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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: 0719)

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

**NOTICE IS HEREBY GIVEN** that the board of directors (the “**Board**”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) has decided to hold the Annual General Meeting (the “**AGM**”), 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 AGM 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 from 2:00 p.m. on Friday, 29 June 2018.

The details of the Meetings are provided as follows:

**A. CONVENING OF THE MEETINGS**

**1. Time of the Meetings**

The AGM 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 Friday, 29 June 2018.

**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 AGM 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 AGM and the H Shareholders Class Meeting by way of physical voting.

### **5. Eligible attendees**

#### ***(1) Shareholders of the Company***

##### *The AGM:*

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 Thursday, 21 June 2018.

For information on the attendance of the A Shareholders, please refer to the notice(s) to A Shareholders in respect of the AGM 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 at 4:30 p.m. on Tuesday, 29 May 2018.

##### *The H Shareholders Class Meeting:*

All the H Shareholders whose names appear on the register of members of H Shares of the Company on Tuesday, 29 May 2018 after 4:30 p.m..

- (2)** Proxies duly appointed by the Shareholders;
- (3)** Directors (the “**Directors**”), supervisors and senior management of the Company;
- (4)** Legal advisers to the Company; and
- (5)** Auditors of the Company.

## **B. MATTERS FOR CONSIDERATION AND APPROVAL AT THE AGM**

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

### **ORDINARY RESOLUTIONS**

1. To review and approve the annual report of the Company for the year 2017.
2. To review and approve the report of the Board for the year 2017.
3. To review and approve the report of the supervisory committee of the Company for the year 2017.
4. To review and approve the audited financial statements of the Company for the year 2017.
5. To review and approve the re-appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's auditors for the year 2018 and authorise the Board to fix their remuneration.
6. To review and approve the remuneration of the directors and the supervisors of the Company for the year 2018.
7. To consider and approve the revision of the annual cap for year 2018 in respect of the transactions under the agreement dated 29 October 2015 entered into between the Company and Shandong Hualu Hengsheng Chemical Company Limited from Renminbi ("**RMB**") 120,000,000 to RMB200,000,000.<sup>Note 11</sup>

### **SPECIAL RESOLUTIONS**

8. To consider and approve the proposed amendments to the Articles of Association of the Company.<sup>Note 12</sup>

**"THAT** the proposed amendments to the Articles of Association of the Company 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 and to make any appropriate adjustments thereto whenever necessary in the process of submitting the same for the approval of and as required from time to time by the relevant regulatory authorities including without limitation to the administration authorities of industry and commerce and the Shenzhen Stock Exchange.

9. To consider and approve the Company's Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017.

**“THAT** the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 be and is hereby approved.

The Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017: the distribution of cash dividend of RMB0.05 (tax inclusive) for every existing share of the Company (a **“Share”**, and collectively the **“Shares”**) and the issuance of 3 capitalisation shares (the **“Capitalisation Shares”**) for every 10 existing Shares by way of capitalisation of capital reserve representing a total increase of 45,000,000 new H Shares and 98,506,026 new A Shares, based on the Company's total issued Shares of 150,000,000 H Shares and 328,353,421 A Shares as at 31 December 2017. All shareholders of the Company will be entitled to their Capitalisation Shares on a pro-rata basis. However, no fractional share (if any) will be issued and distributed pursuant to the Capital Reserve Capitalisation, but will be aggregated and sold for the benefit of the Company.

The Board be and is hereby authorised to deal with and to make delegations as appropriate to deal with any matters in relation to, in furtherance to or for the implementation of the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 pursuant to Shareholders' approval and to the applicable laws, rules and regulations. <sup>”Note 13</sup>

## **C. MATTER 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**

1. To consider and approve the Company's Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017.

**“THAT** the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 be and is hereby approved.

The Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017: the distribution of cash dividend of RMB0.05 (tax inclusive) for every existing Share of the Company and the issuance of 3 Capitalisation Shares for every 10 existing Shares by way of capitalisation of capital reserve representing a total increase of 45,000,000 new H Shares and 98,506,026 new A Shares, based on the Company's total issued Shares of 150,000,000 H

Shares and 328,353,421 A Shares as at 31 December 2017. All shareholders of the Company will be entitled to their Capitalisation Shares on a pro-rata basis. However, no fractional share (if any) will be issued and distributed pursuant to the Capital Reserve Capitalisation, but will be aggregated and sold for the benefit of the Company.

The Board be and is hereby authorised to deal with and to make delegations as appropriate to deal with any matters in relation to, in furtherance to or for the implementation of the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 pursuant to Shareholders' approval and to the applicable laws, rules and regulations. <sup>”Note 13</sup>

#### **D. REGISTRATION OF THE MEETINGS**

1. The register of members of the Company will be closed from 30 May 2018 to 29 June 2018 (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 Tuesday, 29 May 2018 and on the register of members kept by the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Thursday, 21 June 2018 and the Directors, the supervisors and the senior management of the Company are entitled to attend the AGM or any adjournment thereof.
2. H Shareholders who wish to attend the AGM 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 29 May 2018.

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 AGM and/or H Shareholders Class Meeting are requested to send the completed and signed reply slip for attendance despatched to the Company's 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 8 June 2018, by hand, by post or by facsimile. The written reply will not affect the right of the Shareholders to attend and vote at the AGM and/or the H Shareholders Class Meeting.

4. Shareholders entitled to attend and vote at the AGM 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 AGM 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 form despatched to the Company's shareholders together with this notice or a copy of it, 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 notarially certified power of attorney or other authority (if any) and the forms of proxy must be received by the office of the secretary to the Board (see Note 8 below) 24 hours prior to the commencements of the AGM and the H Shareholders Class Meeting. The completion and deposit of a form of proxy will not preclude any Shareholder from attending and voting in person at the AGM and/or the H Shareholders Meeting or any adjournment thereof.
6. Shareholders or their proxies shall present proof of identity upon attending the AGM and/or the H Shareholders Class Meeting. 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 AGM 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.

11. The details of the proposed revision of the annual cap for year 2018 in respect of the transactions under the agreement dated 29 October 2015 entered into between the Company and Shandong Hualu Hengsheng Chemical Company Limited have been set out in the announcement of the Company dated 20 April 2018. A circular in relation thereto will be despatched to the H Shareholders in due course.
12. The proposed amendments to the Articles of Association of the Company have been set out in the announcement of the Company dated 20 April 2018. A circular in relation thereto will be despatched to the H Shareholders in due course.
13. A circular containing, amongst others, details of the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 including without limitation the payment currency and the applicable foreign exchange rate for the proposed cash dividend, the applicable tax arrangements (if any), the relevant record date(s) and book closure period(s) in respect of the Plan for Profit Distribution and Capital Reserve Capitalisation for Year 2017 and the proposed timetable will be despatched to Shareholders in due course.

#### **E. DOCUMENTS AVAILABLE FOR INSPECTION**

Resolutions passed at the third extraordinary meeting of the ninth session of the Board.

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

15 May 2018, Zibo, PRC

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. Chan Chung Kik, Lewis

*Non-executive Directors:*

Mr. Ren Fulong  
Mr. Xu Lie  
Mr. Zhao Bin