



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)

Executive Directors:

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

Registered Office:

No. 38 Binjiang Road
Yidu
Yichang
Hubei Province
The PRC

Non-executive Director:

Mr. TANG Xinfa

Principal office in the PRC:

No. 38 Binjiang Road
Yidu
Yichang
Hubei Province
The PRC

Independent non-executive Directors:

Mr. TANG Jianxin
Ms. XIANG Ling
Mr. LI Xuechen

Principal place of business in Hong Kong:

40th Floor
Dah Sing Finance Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

30 June 2025

To the Shareholders,

Dear Sir or Madam,

**(1) PROPOSED CONDITIONAL PRIVATISATION OF YICHANG HEC
CHANGJIANG PHARMACEUTICAL CO., LTD. BY SUNSHINE LAKE
PHARMA CO., LTD. BY WAY OF MERGER BY ABSORPTION OF
YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.**

(2) PROPOSED SPECIAL DIVIDEND

(3) PROPOSED WITHDRAWAL OF LISTING

1. INTRODUCTION

Reference is made to the joint announcement dated 10 May 2024 pursuant to which the Offeror and the Company jointly announced that the Offeror and the Company have entered into the Merger Agreement, pursuant to which the Offeror and the Company will implement the Merger subject to the terms and conditions of the Merger Agreement, including the Pre-Conditions and the Conditions. After completion of the Merger, the Company will be merged into and absorbed by the Offeror in accordance with the PRC Company Law and other applicable PRC Laws.

2. PROPOSED TRANSACTION

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions set out in the section headed “3. PRINCIPAL TERMS OF THE MERGER AGREEMENT” below, the Share Exchange Shareholders will be entitled to receive from the Offeror:

For every Share Exchange H Share cancelled 0.263614 new Offeror H Share

The Offeror proposes to issue 112,712,832 Offeror H shares in exchange for all of the issued H Shares held by the Share Exchange Shareholders at the Share Exchange Ratio.

The Listing and the issuance of the Offeror H Shares to the Share Exchange Shareholders will only take place if all of the Pre-Conditions and the Conditions (being the Conditions to effectiveness and the Conditions to implementation) have been fulfilled or waived (as applicable).

Following the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions and the completion of the Share Exchange, (i) the Offeror H Shares will be listed on the Main Board of the Stock Exchange by way of introduction; and (ii) the Share Exchange Shareholders will become shareholders of the Offeror. The Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company from the Implementation Date; and the Company will be eventually deregistered in the PRC.

The Share Exchange Ratio will not be adjusted and the Offeror does not reserve the right to do so.

Neither the Offeror nor the Company has declared but not yet paid, or intends to declare and/or pay, any dividend (save for the Special Dividend, the details of which are set out in the section headed “5. PROPOSED SPECIAL DIVIDEND” below) before the Delisting Date or the date on which the Merger is not approved or otherwise lapses (as the case may be).

3. PRINCIPAL TERMS OF THE MERGER AGREEMENT

The principal terms and conditions of the Merger Agreement include:

Parties

- (1) The Offeror; and
- (2) the Company.

Overview of the Merger

Subject to the terms and conditions of the Merger Agreement and the requirements of the PRC Company Law, the Takeovers Code, the Listing Rules, the Articles and the articles of association of the Offeror, the Merger will be implemented by the Offeror merging the Company by way of merger by absorption, namely:

- i. The Offeror will issue the Offeror H Shares as consideration to acquire the Share Exchange H Shares held by the Share Exchange Shareholders;
- ii. The Offeror will apply to the Stock Exchange for the listing of, and permission to deal in, the Offeror H Shares by way of introduction;
- iii. The Company will be delisted from the Stock Exchange; and
- iv. The Share Exchange Shareholders will become shareholders of the Offeror.

After completion of the Merger, the Offeror will assume all assets, liabilities, interests, businesses, employees, contracts and all other rights and obligations of the Company and the Company will be eventually deregistered in the PRC.

Consideration

Pursuant to the Merger Agreement, conditional upon the fulfilment (or waiver, as applicable) of the Pre-Conditions, the Conditions to effectiveness and the Conditions to implementation set out in the paragraphs headed “Pre-Conditions to the Merger Agreement becoming effective”, “Conditions to effectiveness” and “Conditions to implementation” below, the Share Exchange Shareholders will be entitled to receive from the Offeror:

For every Share Exchange

H Share cancelled 0.263614
new Offeror H Share

Application will be made to the Stock Exchange for the Offeror H Shares to be listed and traded on the Stock Exchange by way of introduction.

All rights attaching to all H Shares held by the Share Exchange Shareholders shall cease to have effect from and including the Settlement Date and the relevant H Shares shall be cancelled. The share certificates for all H Shares held by the Share Exchange Shareholders will cease to have effect as documents or evidence of title from and including the Settlement Date.

Treatment of fractions of shares

Under the Share Exchange, the number of the Offeror H Shares obtained by Share Exchange Shareholders will be in whole numbers. If the number of the Offeror H Shares to be obtained by a Share Exchange Shareholder (calculated by the number of Shares held multiplied by the Share Exchange Ratio) will not result in a whole number, such Share Exchange Shareholders concerned will be ranked according to the fractional value after the decimal point from highest to lowest. One additional Offeror H Share will be given to each such Share Exchange Shareholder in such order until the aggregate number of the Offeror H Shares actually exchanged is equal to the total number of the Offeror H Shares proposed to be issued. If the number of Share Exchange Shareholders with the same fractional value after the decimal point is more than the number of remaining Offeror H Shares to be issued, the Offeror H Shares will be allocated randomly by a computerised system until the aggregate number of the Offeror H Shares actually exchanged is equal to the total number of the Offeror H Shares proposed to be issued.

Pre-Conditions to the Merger Agreement becoming effective

The Merger Agreement is subject to the fulfilment of the following pre-conditions, namely,

- (1) the approval, filing or registration (if applicable) with or by (a) NDRC (if applicable); (b) MoC (if applicable) and (c) SAFE (if applicable), and such other applicable governmental approvals in respect of the Merger having been obtained. Subject to confirmation from SAFE, the approval, filing or registration with or by SAFE in (c) above may be applicable to the Merger and/or if any Shares held by a Dissenting Shareholder (if any) will be acquired by the Offeror with funds remitted from the PRC to Hong Kong. Save for the governmental approvals as mentioned in (a), (b) and (c) above, the Offeror is not currently aware of any other applicable governmental approvals which are required in respect of the Merger;
- (2) the approval or filing by or with the Listing Committee of the Stock Exchange, the Department of International Cooperation of the CSRC and such other competent authorities which are necessary for the listing (by way of introduction) of, and permission to deal in, the Offeror H Shares on the Stock Exchange pursuant to the Listing; and
- (3) approval by the shareholders meeting of the Offeror of the Merger in accordance with the PRC Laws and the articles of association of the Offeror (the “**Pre-Conditions**”).

The above Pre-Conditions are not waivable. If any of the Pre-Conditions is not fulfilled by the Long-stop Date, the Merger Agreement will not become effective and will be automatically terminated.

As at the Latest Practicable Date, the Pre-Conditions had been fulfilled (as stated in the joint announcement dated 27 June 2025 made by the Offeror and the Company).

Conditions to effectiveness

After the Pre-Conditions are fulfilled, the Merger Agreement shall become effective upon fulfilment of all of the following conditions (none of which is capable of being waived) (the “**Conditions to effectiveness**”):

- (1) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Shareholders present and voting in person or by proxy at the EGM to approve the Merger under the Merger Agreement in accordance with the Articles and PRC Laws; and
- (2) the passing of special resolution(s) by way of poll approving the Merger under the Merger Agreement at the H Shareholders’ Class Meeting to be convened for this purpose, provided that: (a) approval is given by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy; and (b) the number of votes cast against the resolution is not more than 10% of the votes attaching to all H Shares held by the Independent H Shareholders.

If the above Conditions to effectiveness are not fulfilled by the Long-stop Date, the Merger Agreement may be terminated by either party. Please also refer to the paragraph headed “Termination” in this section.

Conditions to implementation

After the Merger Agreement becomes effective upon fulfilment of the Pre-Conditions and all the Conditions to effectiveness, the implementation of the Merger shall be subject to the following conditions being fulfilled (the “**Conditions to implementation**”, together with the Conditions to effectiveness, collectively, the “**Conditions**”):

- (1) there being no material breach of the representations, warranties or undertakings given by the Offeror in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;

- (2) there being no material breach of the representations, warranties or undertakings given by the Company in the Merger Agreement on the Delisting Date which has a material adverse impact on the Merger;
- (3) there being no law, restriction or prohibition of any governmental authority or any judgment, decision or adjudication of any court on the Delisting Date which restricts, prohibits or terminates the Merger; and
- (4) the necessary approval or filing for the listing (by way of introduction) of, and permission to deal in, the Offeror H Shares on the Stock Exchange pursuant to the Listing under Pre-Condition (2) not having been withdrawn and remain valid.

The Company shall be entitled to waive Condition (1) above and the Offeror shall be entitled to waive Condition (2) above. Conditions (3) and (4) above are not capable of being waived. If the above Conditions to implementation are not fulfilled or if applicable, waived, by the Long-stop Date, the Merger Agreement may be terminated by the relevant party as detailed in the paragraph headed “Termination” in this section.

As at the Latest Practicable Date, the Pre-Conditions had been fulfilled (as stated in the joint announcement dated 27 June 2025 made by the Offeror and the Company) and none of the Conditions had been fulfilled or waived.

Payment of consideration

The Offeror shall, as soon as possible and in any event no later than seven (7) business days after fulfilment (or waiver, as applicable) of the Pre-Conditions and all the Conditions (being the Conditions to effectiveness and the Conditions to implementation), issue the Offeror H Shares to all Share Exchange Shareholders as the consideration of the Share Exchange.

All rights attaching to all H Shares held by the Share Exchange Shareholders shall cease to have effect from and including the Settlement Date and the relevant H Shares shall be cancelled. The share certificates for all H Shares held by the Share Exchange Shareholders will cease to have effect as documents or evidence of title from and including the Settlement Date.

**Issuance of Shares,
Discloseable Transactions,
Frustrating Actions and
Dividend**

Unless with the prior written consent of the Offeror, the Company shall not: (i) issue any Shares; (ii) carry out any material acquisition or disposal which may constitute a “discloseable transaction” under Chapter 14 of the Listing Rules; (iii) declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders (save for the Special Dividend); or (iv) carry out any other action that may constitute a frustrating action pursuant to Rule 4 of the Takeovers Code, in each case from the date of the Merger Agreement to the date of termination of the Merger Agreement or the Delisting Date (whichever is earlier), provided that this shall not apply to (1) any profit distribution plan (pending approval by Shareholders’ meeting) which has been announced by the Company prior to the date of the Merger Agreement but has not yet been implemented; or (2) any transaction which has been announced by the Company prior to the date of the Merger Agreement but has not yet been completed.

