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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Shandong Xinhua Pharmaceutical Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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山東新華製藥股份有限公司  
**Shandong Xinhua Pharmaceutical Company Limited**

*(a joint stock company established in the People's Republic of China with limited liability)*

(Stock Code: 00719)

**(1) PROPOSED AMENDMENTS TO THE TERMS  
OF SHARE OPTION SCHEME;  
(2) PROPOSED APPOINTMENT AND RE-ELECTION  
OF DIRECTORS AND SUPERVISORS; AND  
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING  
AND OF MEETING OF THE SHAREHOLDERS OF H SHARES**

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A letter from the Board is set out on pages 1 to 15 of this circular.

A notice convening the EGM and H Shareholders Class Meeting to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 22 December 2020, Tuesday at 2:00 p.m. is also set out on pages 16 to 22 of this circular.

(i) A notice convening the EGM to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 22 December 2020, Tuesday at 2:00 p.m.; (ii) a notice convening the H Shareholders' Class Meeting to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 22 December 2020, Tuesday at 4:00 p.m. (or immediately after the conclusion or adjournment of the A Shareholders' Class Meeting to be held on the same day at the same venue at 3:00 p.m. or immediately after the conclusion or adjournment of the EGM); and (iii) the proxy form and reply slip in relation to the EGM and H Shareholders Class Meeting are enclosed and also published and available for downloading on the websites of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and of the Company at <http://www.xhzy.com>.

Whether or not you intend to attend the EGM and H Shareholders Class Meeting, we encourage you to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours prior to the commencement of the EGM and H Shareholders Class Meeting (or any adjournments thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and H Shareholders Class Meeting or any adjournment thereof (as the case may be) should you so wish. Shareholders who intend to attend the EGM and H Shareholders Class Meeting should also complete and return the reply slip in accordance with the instructions printed thereon.

2 December 2020

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

|                                 |   |
|---------------------------------|---|
| “A Share(s)”                    | A Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shenzhen Stock Exchange  |
| “A Shareholders”                | holder(s) of A Shares   |
| “A Shareholders’ Class Meeting” | the A Share Class Meeting of the Company to be held at 3:00 p.m. on 22 December 2020 at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC             |
| “Board”                         | the board of Directors of the Company   |
| “Class Meetings”                | the A Shareholders’ Class Meeting and H Shareholders Class Meeting  |
| “Company”                       | 山東新華製藥股份有限公司(Shandong Xinhua Pharmaceutical Company Limited), a joint stock limited company incorporated in the PRC   |
| “Director(s)”                   | director(s) of the Company  |
| “EGM”                           | the extraordinary general meeting of the Company to be held at 2:00 pm on 22 December 2020 at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC       |
| “Exercise Price”                | the price at which an Option may be exercised, which shall, pursuant to the Share Option Scheme and subject to Note (1) to Rule 17.03(9) of the Listing Rules, be RMB5.98 |
| “H Share(s)”                    | H Share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Hong Kong Stock Exchange   |
| “H Shareholders’ Class Meeting” | the H Share Class Meeting of the Company to be held at 4:00 pm on 22 December 2020 at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC               |

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## DEFINITIONS

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|---------------------------------------|--|
| “Latest Practicable Date”             | 30 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular   |
| “Listing Rules”                       | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Option”                              | the right to be granted to a Participant to acquire one new A Share at the Exercise Price within the exercise period and subject to the terms and conditions of the Share Option Scheme                        |
| “Participant”                         | a person eligible to be granted the Option(s) under the Share Option Scheme  |
| “PRC”                                 | the People’s Republic of China which, for and only for the purpose of this circular only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan                                       |
| “Proposed Amendments”                 | the proposed amendments to the terms of the Share Option Scheme set out in the announcement of the Company dated 22 October 2020   |
| “Proposed Appointment”                | the Proposed Appointment of Directors and the Proposed Appointment of Supervisors  |
| “Proposed Appointment of Directors”   | the proposed appointment of certain Directors to the offices of Directors for a new term of three years commencing from the date of approval of the Shareholders at the EGM                                    |
| “Proposed Appointment of Supervisors” | the proposed appointment of certain Supervisors to the offices of Supervisors for a new term of three years commencing from the date of approval of the Shareholders at the EGM                                |
| “Re-election”                         | the re-election of certain Directors and Supervisors to their respective offices of Directors or Supervisors for a new term of three years commencing from the date of approval of the Shareholders at the EGM |
| “SFO”                                 | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time   |

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## DEFINITIONS

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|                         |  |
|-------------------------|--|
| “Share(s)”              | A Share(s) and/or H Share(s)                                       |
| “Share Option Scheme”   | the share option scheme of the Company adopted on 28 December 2018 |
| “Shareholder(s)”        | holder(s) of Share(s)  |
| “Supervisor(s)”         | supervisor(s) of the Company                                       |
| “Supervisory Committee” | the supervisory committee of the Company                           |

*If there is any inconsistency between such names or words and their English translations in this circular, the Chinese expressions shall prevail.*

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## LETTER FROM THE BOARD

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山東新華製藥股份有限公司  
**Shandong Xinhua Pharmaceutical Company Limited**

*(a joint stock company established in the People's Republic of China with limited liability)*

