person of the Company at the relevant time, as a result of which the subscription of the Relevant Securities would be subject to approval by the Shareholders pursuant to the Listing Rules, and (ii) the subscription of the new securities (other than the Relevant Securities) would not be subject to approval by the Shareholders, whether pursuant to the Articles of Association, the Listing Rules, the requirements of applicable laws or otherwise or the general mandate obtained in accordance with the Listing Rules, the Company may proceed to consummate the issue of the new securities (other than the Relevant Securities); provided that the Company undertakes at the request of the Subscriber to: (x) use all reasonable endeavours to obtain the approval of the Shareholders (and any other requisite consents or approvals) for the issue of the Relevant Securities to the Subscriber; and (y) subject to such approval(s) being granted, allot and issue the Relevant Securities to the Subscriber on pricing and other terms identical to the terms on which the Relevant Securities were subscribed by the other persons, in each case as soon as reasonably practicable.

When the Company intends to use a general mandate to issue the new securities and (i) if the Subscriber is not a connected person at the relevant time, the Company will disclose the pre-emptive right of the Subscriber in the circular(s) for seeking the general mandate in future and the Subscriber shall abstain from voting on the resolution for approving the general mandate if and to the extent required by the Stock Exchange and/or the Listing Rules; and (ii) if the Subscriber is a connected person at the relevant time, the Company will comply with the applicable Chapter 14A requirement of the Listing Rules.

Interim Covenants

The Company undertakes, among other things, that between the date of the Subscription Agreement and the Completion Date, the business of the Group will be operated as a going concern on its normal and usual basis as carried on prior to the date of the Subscription Agreement, and neither the Company nor any person acting on its behalf may take, directly or indirectly, any action designed to or which constitutes or which could reasonably be expected to cause or result in an adjustment of the initial Conversion Price as if the Bonds had been issued on the date of the Subscription Agreement, except for declaring, making or paying the following dividends:

- (i) an interim dividend for the six months ended 30 June of a financial year which does not exceed 50% of the profit and total comprehensive income for the period attributable to equity shareholders of the Company as published in the interim report of the Company for the six months ended 30 June of that financial year, and
- (ii) a final dividend for the year ended 31 December of a financial year which, together with any dividend or other distribution already declared or paid by the Company in that financial year, does not exceed 50% of the profit and total comprehensive income for the year attributable to equity shareholders of the Company as published in the annual report of the Company for the year ended 31 December of that financial year.

Post-completion Covenants

Subject to the Completion and the compliance with any mandatory requirements of applicable law, including the Listing Rules, from time to time, so long as the Subscriber (and/or any of its affiliates) remains a Bondholder and so long as the Qualification Condition is satisfied, unless with the prior written consent of the Subscriber, the Company shall not, and shall procure that no member of the Group shall, do or agree to do certain matters, including, among others, any transaction resulting in a change of control of the Company, payment of a dividend or incurring capital expenditure or indebtedness exceeding certain percentage or amount.

Information Rights

For so long as the Subscriber (and/or any of its affiliates) remains as a Bondholder, the Company shall, subject to compliance with any applicable laws (including the relevant information disclosure management policies applicable to the Company and Guangdong HEC), supply the Subscriber with copies of

- (i) the Group's audited consolidated accounts for a particular financial year after the Company has published the annual report for such financial year in accordance with the Listing Rules;
- (ii) the Group's quarterly consolidated management accounts for a particular accounting quarter after the Company has published the quarterly report for such accounting quarter (if any);
- (iii) information in respect of the Group's borrowings and information in respect of security provided by the Group for any loan;
- (iv) information and documents received by the Company from the other parties to the strategic cooperation agreement entered into by the Company and information about any transfer and payment contemplated thereunder; and
- (v) all documents or other information sent to Shareholders and any reports publicly filed by the Company with any authority, in each case, in relation to the H Share Convertible Bonds, no later than 5 business days after such documents or information are sent or filed by the Company, except for those documents, information or reports that are publicly available on the Stock Exchange website.

Completion

Subject to the Conditions Precedent being fulfilled or waived (as the case may be), Completion shall take place on the Completion Date, being the fifth business day after the last Condition Precedent is satisfied or waived in accordance with the Subscription Agreement (or at such other date as the parties may agree).

Payment Arrangements

The Subscriber shall procure the payment of the Subscription Price, after deduction of certain expenses, by wire transfer of immediately available funds to the Company's bank account as designated by the Company in writing to the Subscriber at least three business days before the Completion Date.

