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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: 0719)

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
THE RULES AND PROCEDURES FOR GENERAL MEETINGS AND
THE RULES AND PROCEDURES FOR BOARD MEETINGS
AND
NOTICE OF THE ANNUAL GENERAL MEETING**

A letter from the Board is set out on pages 1 to 4 of this circular.

A notice convening the AGM to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 29 June 2020, Monday at 2:00 p.m. is also set out on pages 36 to 38 of this circular.

The proxy form and reply slip in relation to the AGM 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 and of the Company at .

Whether or not you intend to attend the AGM, 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 AGM (or any adjournments thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) should you so wish. Shareholders who intend to attend the AGM should also complete and return the reply slip in accordance with the instructions printed thereon.

14 May 2020

CONTENTS

	<i>Pages</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
APPENDIX I – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION	5
APPENDIX II – PROPOSED AMENDMENTS TO THE RULES AND PROCEDURES FOR GENERAL MEETINGS	25
APPENDIX III – PROPOSED AMENDMENTS TO THE RULES AND PROCEDURES FOR BOARD MEETINGS	33
NOTICE OF THE ANNUAL GENERAL MEETING	36

DEFINITIONS

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

“AGM”	the annual general meeting for the year of 2019 of the Company to be held at 2:00 pm on 29 June 2020 at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC
“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
“Board”	the board of Directors of the Company
“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
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of Share(s)

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

LETTER FROM THE BOARD



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)

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 District, Zibo
City, Shandong Province, the PRC

14 May 2020

To Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
THE RULES AND PROCEDURES FOR GENERAL MEETINGS AND
THE RULES AND PROCEDURES FOR BOARD MEETINGS**

1. INTRODUCTION

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

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION, THE RULES AND PROCEDURES FOR GENERAL MEETINGS AND THE RULES AND PROCEDURES FOR BOARD MEETINGS

Reference is made to the Company's announcement dated 21 April 2020.

In order to enhance the efficiency of the decision-making and simplify the procedures in convening general meetings of the shareholders of the Company, and in accordance with the "Company Law of the People's Republic of China" (《中華人民共和國公司法》), the "Securities Law of the People's Republic of China" (《中華人民共和國證券法》), the People's Republic of China's "Code of Corporate Governance for Listed Companies (2018 Revision)" (《上市公司治理準則(2018年修訂)》), the "Reply of the State Council of the People's Republic of China on the Adjustment of the Notice Period for Convening General Meetings and Other Matters Applicable to Overseas Listed Companies (Guo Han (2019) No. 97)" (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函(2019)97號)) and other relevant laws and regulations, the Board, after due consideration and having regard to the actual circumstances of the Company, has proposed certain amendments to the following:

- (1) the articles of association of the Company (the "**Articles of Association**") (the "**Proposed Amendments to the Articles of Association**");
- (2) the rules and procedures for general meetings of the Company (the "**Proposed Amendments to the Rules and Procedures for General Meetings**"); and
- (3) the rules and procedures for board meetings of the Company (the "**Proposed Amendments to the Rules and Procedures for Board Meetings**").

(The Proposed Amendments to the Articles of Association, the Proposed Amendments to the Rules and Procedures for General Meetings and the Proposed Amendments to the Rules and Procedures for Board Meetings are hereby collectively referred to as the "**Proposed Amendments**".)

The Board convened a meeting of the Board on 21 April 2020, and considered and approved, *among others*, the resolutions in relation to the Proposed Amendments.

The Company confirms that the Proposed Amendments to the Articles of Association will not have any adverse effect to the existing businesses and operations of the Company and its subsidiaries and the Directors confirm that the Proposed Amendments to the Articles of Association are in compliance with the Listing Rules. As confirmed by the Company's PRC legal adviser, the Proposed Amendments to the Articles of Association comply with the applicable PRC laws and regulations.

LETTER FROM THE BOARD

The full text of the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Rules and Procedures for General Meetings and the Proposed Amendments to the Rules and Procedures for Board Meetings, which were prepared in the Chinese language, are set out in Appendix I, Appendix II and Appendix III to this circular, respectively. The English translation 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.

3. AGM

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the AGM.

A notice convening the AGM to be held at the conference room of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC on 29 June 2020, Monday at 2:00 p.m. is set out on pages 36 to 38 of this circular. The proxy form and reply slip in relation to the AGM 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 and of the Company at <http://www.thebanksball.com>.

Whether or not you intend to attend the AGM, 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 AGM (or any adjournments thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof (as the case may be) should you so wish. Shareholders who intend to attend the AGM should also complete and return the reply slip in accordance with the instructions printed thereon.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the special resolution in relation to the Proposed Amendments at the AGM.

4. 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 AGM will exercise his power under the Articles of Association to demand a poll in relation to all proposed resolutions at the AGM.

LETTER FROM THE BOARD

5. RECOMMENDATIONS

The Board considers that the special resolution in relation to the Proposed Amendments proposed at the AGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed special resolution at the AGM.

6. 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

14 May 2020, Zibo, the People's Republic of China

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Particulars of the Proposed Amendments to the Articles of Association