(Stock Code: 00719)

*Executive Directors:*

Mr. Zhang Daiming (*Chairman*)

Mr. Du Deping

*Non-executive Directors:*

Mr. Ren Fulong

Mr. Xu Lie

*Independent Non-executive Directors:*

Mr. Li Wenming

Mr. Du Guanhua

Mr. Lo Wah Wai

*Registered Address:*

Chemical Industry Area of Zibo Hi-tech  
Industry Development Zone, Zibo City,  
Shandong Province, PRC

*Principal Place of Office*

No. 1 Lutai Ave., Hi-tech Industry  
Development Zone, Zibo City,  
Shandong Province, PRC

2 December 2020

To Shareholders

Dear Sir or Madam,

**(1) PROPOSED AMENDMENTS TO THE TERMS OF SHARE OPTION SCHEME**  
**(2) PROPOSED APPOINTMENT AND RE-ELECTION OF DIRECTORS AND**  
**SUPERVISORS**

**1. INTRODUCTION**

The purpose of this circular is to provide you with the notice of the EGM and H Shareholders' Class Meeting and certain information to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and H Shareholders' Class Meeting.

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## LETTER FROM THE BOARD

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### 2. PROPOSED AMENDMENTS TO THE TERMS OF SHARE OPTION SCHEME

#### Background

Reference is made to (i) the announcement of the Company dated 6 November 2018 and the circular of the Company dated 12 December 2018 regarding the proposed adoption of the Share Option Scheme and the grant thereunder; and (ii) the poll results announcement of the Company dated 28 December 2018 regarding the approval by the Shareholders on the adoption of the Share Option Scheme and the grant thereunder.

The Share Option Scheme was approved and adopted by the Company pursuant to a special resolution passed at the extraordinary general meeting and class meetings held on 28 December 2018. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force.

As at the Latest Practicable Date, there are 16,250,000 outstanding Share Options granted under the Share Option Scheme.

The purpose of the Share Option Scheme is to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, mobilise the Directors, senior management, mid-level management and core backbone staff of the Company, and bind the interests of Shareholders, the Company and persons in charge of the operation of the Company together effectively, helping the various parties to attend to the long-term development of the Company.

#### Proposed Amendments

Reference is made to the Company's announcement dated 22 October 2020 in relation to the Proposed Amendments to the terms of the Share Option Scheme.

In order to comply with the requirements under "Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies" (No. 171 [2008]) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)) issued by the Ministry of Finance of the PRC, the Board held a meeting on 22 October 2020 to discuss the proposal to amend the Share Option Scheme of the Company by amending the relevant terms regarding "occurrences in relation to the Participants". The Board (excluding (i) Mr. Zhang Daiming, who held 15,470 A Shares of the Company and 300,000 Options as at the date of the aforementioned Board meeting and as at the Latest Practicable Date; and (ii) Mr. Ren Fulong, Mr. Du Deping and Mr. Xu Lie, all of whom were granted certain number of Options, and therefore were all considered to have a material interest in the Proposed Amendments and were required to abstain from voting at the aforementioned Board meeting) unanimously resolved to submit the Proposed Amendments for Shareholders to consider, and if thought fit, approve the Proposed Amendments in the EGM and H Shareholders' Class Meeting.

## LETTER FROM THE BOARD

Details of the Proposed Amendments are set out below.

| <b>Amendments to Clause 2 of Chapter 13 of the Share Option Scheme</b>  |   |
|---|---|
| <b>Original terms</b>   | <b>Amended terms</b>  |
| <p>Point 2</p> <p>For cessation of service to the Group due to retirement, the Options Granted to the relevant Participant shall be dealt with in accordance with the terms and provisions of the Share Option Scheme set out above in the same manner as before the retirement save that the attainment of performance targets may no longer form a condition of the exercise of the Options Granted to the Participant.</p>   | <p>Within six months from the date of occurrence of any of the following situations, the Options of the Participant that have satisfied the conditions of exercise in that relevant year may be exercised; the Options that have not yet satisfied the conditions of exercise may not be exercised and shall be cancelled by the Company:</p>   |
| <p>Point 5</p> <p>In the event that a Participant becomes incapacitated for work and resigns, it should be dealt with according to the following two situations:</p> <p>(1) in the event that a Participant becomes incapacitated for work and resigns and the incapacity should arise in the course of his or her engagement and out of work injuries, all Options Granted shall be dealt with pursuant to the terms and provisions of the Share Option Scheme in the same manner as prior to the incapacity, save that the attainment of performance targets may no longer form a condition of the exercise of the Participants' outstanding Options;</p> | <ol style="list-style-type: none"> <li>1. when the Participant reaches the statutory retirement age;</li> <li>2. when the Participant is transferred out of the Company due to organizational arrangements and does not hold any position in the Company;</li> <li>3. when the Participant becomes deceased (the legal successor exercises the right according to the requirements);</li> <li>4. when the Participant loses his/her capacity for civil conduct;</li> <li>5. when the Participant is not dismissed by the Company for reasons such as incompetence for work, failure to pass the performance appraisal, misconduct, violation of laws and regulations, etc.</li> </ol> |