Termination

If at any time prior to the Completion:

- (a) the Subscriber or the Company (as the case may be) commits any material breach of any of the warranties given by it, or commits any material breach of or omits to observe any of its obligations, covenants or undertakings under the Subscription Agreement and (except where such breach or omission is not capable of remedy prior to the Long Stop Date) such breach or omission continues for 60 days (in the case of any breach of the warranties) or 30 days (in the case of any breach of or omission to observe any of its obligations, covenants or undertakings under the Subscription Agreement), in each case, after the earlier of: (i) the Company or the Subscriber (as the case may be) becoming aware of such breach or omission (or evidencing its intention to breach or omit to observe); and (ii) written notice of such breach or omission having been given by the Company or the Subscriber (as the case may be);
- (b) an event of default or an early redemption event as set out in the terms and conditions of the H Share Convertible Bonds has occurred or might reasonably be expected to occur (assuming as if the H Share Convertible Bonds had already been issued);
- (c) the H Shares cease to be listed on the Stock Exchange;
- (d) there has been a suspension of trading of the H Shares on the Stock Exchange for 25 consecutive trading days or more after the date of the Subscription Agreement; or
- (e) any of the Conditions Precedent become incapable of being fulfilled (and are not waived by the Subscriber or the Company, as the case may be) on or prior to the Long Stop Date;

then, the Subscriber (in the case of any of paragraphs (a) to (e) above) or the Company (in the case of any of paragraphs (a), (c) and (e) above) may by notice in writing to the other party, forthwith terminate the Subscription Agreement.

Long Stop Date

14 August 2019 (being the twelfth month after the date of the Subscription Agreement (or such later date as the Company and the Subscriber may agree in writing from time to time))

2. Principal Terms of the H Share Convertible Bonds

Issuer	the Company
Principal Amount	US\$400,000,000, convertible into H Shares with a par value of RMB1.00 each in the share capital of the Company
Form and Denomination	The H Share Convertible Bonds will be issued in registered form in the amount of US\$250,000 each (or integral multiples thereof) or such other amount as may be agreed by the Company and the Majority Bondholders.
Interest	The H Share Convertible Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3% per annum. Interest is payable semi-annually in arrears on 30 June and 31 December of each year before and on the Maturity Date (each an “ Interest Payment Date ”), except for the first payment of interest on the first Interest Payment Date (which will be in respect of the period from and including the Issue Date to but excluding the first Interest Payment Date) and the last payment of interest to be made on the Maturity Date (which will be in respect of the period from and including the last preceding Interest Payment Date to and including the Maturity Date).
Maturity Date	the seventh anniversary day of the Issue Date.
Conversion Rights	<p>Each Bondholder has the right to convert all or any of its H Share Convertible Bonds for Conversion Shares at any time during the Conversion Period provided that (i) during the first 12 months of the Conversion Period, the total principal amount of the H Share Convertible Bonds converted for Conversion Shares by all Bondholders shall not exceed 15% of the aggregate principal amount of the H Share Convertible Bonds as of the Issue Date and (ii) at any time before the Net Profit Conversion Price Adjustment Effective Date (as defined below), the total principal amount of the H Share Convertible Bonds converted for Conversion Shares by all Bondholders shall not exceed 30% of the aggregate principal amount of the H Share Convertible Bonds as of the Issue Date.</p> <p>“Net Profit Conversion Price Adjustment Effective Date” means the earlier of:</p> <p>(a) the date on which the Adjusted Net Profit for the financial year ending 31 December 2021 is determined in accordance with the terms and conditions of the H Share Convertible Bonds; and</p>

- (b) the date falling 25 business days after the earlier of:
 - (i) 31 March 2022; and (ii) the date of publication of the Company's annual results announcement for the financial year ending 31 December 2021 on the website of the Stock Exchange.

Conversion Period

Subject to compliance with the terms and conditions of the H Share Convertible Bonds, the Conversion Period shall be the period commencing from the first anniversary of the Issue Date and expiring on the close of business on the earlier of:

- (i) the date which falls five business days prior to the Maturity Date; and
- (ii) if such H Share Convertible Bonds shall have been called for redemption prior to the Maturity Date, the date which falls five business days prior to the date fixed for redemption thereof;

provided that, if the last day of the Conversion Period falls within a Restricted Conversion Period (as defined below), then the Conversion Period shall be automatically extended to the first business day after the expiration of such Restricted Conversion Period, provided further that a Bondholder shall not be able to exercise (or be required to exercise) its Conversion Right where as a result of, and to the extent that, the issue of Shares to the Bondholder, (x) the Company would cease to satisfy the public float requirement under the Listing Rules, or (y) a general offer obligation under the Hong Kong Code on Takeovers and Mergers in respect of the Shares of the Company would arise.

Restricted Conversion Period

No conversion of the H Share Convertible Bonds into Conversion Shares shall occur during the period (i) commencing on the date falling 30 days prior to a shareholders' meeting of the Company and ending on the date of that meeting; or (ii) commencing on the date falling five days prior to the record date set by the Company for the purpose of distribution of any dividend and ending on such record date; or (c) commencing on such date and for such period as determined by applicable laws from time to time that the Company is required to close its register (each, a "**Restricted Conversion Period**").

**Conversion Price and
adjustments to the
Conversion Price**

HK\$38 per Conversion Share, subject to adjustment in the following events:

- (a) consolidation, subdivision or reclassification of Shares;
- (b) issue of Shares by way of capitalisation of profits or reserves;
- (c) capital distribution to the Shareholders;
- (d) rights issues of Shares or options over Shares;
- (e) rights issues of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) by the Company;
- (f) issues options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares by the Company at less than the higher of (i) 95% Current Market Price and (ii) then Conversion Price;
- (g) other issues carry rights of conversion into, exchange or subscription for Shares by the Company or any of its subsidiaries at less than the higher of (i) 95% Current Market Price and (ii) then Conversion Price;
- (h) modification of rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities mentioned in item (g) before;
- (i) other offers of securities to Shareholders pursuant to which Shareholders are generally entitled to participate in arrangements whereby such securities may be acquired by them;
- (j) adjustment event in relation to the Adjusted Net Profit of the Company for the financial year ending 31 December 2021 (see below) (the “**2021 Adjustment**”); and
- (k) other events not specified in the terms and conditions of the H Share Convertible Bonds but it is reasonably determined that an adjustment should be made to the Conversion Price and none of the adjustments provided for in the terms and conditions of the H Share Convertible Bonds is appropriate.