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 1</p> <p>The Company is a joint stock limited company established in accordance with the “Company Law of the People’s Republic of China” (“Company Law”) and the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (Special Regulations”) and other relevant laws and administrative regulations of the People’s Republic of China (“PRC”).</p> <p>The Company was established by way of private subscription pursuant to the approval document, Ti Gai Sheng (1993) No.66 issued by Shandong Province State Commission for Restructuring the Economic System. In August 1996, it was confirmed by the State Commission for Restructuring the Economic System, Ti Gai Sheng (1996) No.116, as a joint stock limited company whose shares are to be issued and listed in Hong Kong. The Company was re-registered by Zibo City Administration for Industry and Commerce and received business licence on 20 November 1998.</p> <p>The Company’s business licence number: 370300400000376.</p> <p>The promoter of the Company: Shandong Xinhua Pharmaceutical Factory.</p>	<p>Article 1</p> <p>The Company is a joint stock limited company established in accordance with the “Company Law of the People’s Republic of China” (“Company Law”) and the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (Special Regulations”) and other relevant laws and administrative regulations of the People’s Republic of China (“PRC”).</p> <p>The Company was established by way of private subscription pursuant to the approval document, Ti Gai Sheng (1993) No.66 issued by Shandong Province State Commission for Restructuring the Economic System. In August 1996, it was confirmed by the State Commission for Restructuring the Economic System, Ti Gai Sheng (1996) No.116, as a joint stock limited company whose shares are to be issued and listed in Hong Kong. The Company was re-registered by Zibo City Administration for Industry and Commerce and received business licence on 20 November 1998.</p> <p>The Company’s business licence number: 370300400000376. <u>unified social credit code: 91370300164103727C.</u></p> <p>The promoter of the Company: Shandong Xinhua Pharmaceutical Factory.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 29</p> <p>The Company may, upon obtaining approval in accordance with these Articles and the approval of the relevant PRC regulatory authorities, repurchase its issued shares in the following circumstances: -</p> <ol style="list-style-type: none"> (1) to cancel its shares for the purpose of reducing its share capital; (2) to merge with another company which holds the shares of the Company; or (3) under any other circumstances permitted by law and administrative regulations. 	<p>Article 29</p> <p>The Company may, upon obtaining approval in accordance with these <u>procedures specified in these Articles,</u> and the approval of the <u>compliance with all applicable laws, regulations and other</u> relevant PRC regulatory authorities <u>provisions,</u> repurchase its issued <u>own</u> shares <u>according to legal procedures</u> in the following circumstances: -</p> <ol style="list-style-type: none"> (1) to cancel its shares for the purpose of reducing its share capital; (2) to merge with another company which holds the shares of the Company;or <u>(3) to apply the shares for the purpose of employee stock ownership plan or equity-based incentives;</u> <u>(4) where any shareholder who objects to the resolutions adopted at the shareholders' general meeting concerning merger and division of the Company requests the Company to purchase the shares he/she holds;</u> <u>(5) to convert the shares into corporate bonds issued by listed company/ companies that could be converted into shares;</u> <u>(6) where it is necessary in order to maintain the Company's value and the shareholders' rights;</u> <u>(7) under any other circumstances permitted by law and administrative regulations.</u> <p><u>Save as the above, the Company shall not repurchase its own shares.</u></p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 30</p> <p>The Company may, upon obtaining the approval of the relevant PRC regulatory authorities, repurchase its own shares by one of the following methods: -</p> <p>(1) by way of a general offer to all shareholders in proportion to their respective shareholdings;</p> <p>(2) by a repurchase of the Company's shares through open trading on a stock exchange; or</p> <p>(3) by entering into an independent agreement for the repurchase of the Company's shares outside a stock exchange.</p>	<p>Article 30</p> <p>The Company may, upon obtaining the approval of the relevant PRC regulatory authorities, repurchase its own shares by one of the following methods: -</p> <p>(1) by way of a general offer to all shareholders in proportion to their respective shareholdings;</p> <p>(2) by a repurchase of the Company's shares through open trading on a stock exchange; or</p> <p>(3) by entering into an independent agreement for the repurchase of the Company's shares outside a stock exchange;</p> <p>(4) <u>by other methods permitted by laws, administrative regulations and the regulatory authority.</u></p> <p><u>Whereas any repurchase of the Company's shares is conducted in accordance with circumstances specified in Articles 29(3), 29(5) and 29(6), the repurchase should be conducted through open and centralized trading.</u></p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 31</p> <p>When the Company repurchases its own shares by an independent agreement outside a stock exchange, it must first obtain the prior approval of the shareholders' general meeting in accordance with these Articles. Subject to prior approval of the shareholders' general meeting, the Company may rescind or vary any such contract it entered into or waive its rights thereunder.</p> <p>A contract for the repurchase of shares referred to in the above paragraph of this Article includes, without limitation, an agreement to assume an obligation to repurchase or an agreement to acquire the right to repurchase shares of the Company.</p> <p>The Company shall not assign a contract to repurchase its shares nor any of its rights under such a contract.</p>	<p>Article 31</p> <p>When the Company repurchases its own shares by an independent agreement outside a stock exchange <u>under the circumstances specified in Article 20(1) and Article 29(2) of the Articles</u>, it must first obtain the prior approval of the shareholders <u>at a shareholders' general meeting; whereas for repurchases under the circumstances specified in Article 29(3), Article 29(5) and Article 29(6) of the Articles, the repurchase of shares by the Company shall be</u> in accordance with these Articles <u>or the Company shall obtain authorization at a shareholders' meeting with approval by resolution(s) of the board at a board meeting attended by more than two-thirds directors.</u> Subject to prior approval of the shareholders' general meeting <u>or board of directors in the same method</u>, the Company may rescind or vary any such contract it entered into or waive its rights thereunder.</p> <p>A contract for the repurchase of shares referred to in the above paragraph of this Article includes, without limitation, an agreement to assume an obligation to repurchase or an agreement to acquire the right to repurchase shares of the Company.</p> <p>The Company shall not assign a contract to repurchase its shares nor any of its rights under such a contract.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 32</p> <p>Shares repurchased by the Company shall be cancelled within the time limit prescribed by law and/or administrative regulations, and an application shall be made to the companies registration authorities (where the Company is registered) to amend the registered capital.</p> <p>The Company's registered capital shall be reduced by the aggregate par value of the cancelled shares.</p> <p>The company shall not accept its shares as the subject of pledge.</p>	<p>Article 32</p> <p>Shares repurchased by the Company <u>in accordance with the laws and provisions in Article 29 of these Articles, if falling into the circumstances specified under Article 29(1),</u> shall be cancelled within 10 days since the time limit prescribed by law and/or administrative regulations, <u>date of repurchase; if falling into the circumstances specified under Article 29(2) and Article 29(4), shall be transferred or cancelled within 6 months</u> and an application shall be made to the companies registration authorities (where the Company is was registered) to amend <u>change</u> the registered capital; <u>if falling into the circumstances specified in Article 29(3), Article 29(5) and Article 29(6), shall be transferred or cancelled within 3 years and the total number of shares of the Company held by the Company shall not exceed 10% of total issued shares of the Company.</u></p> <p>The Company's registered capital shall be reduced by the aggregate par value of the cancelled shares.</p> <p>The company Company shall not accept its shares as the subject of pledge.</p>
<p>Article 43</p> <p>No amendment or rectification which is required by reason of a transfer of shares shall be made to the register of shareholders within the 30 days prior to the holding of a shareholders' general meeting or 5 days prior to the record date for the determination of entitlements to dividend distributions by the Company.</p>	<p>Article 43</p> <p>No amendment or rectification which is required by reason of a transfer of <u>Any laws, regulations and listing rules of the place where the</u> shares shall be made to the register of shareholders within the 30 days <u>of the Company are listed concerning the book closure period</u> prior to the holding of a shareholders' general meeting or 5 days prior to the record date for the determination of entitlements to dividend distributions by the Company <u>shall be observed.</u></p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 61</p> <p>When the Company convenes a shareholders' general meeting, it shall give written notice, at least 45 days prior to the date of the meeting, to all shareholders registered in the register of shareholders. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend at least 20 days prior to the date of the said meeting.</p> <p>The general meeting shall have a venue and be held on-site. The Company may provide internet or other means for the purpose of providing convenience to shareholders attending the shareholders' general meeting. A shareholder who participates in a general meeting in the aforesaid manner shall be deemed to have been present at the meeting.