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## LETTER FROM THE BOARD

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| <b>Amendments to Clause 2 of Chapter 13 of the Share Option Scheme</b>  |                      |
|---|----------------------|
| <b>Original terms</b>   | <b>Amended terms</b> |
| <p>(2) for a Participant who falls incapacitated and resigns for reasons otherwise, all outstanding Options Granted thereto shall not be exercised and shall lapse accordingly.</p> <p>Point 6</p> <p>In the event that a Participant becomes deceased, it should be dealt with according to the following two situations:</p> <p>(1) if a Participant should decease in the course of his or her engagement for performance of work duties, all outstanding Options Granted thereto shall be dealt with pursuant to the terms and provisions of the Share Option Scheme in the same manner as prior to the death, save that the attainment of performance targets may no longer form a condition of the exercise of the Participants' outstanding Options and that the Options may be exercised by the heir of the estate or statutory successor of the Participant.</p> <p>(2) for the death of a Participant for reasons otherwise, all outstanding Options Granted thereto and not exercised shall lapse accordingly.</p> |                      |

The English translation of the Proposed Amendments of the Share Option Scheme is for reference only. In the event of any discrepancy between the Chinese and the English version of the Proposed Amendments, the Chinese version shall prevail.

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## LETTER FROM THE BOARD

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Apart from the aforesaid Proposed Amendments, all other existing terms of the Share Option Scheme will remain unchanged.

As advised by the PRC legal adviser of the Company, the Proposed Amendments comply with the requirements under “Measures for the Administration of Equity Incentives of Listed Companies” (《上市公司股權激勵管理辦法》), “Trial Measures for Implementing Equity Incentive Plans by State Holding Listed Companies (Domestic)” (《國有控股上市公司(境內)實施股權激勵試行辦法》) and “Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies” (No. 171 [2008]) (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》(國資發分配[2008]171號)) and do not contradict with laws, regulations and regulatory documents.

### **Listing Rules Implications**

Pursuant to the terms of the Share Option Scheme and Rule 17.03 of the Listing Rules, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the share options granted must be approved by the Shareholders.

As at the Latest Practicable Date, to the best of the directors’ knowledge, information and belief after making all reasonable enquiries, no Shareholder (excluding Mr. Zhang Daiming who held 15,470 A Shares of the Company and 300,000 Options as at the Latest Practicable Date, is considered to have a material interest in the proposed amendment to the Shares Option Scheme and are therefore required to abstain from voting at the EGM and H Shareholders’ Class Meeting) has any material interest in the proposed amendment to the Share Option Scheme. As such, apart from Mr. Zhang Daiming, no Shareholder is required to abstain from voting in respect of such resolution to be proposed in the EGM and H Shareholders’ Class Meeting.

### **3. PROPOSED APPOINTMENT AND RE-ELECTION OF DIRECTORS AND SUPERVISORS**

Reference is made to the announcement of the Company dated 19 November 2020 in relation to the Proposed Appointment and Re-election of Directors and Supervisors.

#### **Expiry of the terms of office of the ninth session of the Board of Directors and Supervisory Committee**

The terms of office of the tenth session of the Board and the Supervisory Committee (save for the Supervisors representative of the employees of the Company) are due to expire in late December 2020.

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## LETTER FROM THE BOARD

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### **Retirement of certain Directors and Supervisors (the “Retirement”)**

Mr. Ren Fulong (the non-executive Director of the ninth session of the Board), Mr. Du Guanhua and Mr. Li Wenming (the independent non-executive Directors of the ninth session of the Board) will retire upon the appointment of Directors of the tenth session of the Board being approved at the EGM.

Mr. Li Tianzhong, the supervisor of the ninth session of the Supervisory Committee, will retire upon the appointment of Supervisor of the tenth session of the Supervisory Committee being approved at the EGM of the Company.

Mr. Ren Fulong, Mr. Du Guanhua, Mr. Li Wenming and Mr. Li Tianzhong have confirmed that they have no disagreement with the Board or the Supervisory Committee and they are not aware of any matters relating to the Retirement that need to be brought to the attention of the Shareholders.

### **Proposed Appointment**

In a Board meeting held on 19 November 2020, the Board has unanimously resolved to nominate (i) Mr. He Tongqing as candidate for executive Director and Mr. Cong Kechun as candidate for non-executive Director of the tenth session of the Board and (ii) Mr. Pan Guangcheng and Mr. Zhu Jianwei as candidates for independent non-executive Directors of the tenth session of the Board. No Director was required to abstain from voting in respect of the Proposed Appointment and Re-election of Directors. The Proposed Appointment of Directors is subject to the approval of Shareholders by ordinary resolutions at the EGM. The term of office of Directors of the tenth session of the Board will take effect from the date of the EGM until the expiry of the term of office of the tenth session of the Board.

The Supervisory Committee has proposed to nominate Mr. Liu Chengtong as a candidate for Supervisor of the tenth session of the Supervisory Committee. The Proposed Appointment of Supervisor is subject to the approval of Shareholders by ordinary resolutions at the EGM. The term of office of Supervisors of the tenth session of the Supervisory Committee will take effect from the date of the EGM until the expiry of the term of office of the tenth session of the Supervisory Committee.