In relation to the 2021 Adjustment under item (j) above, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the effective date of adjustment by the following fraction:

$$\frac{A}{B}$$

where:

A is the actual Adjusted Net Profit of the Company for the financial year ending 31 December 2021 as determined in accordance with the terms and conditions of the H Share Convertible Bonds; and

B equals RMB1,800,000,000.

Any adjustment to the Conversion Price pursuant to the 2021 Adjustment shall be subject to the following provisions:

- (i) any downward adjustment of the Conversion Price shall be limited such that the adjusted Conversion Price shall not be less than the Conversion Price in force immediately before the effective date of the 2021 Adjustment minus the Adjustment Delta (as defined below);
- (ii) any upward adjustment of the Conversion Price shall be limited such that the adjusted Conversion Price shall not be more than the Conversion Price in force immediately before the effective date of the 2021 Adjustment plus the Adjustment Delta (as defined below); and
- (iii) if the Adjusted Net Profit of the Company for the financial year ending 31 December 2021 is a negative number, the adjusted Conversion Price shall be deemed to be the Conversion Price in force immediately before the effective date of the 2021 Adjustment minus the Adjustment Delta (as defined below).

“**Adjustment Delta**” means an amount in HK Dollars calculated as follows:

$$\text{HK\$10} \times (A/B)$$

where:

A is the Conversion Price in force immediately before the effective date of the 2021 Adjustment; and

B is the initial Conversion Price, being HK\$38.

The 2021 Adjustment shall become effective on the Net Profit Conversion Price Adjustment Effective Date.

No adjustment resulting in an increase in the Conversion Price shall be made, except in the case of a consolidation of Shares as referred to in items (a) or an upward adjustment of the Conversion Price pursuant to item (j) as set out above.

No adjustment to the Conversion Price shall be made when Shares or other securities (including rights or options) are issued, offered or granted pursuant to any share option scheme(s) adopted or to be adopted by the Company from time to time in compliance with the Listing Rules.

The Company will make appropriate announcement in accordance with the Listing Rules if the Conversion Price is adjusted.

Mandatory Conversion

Notwithstanding anything to the contrary in the terms and conditions of the H Share Convertible Bonds and subject to compliance with applicable Laws and there having been no past or current event of default or early redemption event, if the Current Market Price of the H Shares first reaches two times of the then prevailing Conversion Price during the period between the Issue Date and 31 December 2021 (the “**Mandatory Conversion Event**”), the Bondholders shall, within 20 Business Days after the date on which the Mandatory Conversion Event occurs, do either or both of the following at the sole discretion of the Bondholders:

- (a) complete, execute and deposit a conversion notice together with the relevant certificate(s) in respect of such number of H Share Convertible Bonds at the principal office of the Company in Hong Kong in accordance with the terms and conditions of the H Share Convertible Bond; and
- (b) transfer such number of H Share Convertible Bonds to any person (other than the restricted transferees) who shall be subject to the mandatory conversion requirement under the terms and conditions of the H Share Convertible Bonds,

such that the aggregate principal amount of the H Share Convertible Bonds associated with either or both of paragraphs (a) and (b) above, together with the aggregate principal amount of the H Share Convertible Bonds which have been previously converted or are being converted pursuant to the terms and conditions of the H Share Convertible Bonds, equals to 30% of the aggregate principal amount of the H Share Convertible Bonds as of the Issue Date.

Redemption

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company shall on the Maturity Date redeem all the H Share Convertible Bonds then outstanding by paying the Bondholder (i) an amount which, without taking into account any interest paid or accrued to the Bondholder, represents for the Bondholder on the Maturity Date an amount which will enable the Bondholder to receive a return on the principal amount of such H Share Convertible Bonds at an internal rate of return of 3% per annum from (and including) the Issue Date to (but excluding) the Maturity Date, together with (ii) the accrued interest on such H Share Convertible Bonds for the period from (and including) the last Interest Payment Date to (but excluding) the Maturity Date. The Company shall issue a notice of redemption to the Bondholders no later than five business days before the Maturity Date.

Subject to the provisions in connection with an event of default or an early redemption event, neither the Company nor any Bondholder may redeem nor require the redemption of the H Share Convertible Bonds at its option prior to the Maturity Date.