</p>	<p>Article 61</p> <p>When the Company convenes a an annual shareholders' general meeting, it shall give written notice, <u>at least 20 working days prior to the date of the meeting, notify all shareholders by public announcement; when the Company convenes an extraordinary general meeting, it shall,</u> at least 4510 working days or 15 working days (whichever is longer) prior to the date of the meeting, to <u>notify</u> all shareholders registered in the register of shareholders. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting <u>by public announcement.</u> Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend at least 20 days prior to the date <u>within the time limit specified in the notice</u> of the said meeting.</p> <p><u>The Company shall exclude the date of the meeting when determining the starting date of the time limit.</u></p> <p>The shareholders' general meeting shall have a venue and be held on-site. The Company may provide internet or other means for the purpose of providing convenience to shareholders attending the shareholders' general meeting. A shareholder who participates in a general meeting in the aforesaid manner shall be deemed to have been present at the meeting.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 62</p> <p>When the Company convenes an annual general meeting, the Board of Directors, the Supervisory Committee and shareholder(s), severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights are entitled to propose, in writing, new matters (except those stated in Article 121(a) of Chapter 10) to be considered at the meeting.</p> <p>The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal is delivered to the Company 7 days prior to that general meeting after notice of that general meeting was given.</p>	<p>Article 62</p> <p>When the Company convenes an annual <u>shareholders'</u> general meeting, the Board of Directors, the Supervisory Committee and shareholder(s), severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights are entitled to propose, <u>put forward a proposal</u> in writing, new matters (except those stated in Article 121(a) of Chapter 10) to be considered at the meeting.</p> <p><u>Shareholders, severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights may put forward a temporary proposal and submit it to the board of directors in writing 10 days prior to the date of shareholders' meeting; and the board of directors shall, within 2 days after receipt of the proposal, notify other shareholders and present the temporary proposal to shareholders' general meeting for deliberation. The content of the temporary proposal should be within the scope of functions and powers of the shareholder's general meeting and there shall be clear and definite topics and specific matters to resolve.</u></p> <p>The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal is <u>shall be</u> delivered to the Company <u>at least</u> 7 days prior to that general meeting after notice of that general meeting was given.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
	<u>Except for above-mentioned provisions, the convener, after issuing notice of shareholder's general meeting, shall not revise the proposal specified or add new proposal in the shareholder's general meeting notice.</u>
<p>Article 63</p> <p>The Company shall, on the basis of the written replies received from shareholders 20 days prior to general meeting, calculate the number of shares carrying rights to vote held by shareholders proposing to attend the meeting. If the number of shares carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if such requirement is not satisfied, the Company shall within 5 days notify shareholders again of the meeting by way of public announcement, and after such public announcement has been made, the Company may proceed to hold the shareholders' general meeting.</p> <p>An extraordinary general meeting may not decide any matters not set out in the notice convening that meeting.</p>	<p>Article 63</p> <p>The Company shall, on the basis of the written replies received from shareholders 20 days prior to general meeting, calculate the number of shares carrying rights to vote held by shareholders proposing to attend the meeting. If the number of shares carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if such requirement is not satisfied, the Company shall within 5 days notify shareholders again of the meeting by way of public announcement, and after such public announcement has been made, the Company may proceed to hold the shareholders' general meeting.</p> <p>An extraordinary</p> <p><u>A shareholders' general meeting may not decide by vote and pass any matters resolution with regard to any proposal not set out in the notice convening that meeting or not in compliance with provisions of these Articles.</u></p>
<p>Article 65</p> <p>Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid post at their addresses registered in the register of shareholders. In respect of holders of domestic shares, notices of shareholders' general meetings may also be given by way of a public announcement.</p>	<p>Article 65</p> <p>Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid post at their addresses registered in the register of shareholders. In respect of holders of domestic shares, notices of shareholders' general meetings may also be given by way of a public announcement.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>The aforesaid public announcement shall be published, within 45 to 50 days prior to the convening of the general meeting, in one or more newspapers specified by the securities regulatory authorities authorised by the State Council. Once the public announcement is made, all holders of domestic shares shall be deemed to have received notice of the relevant shareholders' general meeting.</p>	<p>The aforesaid public announcement shall be published, within 45 to 50 days prior to the convening of the general meeting, in one or more newspapers <u>the time limit</u> specified in Article 61 of these Articles, on the website of the stock exchange and on the media in compliance with requirements set by the securities regulatory authorities authorised by of the State Council. Once the public announcement is made, all holders of domestic shares shall be deemed to have received notice of the relevant shareholders' general meeting.</p>
<p>Article 83</p> <p>On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way. Where any shareholder under any rules of a stock exchange on which the Company's shares are listed is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by on or behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</p> <p>When material issues affecting the interests of small and medium investors are considered at the shareholders' general meeting, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner.</p> <p>Shares of the Company held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.</p>	<p>Article 83</p> <p>On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way. Where any shareholder under any rules of a stock exchange on which the Company's shares are listed is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by on or behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</p> <p>When material issues affecting the interests of small and medium investors are considered at the shareholders' general meeting, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed publicly in a timely manner. Shares of the Company held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a shareholders' general meeting.</p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>The Board, independent directors and eligible shareholders are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. The Company shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.</p>	<p>The Board, independent directors and eligible shareholders are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. The Company <u>and the convener of the shareholder's general meeting</u> shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.</p>
<p>Article 117</p> <p>When the Company convenes a class shareholders' meeting, it shall give written notice, 45 days prior to the date of the meeting, to all the registered shareholders holding shares of that class stating the matters proposed to be considered at the meeting and the date and place of the meeting. A shareholder of that class intending to attend the class shareholders' meeting shall deposit at the Company a written reply confirming his intention to attend at least 20 days prior to the meeting.</p> <p>If the number of shares carrying to vote at the proposed class meeting represented by the shareholders of that class proposing to attend the meeting is more than half of the total number of shares of that class carrying rights to hold the class meeting; if such requirement is not satisfied, the Company shall within 5 days notify the shareholders of that class again of the place of the meeting by way of a public announcement, and after such public announcement is made, the Company may proceed to hold the class shareholders' meeting.</p>	<p>Article 117</p> <p>When the Company convenes a class shareholders' meeting, <u>the time limit for giving notice shall comply with provisions in Article 61 in these Articles.</u> give written notice, 45 days prior to the date of the meeting, to all the registered shareholders holding shares of that class stating the matters proposed to be considered at the meeting and the date and place of the meeting. A shareholder of that class intending to attend the class shareholders' meeting shall deposit at the Company a written reply confirming his intention to attend at least 20 days prior to the meeting.</p> <p>If the number of shares carrying to vote at the proposed class meeting represented by the shareholders of that class proposing to attend the meeting is more than half of the total number of shares of that class carrying rights to hold the class meeting; if such requirement is not satisfied, the Company shall within 5 days notify the shareholders of that class again of the place of the meeting by way of a public announcement, and after such public announcement is made, the Company may proceed to hold the class shareholders' meeting.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 121</p> <p>All directors shall be elected by the shareholders' general meeting and shall serve a term of 3 years. Upon the expiry of his term of office, a director may be re-elected to serve consecutive terms. Before a director's term of office expires, the shareholders' general meeting shall not dismiss him from his position without due cause.</p> <p>Notice of an intention to nominate a person for election as a director and a notice in writing by that person of his acceptance of such nominations shall be given to the Company at least 7 days before the date on which the general meeting is convened.