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## LETTER FROM THE BOARD

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### **Re-election of Directors and Supervisors**

The Board is pleased to announce that certain Directors and the Supervisors (save for the Supervisors representative of the employees of the Company) will seek Re-election for a new term of three years commencing from the date of approval of the Shareholders at the EGM.

Biographical details of the candidates for (i) seeking the Re-election; and (ii) the Proposed Appointment respectively are set out below.

#### **A. Biographical details of candidates seeking the Re-election**

##### *Candidates for executive Directors*

###### *1. Mr. Zhang Daiming*

Mr. Zhang Daiming, aged 58, is a senior economist. He graduated from Qingdao University of Science and Technology, specialising in organic chemical engineering and obtained a master's degree in economics from Shanghai University of Finance and Economics. Mr. Zhang joined Shandong Xinhua Pharmaceutical Factory in 1987 and had served as a workshop technician, planner of the planning and statistics department of the Company, the deputy manager and manager of the international trade department of the Company and the deputy general manager of the Company. Mr. Zhang is currently the chairman of the Company, the executive director of Shandong Xinhua Import & Export Co., Ltd., the chairman of the board of directors of Shandong Xinhua Pharmaceutical (Europe) B.V., the chairman of the board of directors of Zibo Xinhua-Perrigo Pharmaceutical Co., Ltd., and the chairman of the board of directors of Shandong Xinhua Pharmaceutical (USA) Inc..

As at the date hereof, Mr. Zhang has not entered into any service contract with the Company. The proposed amount of his emoluments as a Director of the Company for 2020 is approximately RMB460,000, determined by reference to his experience and the emoluments of the other non-independent Directors.

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## LETTER FROM THE BOARD

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2. *Mr. Du Deping*

Mr. Du Deping, aged 51, is a researcher. He graduated from the Ocean University of China and obtained a master's degree in pharmaceutical chemistry and a doctoral degree in pharmaceutical engineering from Shandong University. He joined Shandong Xinhua Pharmaceutical Factory in 1991 and was previously a deputy head and head of the workshop, assistant to the general manager and deputy general manager. Mr. Du is currently a Director and general manager of the Company, chairman of the board of directors of Shandong Xinhua Pharmaceutical Chemical Industry Design Co., Ltd. and Xinhua Pharmaceutical (Shouguang) Co., Ltd., the executive director of Xinhua (Zibo) Real Estate Co., Ltd. and Shandong Zibo XinCat Pharmaceutical Co., Ltd.

As at the date hereof, Mr. Du has not entered into any service contract with the Company. The proposed amount of his emoluments as a Director of the Company for 2020 is approximately RMB416,000, determined by reference to his experience and the emoluments of the other non-independent Directors.

***Candidate for non-executive Director***

1. *Mr. Xu Lie*

Mr. Xu Lie, aged 55, is a senior economist and professor level senior political engineer. Mr. Xu is a university graduate and has a master's degree in management. He joined Shandong Xinhua Pharmaceutical Factory in 1986 and has been the deputy section chief and section chief of the office, deputy head of the office, and manager of the human resource department, a director and chairman of the labour union of Shandong Xinhua Pharmaceutical Group Co., Ltd. Mr. Xu is currently a Director and chairman of the labour union of the Company.

As at the date hereof, Mr. Xu has not entered into any service contract with the Company. The proposed amount of his emoluments as a Director of the Company for 2020 is approximately RMB316,000, determined by reference to his experience and the emoluments of the other non-independent Directors.

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## LETTER FROM THE BOARD

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### *Candidate for Independent non-executive Director*

1. *Mr. Lo Wah Wai*

Mr. Lo Wah Wai, aged 57, graduated with a bachelor's degree in business administration from The Chinese University of Hong Kong in 1986 and a master's degree in management science from New Jersey Institute of Technology in the United States in 1992. Mr. Lo is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 20 years' service experience in auditing and business consulting services, in which he had more than seven years' experience in auditing and business consulting services in an international accounting firm (Deloitte Touche Tohmatsu), two years of which were spent in the United States of America. Save from serving as an incumbent director of BMI Consultants Limited, Mr. Lo is also an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (stock code: 2722) and Tenfu (Cayman) Holdings Company Limited (stock code: 6868), both of which are listed on the main board of The Stock Exchange of Hong Kong Limited, and non-executive director of Document Security Systems, Inc. in the United States. He is currently an independent non-executive Director of the Company as well.

As at the date hereof, Mr. Lo has not entered into any service contract with the Company. The proposed amount of his emoluments as a Director of the Company for 2020 is approximately RMB80,000, determined by reference to his experience and the emoluments of the other independent non-executive Directors.

### *Candidates for Supervisors*

1. *Mr. Tao Zhichao*

Mr. Tao Zhichao, aged 51, graduated from East China University of Politics and Law with a specialization in law, and obtained a bachelor's degree in law. He was also conferred a master's degree in law from Shandong University. Mr. Tao was previously a partner of Shandong Zhigong Law Firm. Mr. Tao is currently a director of management committee and senior partner of Beijing Yingke (Zibo) Law Firm, and an independent Supervisor of the Company.

As at the date hereof, Mr. Tao has not entered into any service contract with the Company. The proposed amount of his emoluments as a Supervisor of the Company for 2020 is approximately RMB35,000, determined by reference to his experience and the emoluments of the other independent Supervisors.