Early Redemption Put

If any of the following events occurs:

- (i) there is a default in the performance or observance by the Company of any covenant or provision contained in the Subscription Agreement and on its part to be performed or observed and (except where such default is not capable of remedy) such default continues for 10 days after the earlier of: (i) the Company becoming aware of its default (or evidencing its intention to default); and (ii) written notice of such default having been given by the Majority Bondholders to the Company;

- (ii) the H Shares cease to be listed or admitted to trading on the Stock Exchange;
- (iii) the trading in the H Shares on the Stock Exchange is withdrawn or suspended other than for a temporary suspension of trading for a period of not more than 25 consecutive trading days;
- (iv) there is a change of control of the Company;
- (v) any of the specified material contracts is amended in a way which adversely affects the rights and benefits of the Group in any material respect or is terminated;
- (vi) any authorization, ownership, license or other benefit or right held by the Group as of the date hereof in relation to oseltamivir phosphate (including any of the academy patents) is (a) amended or made subject to conditions in a way which adversely affects the Group in any material respect, or (b) terminated, revoked or lost or materially impaired;
- (vii) any authorization, license or other benefit or right which is necessary or required in the context of the business of the Group is revoked, amended or made subject to conditions, if the effect thereof might have a material adverse effect;
- (viii) any litigation, arbitration, prosecution or other legal proceedings outstanding for the time being against the Company or any of its subsidiaries, or any litigation, arbitration, prosecution or other legal proceedings are threatened against the Company or any of its subsidiaries, which may have a material adverse effect;
- (ix) the auditors of the Company qualify their report on any audited consolidated financial statements of the Company as a result of (a) material non-compliance with IFRS; (b) material access limitation in key accounts audit procedures; and/or (c) accounting policies not being applied consistently with the historical period in any material way without reasonable explanations, or an adverse opinion with respect to the business of the Company as a going concern is included in any auditors' report on any audited consolidated financial statements of the Company; or

- (x) any event or circumstance occurs which has or is reasonably likely to have a material adverse effect,

then the Majority Bondholders may give written notice (the “**Early Redemption Notice**”) to the Company declaring that the outstanding amounts in respect of all the H Share Convertible Bonds are immediately due and repayable, in which case the Company shall redeem all outstanding H Share Convertible Bonds no later than 20 business days after the Early Redemption Notice is issued at the Early Redemption Amount (as defined below), together with the interest accrued but unpaid to such date on such H Share Convertible Bonds. Each Bondholder shall be entitled to exercise any or all of its rights, remedies, powers or discretions under the bond documents.

“**Early Redemption Amount**” means, as of the determination date, for each US\$250,000 principal amount of the H Share Convertible Bonds, an amount calculated in accordance with the following formula, which is rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the determination date is a Semi-Annual Date (as set out in the left hand column of the table below), the Early Redemption Amount in respect of such Semi-Annual Date shall be the amount set out opposite such Semi-Annual Date in the table below):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p} - AI$$

where:

Previous Redemption Amount = the Early Redemption Amount for each US\$250,000 principal amount of the Bonds on the Semi-Annual Date immediately preceding the determination date as set out below (or if the H Share Convertible Bonds are to be redeemed within the first six months after the Issue Date, US\$250,000)

Semi-Annual Date	Early Redemption Amount (US\$)
The date falling 6 months after the Issue Date	260,000
The date falling 12 months after the Issue Date	270,550
The date falling 18 months after the Issue Date	281,680
The date falling 24 months after the Issue Date	293,423
The date falling 30 months after the Issue Date	305,811
The date falling 36 months after the Issue Date	318,881
The date falling 42 months after the Issue Date	332,669
The date falling 48 months after the Issue Date	347,216
The date falling 54 months after the Issue Date	362,563
The date falling 60 months after the Issue Date	378,754
The date falling 66 months after the Issue Date	395,835
The date falling 72 months after the Issue Date	413,856
The date falling 78 months after the Issue Date	432,868
The date falling 84 months after the Issue Date	452,926

r = 11 per cent. expressed as a fraction

d = the actual number of days from and including the Semi-Annual Date immediately preceding the determination date (or if the determination date is within the first six months after the Issue Date, from and including the Issue Date) to but excluding the determination date, subject to a cap of 180 days

p = 180

AI = the accrued interest on the principal amount of US\$250,000 of the H Share Convertible Bonds determined in accordance with and pursuant to the terms and conditions of the H Share Convertible Bonds from and including the Semi-Annual Date immediately preceding the determination date (or if the determination date is within the first six months after the Issue Date, from and including the Issue Date) to but excluding the determination date;

Redemption right upon occurrence of events of default

Upon the occurrence of an event of default, without prejudice to the right of the Bondholders to exercise the Conversion Right in respect of the H Share Convertible Bonds, and without prejudice to any rights of compensation or otherwise arising from any antecedent breach, the Majority Bondholders may give written notice (the “**EOD Notice**”) to the Company declaring that the outstanding amounts in respect of all the H Share Convertible Bonds are immediately due and repayable, in which case the Company shall redeem all outstanding H Share Convertible Bonds no later than 10 business days after the EOD Notice is issued at the Early Redemption Amount, together with the interest accrued but unpaid to such date on such H Share Convertible Bonds.

Transfer

The H Share Convertible Bonds are not transferable prior to the first anniversary of the Issue Date, but the H Share Convertible Bonds, subject to certain restrictions, are transferable at any time during the Conversion Period upon the Company being notified of such intention to transfer, provided that, except for the transfer to any of the Subscribers’ affiliates or to any person if an event of default or an early redemption event has occurred or otherwise approved by the Board, any transfer of the H Share Convertible Bonds shall be subject to a mandatory conversion condition.