</p> <p>The period for lodgment of such notice will commence no earlier than the day after the dispatch of the notice of meeting appointed for such election and end no later than 7 days prior to the date of such meeting.</p> <p>The chairman shall be appointed and removed by a majority of the directors. The chairman shall serve a term of 3 years from the respective dates of their election and may be re-elected to serve consecutive terms upon the expiry of their terms of office.</p> <p>Subject to compliance with the relevant laws and administrative regulations, a shareholders' general meeting may by way of an ordinary resolution remove any director before the expiry of his term of office (but without prejudice to any claim for compensation pursuant to any contract).</p>	<p>Article 121</p> <p>All directors shall be elected or replaced by the shareholders' general meeting and shall serve <u>may be dismissed from his/her position by a shareholders' general meeting prior to the expiry of his/her term of office, with</u> a term of 3 years. Upon the expiry of his term of office, a director may be re-elected to serve consecutive terms. Before a director's term of office expires, the shareholders' general meeting shall not dismiss him from his position without due cause.</p> <p>Notice of an intention to nominate a person for election as a director and a notice in writing by that person of his acceptance of such nominations shall be given to the Company at least 7 days before the date on which the general meeting is convened.</p> <p>The period for lodgment of such notice will commence no earlier than the day after the dispatch of the notice of meeting appointed for such election and end no later than 7 days prior to the date of such meeting.</p> <p>The chairman shall be appointed and removed by a majority of the directors. The chairman shall serve a term of 3 years from the respective dates of their election and may be re-elected to serve consecutive terms upon the expiry of their terms of office.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>A director may concurrently hold the position of manager or other management positions (except the position of a supervisor), provided that the directors holding position of manager or other management positions and directors acted by representatives of employees shall not amount to over 1/2 of the total directors of the Company.</p> <p>A director is not required to hold shares in the Company.</p>	<p>Subject to compliance with the relevant laws and administrative regulations, a shareholders' general meeting may by way of an ordinary resolution remove any director before the expiry of his term of office (but without prejudice to any claim for compensation pursuant to any contract).</p> <p>A director may concurrently hold the position of manager or other management positions (except the position of a supervisor), provided that the directors holding position of manager or other management positions and directors acted by representatives of employees shall not amount to over 1/2 of the total directors of the Company.</p> <p>A director is not required to hold shares in the Company.</p>
<p>Article 121(e)</p> <p>If the controlling shareholders of the Company control 30% or more of the Company's shares, the accumulative voting system shall be adopted when voting on the election of directors in a shareholders' general meeting, that is, in electing two or more directors in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the number of candidates, in which case the shareholder may cast his votes for one candidate or for several candidates. Please refer to the Rules and Procedures for the Shareholders' General Meetings for details of implementation of the accumulative voting system.</p> <p>(1) Where the number of directors to be elected is more than two, the cumulative voting system must be adopted.</p>	<p>Article 121(e)</p> <p>If the controlling shareholders of the Company control 30% or more of the Company's shares, the accumulative cumulative voting system shall be adopted when voting on the election of directors and supervisors in a shareholders' general meeting, that is, in electing two or more directors or supervisors in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the total number of candidates directors or supervisors to be elected, in which case the total number of votes the shareholder may have when voting for directors or supervisors could be determined by multiplying the number of shares by the number of directors or supervisors to be elected. The shareholders could cast his votes for one candidate or for several candidates. Please refer to the Rules and Procedures for the Shareholders' General Meetings for Independent directors and non-independent directors shall be voted respectively. Main details of implementation of the accumulative cumulative voting system: are as follows:</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>(2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors to be elected.</p> <p>(3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors. The convenors of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.</p> <p>(4) In casting his votes for the director candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors to be elected.</p>	<p>(1) Where the number of directors <u>or supervisors</u> to be elected is more than two, the cumulative voting system must be adopted.</p> <p>(2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors <u>or supervisors</u> to be elected.</p> <p>(3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors <u>or supervisors</u>. The convenors <u>conveners</u> of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.</p> <p>(4) In casting his votes for the director <u>or supervisor</u> candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>(5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors to be elected, a shareholder shall not have any right to vote for any other candidates.</p>	<p>(5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected, a shareholder shall not have any right to vote for any other candidates.</p>
<p>(6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.</p>	<p>(6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>(7) Where the number of approval votes received by a director candidate exceeds one-half of the total voting rights (to be calculated according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director candidate. If the number of the elected director candidates exceeds the total number of directors to be elected, those candidates who receive the largest number of approval votes shall be elected as directors (however, if the elected director candidates whose approval votes are comparatively fewer receive the same number of approval votes, and the election of such candidates as directors will give rise to the number of directors elected exceeding the number of directors to be elected, such candidates shall be deemed as having not been elected); if the number of directors elected at a shareholders' general meeting is less than the number of directors to be elected, a new round of voting shall be carried out for the purpose of filling such directorship vacancies, until all the directors to be elected are validly elected.</p>	<p>(7) Where the number of approval votes received by a director <u>or supervisor</u> candidate exceeds one-half of the total voting rights (to be calculated according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director <u>or supervisor</u> candidate. If the number of the elected director <u>or supervisor</u> candidates exceeds the total number of directors <u>or supervisors</u> to be elected, those candidates who receive the largest number of approval votes shall be elected as directors (however, if the elected director candidates whose approval votes are comparatively fewer receive the same number of approval votes, and the election of such candidates as directors will give rise to the number of directors elected exceeding the number of directors to be elected, such candidates shall be deemed as having not been elected)<u>or supervisors</u>; if the number of directors <u>or supervisors</u> elected at a shareholders' general meeting is less than the number of directors <u>or supervisors</u> to be elected, a new round of voting shall be carried out for the purpose of filling such directorship vacancies, until all the directors <u>or supervisors</u> to be elected are validly elected.</p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>(8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors to be elected in the new round of voting.</p>	<p>(8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors or supervisors to be elected in the new round of voting.</p>
<p>Article 132</p> <p>(1) No notice is required to be given if the time and place of board meetings have been decided in advance by the board of directors.</p> <p>(2) If the board of directors have not decided the time and place for board meetings in advance, the chairman shall require the company secretary to notify all directors and the chairman of the supervisory committee of the time and place of the proposed board meeting by telex, telegram, facsimile, express delivery, registered mail in person not less than 10 days and not more than 30 days before the meeting.</p> <p>(3) In the event of an emergency which requires an extraordinary board meeting to be convened, the chairman shall require the company secretary to notify all directors and the chairman of the supervisory committee of the time and place of the proposed extraordinary board meeting by telex, telegram, facsimile, express delivery, registered mail or in person not less than 2 days and not more than 10 days before the meeting.</p>	<p>Article 132</p> <p>(1) No notice is required to be given if <u>Meetings of</u> the time and place of board meetings have been decided in advance by the board of directors.</p> <p>(2) If the board of directors have not decided the time and place for board meetings in advance, <u>shall be held at least four times each year on a regular basis and shall be convened by</u> the chairman <u>who</u> shall require the company <u>board</u> secretary to notify all directors and the chairman of the supervisory committee <u>at least 14 days in advance before the meeting, and to notify all directors and supervisors</u> of the time and place of the proposed board meeting by <u>telephone</u>, telegram, facsimile, express delivery, registered mail in person not less than 10 days and not more than 30 days before the meeting <u>or by hand</u>.</p>

APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>(4) Notices of board meetings shall be in the Chinese language, although an English translation may be attached if necessary, and shall contain the agenda of the meeting and the matters to be discussed at the meeting.</p> <p>(5) A director who is present at a board meeting, and who did not raise any objections (both before and immediately upon his arrival at the meeting) regarding his failure to receive notice of the meeting shall be deemed to have been given notice of the meeting.</p>	<p>(32) In the event of an emergency which requires an extraordinary board meeting to be convened, the chairman shall require the company Company secretary to notify all directors and the chairman of the supervisory committee supervisors of the time and, place and method of the proposed extraordinary board meeting by telex, telegram, facsimile, express delivery, registered mail or in person by hand not less than 2 days and not more than 10 days before the meeting.</p> <p>(43) Notices of board meetings shall be in the Chinese language, although an English translation may be attached if necessary, and shall contain the agenda of the meeting and the matters to be discussed at the meeting.</p> <p>(54) A director who is present at a board meeting, and who did not raise any objections (both before and immediately upon his arrival at the meeting) regarding his failure to receive notice of the meeting shall be deemed to have been given notice of the meeting.</p> <p>(5) <u>Two or more than two independent directors who consider the documents of the meeting to be incomplete or the basis of support to be inadequate may jointly propose to the board of directors in writing to postpone the board meeting or the review of the matter. The board of directors should accept the proposal and the Company shall disclose relevant information promptly.</u></p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 133</p> <p>A meeting of the board of directors shall only be held if a majority of the directors are present.</p> <p>Each director shall have one vote. Resolutions of the board of directors are required to be passed by a majority of the directors.</p> <p>In the case of an equality of votes, the chairman shall have the rights to cast an additional vote.</p>	<p>Article 133</p> <p>A meeting of the board of directors shall only be held if a majority of the directors are present.</p> <p><u>When the board of directors, in accordance with the provisions in these Articles, pass any resolutions with regard to the repurchase of the Company's shares under the circumstances of applying shares for the purpose of employee stock ownership plan or equity-based incentives, converting the shares into corporate bonds issued by listed company/companies that could be converted into shares, and/or, where it is necessary, maintaining the Company's value and shareholders' rights, more than two thirds of the directors shall attend the board meeting.</u></p> <p>Each director shall have one vote. Resolutions of the board of directors are required to be passed by a majority of the directors.</p> <p>In the case of an equality of <u>approval votes and objection</u> votes, the chairman shall have the rights to cast an additional vote.</p>
<p>Article 136</p> <p>All directors shall attend board meetings in person. Any director who is unable to attend a meeting may appoint in writing another director to attend and vote at the meeting on his behalf. The instrument of appointment shall set out clearly the name of agent, the matters authorized, the scope of the authority and the term of authority, and shall be affixed with the signature or seal of the principal.</p>	<p>Article 136</p> <p>All directors shall attend board meetings in person. Any director who is unable to attend a meeting may appoint in writing another director to attend and vote at the meeting on his behalf. The instrument of appointment shall set out clearly the name of agent, the matters authorized, the scope of the authority and the term of authority, and shall be affixed with the signature or seal of the principal.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>The appointed representative shall only exercise those functions and powers of the appointing director which are within the scope of his authority. If a director fails to attend a meeting of the board of directors and does not appoint a representative to attend and vote on his behalf, he shall be deemed to have waived his right to vote at that meeting.</p>	<p>The appointed representative shall only exercise those functions and powers of the appointing director which are within the scope of his authority. <u>Independent directors shall not appoint non-independent directors to vote for and on their behalf.</u> If a director fails to attend a meeting of the board of directors and does not appoint a representative to attend and vote on his behalf, he shall be deemed to have waived his right to vote at that meeting.</p>
<p>Article 138</p> <p>The board of directors shall ensure that minutes are kept of matters considered and decided at the meeting. The minutes shall be signed by all directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.</p>	<p>Article 138</p> <p>The board of directors shall ensure that minutes are kept of matters considered and decided at the meeting. <u>Minutes of the board meetings shall be true, accurate and complete.</u> The minutes shall be signed by all <u>directors, secretary of board of</u> directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in <u>such resolutions shall compensate the Company for the</u> said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.</p>