Neither the Offeror nor the Company intends to declare and/or pay any dividend (save for the Special Dividend, the details of which are set out in the section headed “5. PROPOSED SPECIAL DIVIDEND” below) before the Delisting Date or the date on which the Merger is not approved or otherwise lapses (as the case may be). Neither the Offeror nor the Company has declared but not yet paid any dividend and/or distributions with a record date falling before the Delisting Date or the date on which the Merger is not approved or otherwise lapses (as the case may be) and not yet paid.

**Right of a Dissenting
Shareholder**

According to the PRC Company Law and the Articles, any Dissenting Shareholder may by written notice request the Company to acquire its Shares at a “fair price”.

If any Dissenting Shareholder exercises its right, a third party designated by the Company which is not acting in concert with the Offeror will acquire the Shares held by that Dissenting Shareholder at a “fair price”. The requirements regarding the right of Dissenting Shareholders to have their Shares being acquired at a “fair price” are pursuant to the PRC Company Law and the Articles. There is no administrative guidance on the substantive as well as the procedural rules as to how the “fair price” will be determined. Thus no assurance can be given as to any favourable results to the Dissenting Shareholders who have validly exercised such right and the cost may be incurred by the Dissenting Shareholders in the process of exercising such right and determining the “fair price”.

Any Shares so acquired by the designated third party will be exchanged into the Offeror H Shares according to the Share Exchange Ratio on the Share Exchange Date, which will be held by the designated third party after the Share Exchange. Upon completion of the acquisition of such Shares by the designated third party from the Dissenting Shareholder, the Dissenting Shareholder shall not be entitled to make any further request to the Offeror, the Company and/or any other Shareholders who voted in favour of the Shareholders’ resolutions in respect of the Merger Agreement, the Merger and the relevant arrangements, nor shall such Dissenting Shareholder have the right to exchange its Shares into the Offeror H Shares.

The exercise of its right by a Dissenting Shareholder is subject to the following criteria:

- (1) such Dissenting Shareholder having validly voted against the resolutions in respect of the Merger Agreement, the Merger and the relevant arrangements at the EGM and the H Shareholders' Class Meeting;
- (2) such Dissenting Shareholder having been validly registered as a Shareholder on the register of members of the Company since the record date for the EGM and the H Shareholders' Class Meeting, and having held such Share(s) in respect of which it intends to exercise its right until the Dissenting Shareholders Settlement Date; and
- (3) such Dissenting Shareholder having exercised its right during the Declaration Period in any event.

A Shareholder is not entitled to exercise its right in respect of such Share(s) held by it if:

- (1) such Shareholder has undertaken to the Company to waive its right; or
- (2) such Shareholder is prohibited from exercising its right in accordance with applicable laws; or
- (3) any Share held by such Shareholder is subject to pledge, other third-party rights or judicial moratorium, without having legally obtained written consent or approval obtained from the relevant pledgee, third party or competent authority.

As at the Latest Practicable Date, to the best of the Company's knowledge after having made reasonable enquiries, no such Shareholder not entitled to exercise its right for any of the reasons above exists.

If a Dissenting Shareholder exercises its right, it shall return the Offeror H Shares received (if any) to the Offeror or its designated entity in an appropriate manner before the Dissenting Shareholders Settlement Date, otherwise such Dissenting Shareholder shall be deemed to have waived, and will no longer be able to exercise, its right in respect of the Shares held by it. For the avoidance of doubt, regardless of when the Dissenting Shareholder exercises its right, the Dissenting Shareholder will be deemed to have ceased to have any right in respect of the Shares (other than the right to request for a “fair price” pursuant to exercise of its right) as from the Dissenting Shareholders Settlement Date.

Further announcement(s) will be made by the Offeror and the Company in the event of any the exercise of the right of Dissenting Shareholders.

Termination

Subject to the requirements of the Takeovers Code and the regulatory requirements of the SFC and the Stock Exchange, the Merger Agreement may be terminated before the implementation of the Merger in any of the following circumstances:

- (1) by either the Offeror or the Company, if
 - (i) any competent governmental authority issues any order, decree, ruling or take any other actions which permanently restricts, impedes or otherwise prohibits the Merger and which is final, binding and not capable of being appealed (both the Offeror and the Company shall use reasonable endeavours to procure the withdrawal of such order, decree, ruling or action); or
 - (ii) the Conditions to effectiveness not having been fulfilled on or before the Long-stop Date;

- (2) by the Offeror, if the Company commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material adverse impact on the Merger and such breach is not remedied by the Company within 30 days following written notice from the Offeror; or
- (3) by the Company, if the Offeror commits a material breach of the representations, warranties and undertakings under the Merger Agreement or any other agreement related to the Merger which has a material adverse impact on the Merger and such breach is not remedied by the Offeror within 30 days following written notice from the Company.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror and the Company may only invoke any or all of the Conditions (1) to (4) set out in the paragraph headed “Conditions to implementation” in this section or terminate the Merger Agreement in accordance with the paragraph headed “Termination” in this section as a basis for not proceeding with the Merger only if the circumstances which give rise to the right to invoke any such condition or termination right are of material significance to the Offeror in the context of the Merger.

4. SHARE EXCHANGE RATIO AND COMPARISON OF VALUE

Basis for determining the Share Exchange Ratio

The Share Exchange Ratio of 0.263614 new Offeror H Share for every Share Exchange H Share cancelled was determined on commercial basis on arm’s length terms after taking into account, among other things:

- (a) the theoretical value of the Offeror H Shares under the Merger for each Share Exchange H Share, which is attractive for the Share Exchange Shareholders and represents a higher premium rate compared to the value of shares being offered as consideration in previous transactions involving privatisation and listing by way of introduction in Hong Kong;
- (b) the historical performance of the Offeror and the Company;
- (c) the prevailing and historical market price levels of the Company and the historical and current trading multiples of certain of the respective comparable companies of the Company;

- (d) the business potential of the Offeror Group after the Merger takes effect and the potential benefits of the Listing and the Merger for the Share Exchange Shareholders; and
- (e) the fact that the Offeror H Shares are being offered as consideration under the Merger, and that following completion of the Listing and the Merger, the Company will be merged into the Offeror and thus, the Share Exchange Shareholders will be able to continue to participate in the performance of the Company directly.

Valuation and comparisons of value

The Valuation Adviser appointed by the Offeror to value the Offeror H Shares has estimated that the value of each Offeror H Share as at 31 December 2024 is in the range of approximately RMB61.18 to RMB74.32 (equivalent to approximately HK\$67.04 to HK\$81.44 based on the Exchange Rate) and is approximately RMB67.02 (equivalent to approximately HK\$73.45 based on the Exchange Rate) based on the methodology detailed in Appendix II to this document. On the basis of such valuation and that the Share Exchange Shareholders will receive 0.263614 Offeror H Share for every Share Exchange H Share cancelled, the theoretical value of the Offeror H Shares under the Merger for each Share Exchange H Share will be HK\$19.36 and in the range of approximately HK\$17.67 to HK\$21.47.

The foregoing paragraph is subject to and should be read in conjunction with the bases, limitations and assumptions set out in the Valuation Report set out in Appendix II to this document (pages II-1 to II-49 of this document), which has been reported on by CICC in accordance with Rules 10.3(b), 11.1(a) and 11.1(b) of the Takeovers Code. **In particular, Shareholders, investors and potential investors should note that the value of the Offeror H Shares estimated by the Valuation Adviser does not represent the trading price of the Offeror H Shares immediately following completion of the Listing or at any time. The trading price of the Offeror H Shares may fluctuate subject to prevailing market conditions and may materially differ from the value estimated by the Valuation Adviser. The trading price of the Offeror H Shares may fluctuate subject to prevailing market conditions and may materially differ from the value estimated by the Valuation Adviser. Accordingly, Shareholders, investors and potential investors should not rely on the Valuation Adviser's estimated value of the Offeror H Shares as the basis for the trading price of the Offeror H Shares upon completion of the Listing.**

On the basis of (1) the Share Exchange Ratio of 0.263614 Offeror H Share for every Share Exchange H Share cancelled and (2) the value estimated by the Valuation Adviser as at 31 December 2024 of HK\$73.45 per Offeror H Share, the theoretical value of the Offeror H Shares under the Merger is equivalent to approximately HK\$19.36 for each Share Exchange H Share and represents:

- (a) a premium of approximately 72.24% over the closing price of HK\$11.24 per Share as quoted on the Stock Exchange as at the Last Trading Day;
- (b) a premium of approximately 98.77% over the closing price of HK\$11.24 per Share as quoted on the Stock Exchange on the Last Trading Day less the Special Dividend resulting in a net price of HK\$9.74 per Share;
- (c) a premium of approximately 115.83% over the average closing price of approximately HK\$8.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 159.17% over the average closing price of approximately HK\$8.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day less the Special Dividend resulting in a net price of HK\$7.47 per Share;
- (e) a premium of approximately 116.07% over the average closing price of approximately HK\$8.96 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 159.52% over the average closing price of approximately HK\$8.96 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day less the Special Dividend resulting in a net price of HK\$7.46 per Share;
- (g) a premium of approximately 130.48% over the average closing price of approximately HK\$8.40 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (h) a premium of approximately 180.58% over the average closing price of approximately HK\$8.40 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day less the Special Dividend resulting in a net price of HK\$6.90 per Share;

- (i) a premium of approximately 146.94% over the average closing price of approximately HK\$7.84 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (j) a premium of approximately 205.36% over the average closing price of approximately HK\$7.84 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day less the Special Dividend resulting in a net price of HK\$6.34 per Share;
- (k) a premium of approximately 29.93% over the closing price of HK\$14.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (l) a premium of approximately 44.48% over the closing price of HK\$14.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date less the Special Dividend resulting in a net price of HK\$13.40 per Share;
- (m) a premium of approximately 36.82% over the average closing price of approximately HK\$14.15 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Latest Practicable Date;
- (n) a premium of approximately 53.04% over the average closing price of approximately HK\$14.15 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Latest Practicable Date less the Special Dividend resulting in a net price of HK\$12.65 per Share;
- (o) a premium of approximately 62.42% over the average closing price of approximately HK\$11.92 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Latest Practicable Date;
- (p) a premium of approximately 85.80% over the average closing price of approximately HK\$11.92 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Latest Practicable Date less the Special Dividend resulting in a net price of HK\$10.42 per Share;
- (q) a premium of approximately 71.18% over the average closing price of approximately HK\$11.31 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Latest Practicable Date;

- (r) a premium of approximately 97.35% over the average closing price of approximately HK\$11.31 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Latest Practicable Date less the Special Dividend resulting in a net price of HK\$9.81 per Share;
- (s) a premium of approximately 82.13% over the average closing price of approximately HK\$10.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Latest Practicable Date;
- (t) a premium of approximately 112.05% over the average closing price of approximately HK\$10.63 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Latest Practicable Date less the Special Dividend resulting in a net price of HK\$9.13 per Share;
- (u) a premium of approximately 164.12% over the consolidated net asset value per Share as at 31 December 2022 of approximately HK\$7.33 (based on a total of 879,967,700 Shares in issue as at the Latest Practicable Date and the equity attributable to owners of the Company of RMB5,884,884,000 (equivalent to approximately HK\$6,449,187,945 based on the Exchange Rate) as at 31 December 2022) derived from the audited consolidated financial statements for the year ended 31 December 2022, as disclosed in the annual report of the Company published on 23 April 2023;
- (v) a premium of approximately 95.95% over the consolidated net asset value per Share as at 31 December 2023 of approximately HK\$9.88 (based on a total of 879,967,700 Shares in issue as at the Latest Practicable Date and the equity attributable to owners of the Company of RMB7,935,513,000 (equivalent to approximately HK\$8,696,452,603 based on the Exchange Rate) as at 31 December 2023) derived from the audited consolidated financial statements for the year ended 31 December 2023, as disclosed in the annual report of the Company published on 26 April 2024; and
- (w) a premium of approximately 82.64% over the consolidated net asset value per Share as at 31 December 2024 of approximately HK\$10.60 (based on a total of 879,967,700 Shares in issue as at the Latest Practicable Date and the equity attributable to owners of the Company of RMB8,508,196,000 (equivalent to approximately HK\$9,324,050,411 based on the Exchange Rate) as at 31 December 2024) derived from the audited consolidated financial statements for the year ended 31 December 2024, as disclosed in the annual report of the Company published on 28 April 2025.