3. Comparison of Conversion Price

The initial Conversion Price of HK\$38 per H Share was determined after arm’s length negotiations between the Company and the Subscriber with reference to, among others, the closing price of the H Shares quoted on the Stock Exchange on the Last Trading Day, representing:

- (a) a premium of approximately 4.7% over the closing price HK\$36.30 per H Share as quoted on the Stock Exchange at the date of this announcement;
- (b) a premium of approximately 3.0% over the closing price HK\$36.90 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 0.3% over the average closing price of HK\$37.90 per H Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 0.8% over the average closing price of HK\$37.71 per H Share for the last 10 consecutive trading days up to and including the Last Trading Day.

4. Conversion Shares

The number of Conversion Shares to be issued on a conversion of the H Share Convertible Bonds shall be determined by dividing the principal amount of the H Share Convertible Bonds to be converted (translated into HK\$ equivalent at a fixed exchange rate of HK\$7.85 = US\$1.00) by the Conversion Price in effect at the date of conversion.

Based on the initial Conversion Price of HK\$38 and assuming full conversion of the H Share Convertible Bonds at the initial Conversion Price, a maximum of 82,631,578 Conversion Shares will be allotted and issued, representing:

- (a) approximately 18.28% of the existing issued share capital of the Company as at the date of this announcement; and
- (b) approximately 15.46% of the total share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting.

5. Application for Listing

No listing of the H Share Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the H Share Convertible Bonds.

III. DEED OF IRREVOCABLE UNDERTAKING

In connection with the Proposed Issue of the H Share Convertible Bonds, on the same date, the Subscriber and the Obligors also entered into the Deed of Irrevocable Undertaking, pursuant to which, each of the Obligors has agreed to provide certain undertakings in favour of the Subscriber.

1. Undertakings Given by the Obligors

Pursuant to the Deed of Irrevocable Undertaking, each of the Obligors shall, subject to the compliance with the Company Law, the Listing Rules and other applicable laws and regulations and the Articles of Association, procure the exercise of the voting rights (whether on a show of hands, a poll or otherwise) attaching to all the Shares which he/it directly or indirectly owns or controls (now or at any time in the future) and other rights as Shareholders:

- (i) to vote in favour of any resolution(s) at the general meetings of the Company to approve the following matters:
 - (a) each of the transaction documents in relation to the Proposed Issue and the transactions contemplated thereunder (including giving effect to the terms of each such transaction document);
 - (b) prior to the Completion Date, the appointment of the Subscriber Director as a Director and the granting of authority to the Board to determine the commencement date of such appointment; and

- (c) after the Completion Date, subject to satisfaction of the Qualification Condition, the appointment of the Subscriber Director and the New INED as Directors from time to time; and
- (ii) not to propose or vote in favour of any resolution(s) to remove a Subscriber Director or a New INED.

Nothing in this Deed of Irrevocable Undertaking, nor any action taken or proposed to be taken by any Obligor or any of their respective affiliates under or in connection with this Deed of Irrevocable Undertaking, is intended to result in any Obligor or any of their respective affiliates “acting in concert” (as defined in the Hong Kong Code on Takeovers and Mergers) with the Subscriber (or vice versa).

2. Additional Payment

In the event that any H Share Convertible Bonds is to be redeemed by the Company on the Maturity Date from the Subscriber or any of its affiliates to whom any H Share Convertible Bonds is transferred in accordance with the terms and conditions of H Share Convertible Bonds, and if the Adjusted Net Profit in any of the following periods (each, a “**Comparison Period**”) is less than the relevant Adjusted Net Profit benchmark set opposite that Comparison Period (the “**Adjusted Net Profit Benchmark**”) in the table below:

Comparison Period

Adjusted Net Profit Benchmark

calculated using the following formula where P equals:

- (i) the Adjusted Net Profit for the financial year ended 31 December 2017 if the Issue Date falls within the financial year ending 31 December 2018; or
- (ii) 1.15 times the Adjusted Net Profit for the financial year ended 31 December 2017 if the Issue Date falls within the financial year ending 31 December 2019)

First financial year ended after the Issue Date	$P \times (1 + 15\%)$
Second financial year ended after the Issue Date	$P \times (1 + 15\%)^2$
Third financial year ended after the Issue Date	$P \times (1 + 15\%)^3$
Fourth financial year ended after the Issue Date	$P \times (1 + 15\%)^4$
Fifth financial year ended after the Issue Date	$P \times (1 + 15\%)^5$

then, HEC Pharma and Shenzhen HEC Industrial undertake to pay to the Subscriber an amount calculated as follows for each Comparison Period in which the Adjusted Net Profit of the Group is less than the relevant Adjusted Net Profit Benchmark (the “**Additional Payment**”):

$$(A + B) \times 3\%$$

where:

- A is the outstanding principal amount of the H Share Convertible Bonds to be redeemed by the Company from the Subscriber or its affiliates as of the Maturity Date;
- B is the total amount of the accrued Additional Payments in relation to the previous period(s).

3. Lock-up Requirements

From the date of the Deed of Irrevocable Undertaking until the third anniversary of the Completion Date, subject to limited exceptions, each of the Obligors shall not (and shall procure that none of their respective affiliates will), directly or indirectly, transfer, through one or a series of transactions, any of the Shares held by Guangdong HEC.