Articles of Association of the Company	
Existing Articles	Amended Articles
<p>Article 145</p> <p>The Company shall have a manager, who shall be appointed and dismissed by the board of directors.</p> <p>Persons with positions at dominant shareholders or beneficial owner of the Company other than directors shall not act as a member of senior management of the Company.</p> <p>The term of office of a manager is 3 years. Upon the expiry of his term of office, a manager may be re-appointed to serve consecutive terms. Before his term of office expires, the manager may tender his resignation. Specific procedures and measures of resignation of a manager shall be subject to the provisions of the labor contract between the Company and the manager.</p>	<p>Article 145</p> <p>The Company shall have a manager, who shall be appointed and dismissed by the board of directors.</p> <p>Persons with <u>other</u> positions at <u>units of the</u> dominant shareholders or beneficial owner of the Company other than directors <u>and supervisors</u> shall not act as a member of senior management of the Company.</p> <p>The term of office of a manager is 3 years. Upon the expiry of his term of office, a manager may be re-appointed to serve consecutive terms. Before his term of office expires, the manager may tender his resignation. Specific procedures and measures of resignation of a manager shall be subject to the provisions of the labor contract between the Company and the manager.</p>

Particulars of the Proposed Amendments to the Rules and Procedures for General Meetings

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 15</p> <p>When the Company convenes a shareholders' general meeting, the Board of Directors, the Supervisory Committee and shareholder(s), severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights are entitled to put forward a new proposal in writing (except those otherwise stated in Articles of Association) to the Company. The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal should be delivered to the Company at least 7 days prior to that general meeting and after notice of that general meeting was given.</p>	<p>Rule 15</p> <p>When the Company convenes a shareholders' general meeting, the Board of Directors, the Supervisory Committee and shareholder(s), severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights are entitled to put forward a new proposal in writing (except those otherwise stated in Articles of Association) to the Company.</p> <p><u>Shareholders, severally or jointly, holding 3 percent or more of the shares of the Company carrying voting rights may put forward a temporary proposal and submit it to the board of directors in writing 10 days prior to the date of shareholder's meeting; and the board of directors shall, within 2 days after receipt of the proposal, notify other shareholders and present the temporary proposal to shareholder's general meeting for deliberation. The content of the temporary proposal should be within the scope of functions and powers of the shareholder's general meeting and there shall be clear and definite topics and specific matters to resolve.</u></p> <p>The Company shall include in the notice and agenda of that meeting those matters contained in the proposal which are within the scope of the functions and powers of the shareholders' general meeting, provided that the said proposal should shall be delivered to the Company at least 7 days prior to that general meeting and after notice of that general meeting was given.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 16</p> <p>When the Company convenes a shareholders' general meeting, it shall give written notice, at least 45 days prior to the date of the meeting, to all shareholders registered in the register of shareholders. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend at least 20 days prior to the date of the said meeting. The Company shall exclude the date of the meeting when determining the starting date of the time limit.</p>	<p>Rule 16</p> <p>When the Company convenes a an <u>annual</u> shareholders' general meeting, it shall give written notice, <u>at least 20 working days prior to the date of the meeting, notify all shareholders by public announcement; when the Company convenes an extraordinary general meeting, it shall,</u> at least 45<u>10 working days or 15 working days (whichever is longer)</u> prior to the date of the meeting, to <u>notify</u> all shareholders registered in the register of shareholders. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting <u>by public announcement.</u> Shareholders who intend to attend the meeting shall deposit at the Company written replies confirming their intention to attend at least 20 days prior to the date <u>within the time limit specified in the notice</u> of the said meeting. The Company shall exclude the date of the meeting when determining the starting date of the time limit.</p>
<p>Rule 17</p> <p>The Company shall, on the basis of the written replies received from shareholders 20 days prior to general meeting, calculate the number of shares carrying rights to vote held by shareholders proposing to attend the meeting. If the number of shares carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if such requirement is not satisfied, the Company shall within 5 days notify shareholders again of the meeting by way of written public announcement, and after such public announcement has been made, the Company may proceed to hold the shareholders' general meeting.</p>	<p>Rule 17</p> <p>The Company shall, on the basis of the written replies received from shareholders 20 days prior to general meeting, calculate the number of shares carrying rights to vote held by shareholders proposing to attend the meeting. If the number of shares carrying rights to vote represented by shareholders proposing to attend the meeting is more than half of the total number of shares in the Company which carry rights to vote, the Company may proceed to hold the shareholders' general meeting; if such requirement is not satisfied, the Company shall within 5 days notify shareholders again of the meeting by way of written public announcement, and after such public announcement has been made, the Company may proceed to hold the shareholders' general meeting.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
An extraordinary general meeting may not decide any matters not set out in the notice convening that meeting.	An extraordinary <u>A shareholders' general meeting may not decide by vote and pass any matters resolution with regard to any proposal not set out in the notice convening that meeting or not in compliance with provisions of the Articles of Association.</u>
<p>Rule 19</p> <p>Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid post at their addresses registered in the register of shareholders. In respect of holders of domestic shares, notices of shareholders' general meetings may also be given by way of a public announcement.</p> <p>The aforesaid public announcement shall be published, within 45 to 50 days prior to the convening of the general meeting, in one or more newspapers specified by the State Council's securities regulatory body. Once the public announcement is made, all holders of domestically-listed shares shall be deemed to have received notice of the relevant shareholders' general meeting.</p>	<p>Rule 19</p> <p>Notices of shareholders' general meetings shall be served on all shareholders (whether or not they are entitled to vote thereat) by personal delivery or prepaid post at their addresses registered in the register of shareholders. In respect of holders of domestic shares, notices of shareholders' general meetings may also be given by way of a public announcement.</p> <p>The aforesaid public announcement shall be published, within 45 to 50 days prior to the convening of the general meeting, in one or more newspapers specified <u>the time limit specified in the Articles of Association of the Company, on the website of the stock exchange and on the media in compliance with requirements set by the State Council's securities regulatory body authorities of the State Council.</u> Once the public announcement is made, all holders of domestically-listed shares shall be deemed to have received notice of the relevant shareholders' general meeting.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 33</p> <p>The Board, independent directors and eligible shareholders are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. The Company shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.</p>	<p>Rule 33</p> <p>The Board, independent directors and eligible shareholders are entitled to solicit proxy from shareholders publicly. While soliciting proxy of shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom proxy is being solicited. No consideration or other form of actual consideration shall be involved in the solicitation of proxy from shareholders. The Company <u>and the convener of the shareholder's general meeting</u> shall not impose any limitation related to the minimum shareholding ratio on the solicitation of proxy.</p>
<p>Rule 38</p> <p>If the controlling shareholders of the Company control 30% or more of the Company's shares, the accumulative voting system shall be adopted when voting on the election of directors in a shareholders' general meeting, that is, in electing two or more directors in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the number of candidates, in which case the shareholder may cast his votes for one candidate or for several candidates. Please refer to the Rules and Procedures for the Shareholders' General Meetings for details of implementation of the accumulative voting system.</p>	<p>Rule 38</p> <p>If the controlling shareholders of the Company control 30% or more of the Company's shares, the accumulative voting system shall be adopted when voting on the election of directors <u>and supervisors</u> in a shareholders' general meeting, that is, in electing two or more directors <u>or supervisors</u> in a shareholders' general meeting, the number of votes attached to each share held by a participating shareholder shall be equal to the <u>total</u> number of candidates <u>directors or supervisors to be elected</u>, in which case the <u>total number of votes the</u> shareholder may <u>have when voting for directors or supervisors could be determined by multiplying the number of shares by the number of directors or supervisors to be elected</u>. The shareholders could cast his votes for one candidate or for several candidates. Please refer to the Rules and Procedures for the Shareholders' General Meetings for <u>Independent directors and non-independent directors shall be voted respectively</u>. Main details of implementation of the accumulative <u>cumulative</u> voting system are as follows:</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>(1) Where the number of directors to be elected is more than two, the cumulative voting system must be adopted.</p> <p>(2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors to be elected.</p> <p>(3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors. The conveners of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.</p> <p>(4) In casting his votes for the director candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors to be elected.</p>	<p>(1) Where the number of directors <u>or supervisors</u> to be elected is more than two, the cumulative voting system must be adopted.</p> <p>(2) Where cumulative voting system is adopted, each of the shares held by a shareholder shall carry the same number of votes as the number of directors <u>or supervisors</u> to be elected.</p> <p>(3) The notice of a shareholders' general meeting shall notify the shareholders that a cumulative voting system will be adopted for the election of directors <u>or supervisors</u>. The conveners of the shareholders' general meeting shall prepare ballots suitable for cumulative voting, and shall give explanations in writing regarding the cumulative voting system, the completion of the ballots and the methods of counting the votes.</p> <p>(4) In casting his votes for the director <u>or supervisor</u> candidates at a shareholders' general meeting, a shareholder may exercise his voting rights by spreading votes evenly and cast for each of the candidates the number of votes corresponding to the number of shares he holds; or he may focus his votes on one candidate and cast for a particular candidate the total number of votes carried by all of his shares while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected; or he may spread his votes over several candidates and cast for each of them part of the total number of votes carried by the shares he holds while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>(5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors to be elected, a shareholder shall not have any right to vote for any other candidates.</p> <p>(6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.</p>	<p>(5) Upon the exercise of his voting rights by focusing his votes on one or several of the candidates while the number of voting rights carried by each of his shares is the same as the number of directors <u>or supervisors</u> to be elected, a shareholder shall not have any right to vote for any other candidates.</p> <p>(6) Where the total number of votes cast by a shareholder for one or several of the candidates is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the shareholder shall be invalid, and the shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidates by a shareholder is less than the number of votes carried by the total number of shares held by such a shareholder, the votes cast by the shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the shareholder is entitled to cast shall be deemed to have been waived by the shareholder.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>(7) Where the number of approval votes received by a director candidate exceeds one-half of the total voting rights (to be calculated according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director candidate. If the number of the elected director candidates exceeds the total number of directors to be elected, those candidates who receive the largest number of approval votes shall be elected as directors; if the number of directors elected at a shareholders' general meeting is less than the number of directors to be elected, a new round of voting shall be carried out for the purpose of filling such directorship vacancies, until all the directors to be elected are validly elected.</p> <p>(8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors to be elected in the new round of voting.</p>	<p>(7) Where the number of approval votes received by a director <u>or supervisor</u> candidate exceeds one-half of the total voting rights (to be calculated according to the total number of shares if the cumulative voting is not adopted) represented by the shareholders present at the shareholders' general meeting and the approval votes exceeds the objection votes, the candidate shall be the elected director <u>or supervisor</u> candidate. If the number of the elected director <u>or supervisor</u> candidates exceeds the total number of directors <u>or supervisors</u> to be elected, those candidates who receive the largest number of approval votes shall be elected as directors <u>or supervisors</u>; if the number of directors <u>or supervisors</u> elected at a shareholders' general meeting is less than the number of directors <u>or supervisors</u> to be elected, a new round of voting shall be carried out for the purpose of filling such directorship vacancies, until all the directors <u>or supervisors</u> to be elected are validly elected.</p> <p>(8) Where a new round of voting is carried out according to the provisions of paragraph (7) of this Article at the shareholders' general meeting, the number of votes casted by the shareholders in the cumulative voting shall be re-counted according to the number of directors <u>or supervisors</u> to be elected in the new round of voting.</p>