The Merger will be implemented at the Share Exchange Ratio. The comparisons above are provided solely for the convenience of investors. They are illustrations only. Shareholders should use the comparisons with care and take into account other disclosures in this document, including the reasons and benefits of the Merger.

The Share Exchange Ratio will not be adjusted and the Offeror does not reserve the right to do so.

Highest and lowest prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$15.26 on 12 June 2025 and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$6.27 on 9 October 2023.

Value of the Merger

As at the Latest Practicable Date, there are 879,967,700 Shares in issue, comprising 653,767,700 H Shares and 226,200,000 Domestic Shares. The Offeror holds approximately 51.41% of the Shares, comprising (a) a direct shareholding of 226,200,000 Domestic Shares (representing all of the Domestic Shares in issue and approximately 25.71% of the total issued share capital of the Company) and (b) an indirect shareholding of 226,200,000 H Shares through its wholly-owned subsidiary HEC (Hong Kong) (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).

On the basis of the theoretical value of the Offeror H Shares per Share Exchange H Share (being the theoretical value of the Offeror H Shares determined on the basis of the estimated value of each Offeror H Share being approximately HK\$73.45 as at 31 December 2024 as estimated by the Valuation Adviser), assuming (i) there will be no change in the number of Shares in issue prior to the Share Exchange Record Date; (ii) the Merger Agreement becomes effective and (iii) there will be no Dissenting Shareholder whose H Shares will not form part of the Share Exchange, the Merger values all of the Share Exchange H Shares at approximately HK\$8,278.76 million, and the entire issued share capital of the Company at approximately HK\$17,038.33 million.

On the basis of such number of Share Exchange H Shares and the Share Exchange Ratio, upon the fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions, an aggregate of 112,712,832 Offeror H Shares (representing approximately 24.29% of the entire issued share capital of the Offeror as at the Latest Practicable Date, or approximately 19.55% of the entire issued share capital of the Offeror as enlarged by the issuance of such Offeror H Shares), will be issued by the Offeror.

All of the Offeror H Shares to be issued as consideration to the Share Exchange Shareholders will be free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions and the issuance of the Offeror H Shares to the Share Exchange Shareholders will be implemented in full in accordance with the terms of the Merger without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Share Exchange Shareholders.

5. PROPOSED SPECIAL DIVIDEND

Considering (1) the Company's intention to return value to the Shareholders in the hope of the Shareholders' continuous support of the Offeror's listing by introduction and future development and (2) the Company's intention to provide Shareholders with good cash returns despite the underperformance of the stock market, subject to the fulfilment (or waiver, as applicable) of all the Pre-Conditions and the Conditions, the Company will pay a special dividend to the Shareholders whose names appear on the register of members of the Company on the Special Dividend Record Date other than the Offeror and its subsidiaries (if applicable). The Offeror and its subsidiaries (if applicable) will waive their entitlements to the Special Dividend.

The Special Dividend will only be paid to the Shareholders if (1) the payment of the Special Dividend has been approved by an ordinary resolution by simple majority of votes cast by the Shareholders present and voting in person or by proxy at the EGM; and (2) all of the Pre-Conditions and the Conditions have been fulfilled or waived (as applicable), and thus the Special Dividend may or may not materialise. Shareholders, investors and potential investors in the securities of the Company should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action to take should consult their stockbroker, bank manager, solicitor or other professional advisers.

The payment of the Special Dividend will not result in any adjustment to the Share Exchange Ratio.

6. REASONS AND BENEFITS OF THE MERGER AND THE LISTING

Benefits of the Merger and the Listing to the Company

The Offeror plans to further integrate with the Company to become a comprehensive pharmaceutical company driven by independent R&D with integrated capacities in R&D, production and commercialisation, further capitalising on the economies of scale and synergies to unleash greater growth potential.

(1) Through the Merger, the Post-Merger Offeror will become an integrated pharmaceutical company engaging in R&D, production and commercialisation of pharmaceutical products, and consolidate its position as a comprehensive pharmaceutical company

Before the completion of the Merger, as a result of the non-compete agreement between the Company and the Offeror, there is a clear division of business between the Company and the Offeror. The Offeror is responsible for the pharmaceutical R&D and overseas sales, while the Company is responsible for the domestic commercialisation of pharmaceutical products. The Company currently does not have a strong in-house R&D system, and its revenue and profits are mainly generated from the sales of its major product, Kewei (oseltamivir phosphate). Its product structure is relatively simple and its channels for acquiring new products are limited. Through the full integration of the Offeror's and the Company's businesses, the Post-Merger Offeror will promote the

vertically integrated operation and management of pharmaceutical R&D, production and commercialisation. By combining the Offeror's R&D capability and robust drug pipeline and the Company's strong nationwide sales network, the Post-Merger Offeror will benefit from the synergy of the Merger. The Offeror will reduce its dependence on its major products with the Post-Merger Offeror's diverse and robust drug pipeline, achieve long-term sustainable growth, expand its market value, and consolidate its position as a comprehensive pharmaceutical company.

(2) Integrating domestic and overseas sales channels to build an extensive sales network

Before the completion of the Merger, as a result of the non-compete agreement and to avoid competition between the Company and the Offeror, the Company was solely responsible for the commercialisation of pharmaceutical products in China, while the Offeror was solely responsible for the pharmaceutical R&D and overseas sales. After years of development, the Company has formed a large domestic sales network in the PRC, while the Offeror has built an extensive sales network which covers eight jurisdictions and regions including but not limited to the United States, Germany, and the United Kingdom. The Offeror has established an independent brand with good reputation and formed certain sales capabilities. By combining the sales channels of the Company and the Offeror, the Post-Merger Offeror will form a fully-integrated extensive sales network. As a result, the Post-Merger Offeror can carry out its business operations with more flexibility and respond to the unmet medical demands for different pharmaceutical products without being subject to the constraints of the non-compete agreement and provide its diverse and robust pipeline of pharmaceutical products to both domestic and overseas markets in the future, which the board of the Offeror believe is essential for the creation of a global pharmaceutical company and the enhancement of our market position and influence.

(3) Improving overall corporate efficiency for long-term sustainable and resilient growth

Under the current management arrangement, the review chain of major business decision-making processes is long and requires the approval from both the Company and the Offeror. It also takes a long time to complete the approval process for connected transactions of the Company. As a result, strategic opportunities for product development may be missed. After completion of the Merger, the businesses of the Company and the Offeror will be integrated to optimise the management structure, shorten the business decision-making process, improve the management operation efficiency and integrate the R&D systems, production facilities and sales networks, thus achieving long-term sustainable and resilient growth.

Benefits of the Merger and the Listing to the Share Exchange Shareholders

The board of the Offeror believes that the Post-Merger Offeror will be an attractive investment opportunity for the Share Exchange Shareholders. Upon completion of the Merger, the Share Exchange Shareholders may continue to invest in the Company (as part of the Post-Merger Offeror) which will be equipped with excellent commercialisation capabilities; they may also benefit from the potential synergy that may be achieved as a result of the Merger. Apart from the greater capital market potential of the investment target, the Share Exchange Shareholders will also directly receive immediate cash benefits by way of Special Dividend of HK\$1.50 per Share to be distributed by the Company, thus enabling the Share Exchange Shareholders to realise a certain level of capital return from their investment. As the Offeror does not need to raise capital in connection with the Listing, the proposed transaction will be less exposed to capital market volatility. In summary, the board of the Offeror believes that the overall transaction structure is in the interests of the Share Exchange Shareholders and that the long-term benefits to the Share Exchange Shareholders include the following:

(1) The Offeror's integrated in-house R&D system and its R&D platform that covers the complete drug development cycle enabling the Offeror to achieve long-term value creation

In order to drive the long-term sustainable development of the Company, in addition to maintaining the revenue growth from the existing pharmaceutical products, the Company also needs to build a robust product pipeline and continue to introduce new products to ensure long-term growth. The Offeror has strong pharmaceutical R&D capabilities in the PRC, and has established an integrated in-house R&D system and an R&D platform that covers the complete development cycle of chemical drugs and biologics. It has in-house and systematic R&D capabilities, enabling rapid commercialisation of the Offeror's drugs under development.

Leveraging its R&D platforms, the Offeror has established a diverse and robust product pipeline in three major therapeutic areas with huge unmet clinical needs, and has formed differentiated development paths in each R&D field: (1) its pipeline of anti-infective drugs covers indications such as hepatitis B, hepatitis C, influenza and acute respiratory infection; (2) in the field of chronic diseases, the Offeror has built a strong diabetes drug portfolio and is continuing to expand product lines to cover respiratory diseases such as pulmonary fibrosis, pulmonary hypertension, chronic obstructive pulmonary disease and asthma, and is gradually expanding to metabolic disorders such as gout and obesity and neuropsychiatric disorders; (3) its oncology pipeline focuses on the treatment of solid tumour and blood cancers (hematological malignancy) utilising technologies such as precise targeting.

Through this integration, the Share Exchange Shareholders will become the shareholders of the Post-Merger Offeror, and benefit from the R&D results produced by its R&D platforms focusing on the three key therapeutic areas. The Post-Merger Offeror will achieve a virtuous cycle in respect of its business model of integrated R&D, production and commercialisation focusing on innovative new drugs, while continue to be involved in modified new drugs, generic drugs and biosimilars. The Post-Merger Offeror's major products will continuously generate strong cash flow to support R&D investment, and its strong R&D capabilities will further strengthen its product portfolio and expand its market shares, which will be conducive to sustainable business growth and long-term value creation.

(2) Eliminating connected transactions; improving operational efficiency and expanding economies of scale

Under the current shareholding structure, the Offeror and the Company are required to comply with their non-compete agreement and the connected transaction requirements under the Listing Rules.