The above lock-up requirement shall not restrict the transfer of any shares in Guangdong HEC directly or indirectly held by any Obligor or any of their respective affiliates, provided that (i) such transfer shall not result in Mr. Zhang or his affiliates (individually or in aggregate) holding less than 30% voting rights in Guangdong HEC, and (ii) Mr. Zhang and his affiliates (individually or together) shall continue to have “control right” (as defined under any one of Sections 2 to 5 of Article 84 of the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》) promulgated by the CSRC, as amended from time to time) and “control” (as defined in Section 8 of Article 18.1 of the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), as amended from time to time) over Guangdong HEC following the completion of such transfer.

IV. USE OF PROCEEDS

The net proceeds from the issue of the H Share Convertible Bonds, after deduction of expenses payable in connection with the Proposed Issue, are expected to be approximately US\$396.6 million, which are intended to be used for the purposes of the acquisition of drugs and other pharmaceutical products (including active pharmaceutical ingredients), capital expenditure on production facilities, expansion of sales and distribution networks and other purposes subject to the prior written consent of the Subscriber.

V. FUNDRAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not carried out any other equity fundraising activities in the past twelve months immediately before the date of this announcement.

VI. REASONS FOR AND BENEFITS OF ISSUING THE H SHARE CONVERTIBLE BONDS

The Company is a leading pharmaceutical company that is principally engaged in the development, manufacture and sale of pharmaceutical products in China. The Subscriber, Blackstone, is one of the largest global alternative investment firms with approximately US\$440 billion of assets under management as of 30 June 2018. Blackstone has extensive experience and resources in the healthcare sector, as well as a strong track record in healthcare investments globally.

The Proposed Issue represents an excellent opportunity for the Company to embrace market opportunities and enhance its market positions in the pharmaceutical industry.

Having regard to the reasons for and benefits of the Proposed Issue, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder, which are determined after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The following is a summary of the reasons for and benefits of the Proposed Issue.

- (i) The Proposed Issue will bring in a highly reputable long term strategic investor with extensive healthcare resources and a global network, who can add significant value to the Company by bringing international best practices and experience in drug development and procurement, operational efficiency, strategy and strategic planning, global business alliances, and corporate governance. The Subscriber will also support the Company in enhancing its investor relations efforts and capital markets initiatives;
- (ii) The issue of the H Share Convertible Bonds will raise additional funds to support the Company's continued growth and business strategy, including acquiring new drugs to enhance the Company's drug portfolio, investing in the growth of the Company's sales platform, and expanding the Company's production capabilities; and
- (iii) The Proposed Issue is also in line with the Company's strategies. Since the listing of the Company's H Shares on the Stock Exchange, the Company has been committed to the implementation of professionalism, branding and differentiated development strategy. The Company's operating efficiency has substantially increased and the overall performance recorded a significant increase. Looking ahead, the Company will remain committed to optimise its international internal control standards, develop and expand its product lines and markets and continue to expand the coverage of marketing and sales, so as to facilitate the continuous growth of the Company's business and to create the greatest value for consumers and investors of the Company.

In addition, having considered, among others, that (i) the Proposed Issue will not have an immediate dilution effect on the shareholding of the existing Shareholders and (ii) the benefits expected to be derived from the Proposed Issue, the Directors also consider that the proposed issue of the H Share Convertible Bonds is an appropriate means of raising additional capital of the Company.

VII. EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE PROPOSED ISSUE

The following table illustrates, so far as is known to the Directors, the shareholding structure of the Company as at the date of this announcement and after the H Share Convertible Bonds are fully converted into Conversion Shares at the initial Conversion Price of HK\$38, assuming that (i) there will be no other change to the share capital of the Company from the date of this announcement until the completion of the full conversion of the H Share Convertible Bonds save for the issue of the Conversion Shares as a result of the full conversion of the H Share Convertible Bonds, and (ii) the Bondholders do not and will not hold any Shares other than the Conversion Shares as a result of the conversion of the H Share Convertible Bonds.

Shareholder	Class of Shares	As at the date of this announcement		After the full conversion of the H Share Convertible Bonds into Conversion Shares at the initial Conversion Price	
		<i>No. of Shares</i>	<i>% of issued share capital</i>	<i>No. of Shares</i>	<i>% of issued share capital</i>
Guangdong HEC	Domestic Shares	226,200,000	50.04%	226,200,000	42.308%
North & South Brother Pharmacy Investment Company Limited	H Shares	75,000,000	16.59%	75,000,000	14.028%
Subscriber (collectively)	H Shares	–	–	82,631,578	15.455%
Other H Shareholders	H Shares	150,822,850	33.37%	150,822,850	28.209%
Total issued Shares		452,022,850	100.00%	534,654,428	100.00%

The following table illustrates, so far as is known to the Directors, the shareholding structure of the Company as at the date of this announcement and after the H Share Convertible Bonds are fully converted into Conversion Shares at the maximum Conversion Price of HK\$48 (pursuant to the 2021 Adjustment based on the initial Conversion Price), assuming that (i) there will be no other change to the share capital of the Company from the date of this announcement until the completion of the full conversion of the H Share Convertible Bonds save for the issue of the Conversion Shares as a result of the full conversion of the H Share Convertible Bonds, and (ii) the Bondholders do not and will not hold any Shares other than the Conversion Shares as a result of the conversion of the H Share Convertible Bonds.