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## LETTER FROM THE BOARD

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2. *Mr. Xiao Fangyu*

Mr. Xiao Fangyu, aged 51, specialized in Mathematics and graduated from Shandong University in 1992. He is an asset appraiser and land appraiser. He has been a staff member and superintendent in Zichuan District Finance Bureau of Zibo city, senior manager of Shandong Zhenglu Accounting Firm, department head of Shandong North Asset Appraisal Firm and deputy director of Jinan branch of Zhongxingcai Guanghua Certified Public Accountants. Mr. Xiao is currently a general manager of Tianjian Xingye Asset Appraisal Co., Ltd. and an independent Supervisor of the Company.

As at the date hereof, Mr. Xiao has not entered into any service contract with the Company. The proposed amount of his emoluments as a Supervisor of the Company for 2020 is approximately RMB35,000, determined by reference to his experience and the emoluments of the other independent Supervisors.

**B. Biographical details of candidates for the Proposed Appointment**

*Candidate for executive Director*

1. *Mr. He Tongqing*

Mr. He Tongqing, aged 51, is a senior economist. He graduated from the Shandong Polytechnic University and obtained a degree in material science and engineering. He also obtained an MBA from Shandong University. Mr. He joined Shandong Xinhua Pharmaceutical Factory in 1991. His previous positions included workshop technician, planner, sales officer, regional manager, manager of the drug department, marketing director and general manager of Shandong Zibo XinCat Pharmaceutical Co., Ltd. Mr. He is currently a deputy general manager of the Company, and chairman of the board of directors of Shandong Xinhua Pharmaceutical Trade Co., Ltd., and the executive director of Zibo Xinhua Pharmacy Chain Co., Ltd. and Xinhua Pharmaceutical (Gaomi) Co., Ltd.

As at the date hereof, Mr. He has not entered into any service contract with the Company. The proposed amount of his emoluments as a Director of the Company for 2020 is approximately RMB316,000, determined by reference to his experience and the emoluments of the other non-independent Directors.

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## LETTER FROM THE BOARD

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### *Candidate for non-executive Director*

1. *Mr. Cong Kechun*

Mr. Cong Kechun, aged 56, graduated from Zhongnan University of Economics and Law with an EMBA. Mr. Cong started work in July 1984. He served as staff member, senior staff member and principal staff member of the planning department of Shandong Labor Department, deputy general manager of the office and deputy general manager of trade department of Shandong Hualu Group Co., Ltd., office director, assistant general manager as well as office director, general manager of investment development department of Hualu Holdings Co., Ltd. (“HHC”) and assistant general manager, office director and director of the inspection office of HHC. Currently, Mr. Cong is the secretary to the board of directors of HHC, a director of Shandong Lukang Pharmaceutical Co., Ltd. and the chairman of the board of directors of HuaLu International Financial Leasing Co., Ltd.

As at the date hereof, Mr. Cong has not entered into any service contract with the Company and does not plan to receive remuneration for being a Director for 2020.

### *Candidates for independent non-executive Directors*

1. *Mr. Pan Guangcheng*

Mr. Pan Guangcheng, aged 71, graduated with a university degree and is a senior engineer. Mr. Pan served as the cadre and director of the Medical Device Bureau of the Ministry of Health, director and deputy director general of the Department of Personnel, director general of the Department of Policies and Regulations of the National Medical Administration, deputy general manager of China National Medical Equipment Industry Corporation, secretary to the board of directors of China National Pharmaceutical Group Co., Ltd., and executive vice president of China Pharmaceutical Industry Association (“CPIA”). Currently, Mr. Pan is the executive chairman of CPIA, independent director of North China Pharmaceutical Co., Ltd., independent director of Harbin Pharmaceutical Group Co., Ltd., independent director of Tianjin Lisheng Pharmaceutical Co., Ltd., and independent director of Asymchem Laboratories (Tianjin) Co., Ltd.

As at the date hereof, Mr. Pan has not entered into any service contract with the Company and does not plan to receive remuneration for being a Director for 2020.



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## LETTER FROM THE BOARD

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2. *Mr. Zhu Jianwei*

Mr. Zhu Jianwei, aged 64, is the “Zhiyuan Chair Professor” of Shanghai Jiao Tong University. He holds a bachelor’s degree in biochemical engineering from East China University of Science and Technology, a master’s degree in microbial pharmacy and a doctoral degree in microbial genetics from Shanghai Research Institute of Pharmaceutical Industry, and a master’s degree in Business Administration from Hood College in the United States. He has served as senior researcher of Joslin Diabetes Center at Harvard Medical School, technical operation director of SAIC Frederick in the USA and the third dean of the School of Pharmacy of Shanghai Jiao Tong University. He has been employed as Zhiyuan Chair Professor at Shanghai Jiao Tong University since September 2012. He is currently the director and chief scientist of the Engineering Research Center of the Ministry of Education for Cell Engineering, Antibody and Drugs, independent director of Zhejiang Medicine Co., Ltd. and director of Zhejiang Hisoar Pharmaceutical Co., Ltd.

As at the date hereof, Mr. Zhu has not entered into any service contract with the Company and does not plan to receive remuneration for being a Director for 2020.