After the completion of the Merger, the Post-Merger Offeror will be able to complete the integration of R&D, manufacturing and commercialisation, resulting in a more streamlined and efficient decision-making process, which enables it to respond to market demands more rapidly and with more reasonable commercial arrangements. In addition, after the Merger, the Post-Merger Offeror will be able to utilise the combined supply chain system and manufacturing bases, which will significantly reduce the number of continuing connected transactions between the Offeror and the Company, as well as the restrictions from non-compete agreement. This is expected to further reduce procurement and manufacturing costs, thereby enhancing management efficiency, lowering overall operating expenses, maximising cooperation synergies, and achieving economies of scale.

(3) Competitive exchange premium and cash return level

The theoretical value of the Offeror H Shares under the Merger will present the Share Exchange Shareholders with an attractive premium over the market value of the Company, with an implied value of the Share Exchange H Shares that is significantly higher than recent historical trading prices of the Shares. In addition, the Share Exchange Shareholders will be able to realise a level of capital return on their investment by receiving immediate cash value directly through the Special Dividend. At the same time, the Share Exchange Shareholders will also be able to share the revenue and profits to be realised by the Offeror in the future and obtain a long-term return on their capital investment.

(4) Enhancing overall performance in the capital market

Firstly, prior to the implementation of the Merger, the Company did not have an independent R&D system, and its capital market valuation was at a low level. After completion of the Merger, the Post-Merger Offeror will become a comprehensive pharmaceutical enterprise integrating R&D production and commercialisation, as well as a listed entity with a complete business chain, which will enhance investors' market confidence in the Post-Merger Offeror.

Secondly, the Company will significantly reduce the number of continuing connected transactions that it involves, and the restrictions from non-compete agreement, which will be beneficial in reducing its administrative and compliance costs, thus boosting overall business performance.

Thirdly, prior to the implementation of the Merger, the Company's sources of business revenue and profits were relatively concentrated. After completion of the Merger, the Post-Merger Offeror will have stronger R&D capabilities and a more diverse drug pipeline to respond to changing market competition, which will increase its long-term investment value. The above changes will also make the Post-Merger Offeror more attractive to investors.

In summary, after the Merger becomes unconditional and upon completion of the Listing, the Post-Merger Offeror will become a comprehensive pharmaceutical enterprise integrating R&D, production and sales, with reduced management and compliance costs, and a steady and continuous growth in its revenue and profits, all of which will enhance the Post-Merger Offeror's overall performance in the capital market.

Strategic Plans of the Offeror Group

The Offeror is committed to becoming a vertically integrated world-class pharmaceutical company under the dual driving forces of innovation and internationalisation, supported by its excellent commercialisation capabilities. By adhering to the corporate mission of "scientific innovation of new drugs for high-quality of healthy life", and focusing on research and development, production and commercialisation of innovative drugs, modified new drugs, generic drugs and biosimilars, the Offeror is dedicated to developing products with breakthrough potential in both domestic and overseas markets. Through this, the Offeror intends to achieve structural optimisation and business integration. The Merger and the Listing will enable the Offeror to reap further synergies from the integration of "research, production and marketing" and enhance its market competitiveness, which will in turn maximise returns for the Company's and the Offeror's shareholders.

(1) Clarify the direction of future development and enhance the ability to give back to shareholders

Prior to the completion of the Merger, the Company is still at the stage of continuously exploring further development opportunities. Although the Company has achieved profitability in recent years, the Company's dividend policy is relatively conservative due to the need to respond to the opportunities and challenges brought about by rapid changes in the market. Upon completion of the Merger, the Post-Merger Offeror group will have a clear development direction to become a comprehensive pharmaceutical enterprise integrating research, production and sales. The overall improvement in competitiveness of the Post-Merger Offeror will enhance its ability to give back to shareholders.

(2) Increase capital efficiency and expedite product innovation, continuously upgrading product technology to enhance market dominance

Upon completion of the Merger, the Post-Merger Offeror will be able to invest its strong operating cash flow into its research and development activities, thus significantly improving the efficiency of its use of funds and providing sufficient support to its research and development pipeline. With ample funds available, the Post-Merger Offeror will continue to invest in the enhancement of its own research and development platform to provide patients with better healthcare solutions and high-quality and affordable pharmaceutical products, with a focus on drugs for fields of indications with huge market potential. Such strong research and development capabilities will also continue to enrich its range of long-term commercialised products in the future, allowing it to build a strong foundation for sustainable business growth and long-term value creation.

(3) Reduce the competition and connected transactions between the Company and the Offeror as well as enhance operational efficiency

After completion of the Share Exchange, the Post-Merger Offeror will be able to benefit from a more streamlined decision-making process and reduced business decision-making time since restrictions arising from the non-compete agreement between the Company and the Offeror will no longer be applicable and transactions between both parties will no longer constitute connected transactions under the Listing Rules. Upon completion of the Merger, the Post-Merger Offeror will be able to promptly respond to market changes and various challenges, and flexibly adapt its various drug sales channels to facilitate the dual globalised development of market and technology, creating a Chinese brand that is set to become a world-class pharmaceutical company.

(4) Establish presence in the global capital market and enhance its corporate image

Upon completion of the Listing, the Post-Merger Offeror will be able to tap into the international capital market as a listed company. After Listing, the Post-Merger Offeror can further enhance its business agility through flexible financing. Upon the Merger becoming unconditional and the Listing being completed, the Post-Merger Offeror will be listed on the Main Board of the Stock Exchange with a view to becoming a leading listed pharmaceutical company, which will help enhance its image and market presence among its customers, suppliers and other business partners. At the same time, following the completion of the Listing, the Post-Merger Offeror can take advantage of its new status as a listed company to widely attract talents through potential and diverse equity incentive schemes, which in turn will also benefit all the Share Exchange Shareholders.

Future Development and Integration Initiatives

(1) Facilitate the integration and development of research and development platforms and product pipelines to consistently strengthen competitiveness

The Post-Merger Offeror will remain devoted to building an all-round and comprehensive independent research and development system and research and development platform that covers the complete life cycle of drugs, while continuing to invest in the upgrading of its research and development platform and technology, so as to facilitate the continuous commercial development of products such as innovative drugs, modified new drugs, generic drugs and biosimilars, with an aim to continuously enhance its competitive advantage by creating a stable, sustainable and tiered product pipeline.

(2) Enhance its renowned brand image and establish an efficient distribution network

The Post-Merger Offeror will continue to promote the presence of its brand in the market. Leveraging the leading market position, brand awareness of Kewei and its rich product pipelines, the Post-Merger Offeror will be able to not only enhance its brand image as a leading vertically integrated pharmaceutical company that integrates drug research and development, production and commercialisation, as well as continue to foster its brand image as a PRC pharmaceutical company in the overseas market and boost its international reputation through cooperation with overseas partners.

To facilitate the commercial development of the Post-Merger Offeror's product pipelines, the Post-Merger Offeror will continue its efforts to develop a more transparent and efficient international distribution network, strengthen the digitalisation of its marketing network and data analysis capabilities, enhance the efficiency of its sales process, and optimise its branding and marketing strategies.

(3) Optimise its overall production system and enhance systematic operational efficiency

The Post-Merger Offeror will focus on upgrading all aspects of its production system, accelerating the integration of production facilities and capacity planning, strengthening the deployment of production automation and information technology, coordinating supply chain resources and improving procurement and logistics planning. These would further optimise its cost structure, and the quality of its product pipelines, reduce costs and help deliver high-quality pharmaceutical products to its customers, which in turn would enhance its systematic production operational efficiency.

(4) Consolidate structure and reduce governance costs

The Post-Merger Offeror will accelerate the integration of its mid-to-back office structure and promote a smart mid-to-back office system that integrates all processes, incorporating finance, research and development, sales, purchasing, inventory, administrative office systems and digital infrastructure. Moreover, the Post-Merger Offeror will optimise and adjust the previous arrangement for connected transactions to improve decision-making and capital allocation efficiency, as well as reduce governance costs.

The Board (other than members of the Independent Board Committee, whose views are given in the section headed “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” of this document (pages IBC-1 to IBC-2 of this document)) is of the view that the terms of the Merger are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Having considered the terms of the Merger Agreement and taken into account the advice from Gram Capital, the Independent Board Committee is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned.

7. FUTURE INTENTION OF THE OFFEROR

After the Merger, the Company will merge into the Offeror, with the Post-Merger Offeror as the surviving entity, and will cease to exist as a separate legal entity. It is the intention of the Offeror that it will continue to carry on its business as stated in the paragraph headed “(1) Information on the Offeror” in the section headed “8. INFORMATION ON THE OFFEROR AND THE COMPANY” below. It is also the intention of the Offeror that it will continue to carry on the business of the Company as stated in the paragraph headed “(2) Information on the Company” in the section headed “8. INFORMATION ON THE OFFEROR AND THE COMPANY” below following the Merger. The Post-Merger Offeror also plans to implement strategies to achieve its business goals. Please refer to “Business — Our Strategies” section of the Appendix V — Listing Document (pages V-326 to V-329 of the Listing Document) to this document for details.

In view of the Merger, the Offeror will expect to review the holding structure of certain business, assets, properties and operation units within the Offeror Group with a view to streamlining and rationalising the holding structure. Accordingly, the Offeror expressly reserves the right to make any changes in relation to such holding structure that it deems necessary, appropriate or convenient in light of its review of the Offeror Group, in light of future developments or in order to better integrate, generate maximum synergy or exploit full economies of scale with other operations within the Offeror group.

The Offeror intends to continue the business of the Company, and does not intend to make any significant changes to the business, the continued employment of the employees of the Group and the deployment of fixed assets of the Company, other than in the ordinary course of business.

It is expected that the integration will reduce the costs incurred as a result of the current shareholding structure of the Offeror Group. In the future, the structure of the board of directors of the Post-Merger Offeror will comply with the applicable regulatory requirements of the Stock Exchange for the listing of the Offeror H Shares (assuming the Listing is completed).

The Offeror anticipates that, the Merger will be conducive to: (i) facilitate the integration and development of R&D platforms and product pipelines of the Offeror and the Company to consistently strengthen competitiveness; (ii) enhance the Offeror and the Company's renowned brand image and establish an efficient distribution network; (iii) optimise the overall production system and enhance systematic operation efficiency of the Offeror and the Company; (iv) consolidating the structure and reduce governance costs of the Offeror and the Company.