Shareholder	Class of Shares	As at the date of this announcement		After the full conversion of the H Share Convertible Bonds into Conversion Shares at the maximum Conversion Price of HK\$48 (pursuant to the 2021 Adjustment based on the initial Conversion Price)	
		<i>No. of Shares</i>	<i>% of issued share capital</i>	<i>No. of Shares</i>	<i>% of issued share capital</i>
Guangdong HEC	Domestic Shares	226,200,000	50.04%	226,200,000	43.715%
North & South Brother Pharmacy Investment Company Limited	H Shares	75,000,000	16.59%	75,000,000	14.494%
Subscriber (collectively)	H Shares	–	–	65,416,666	12.642%
Other H Shareholders	H Shares	150,822,850	33.37%	150,822,850	29.148%
Total issued Shares		452,022,850	100.00%	517,439,516	100.000%

The following table illustrates, so far as is known to the Directors, the shareholding structure of the Company as at the date of this announcement and after the H Share Convertible Bonds are fully converted into Conversion Shares at the minimum Conversion Price of HK\$28 (pursuant to the 2021 Adjustment based on the initial Conversion Price), assuming that (i) there will be no other change to the share capital of the Company from the date of this announcement until the completion of the full conversion of the H Share Convertible Bonds save for the issue of the Conversion Shares as a result of the full conversion of the H Share Convertible Bonds, and (ii) the Bondholders do not and will not hold any Shares other than the Conversion Shares as a result of the conversion of the H Share Convertible Bonds.

Shareholder	Class of Shares	As at the date of this announcement		After the full conversion of the H Share Convertible Bonds into Conversion Shares at the minimum Conversion Price of HK\$28 (pursuant to the 2021 Adjustment based on the initial Conversion Price)	
		<i>No. of Shares</i>	<i>% of issued share capital</i>	<i>No. of Shares</i>	<i>% of issued share capital</i>
Guangdong HEC	Domestic Shares	226,200,000	50.04%	226,200,000	40.095%
North & South Brother Pharmacy Investment Company Limited	H Shares	75,000,000	16.59%	75,000,000	13.294%
Subscriber (collectively)	H Shares	–	–	112,142,857	19.878%
Other H Shareholders	H Shares	150,822,850	33.37%	150,822,850	26.734%
Total issued Shares		452,022,850	100.00%	564,165,707	100.000%

VIII. INFORMATION OF THE PARTIES

The Company

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

The Subscriber

Each of the Blackstone Fund SPVs is wholly-owned by private investment funds managed by Blackstone and is ultimately controlled by The Blackstone Group L.P.. The Blackstone Group L.P. is listed on the New York Stock Exchange.

Blackstone is one of the world's leading investment firms. Blackstone seeks to create positive economic impact and long-term value for its investors, the companies it invests in, and the communities in which it works. Blackstone does this by using extraordinary people and flexible capital to help companies solve problems. Its asset management businesses, with approximately US\$440 billion in assets under management as of 30 June 2018, include investment vehicles focused on private equity, real estate, public debt and equity, non-investment grade credit, real assets and secondary funds, all on a global basis.

The Blackstone Group L.P. is managed and operated by its general partner, Blackstone Group Management, L.L.C., which is in turn controlled by one of Blackstone's founders, Stephen A. Schwarzman.

IX. EGM, H SHAREHOLDERS CLASS MEETING AND DOMESTIC SHAREHOLDERS CLASS MEETING

The EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be held to consider and, if thought fit, to approve, among other things, the Proposed Issue and the granting of authority to the Board to deal with all related matters (including any relevant amendments to the Articles of Association and the execution and performance of each of the transaction documents in relation to the Proposed Issue).

A circular containing, among other things, further details of the Proposed Issue and notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be despatched by the Company to the Shareholders in due course.

X. GENERAL

Completion of the Proposed Issue is subject to the satisfaction and/or waiver of the Conditions Precedent therein and accordingly, the Proposed Issue may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

XI. DEFINITIONS

The following expressions have the meanings set out below unless the context requires otherwise:

“Adjusted Net Profit”	the net profit of the Group after deduction of any profits and gains, and addition of any losses, arising from events or transactions that are clearly distinct from the ordinary operating activities of the Company or albeit in the ordinary operating activities of the Company but are unusual and infrequent in nature and are not expected to recur frequently or regularly
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Blackstone”	The Blackstone Group L.P. and its affiliates
“Blackstone Fund SPVs”/“Subscriber”	collectively, BCP VII (SG) Dawn HoldCo Pte. Ltd., BCP Asia (SG) Dawn HoldCo Pte. Ltd., BCP Asia Dawn ESC (Cayman) NQ Ltd. and BCP VII Dawn ESC (Cayman) NQ Ltd.
“Board”	the board of Directors of the Company