***Candidate for Supervisor***

1. *Mr. Liu Chengtong*

Mr. Liu Chengtong, aged 49, graduated from the School of Economics and Management of Tongji University with a master’s degree in Business Administration and from the School of Law of Shandong University with a master’s degree in law. He is a senior economist and qualified as a lawyer and in-house counsel. He has served as manager, deputy general manager and senior deputy general manager of the planning and development department, and deputy director of the office of legal affairs of HHC. He is currently general manager of investment and development department, department head of legal affairs and deputy general counsel of HHC, supervisor of Shandong Lukang Pharmaceutical Co., Ltd., director of Shandong Lukang Biological Pesticide Co., Ltd., and director of Hualu International Financial Leasing Co., Ltd.

As at the date hereof, Mr. Liu has not entered into any service contract with the Company and does not plan to receive remuneration for being a Supervisor for 2020.

Save as disclosed above, as at the date hereof, none of the above persons (i) has held any other positions in the Company or other members of the Group or any directorship in any other listed companies in the past three years; (ii) has any relationship with any

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## LETTER FROM THE BOARD

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other Director, Supervisor, senior management, substantial Shareholder or controlling Shareholder (as defined under the Listing Rules) of the Company; or (iii) has any interest in the shares of the Company within the meaning of Part XV of the SFO. All of the above persons have nothing to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules nor is there anything that needs to be brought to the attention of the Shareholders.

#### 4. EGM AND CLASS MEETINGS

The Proposed Amendments are subject to, among other things, the approval by way of special resolution of the Shareholders at a general meeting and of the H Shareholders and A Shareholders at their respective class meetings. It is therefore proposed that the EGM and the Class Meetings be convened to propose resolutions to vote, among other things, to approve the abovementioned resolutions. To the extent that the Company is aware having made all reasonable enquiries, eligible Participants under the Share Option Scheme and any of their respective associates who were in aggregate interested in less than 1% of the total number of issued Shares of the Company as at the Latest Practicable Date will abstain from voting at the Meetings on the resolutions in relation to the Proposed Amendments.

As at the Latest Practicable Date, to the best of the directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder (excluding Mr. Zhang Daiming who held 15,470 A Shares of the Company and 300,000 Options as at the Latest Practicable Date, is considered to have a material interest in the Proposed Amendments to the Share Option Scheme and is therefore required to abstain from voting) has any material interest in the Proposed Amendments to the Share Option Scheme. As such, apart from Mr. Zhang Daiming, no Shareholder is required to abstain from voting in respect of such resolution to be proposed in the EGM and H Shareholders' Class Meeting.

The Proposed Appointment and Re-election are subject to the approval of the Shareholders by way of ordinary resolution at the EGM.

(i) A notice convening the EGM to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 22 December 2020, Tuesday at 2:00 p.m.; (ii) a notice convening the H Shareholders' Class Meeting to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 22 December 2020, Tuesday at 4:00 p.m. (or immediately after the conclusion or adjournment of the A Shareholders' Class Meeting to be held on the same day at the same venue at 3:00 p.m. or immediately after the conclusion or adjournment of the EGM); and (iii) the proxy form and reply slip in relation to the EGM and H Shareholders Class Meeting are enclosed and also published and available for downloading on the websites of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk) and of the Company at <http://www.xhzy.com>.

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## LETTER FROM THE BOARD

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As disclosed in the notice of the EGM and H Shareholders' Class Meeting, for the purpose of determining the H Shareholders entitled to attend and vote at the EGM and the H Shareholders' Class Meeting, the register of members of the H Shares of the Company has been scheduled to close from 17 December 2020 to 22 December 2020 (both days inclusive), during which period no transfer of H Share will be registered. Shareholders whose names appear on the register of members of the H Shares of the Company kept with the Hong Kong Registrars Limited at 4:30 p.m. on Wednesday, 16 December 2020 are entitled to attend the EGM and the H Shareholders' Class Meeting.

Whether or not you intend to attend the EGM and H Shareholders Class Meeting, we encourage you to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours prior to the commencement of such meetings (or any adjournments thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and/or H Shareholders Class Meeting or any adjournment thereof (as the case may be) should you so wish. Shareholders who intend to attend the EGM and/or H Shareholders Class Meeting should also complete and return the reply slip in accordance with the instructions printed thereon.

For the corresponding arrangements applicable to the A Shareholders, please refer to the meeting notices to A Shareholders with which the relevant forms of proxy and reply slips were enclosed and published by the Company on the website of the Shenzhen Stock Exchange on 2 December 2020.

### **5. VOTING BY POLL**

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM and Class Meetings will exercise his power under the Articles of Association to demand a poll in relation to all proposed resolutions at the EGM and Class Meetings.

### **6. RECOMMENDATIONS**

The Board considers that the proposed resolutions set out above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that Shareholders eligible to vote at the EGM and the Class Meetings to attend and vote in favour of the resolutions.