8. INFORMATION ON THE OFFEROR AND THE COMPANY

(1) Information on the Offeror

Overview of the Offeror

The Offeror was established on 29 December 2003. It is an integrated pharmaceutical company driven by independent R&D, rooted in China and facing to the world. It has full capabilities integrating R&D, production and sales. The Offeror focuses on the three key areas of infection, chronic diseases and oncology. In particular, according to the industry data collected by Frost & Sullivan, in 2024, the sales of the Offeror's oseltamivir phosphate products, including its top-selling product, Kewei, accounted for 38.5% of the anti-influenza drug market in China. With its extensive pipeline of anti-infective drugs, it has been approved by the Ministry of Science and Technology of the PRC to establish a State Key Laboratory of Anti-Infective Drug Development. The Offeror focuses on innovative drugs and is also involved in modified new drugs, generic drugs and biosimilars. It currently has a diverse and robust product portfolio. After over 20 years of experience, the Offeror has established advanced R&D platform, facilities that meet international standards and an extensive sales network. The Offeror has been named in the Top 20 of "China Drug Research and Development Comprehensive Strength Ranking"

published by Yaozhi.com, for seven consecutive years from 2017 to 2023. In 2023, it was successfully selected as one of the “Top 100 Competitive Enterprises in Chinese Pharmaceutical Industry” and ranked among the tier-one group of the “Top 100 Chinese Pharmaceutical Innovators for 2023” released by Healthcare Executive Magazine.

The Offeror is committed to developing products with breakthrough potential. It has built strong R&D capabilities and created a diverse and robust pipeline portfolio with broad and deep indication coverage through differentiated molecular design and comprehensive technology platforms. The Offeror has formed a large-scale, professional and comprehensive R&D team with more than 1,100 personnels as of 31 December 2024, and has established a comprehensive and integrated independent R&D system and a R&D platform covering the complete development cycle of chemical drugs and biologics. Its R&D capabilities are independent and systematic, which enables the Offeror to efficiently advance its drugs under development to commercialisation. As of the Latest Practicable Date, the Offeror has 150 approved drugs in the world, including in China, the United States and Europe, more than 100 drugs in the pipeline, including 49 Class I innovative drug candidates in China, among which one innovative drug candidate was under the NMPA’s review for launching and ten innovative drug candidates were in Phases II or III clinical trials. The Offeror has successfully developed and launched three Class I innovative drugs and applied for launching one Class I innovative drug through its in-house research and development in China. The Offeror attaches great importance to the protection of core technologies. Its patents cover new drug compounds, protein molecular structures, manufacturing processes, usage and preparation formulation, providing a solid and long-life patent protection strategy for the Offeror’s technologies, drugs and drugs under development. As of 31 December 2024, the Offeror had applied for a total of 2,446 invention patents, including 382 Patent Cooperation Treaty (PCT) applications, 1,131 PRC domestic invention patents, and 933 overseas invention patents; among which, a total of 1,401 invention patents have been granted by the relevant patent authorities, including 746 PRC domestic invention patents and 655 overseas invention patents. According to Frost & Sullivan, the Offeror ranked first among PRC pharmaceutical companies in the terms of the number of patents published and the number of authorised patent announcements in China from 1 January 2014 to 31 December 2023, and the Offeror ranked 79th in the world and 10th in China in terms of the number of public invention patent applications for the global biomedical industry in 2023.

As of 31 December 2024, the Offeror has two production bases in Songshan Lake, Dongguan, Guangdong province and Yidu, Hubei province, the PRC, with a total area of over 1,300 mu, covering the entire pharmaceutical production process in respect of the formulation. It has production capabilities for tablets, capsules, granules and dry suspensions. The Offeror has also formed a pharmaceutical production and quality management system with international standards, aiming to provide high-quality medicines and laying the foundation for the subsequent sales of the Offeror’s products in overseas jurisdictions.

The Offeror has an extensive sales network, covering China, Europe, North America and other regions. In the domestic market, as of 31 December 2024, the Offeror has a nationwide sales and distribution network and more than 1,884 professional sales personnels, covering 32 provincial-level regions and nearly 300 prefecture-level cities. The Offeror extensively covers more than 2,500 Class III Hospitals, more than 9,600 Class II Hospitals and more than 89,000 Class I Hospitals in the PRC as well as many large-scale national or regional pharmacy chains.

As at the Latest Practicable Date, the Offeror has a total issued share capital of 463,943,215 ordinary shares. The Offeror has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date. The ultimate controlling shareholders of the Offeror are Ms. Guo Meilan and her son Mr. Zhang Yushuai controlling approximately 62.12% equity interests in the Offeror as at the Latest Practicable Date. Please refer to the paragraph headed “Shareholding in the Company” in this section for further details. Please also refer to the Appendix V — Listing Document to this document (including without limitation the sections headed “Summary” (pages V-7 to V-38 of the Listing Document), “Business” (pages V-310 to V-475 of the Listing Document) and “Future Plans and Prospects”) (pages V-615 to V-617 of the Listing Document) for further information about the Offeror and its financial and trading prospects.

Advantages of the Offeror

- (i) *The Offeror is a pharmaceutical company with vertically integrated capabilities in research and development, production and commercialisation of pharmaceuticals, ranking first in the PRC in terms of the sales revenue of antiviral drugs for the past five years.*

After over 20 years of development, the Offeror has managed to create a virtuous circle in respect of its business model through its integrated capabilities in R&D, production and commercialisation, and is one of the domestic pharmaceutical companies with the ability to carry out international R&D and sales. The Offeror continues to make forward-looking plans around drug innovation, focusing on the three major fields of infectious diseases, chronic diseases and oncology. With its excellent commercialisation capabilities, it continues to cultivate a large variety of drugs, gradually growing into a company with comprehensive capabilities in R&D, production and sales. Such competitive advantage can enhance the Offeror’s position in the fast-growing pharmaceutical industry in China and around the world.

- (a) The Offeror is one of the top PRC pharmaceutical companies in clinical development of innovative drugs

The Offeror has one of the largest in-house R&D teams among PRC pharmaceutical companies. It has formed a large-scale, professional and comprehensive R&D team of more than 1,100 personnels. The core members of the team have profound industry insights and rich drug R&D experience. The Offeror has its own R&D platform and is one of the first companies in China to get involved in the development of innovative drugs. It has created a series of

innovative drug pipelines, with three Class I Innovative Drugs launched, one Class I Innovative Drug under application for the NMPA's review for launching in China, and 10 Class I Innovative Drugs in Phases II or III clinical trials. The Offeror's pipeline assets and core technologies are also protected by a comprehensive patent portfolio. As of 31 December 2024, the Offeror had applied for a total of 2,446 invention patents, including 382 Patent Cooperation Treaty (PCT) applications, 1,131 PRC domestic invention patents, and 933 overseas invention patents; among which, a total of 1,401 invention patents have been granted by the relevant patent authorities, including 746 PRC domestic invention patents and 655 overseas invention patents. Based on its fruitful R&D results, the Offeror has won a number of national platform titles, including the State Key Laboratory of Anti-Infective Drug Development (as approved by the Ministry of Science and Technology of the PRC), the National Intellectual Property Model Enterprise (as designated by the China National Intellectual Property Administration) and a postdoctoral research workstation. According to Frost & Sullivan, the Offeror is among the top PRC pharmaceutical companies in terms of the number of innovative drugs under clinical development.

International layout is also an important strategy for the sustainable development of the Offeror. According to the report prepared by Frost & Sullivan, the Offeror has commercialised pharmaceutical formulation overseas and one of the PRC pharmaceutical companies with the largest number of overseas approvals. With its Fingolimod capsule, a U.S. FDA approved first generic drug, the Offeror has become the first PRC pharmaceutical company that successfully challenged the patent of a novel drug in the U.S.. The Offeror has also been conducting overseas clinical trials and have completed Phase I clinical trials for four new drugs in the United States and Australia, two of which have obtained FDA Orphan Drug Designation. The Offeror received FDA clearance of IND application in respect of HEC88473 in February 2024 and entered into an exclusive license and commercialisation agreement for HEC88473 with Apollo Therapeutics Group Limited in November 2024. According to the report prepared by Frost & Sullivan, the Offeror was one of the only two PRC pharmaceutical companies to develop insulin products for the U.S. market as of the Latest Practicable Date. According to the report prepared by Frost & Sullivan, the Offeror ranked 16th among the top 30 pharmaceutical companies in the world and 1st among PRC pharmaceutical companies in terms of approved generic drugs from May 2018 to May 2019.

- (b) The Offeror is China's No. 1 domestic company in sales of antiviral drugs in the last five years and is steadily increasing its overseas market size

As of 31 December 2024, the Offeror had promoted and sold 48 drugs in the PRC and 21 of which had been the winning bids in connection with the centralised tender with respect to medicine procurement by the PRC authorities including 5 insulin products which have become a reliable source of revenue for the Offeror. Specifically, Kewei (oseltamivir phosphate), the Offeror's sales network covers more than 2,500 Class III Hospitals, more than 9,600 Class II Hospitals and more than 89,000 Class I Hospitals in the PRC as well as many large-scale national or regional pharmacy chains.

As one of the pioneers in preparation export, the Offeror has 70 approved drugs abroad, including 36 in the United States and 31 in Europe. With the Fingolimod capsule, an FDA approved first generic drug, the Offeror has become the first PRC pharmaceutical company that successfully challenged the patent of a novel drug in the US. The large number of overseas approvals the Offeror has obtained can help the Offeror further improve its overseas market position, strengthen its product supply chain, and expand its market size.

- (ii) *The Offeror has excellent R&D capabilities. It focuses on the fields of infectious diseases, chronic diseases and oncology, and has established a differentiated and high commercial potential drug pipeline:*

- (a) The Offeror has a clear-cut drug pipeline blueprint with leading positions in key areas

The Offeror focuses on the three major fields of infectious diseases, chronic diseases and oncology, focusing on the R&D of drugs for fields of indications with huge market potential and clinical demand gaps. With its independent R&D capabilities, the Offeror has a huge product cluster, including 150 approved drugs in various countries and regions and more than 100 products in the pipeline at different stages of R&D. In particular, the variety of innovative drugs under clinical research ranks highly among domestic pharmaceutical companies, and its abundant pipeline reserves ensure the sustainable development and commercialisation of the Offeror's products. It has successfully developed and launched two Class I Innovative Drug and has applications for launching two Class I Innovative Drugs in China through in-house R&D.

- (b) The Offeror has a drug pipeline with differentiated advantages and high commercial potential

Anti-hepatitis C drug pipeline: The Offeror has a commercialised Class I Innovative Drug for the treatment of genotype-specific chronic hepatitis C and has Class I Innovative Drug candidates for the treatment of pan-genotypic chronic hepatitis C. It has the advantages of a complete pipeline, independent intellectual property rights.

Anti-hepatitis B drug pipeline: Morphothiadine mesylate is the only anti-hepatitis B virus capsid inhibitor in Phase III clinical trial in China and had the leading clinical trial progress in the world.

Diabetes treatment drug pipeline: The Offeror has established a comprehensive product portfolio and drug pipeline, including chemical drugs and biologics, for the treatment of diabetes. Five insulin products have been approved for sale in the Chinese market as of 31 December 2024 and one innovative drug will be launched soon.