“Bondholder(s)”	the holder(s) of the Bond
“business day”	a day, other than a Saturday, Sunday or public holiday, on which banks are open for general business in (unless otherwise stated) New York, the PRC and Hong Kong (other than a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 am and 5:00 pm)
“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
“Completion”	completion of the subscription for and issue of the H Share Convertible Bonds in accordance with the Subscription Agreement
“Completion Date”	the date for Completion, being the fifth business day after the last Condition Precedent is satisfied or waived in accordance with the Subscription Agreement (other than any Condition Precedent which is expressed to be fulfilled on or as at the Completion Date, but subject to the fulfillment or waiver of such Condition Precedent), or such other date as the Company and the Subscriber may agree in writing;
“Conditions Precedent”	conditions precedent for the Completion of the Subscription Agreement
“connected person”	has the meaning given to it in the Listing Rules
“Conversion Period”	the period commencing from the first anniversary of the Issue Date and expiring on the close of business on the earlier of: (i) the date which falls five Business Days prior to the Maturity Date; and (ii) if such Bond shall have been called for redemption prior to the Maturity Date, the date which falls five business days prior to the date fixed for redemption thereof
“Conversion Price”	the price per Conversion Share at which Conversion Shares will be issued upon the exercise of the Conversion Right attached to the Bonds, which price being initially HK\$38 per H Share, subject to adjustment as provided in the terms of the Bond
“Conversion Right”	the right of the Bondholders to convert the Bonds into Conversion Shares pursuant to the terms of the Bond

“Conversion Share(s)”	the new H Shares to be allotted and issued by the Company upon exercise of the Conversion Right
“CSRC”	China Securities Regulatory Commission
“Current Market Price”	the arithmetic average of the volume weighted average price of H Shares during the last 30 consecutive trading days as calculated in accordance with the terms and conditions of the Convertible Bond
“Deed of Irrevocable Undertaking”	the Deed of Irrevocable Undertaking entered into between the Obligor and the Subscriber on 14 August 2018
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in RMB
“Domestic Shareholders Class Meeting”	the class meeting of holders of domestic shares of the Company to be held in connection with the Proposed Issue
“EGM”	the extraordinary general meeting of the Company to be held in connection with the Proposed Issue
“Group”	the Company and its subsidiaries
“Guangdong HEC”	Guangdong HEC Technology Holding Co., Ltd (廣東東陽光科技控股股份有限公司), which directly holds 226,200,000 domestic shares of the Company, representing 50.04% of the total issued share capital of the Company as at the date of this announcement
“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 HK dollars
“H Share Convertible Bond(s)”	the H Share Convertible Bonds proposed to be issued by the Company to the Subscriber according to the Subscription Agreement with the aggregate principal amount of US\$400,000,000 and bearing interest at the rate of 3.0% per annum
“H Shareholders Class Meeting”	the class meeting of holders of H Shares of the Company to be held in connection with the Proposed Issue

“HEC Pharma”	HEC Pharm Co., Ltd. (宜昌東陽藥業股份有限公司), a subsidiary of Shenzhen HEC Industrial
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Interest Payment Date”	30 June and 31 December of each year before and on the Maturity Date
“Issue Date”	the date of the issuance of the H Share Convertible Bonds
“Last Trading Day”	13 August 2018, being the last full trading day for the Shares prior to the date of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	the date which is 12 months after the date of the Subscription Agreement (or such later date as the Company and the Subscriber may agree in writing from time to time)
“Majority Bondholder(s)”	a Bondholder or those Bondholders together holding more than 50% of the aggregate principal amount of the H Share Convertible Bonds outstanding at the relevant time
“Maturity Date”	maturity date of the Bonds
“Mr. Zhang”	Mr. Zhang Zhongneng (張中能), the ultimate controlling shareholder of the Company
“NDRC”	National Development and Reform Commission of the PRC
“Obligors”	Mr. Zhang, HEC Pharma and Shenzhen HEC Industrial
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Issue”	the proposed issue of the H Share Convertible Bonds contemplated under the Subscription Agreement

“Qualification Conditions”	the Subscriber and/or its affiliates continuously satisfy any of the following conditions after the Completion Date (a) the Subscriber and/or its affiliates holding in aggregate not less than 5% of the issued share capital of the Company (on an as-converted basis); or (b) the Shares and the attributable value of the Conversion Shares (as if the H Share Convertible Bonds have been converted) held by the Subscriber and/or its affiliates having an aggregate value (as determined by the closing price of the Shares immediately preceding the relevant time) of not less than US\$200,000,000
“Relevant Indebtedness”	any indebtedness incurred outside the PRC (including any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments) but excludes any bi-lateral, syndicated or club deal bank loans
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company
“Shenzhen HEC Industrial”	Shenzhen HEC Industrial Development Co., Ltd. (深圳市東陽光實業發展有限公司)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting in relation to, among others, the Proposed Issue and the issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the Subscription Agreement entered by the Company and Subscriber on 14 August 2018 in relation to the Proposed Issue of the H Share Convertible Bond

“Subscription Price”	the consideration of US\$400,000,000 to be paid by the Subscriber for its subscription of the H Share Convertible Bonds, being 100% of the aggregate principal amount of the H Share Convertible Bonds
“US\$”	United States dollars, the lawful currency for the time being of the United States
“%”	means per cent

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

Hubei, the PRC
14 August 2018

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