The Rules and Procedures for General Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 58</p> <p>When the Company convenes a class shareholders' meeting, it shall give written notice, 45 days prior to the date of the meeting, to all the registered shareholders holding shares of that class stating the matters proposed to be considered at the meeting and the date and place of the meeting. A shareholder of that class intending to attend the class shareholders' meeting shall deposit at the Company a written reply confirming his intention to attend at least 20 days prior to the meeting.</p> <p>If the number of shares carrying to vote at the proposed class meeting represented by the shareholders of that class proposing to attend the meeting is more than half of the total number of shares of that class carrying rights to hold the class meeting; if such requirement is not satisfied, the Company shall within 5 days notify the shareholders of that class again of the place of the meeting by way of a public announcement, and after such public announcement is made, the Company may proceed to hold the class shareholders' meeting.</p>	<p>Rule 58</p> <p>When the Company convenes a class shareholders' meeting, <u>the time limit for giving notice</u> shall give written notice, 45 days prior to the date of the meeting, to all the registered shareholders holding shares of that class stating the matters proposed to be considered at the meeting and the date and place of the meeting. A shareholder of that class intending to attend the class shareholders' meeting shall deposit at the Company a written reply confirming his intention to attend at least 20 days prior to the meeting.</p> <p>If the number of shares carrying to vote at the proposed class meeting represented by the shareholders of that class proposing to attend the meeting is more than half of the total number of shares of that class carrying rights to hold the class meeting; if such requirement is not satisfied, the Company shall within 5 days notify the shareholders of that class again of the place of the meeting by way of a public announcement, and after such public announcement is made, the Company may proceed to hold the class shareholders' meeting <u>comply with provisions in Rule 16 in these Rules.</u></p>