Idiopathic pulmonary fibrosis treatment drug pipeline: Yinfenidone hydrochloride is a Class I Innovative Drug candidate that the Offeror has been developing in-house for the treatment of idiopathic pulmonary fibrosis. It has completed Phase I clinical trials in China and the United States, and has obtained orphan drug designation from the FDA. The Offeror has been conducting its Phase II clinical trial in China and expects to obtain interim analysis data to submit its Phase III clinical trial application to the CDE to accelerate and the R&D and launching process of yinfenidone hydrochloride. It is expected to bring safer and more effective therapeutic drugs to patients with pulmonary fibrosis. The Offeror plans to submit a new drug application after Phase III clinical trial. When yinfenidone hydrochloride has been approved by the NMPA, the Offeror will launch it to the market and start to generate revenue. Subject to requirements of the NMPA, a Phase IV clinical trial may or may not begin after yinfenidone hydrochloride has been approved. The Offeror will conduct the Phase IV clinical trial as and when required by the NMPA.

Drug pipeline for the treatment of AML: Clifutinib besylate is a Class I Innovative Drug candidate the Offeror has been developing in-house for the treatment of AML and is the first highly selective FLT3 inhibitor (a type of targeted therapy used in the treatment of AML, which works by blocking the activity of the FLT3 protein, a receptor tyrosine kinase that plays a key role in the survival, proliferation and differentiation of hematopoietic stem/progenitor cells) drug candidate developed by a PRC pharmaceutical company via in-house R&D to enter Phase III clinical trials.

(iii) The Offeror has the ability to continue to innovate, and has established an independent R&D platform that comprehensively covers the entire drug development cycle:

The Offeror has formed comprehensive global independent discovery and clinical development capabilities, covering chemistry, biology, pharmacology, toxicology, clinical, production and control and regulatory matters. Through a high degree of integration of all links, seamless operation and efficient support for drug R&D is achieved. The comprehensive and integrated drug discovery and development process has given the Offeror a significant advantage. In terms of small molecule drug discovery, the Offeror has always adhered to independent original research and innovation, and has established an early-stage drug R&D engine. Its 18 years of experience in the R&D of Class I Innovative Drugs has made the Offeror one of the first companies in China to enter the R&D of innovative drugs. It has established a complete R&D platform for recombinant proteins and antibodies. In terms of clinical development, the Offeror has established strong internal clinical development capabilities, with a clinical research team of more than 200 people. Its expertise covers clinical medicine, clinical operations, data management, biostatistics, clinical pharmacology, drug safety and other functions, covering all aspects of clinical development. It can complete Phases I, II and III clinical studies of innovative drugs independently, with high quality and speed.

In order to further promote the rapid discovery of candidate molecules, the Offeror continues to improve its technology platform and iteratively optimise it. The Offeror has built advanced technology platforms such as artificial intelligence driven drug design, small nucleic acid, protein degradation-targeting chimeric molecules, antibody-drug conjugates and specific antibodies to empower the research and development of innovative drugs and enhance innovation. In addition, the Offeror is committed to applying AI technology across all stages of drug research and development and the Offeror has established multiple advanced AI-driven models to enhance its innovation capabilities. It obtained the clinical trial approval for HEC169584 in December 2024, a THR-agonist drug candidate for the treatment of NASH, which is the first new small molecule drug candidate developed by its AIDD laboratory.

(iv) The Offeror has a strong sales and distribution network that fully covers China, and works closely with strategic partners around the world to gradually increase market penetration and brand influence:

(a) The Offeror has a huge global sales network

The Offeror has a huge global sales network covering the PRC, the United States, Germany and the United Kingdom and other countries, and continues to expand to more international markets. Through close cooperation with local partners, the Offeror has established stable sales channels and distribution networks, providing customers with convenient product acquisition channels and high-quality after-sales services.

In the domestic market, the Offeror has a nationwide sales and distribution network and more than 1,918 professional sales personnels, covering 32 provincial-level regions (provinces, autonomous regions, and municipalities directly under the Central Government) and nearly 300 prefecture-level cities. The domestic marketing team is divided into the pediatric line represented by the Offeror's top-selling product Kewei (oseltamivir phosphate), the chronic disease line focusing on the Offeror's insulin series products, the innovative drug line represented by the Offeror's hepatitis C drug Emitasvir, and the centralised procurement and other market channels line represented by the Offeror's esomeprazole magnesium enteric-coated capsules. In 2023, sales of each line showed high-quality and strong growth. As of 31 December 2024, the Offeror promoted and sold a total of 48 drugs domestically. The Offeror extensively covered more than 2,500 Class III Hospitals, more than 9,600 Class II Hospitals, and more than 89,000 Class I Hospitals in the PRC as well as many large-scale national or regional pharmacy chains. In addition, the Offeror has actively participated in the national medical insurance negotiations. As of 31 December 2024, one of the Offeror's Class I Innovative Drugs has been included in the NRDL. In foreign markets, the overseas sales and distribution network of the Offeror spans across eight countries including the United States, Germany and the United Kingdom. The Offeror plans to expand its overseas sales network to Africa and Latin America, forming a global sales network across five continents.

(b) The Offeror has many global strategic partners

The Offeror has many global strategic partners. In the domestic market, it has established strategic partnerships with many well-known pharmaceutical companies and scientific research institutions; in foreign markets, it has maintained long-term sales cooperation with world-renowned companies.

(v) *The Offeror has a first-class production and supply chain system in China, and its production base fully complies with Chinese, U.S. and European GMP standards:*

(a) GMP quality management system in line with international standards

The production bases of the Offeror have adopted a comprehensive quality management system to ensure that the product quality of the Offeror reaches the highest standards. The Offeror strictly follows GMP and other quality standards set by relevant regulatory authorities, and has passed a number of audits by these regulators.

(b) The Offeror has an efficient and high-yield manufacturing base

The Offeror has two production bases in Songshan Lake, Dongguan, Guangdong province and Yidu, Hubei province, covering a total area of more than 1,300 mu, covering the entire production process in respect of formulations. The Songshan Lake production base in Dongguan, Guangdong province is an advanced solid chemical formulation and biologics production base, and has obtained GMP certificates from the United States, the European Union, and China, and recently passed the inspection conducted by the FDA in March 2024. The Yidu production base in Hubei is a production base for a wide range of insulin products and the largest oseltamivir phosphate formulation production base in the PRC as of 31 December 2024.

(c) The Offeror is a national guaranteed reserve drug supplier

The Offeror is a supplier in the field of oseltamivir, providing reliable supply for the Chinese national drug reserve. Over the years, the Offeror has demonstrated strong and high standard production capabilities in response to influenza outbreaks in China. The Offeror has advanced facilities and high production standards which comply with GMP and other quality management systems.

(vi) *The Offeror has a visionary and experienced team with a proven track record, which enables its business to grow in the future:*

(a) The Offeror has a strong R&D team

The Offeror has established a technical management team consisting of scientists with extensive working experience in multinational pharmaceutical companies and pharmaceutical talents with wide-ranging experience in R&D practice. The members possess experience in pharmaceutical R&D across various stages of its life cycle as well as in corporate operation and management. Under the leadership of its technical management team, as of 31 December 2024, the Offeror has formed a large-scale, professional and comprehensive R&D team with 1,100 personnels, whose experience and qualifications spread across chemistry, pharmaceuticals, analytics, biology, pharmacology, clinical medicine and other fields, which gives the Offeror significant edges in innovation and execution abilities and provides strong assurance to the efficient progression of its projects.

- (b) The Offeror has a solid management team

All members of the Offeror's management team, on top of their comprehensive professional knowledge in fields such as R&D, production and marketing, also have over 10 years of relevant experience in the pharmaceutical industry or in professional management. They have contributed to the Offeror's technological innovation and enhanced its project management and commercialisation abilities. Their professional knowledge and experience provide strong support to the R&D and operation of the Offeror and facilitate its continuous growth and success in the pharmaceutical industry.

Strategies of the Offeror

With the future vision of becoming a world-class pharmaceutical company by focusing on innovation and internationalisation and leveraging its excellent commercialisation capabilities, the Offeror implements the corporate mission of providing innovative, high-quality and affordable medications to patients around the world.

In order to achieve this goal, the Offeror plans to implement the following strategies:

- a. The Offeror will focus on upgrading its key R&D platforms and further strengthening its diverse and robust drug pipeline in order to achieve sustainable growth.
- b. With internationalisation being its key development strategy, the Offeror plans to accelerate its expansion into global markets and strive to become a world-leading innovative pharmaceutical company.
- c. The Offeror plans to strengthen its brand recognition and accelerate the commercialisation of its approved pharmaceutical products.
- d. The Offeror plans to attract and develop global pharmaceutical talents by establishing a modern human resources system that facilitates and incentivises career development.
- e. The Offeror plans to actively seek and work with global strategic partners.

(2) Listing of the Offeror H Shares

In connection with the Merger, the Offeror is seeking a listing of the Offeror H Shares by way of introduction on the Main Board of the Stock Exchange. The purpose of the Listing is to create liquidity for the Offeror H Shares and provide the Offeror with greater access to international capital through its listing platform, thereby increasing the attractiveness of the Offeror H Shares. At the same time, the distribution of the Offeror H Shares to a wide group of Share Exchange Shareholders pursuant to the Merger upon fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions will enable the Offeror to satisfy the minimum public float requirement under Rule 8.08(1)(b) of the Listing Rules. Accordingly, it is a Pre-Condition to the Merger that the Listing Committee of the Stock Exchange approves the listing (by way of introduction) of, and permission to deal in, the Offeror H Shares on the Stock Exchange and a Condition to implementation that such approval remains valid and it will be a condition to the Listing that the Merger Agreement becomes effective.

No Offeror H Shares will be issued in connection with the Merger other than to the Share Exchange Shareholders upon fulfilment (or waiver, as applicable) of the Pre-Conditions and the Conditions.

(3) Information on the Company

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. The ultimate controlling Shareholders of the Company are Ms. Guo Meilan and her son Mr. Zhang Yushuai as they control approximately 62.12% interests in the Offeror, which in turn controls approximately 51.41% interests in the Company.