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## LETTER FROM THE BOARD

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### 7. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board  
**Shandong Xinhua Pharmaceutical Company Limited**  
**Zhang Daiming**  
*Chairman*

2 December 2020, Zibo, the People's Republic of China



山東新華製藥股份有限公司  
**Shandong Xinhua Pharmaceutical Company Limited**

*(a joint stock company established in the People's Republic of China with limited liability)*

(Stock Code: 00719)

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND OF  
MEETING OF THE SHAREHOLDERS OF H SHARES**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”), the Class Meeting (the “**A Shareholders’ Class Meeting**”) of the Shareholders of A Shares (the “**A Shareholders**”) and the Class Meeting (the “**H Shareholders Class Meeting**”; together with the EGM and the A Shareholders’ Class Meeting, the “**Meetings**”) of the Shareholders of H Shares (the “**H Shareholders**”; together with the A Shareholders, the “**Shareholders**”) of the Company will be held at the Company’s conference room at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, The People’s Republic of China (the “**PRC**”) on Tuesday, 22 December 2020 from 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions and special resolution.

The details of the Meetings are provided as follows:

**A. CONVENING OF THE EGM**

**1. Time of the Meetings**

The EGM and the H Shareholders Class Meeting will commence at 2:00 p.m. and 4:00 p.m. (or immediately after the conclusion or adjournment of the A Shareholders’ Class Meeting) respectively on Tuesday, 22 December 2020.

**2. Venue of the physical Meetings**

The Meetings will be held at the Company’s conference room at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, The People’s Republic of China (the “**PRC**”).

**3. Convenor**

The Meetings were convened by the Board.

**4. Ways of conducting the Meetings**

The A Shareholders or the duly appointed proxies thereof may vote at the EGM and the A Shareholders' Class Meeting by way of physical voting or online voting, whereas the H Shareholders or the duly appointed proxies thereof may vote at the EGM and the H Shareholders Class Meeting by way of physical voting.

**5. Eligible attendees**

**(1) Shareholders**

The EGM:

All the A Shareholders whose names appear on the register of members, kept by China Securities Depository and Clearing Corporation Limited, Shenzhen Office, as at the close of A share trading session on Shenzhen Stock Exchange on Tuesday, 15 December 2020.

For information on the attendance of the A Shareholders, please refer to the notice(s) to A Shareholders in respect of the EGM and A Shareholders' Class Meeting published by the Company on the website of the Shenzhen Stock Exchange of even date.

All the H Shareholders whose names appear on the register of members of H shares of the Company ("**H Shares**") at 4:30 p.m. on Wednesday, 16 December 2020.

The H Shareholders Class Meeting:

All the H Shareholders whose names appear on the register of members of H Shares on Wednesday, 16 December 2020 at 4:30 p.m..

**(2) Proxies duly appointed by the Shareholders;**

**(3) Directors ("**Directors**"), supervisors ("**Supervisors**") and senior management (with the meaning ascribed thereto under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the "**Senior Management**") of the Company;**

(4) Legal advisors to the Company; and

(5) Auditors of the Company.

**B. MATTERS FOR CONSIDERATION AND APPROVAL AT THE EGM**

The following resolutions will be submitted for consideration and approval at the EGM:

**ORDINARY RESOLUTIONS** NOTES 1, 2

1. To consider and approve the re-election of Mr. Zhang Daiming as executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
2. To consider and approve the re-election of Mr. Du Deping as executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
3. To consider and approve the re-election of Mr. Xu Lie as non-executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
4. To consider and approve the re-election of Mr. Lo Wah Wai as independent non-executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
5. To consider and approve the re-election of Mr. Tao Zhichao as supervisor of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
6. To consider and approve the re-election of Mr. Xiao Fangyu as supervisor of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
7. Mr. He Tongqing be elected as executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
8. Mr. Cong Kechun be elected as non-executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
9. Mr. Pan Guangcheng be elected as independent non-executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.

10. Mr. Zhu Jianwei be elected as independent non-executive director of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.
11. Mr. Liu Chengtong be elected as supervisor of the Company by cumulative voting for a period of 3 years with effect from the date of approval by the Shareholders.

**SPECIAL RESOLUTION** NOTE 3

12. To consider and approve the Proposed Amendments to the Share Option Scheme.

“**THAT** the Proposed Amendments to points 2, 5 and 6 of Clause 2 under Chapter 13 of the Share Option Scheme, as set out in the Letter from the Board of the circular to the Shareholders dated 2 December 2020 and contained in the revised Share Option Scheme, a copy of which has been produced to this meeting marked “A” and for the purpose of identification initialed by the chairman of this meeting be and are hereby approved and the board of directors of the Company be and is hereby authorised to deal with on behalf of the Company all relevant procedures and matters to effect the amendments.”

**C. MATTERS FOR CONSIDERATION AND APPROVAL AT THE H SHAREHOLDERS CLASS MEETING**

The following resolution will be submitted for consideration and approval at the H Shareholders Class Meeting:

**SPECIAL RESOLUTION** NOTE 3

1. To consider and approve the Proposed Amendments to the Share Option Scheme.

“**THAT** the Proposed Amendments to points 2, 5 and 6 of Clause 2 under Chapter 13 of the Share Option Scheme, as set out in the Letter from the Board of the circular to the Shareholders dated 2 December 2020 and contained in the revised Share Option Scheme, a copy of which has been produced to this meeting marked “A” and for the purpose of identification initialed by the chairman of this meeting be and are hereby approved and the board of directors of the Company be and is hereby authorised to deal with on behalf of the Company all relevant procedures and matters to effect the amendments.”