Particulars of the Proposed Amendments to the Rules and Procedures for Board Meetings

The Rules and Procedures for Board Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 5</p> <p>The board of directors shall hold a meeting at least two times regularly each year to be convened by the chairman who shall notify all directors and supervisors at least 14 days in advance before the meeting. If the chairman is unable to attend the meeting for any reason, the vice-chairman shall convene and hold the meeting, or the board of directors may upon agreement by more than half of the directors designate a director to act as the chairman of the meeting.</p>	<p>Rule 5</p> <p>The board of directors shall hold a meeting at least two four times regularly each year to be convened by the chairman who shall notify all directors and supervisors at least 14 days in advance before the meeting. If the chairman is unable to attend the meeting for any reason, the vice-chairman shall convene and hold the meeting, or the board of directors may upon agreement by more than half of the directors designate a director to act as the chairman of the meeting.</p>
<p>Rule 11</p> <p>The board of directors shall provide sufficient information to the directors, and use its best endeavors to deliver the relevant documents of the meeting to the directors at the same time as the notice of the meeting is delivered to the directors. In the event that the relevant documents are not delivered to the directors at the same time of the notice of the meeting, the board of directors shall deliver the relevant documents to each of the directors at least 3 days prior to the date of the meeting or such time as agreed among the directors. The directors upon receipt of the relevant documents shall review carefully and prepare their opinions.</p>	<p>Rule 11</p> <p>The board of directors shall provide sufficient information to the directors, and use its best endeavors to deliver the relevant documents of the meeting to the directors at the same time as the notice of the meeting is delivered to the directors. In the event that the relevant documents are not delivered to the directors at the same time of the notice of the meeting, the board of directors shall deliver the relevant documents to each of the directors at least 3 days prior to the date of the meeting or such time as agreed among the directors. The directors upon receipt of the relevant documents shall review carefully and prepare their opinions.</p> <p><u>Two or more than two independent directors who consider the documents of the meeting to be incomplete or the basis of support to be inadequate may jointly propose to the board of directors in writing to postpone the board meeting or the review of the matter. The board of directors should accept the proposal and the Company shall disclose relevant information promptly.</u></p>

The Rules and Procedures for Board Meetings of the Company	
Existing Rules	Amended Rules
<p>Rule 18</p> <p>The convenor of the board meeting shall announce the meeting at the scheduled time. However, in the event that the quorum of directors at the meeting does not reach half of all directors, the meeting shall not be held.</p>	<p>Rule 18</p> <p>The convenor of the board meeting shall announce the meeting at the scheduled time. However, in the event that the quorum of directors at the meeting does not reach half of all directors, the meeting shall not be held. <u>When the board of directors, in accordance with provisions in the Articles of Association of the Company, pass any resolutions with regard to the repurchase of the Company's shares under the circumstances of applying shares for the purpose of employee stock ownership plan or equity-based incentives, converting the shares into corporate bonds issued by listed company/companies that could be converted into shares, and/or, where it is necessary, maintaining the Company's value and shareholders' rights, more than two thirds of the directors shall attend the board meeting.</u></p>
<p>Rule 28</p> <p>The secretary of the board of directors shall arrange the board of directors' office staff to ensure that minutes are kept of matters considered and decided at the meeting. The minutes shall be signed by all directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.</p>	<p>Rule 28</p> <p>The secretary of the board of directors shall arrange the board of directors' office staff to ensure that minutes are kept of matters considered and decided at the meeting: <u>(including minutes of board committees' meeting). Minutes of the board meetings shall be true, accurate and complete and recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed.</u></p>

The Rules and Procedures for Board Meetings of the Company	
Existing Rules	Amended Rules
	<p>The minutes shall be signed by all <u>directors, secretary of board of</u> directors attending the meeting and the person who recorded the minutes. Directors shall take responsibility for all decisions made by the board of directors. If a decision made by the board of directors results in a contravention of any law(s), administrative regulation(s) or these Articles, thereby causing serious loss(es) to the Company, all directors who participated in <u>such resolutions shall compensate the Company for the</u> said loss(es), except where it is proven that a director made clear his objection to the decision at the time when the vote was taken and a record of that objection was entered in the minutes of the meeting, that director shall be relieved of his liability.</p> <p><u>Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.</u></p> <p><u>Minutes of board meetings and meetings of board committees should be open for inspection at any reasonable time on reasonable notice by any director.</u></p>

NOTICE OF THE ANNUAL GENERAL MEETING



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 CLOSURE OF THE REGISTER OF MEMBERS IN RELATION TO H SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**AGM**”) of Shandong Xinhua Pharmaceutical Company Limited (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 Monday, 29 June 2020 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To review and approve the annual report of the Company for the year 2019.
2. To review and approve the report of the Board for the year 2019.
3. To review and approve the report of the supervisory committee of the Company for the year 2019.
4. To review and approve the audited financial statements of the Company for the year 2019.
5. To review and approve the profit distribution plan for the year 2019.
6. To review and approve the re-appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company’s auditors for the year 2020 and authorise the Board to fix their remuneration.
7. To review and approve the remuneration of the directors and the supervisors of the Company for the year 2020.

NOTICE OF THE ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

8. To consider and approve the proposed amendments to the Articles of Association, the Rules and Procedures for General Meetings and the Rules and Procedures for Board Meetings of the Company

(Note 11)

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

14 May 2020, Zibo, PRC

Notes:

1. The register of members of the Company will be closed from 28 May 2020 to 29 June 2020 (both days inclusive), during which period no H Share transfers of the Company 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, 27 May 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 Wednesday, 17 June 2020 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 Wednesday, 27 May 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 AGM 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 9 June 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 AGM.

NOTICE OF THE ANNUAL GENERAL MEETING

4. Shareholders entitled to attend and vote at the AGM 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. 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 authorized 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 commencement of the AGM. The completion and deposit of a form of proxy will not preclude any Shareholder from attending and voting in person at the AGM or any adjournment thereof.
6. Shareholders or their proxies shall present proof of identity upon attending the AGM. Should a proxy be appointed, the proxy shall also present his/her form of proxy.
7. The AGM is expected to last half a day. Shareholders who attend the AGM 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, please refer to the notice(s) to A Shareholders published by the Company on the website of the Shenzhen Stock Exchange of the even date.
11. The proposed amendments to the articles of association, the rules and procedures for general meetings and the rules and procedures for board meetings of the Company have been set out in the announcement of the Company dated 21 April 2020 and the circular dated 14 May 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