(4) Shareholding in the Company

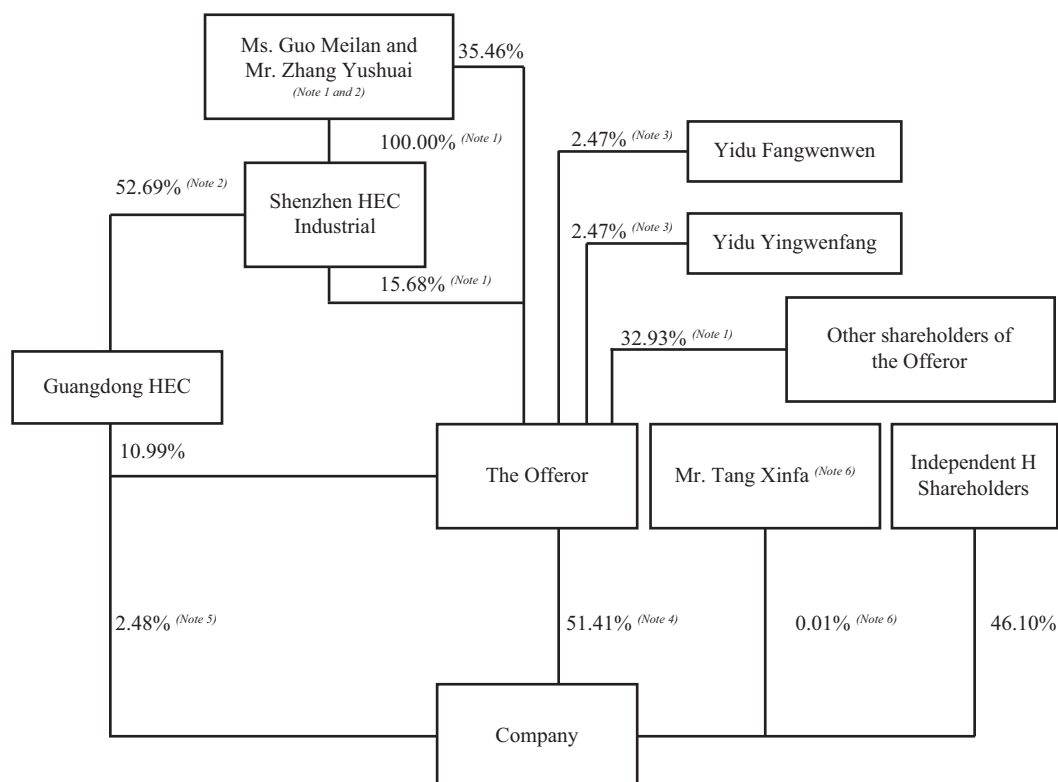
As at the Latest Practicable Date, the relevant securities of the Company in issue are 879,967,700 Shares, which comprise 653,767,700 H Shares and 226,200,000 Domestic Shares.

As at the Latest Practicable Date, the Offeror holds approximately 51.41% of the Shares, comprising (a) a direct shareholding of 226,200,000 Domestic Shares (representing all of the Domestic Shares in issue and approximately 25.71% of the total issued share capital of the Company) and (b) an indirect shareholding of 226,200,000 H Shares through its wholly-owned subsidiary HEC (Hong Kong) (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). All the H Shares and Domestic Shares held by the Offeror (including those held through HEC (Hong Kong)) will not form part of the Share Exchange but will be cancelled after completion of the Merger. For the avoidance of doubt, all H Shares and Domestic Shares will be cancelled after completion of the Merger.

Set out below is a shareholding table of the Company as at the Latest Practicable Date:

Shareholder	Class of Shares held	Number of Shares held	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
The Offeror	Domestic Shares	226,200,000	100.00%	25.71% (Note 4)
HEC (Hong Kong)	H Shares	226,200,000	34.60%	25.71% (Note 4)
Guangdong HEC	H Shares	21,815,200	3.34%	2.48% (Note 5)
Mr. Tang Xinfu	H Shares	130,400	0.02%	0.01% (Note 6)
The Offeror and its Concert Parties	Domestic Shares and H Shares	474,345,600	/	53.90%
Independent H Shareholders	H Shares	405,622,100	62.04%	46.10%
Total:		<u>879,967,700</u>		<u>100%</u>

Set out below is the simplified shareholding structure of the Company as at the Latest Practicable Date:



Notes:

- As at the Latest Practicable Date, Ms. Guo Meilan and her son Mr. Zhang Yushuai are the ultimate controlling shareholders of the Offeror controlling approximately 62.12% interests in the Offeror (including approximately 15.68% direct interests via Shenzhen HEC Industrial, which is wholly owned by entities controlled by Mr. Zhang Yushuai and Ms. Guo Meilan, and interests via other entities controlled by Mr. Zhang Yushuai or Mr. Zhang Yushuai together with Ms. Guo Meilan). Each of the employee incentive platform companies of the Offeror Group, Yidu Fangwenwen and Yidu Yingwenfang, holds approximately 2.47% interests in the Offeror. CICC group indirectly controls approximately 0.71% interests in the Offeror. Other shareholders, who are all independent third parties of the Offeror, control approximately 32.22% interests in the Offeror. Further details of the above shareholding structure are set out in the paragraph headed “OUR CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE” of the section headed “History, Development and Corporate Structure” of Appendix V — Listing Document (pages V-300 to V-305 of the Listing Document) to this document.
- As at the Latest Practicable Date, Ms. Guo Meilan and her son Mr. Zhang Yushuai are the ultimate beneficial owners of Guangdong HEC controlling approximately 52.69% interests in Guangdong HEC (including 20.49% interests via Shenzhen HEC Industrial, which is wholly owned by entities controlled by Mr. Zhang Yushuai and Ms. Guo Meilan, 18.08% through Yichang HEC Medicine Co., Ltd.* (宜昌東陽光藥業股份有限公司), which is a non wholly-owned subsidiary of Shenzhen HEC Industrial, and 14.11% interests via other entities which are acting in concert with Shenzhen HEC Industrial through acting in concert arrangements).

3. As at the Latest Practicable Date, each of the employee incentive platform companies of the Offeror, Yidu Fangwenwen and Yidu Yingwenfang, holds approximately 2.47% interests in the Offeror. As the sole general partner of both Yidu Fangwenwen and Yidu Yingwenfang is Dr. Zhang Yingjun, a director of the Offeror, they are presumed to be acting in concert with the Offeror by virtue of falling into class (2) of the definition of “acting in concert” in the Takeovers Code.
4. As at the Latest Practicable Date, the Offeror holds approximately 51.41% of the Shares, comprising (a) a direct shareholding of 226,200,000 Domestic Shares (representing all of the Domestic Shares in issue and approximately 25.71% of the total issued share capital of the Company) and (b) an indirect shareholding of 226,200,000 H Shares through its wholly-owned subsidiary HEC (Hong Kong) (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).

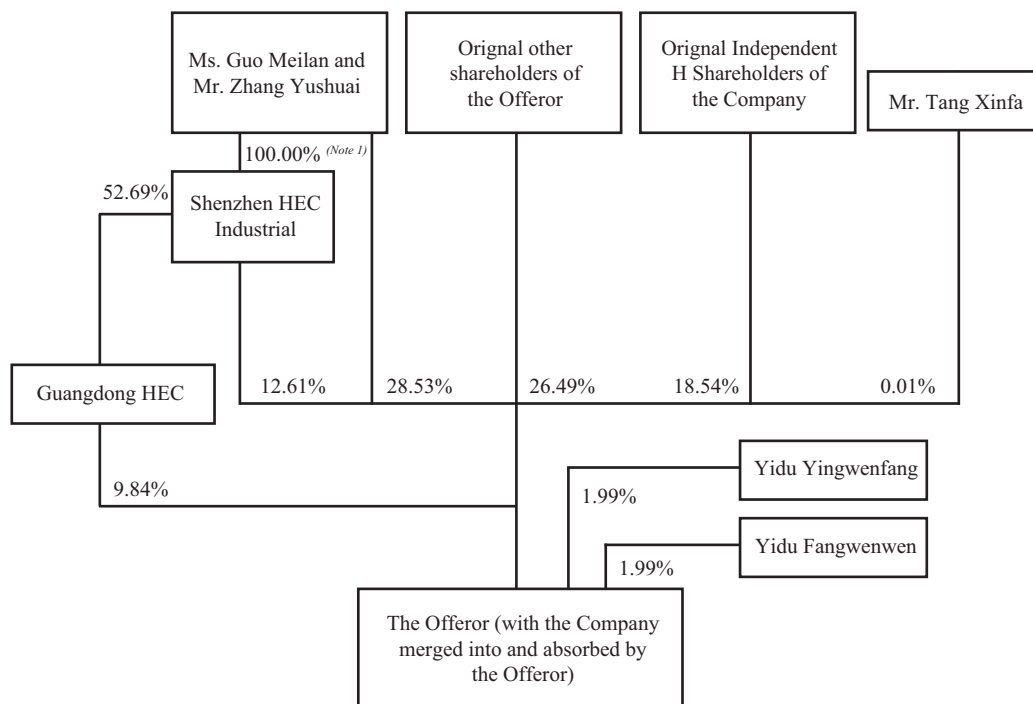
Reference is made to the announcement of the Company dated 8 March 2024 pursuant to Rule 3.7 of the Takeovers Code. On 8 March 2024 (after trading hours), the Offeror and its wholly-owned subsidiary HEC (Hong Kong) entered into a share transfer agreement pursuant to which HEC (Hong Kong) will, subject to the terms and conditions of such agreement, transfer to the Offeror 226,200,000 H Shares (representing approximately 25.71% of the total issued share capital of the Company) at a consideration of HK\$9.14 per Share. Completion of the transfer of the rights and obligations attached to, and the profit or loss arising from, such H Shares has already taken place on 8 March 2024. HEC (Hong Kong) further undertakes that 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 such transfer of H Shares. As at the Latest Practicable Date, the share transfer has not yet been completed.

5. Guangdong HEC directly holds 21,815,200 H Shares (representing approximately 3.34% of the total number of H Shares in issue and approximately 2.48% of the total issued share capital of the Company).
6. As at the Latest Practicable Date, Mr. Tang Xinfu, the Company’s non-executive Director and an Offeror director, holds approximately 0.01% of the Shares.

Reference is made to the Company’s monthly update announcement in relation to the Merger published on 10 April 2025 and the clarification of certain shareholding information in the Announcement therein, the Offeror and the Company had made the clarification to the Announcement to reflect the shareholding of Mr. Tang Xinfu being 130,400 rather than 65,200 Shares.

7. As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.
8. Mr. Zhang Jianbin ceased to be an Offeror director on 10 December 2024 (i.e. after the publication of the Announcement) and as such ceased to be a presumed Concert Party of the Offeror. For the same reason, Ms. Pang Ran (Mr. Zhang Jianbin’s wife) also ceased to be a presumed Concert Party of the Offeror. As such, their shareholdings have been grouped together with the shareholding of the Independent H Shareholders. The shareholding information in the shareholding structure is therefore different from the disclosure in Announcement due to (i) the clarification of shareholding information in the Announcement (as repeated in note 6 above) and (ii) the fact that Mr. Zhang Jianbin ceased to be an Offeror director on 10 December 2024.

Set out below is the simplified shareholding structure of the Offeror immediately upon the completion of the Merger assuming there is no Dissenting Shareholder:



As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

Note:

1. As at the Latest Practicable Date, Ms. Guo Meilan and her son Mr. Zhang Yushuai are the ultimate controlling shareholders of the Offeror controlling approximately 62.12% interests in the Offeror (including 15.68% direct interests via Shenzhen HEC Industrial, which is wholly owned by entities controlled by Mr. Zhang Yushuai and Ms. Guo Meilan, and interests via other entities controlled by Mr. Zhang Yushuai or Mr. Zhang Yushuai together with Ms. Guo Meilan). Each of the employee incentive platform companies of the Offeror group, Yidu Fangwenwen and Yidu Yingwenfang, holds approximately 2.47% interests in the Offeror. CICC group indirectly controls approximately 0.71% interests in the Offeror. Other shareholders, who are all independent third parties of the Offeror, control approximately 32.22% interests in the Offeror. Further details of the above shareholding structure are set out in “OUR CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE” of the section headed “History, Development and Corporate Structure” of Appendix V — Listing Document (pages V-300 to V-305 of the Listing Document) to this document.
2. As at the Latest Practicable Date, the Offeror did not have any outstanding options, warrants, convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

Your attention is also drawn to “Financial Information of the Company” (pages I-1 to I-4 of this document) and “General Information” (pages IV-1 to IV-25 of this document) in Appendices I and IV, respectively, to this document.