**D. REGISTRATION OF THE MEETINGS**

1. The register of members of the Company will be closed from 17 December 2020 to 22 December 2020 (both days inclusive), during which period no H Share transfers will be registered. Shareholders whose names appear on the register of members of the Company kept by the Hong Kong Registrars Limited at 4:30 p.m. on Wednesday, 16 December 2020 and on the register of members kept by the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Tuesday, 15 December 2020 and the Directors, the Supervisors and the Senior Management are entitled to attend the EGM or any adjournment thereof.
2. H Shareholders who wish to attend the EGM shall lodge their share transfer instruments accompanied by the relevant share certificates with the share registrar for the Company's H Shares not later than 4:30 p.m. on Wednesday, 16 December 2020.

The address of the share registrar for the Company's H Shares:

Hong Kong Registrars Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong

3. Shareholders who intend to attend the EGM and/or H Shareholders Class Meeting are requested to send the completed and signed reply slip for attendance despatched to the Shareholders together with this notice to the office of the secretary to the Board (see Note 8 below) or to the share registrar for the Company's H Shares (see Note 2 above) on or before 21 December 2020, by hand, by post or by facsimile. The written reply will not affect the right of the Shareholders to attend and vote at the EGM and/or the H Shareholders Class Meeting.
4. Shareholders entitled to attend and vote at the EGM and/or the H Shareholders Class Meeting may appoint one or more proxies (whether the person is a Shareholder or not) to attend and vote on his/her/its behalf at the EGM and/or the H Shareholders Class Meeting. When a Shareholder appoints more than one proxy, such proxies may only vote by way of poll.
5. Shareholders may only appoint a proxy or proxies in writing i.e. the proxy forms ("**Proxy Forms**") despatched to the Company's shareholders together with this notice or a copy thereof, which shall be in compliance with the instructions thereon and signed by the person appointing the proxy or proxies or by his/her/its duly authorised attorney. If the form of proxy is signed by an attorney, the document appointing the attorney must be certified by a notary public. If the appointing Shareholder is a legal entity, its seal or the signature of its director(s) or representative(s) duly authorised in writing is required. To be valid, a notarised power of attorney or other authority (if any) and the forms of proxy must be received by the

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**NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND OF MEETING OF THE SHAREHOLDERS OF H SHARES**

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office of the secretary to the Board (see Note 8 below) 24 hours prior to the commencements of the EGM and the H Shareholders Class Meeting (as the case may be). The completion and deposit of a form of proxy will not preclude any Shareholder from attending and voting in person at the EGM and/or the H Shareholders Meeting (as the case may be) or any adjournment thereof.

6. Shareholders or their proxies shall present proof of identity as required upon attending the EGM and/or the H Shareholders Class Meeting (as the case may be). Should a proxy be appointed, the proxy shall also present his/her form of proxy.
7. The Meetings are expected to last half a day. Shareholders who attend any of the Meetings shall bear their own traveling and accommodation expenses.
8. The address of the office of the secretary to the Board is as follows:  
  
No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province,  
PRC Postal Code: 255086  
Telephone: 86 533 2196024  
Facsimile: 86 533 2287508
9. All references to time herein refer to Hong Kong time.
10. For the arrangements applicable to the A Shareholders in respect of the EGM and the A Shareholders' Class Meeting, please refer to the notice(s) to A Shareholders published by the Company on the website of the Shenzhen Stock Exchange of even date.

**E. DOCUMENTS AVAILABLE FOR INSPECTION**

1. Resolutions passed at the thirteenth meeting and fourth extraordinary meeting of the ninth session of the Board; and
2. Resolutions passed at the first extraordinary meetings of the ninth session of the Supervisory Committee.

By Order of the Board  
**Shandong Xinhua Pharmaceutical Company Limited**  
**Zhang Daiming**  
*Chairman*

2 December 2020, Zibo, PRC

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND OF MEETING OF THE SHAREHOLDERS OF H SHARES

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*Notes:*

1. When Directors/or Supervisors are elected through cumulative voting at the EGM, the number of total votes that a Shareholder can exercise is decided by the following factors: (i) the number of shares held by such Shareholder, and (ii) the number of Directors/or Supervisors to be elected. A Shareholder can give all his or her votes to one of the candidates for Directors/or Supervisors or divide his or her votes among several candidates for directors/or supervisors. Directors/or Supervisors are elected based on the total number of votes a candidate receives at the EGM.
2. The biographical details of the candidates of the Directors and Supervisors for appointment and re-election have been set out in the announcement of the Company dated 19 November 2020 and the circular dated 2 December 2020.
3. The Proposed Amendments to the Share Option Scheme of the Company have been set out in the announcement of the Company dated 22 October 2020 and the circular dated 2 December 2020.

As at the date hereof, the Board comprises:

*Executive Directors:*

Mr. Zhang Daiming (*Chairman*)  
Mr. Du Deping

*Independent Non-executive Directors:*

Mr. Du Guanhua  
Mr. Li Wenming  
Mr. Lo Wah Wai

*Non-executive Directors:*

Mr. Ren Fulong  
Mr. Xu Lie