9. ARRANGEMENTS FOR IMPLEMENTATION OF THE MERGER AGREEMENT

On 27 June 2025, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied. As at the Latest Practicable Date, none of the Conditions to effectiveness and Conditions to implementation had been satisfied or (if applicable) waived. Upon satisfaction of all the Conditions to effectiveness, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for voluntary withdrawal of the listing of the H Shares from the Stock Exchange pursuant to Rule 6.15(2) of the Listing Rules.

The Company will issue separate announcement(s) notifying H Shareholders of the proposed withdrawal of listing and the exact dates and relevant arrangements for the last day for dealing in the H Shares on the Stock Exchange as well as when the formal delisting of the H Shares will become effective.

The listing of the H Shares on the Stock Exchange will not be withdrawn if the Merger is not approved or lapses or does not become unconditional for any reason. In such cases, no cancellation of the Shares will take place pursuant to the Merger Agreement and the Company's public float will not be affected as a result of the Merger not being approved or otherwise lapses or does not become unconditional.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee is required to comprise all the non-executive Directors who have no direct or indirect interest in the Merger other than as Shareholders. Mr. TANG Xinfu, the non-executive Director of the Company, is a director of the Offeror and is presumed to be acting in concert with the Offeror by virtue of falling into class (2) of the definition of "acting in concert" in the Takeovers Code. Accordingly, Mr. TANG Xinfu is regarded as being interested in the Merger for the purpose of Rule 2.8 of the Takeovers Code. The Board has therefore established the Independent Board Committee, consisting of all of the independent non-executive Directors, being Mr. TANG Jianxin, Ms. XIANG Ling and Mr. LI Xuechen. Such committee will advise the Independent H Shareholders as to: (a) whether the terms of the Merger are fair and reasonable for the purpose of the Takeovers Code; and (b) whether to vote in favour of or against the Merger at the EGM and the H Shareholders' Class Meeting. For the opinions and advice of the Independent Board Committee, please refer to section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document (pages IBC-1 to IBC-2 of this document).

Gram Capital has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to provide advice to it in respect of the Merger. For the opinions and advice of Gram Capital, please refer to section headed "LETTER FROM GRAM CAPITAL" in this document (pages IFA-1 to IFA-54 of this document).

11. FINANCIAL EFFECTS OF THE MERGER

Your attention is drawn to Appendix II to the Listing Document which sets out the unaudited pro forma financial information of the Offeror Group (including the Company) (pages V-II-1 to V-II-12 of the Listing Document) which has been prepared for the purpose of illustrating the financial effects of the Merger and the Listing.

12. APPOINTMENT OF VALUATION ADVISER AND THE VALUATION REPORT

The Offeror has appointed China Sunrise Capital Limited, the Valuation Adviser, to advise on the value of the Offeror H Shares.

Reference is made to the Announcement and the valuation report appended to the Announcement. The Offeror's unaudited profit figures included in the valuation report appended to the Announcement constituted profit forecasts under Rule 10 of the Takeovers Code and were reported on by CICC and KPMG in accordance with the requirements under the Takeovers Code. Such reports were appended to the Announcement and pursuant to Rule 10.4 of the Takeovers Code, copies of such reports are set out in Appendix II to this document (pages II-57 to II-61 of this document). Each of CICC and KPMG has given and has not withdrawn their consent to the issue of this document with the inclusion of its report and reference to its name and logo in the form and context in which they respectively appear and has no objection to its report continuing to apply.

A copy of the Valuation Report containing the Valuation Adviser's estimate of the value of the Offeror H Shares as at 31 December 2024 and the reports from CICC (in accordance with Rules 10.3(b), 11.1(a) and 11.1(b) of the Takeovers Code) and KPMG (in accordance with Rules 10.3(b) and 11.1(a) of the Takeovers Code) on the Valuation Report are also set out in Appendix II to this document (pages II-50 to II-55 of this document). The reports from CICC and KPMG have been lodged with the Executive.

13. EGM AND H SHAREHOLDERS' CLASS MEETING

The Company will convene the EGM and the H Shareholders' Class Meeting for the Shareholders and the H Shareholders respectively, to consider and, if thought fit, approve matters including the Merger.

In compliance with Rule 2.10 of the Takeovers Code, which is applicable to the Merger, the Merger Agreement and the Merger are conditional on (1) the approval by way of poll by at least 75% of the votes attaching to the H Shares held by the Independent H Shareholders that are cast either in person or by proxy at the H Shareholders' Class Meeting; and (2) the number of votes cast against the resolution(s) at the H Shareholders' Class Meeting is not more than 10% of the votes attaching to all the H Shares held by the Independent H Shareholders.

The H Shareholders who have been registered as holders of H Shares on the register of members of the Company kept by the H Share Registrar, Computershare Hong Kong Investor Services Limited, on Monday, 21 July 2025 will be entitled to attend the EGM and the H Shareholders' Class Meeting.

(1) Suspension of registration of Share transfers

The register of members of the Company will be closed from Friday, 18 July 2025 to Monday, 21 July 2025 (both dates inclusive), during which no registration of transfers of Shares will be processed. If applicable, the Shareholders and the H Shareholders intending to attend the EGM and the H Shareholders' Class Meeting respectively must lodge their respective transfer documents and relevant share certificates with the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, 17 July 2025.

(2) Proxy forms

If you do not intend to attend the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (where applicable) in person, you are strongly urged to complete and return the enclosed proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting (i.e. by 9:00 a.m. on Sunday, 20 July 2025 in respect of the EGM and by 9:30 a.m. on Sunday, 20 July 2025 in respect of the H Shareholders' Class Meeting) or any adjournment thereof). In the event that the relevant proxy form has been returned, for holders of Domestic Shares, to the Company's board office at Securities Department, Dongyangguang Scientific Park, No. 368 Zhen An Zhong Road, Chang'an County, Dongguan, Guangdong Province, the PRC, or, for holders of H shares of the Company, to the H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong after the abovementioned deadline (where applicable), it will be considered to be invalid and will not be taken into account. After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish. In the event that you attend and vote at any of the meetings or any adjournment thereof after having deposited the relevant form of proxy, that form of proxy will be deemed to have been revoked.

(3) Voting at the EGM and the H Shareholders' Class Meeting

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM and the H Shareholders' Class Meeting.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM and/or the H Shareholders' Class Meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the relevant meetings as their proxy to vote according to their indicated voting instructions as an alternative to attending the EGM and/or the H Shareholders' Class Meeting in person.

The PRC Company Law does not require any Shareholders to abstain from voting in respect of the Merger at the EGM, and hence the Offeror and any parties acting in concert with it will vote in favour of the resolutions in relation to the Merger at the EGM. Of the Directors who hold Shares, (i) Mr. Tang Xinfu, the Company's non-executive Director and an Offeror director thus a Concert Party of the Offeror, intends, with respect to his beneficial shareholdings in the Company, to vote in favour of the Merger at the EGM and to abstain from voting at the H Shareholders' Class Meeting (due to him not being an Independent H Shareholder for the purpose of the H Shareholders' Class Meeting); and (ii) Mr. Jiang Juncai, Mr. Wang Danjin, Mr. Li Shuang and Mr. Li Xuechen, each a Director, intend, with respect to their respective beneficial shareholdings in the Company, to vote in favour of the Merger at the EGM and the H Shareholders' Class Meeting. Nevertheless, as the votes of the Offeror and any parties acting in concert with it (including Guangdong HEC and Mr. Tang Xinfu) will not be included in determining whether the requirements under Rule 2.10 of the Takeovers Code (as set out under paragraph (2) of the Conditions to effectiveness in the section headed "3. PRINCIPAL TERMS OF THE MERGER AGREEMENT" in this document (pages 21 to 30 of this document)) are met, the Offeror and any parties acting in concert with it (including Guangdong HEC and Mr. Tang Xinfu) will abstain from voting at the H Shareholders' Class Meeting.

In addition, Shares held by members of the CICC group acting in the capacity of an exempt principal trader connected with the Offeror or the Company will not be voted at the EGM and the H Shareholders' Class Meeting in accordance with the requirements of Rule 35.4 of the Takeovers Code. Such Shares that are held by any member of the CICC group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients (that are not the Offeror or its Concert Parties) may be voted at the EGM and the H Shareholders' Class Meeting if (i) the relevant connected exempt principal trader holds the Shares as a simple custodian for and on behalf of non-discretionary clients, and (ii) there are contractual arrangements in place between the relevant connected exempt principal trader and its clients that strictly prohibit the relevant connected exempt principal trader from exercising any voting discretion over the relevant Shares, and (iii) all voting instructions originate from the client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by the relevant connected exempt principal trader).

Save as disclosed above, there are no other restrictions imposed on any Independent H Shareholders to cast votes on the relevant resolutions at the H Shareholders' Class Meeting.

14. TAXATION

(1) Non-tax advice

You should consult with your professional adviser to understand the possible tax implications of the Merger or the exercise of the Dissenting Shareholders' rights. None of the Company, the Offeror, CICC, GF Capital or Gram Capital, nor their respective ultimate beneficial owners, directors, officers, employees, agents, affiliates, advisers, associates or any person participating in the Merger, assume any liability in respect of any tax incurred or other implication of any exercise of the Dissenting Shareholders' rights.

(2) Hong Kong stamp duty

As implementation of the Merger involves cancellation of the H Shares but not the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Dissenting Shareholders who exercise their right to require acquisition of their H Shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration by each of the seller and the buyer. The stamp duty payable by the seller will be deducted from the cash received by the relevant Dissenting Shareholders who exercise such right.

15. RECOMMENDATION OF THE BOARD

The Board (other than members of the Independent Board Committee, whose views are given in the section headed "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" in this document (pages IBC-1 to IBC-2 of this document)) is of the view that the terms of the Merger Agreement, including the Share Exchange Ratio, and the proposed Merger are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having considered the terms of the Merger Agreement and the proposed Merger and taken into account the advice from Gram Capital, the Independent Board Committee is of the view that the terms of the Merger Agreement and the proposed Merger are fair and reasonable so far as the Independent H Shareholders are concerned. Therefore, the Board recommends that the Shareholders vote in favour of the resolutions in relation to the Merger at the EGM and (if applicable) the H Shareholders' Class Meeting.

16. OTHER INFORMATION

In considering what action to take in connection with the Merger, you should consider your own tax position and, if you are in any doubt, you should consult your professional advisors.

You are urged to read carefully the letter from the Independent Board Committee on pages IBC-1 to IBC-2 of this document and the letter from Gram Capital on pages IFA-1 to IFA-54 of this document. Your attention is also drawn to the additional information set out in the Appendices to this document, all of which form part of this document.

A handwritten signature in black ink, appearing to be 'Tang Xinfu' in a stylized cursive script.

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