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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)

**NOTICES REGARDING THE 2015 SECOND EXTRAORDINARY
GENERAL MEETING AND THE CLASS MEETING OF THE
SHAREHOLDERS OF H SHARES FOR 2015**

NOTICE IS HEREBY GIVEN that the board of directors (the “**Board of Directors**”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) has decided to hold the 2015 Second Extraordinary General Meeting (the “**EGM**”), the First Class Meeting of the Shareholders of A Shares for 2015 (the “**A Shareholders Class Meeting**”) and the First Class Meeting of the Shareholders of H Shares for 2015 (the “**H Shareholders Class Meeting**”) (collectively, the “**Meetings**”) of the Company from 2 p.m. on Tuesday, 29 December 2015.

The details of the Meetings are provided as follows:

A. CONVENING OF THE MEETINGS

1. Time of the Meetings

The EGM and the H Shareholders Class Meeting will commence at 2p.m. and 4p.m. respectively on Tuesday, 29 December 2015.

2. Venue of the Physical Meetings

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

3. Convenor

The Meetings will be convened by the Board of Directors of the Company.

4. Way of Conducting the Meetings

The EGM and the A Shareholders Class Meeting will be conducted by way of physical voting and online voting, while the H Shareholders Class Meeting will be conducted by way of physical voting.

5. Attendees

(1) Shareholders of the Company

The EGM:

All the shareholders of A Shares of the “Shandong Xinhua Pharmaceutical Company Limited” (000756) whose names appear on the register of members, kept by China Securities Depository and Clearing Corporation Limited, Shenzhen Office, as at the close of A Share trading session on Shenzhen Stock Exchange at 3:00 p.m. on Friday, 18 December 2015.

For information on the attendance of the shareholders of A Shares, please refer to the notice(s) regarding the Meeting of the Shareholders of A Shares published by the Company on the website of Shenzhen Stock Exchange.

All the shareholders of H Shares of the Company (the “**H Shareholders**”) whose names appear on the register of members of H Shares of the Company after 4:30 p.m. on Monday, 30 November 2015.

The H Shareholders Class Meeting:

All the H Shareholders of the Company whose names appear on the register of members of H Shares of the Company after 4:30 p.m. on Monday, 30 November 2015.

- (2) Proxies authorized by the above shareholders;
- (3) Directors, supervisors and senior management of the Company;
- (4) Legal counsels of the Company; and
- (5) Auditors of the Company.

B. MATTERS TO BE CONSIDERED AND APPROVED AT THE EGM

The following resolutions will be considered and approved at the EGM:

ORDINARY RESOLUTION

1. To consider and approve the resolution regarding the 2015 First Phase Employee Stock Ownership Scheme (Draft) of Shandong Xinhua Pharmaceutical Company Limited (By way of subscribing A shares in the non-public offering of A shares);
2. To consider and approve the resolution regarding authorising the Board of Directors to handle all matters in relation to the Employee Stock Ownership Scheme;
3. To consider and approve the resolution regarding the connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

Note: definitions of the terms used in resolution nos. 3.1 to 3.6 and Appendix 2 are contained in Appendix 1 herein below.

- 3.1. In respect of the Connected Participant numbered 1 in the Connected Person Participation Table set out in Appendix 2 (the “**Connected Person Participation Table**”)

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 1 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

- 3.2. In respect of the Connected Participant numbered 2 in the Connected Person Participation Table

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 2 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

3.3. In respect of the Connected Participant numbered 3 in the Connected Person Participation Table

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 3 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

3.4. In respect of the Connected Participant numbered 4 in the Connected Person Participation Table

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 4 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

3.5. In respect of the Connected Participant numbered 5 in the Connected Person Participation Table

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 5 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

3.6. In respect of the Connected Participant numbered 6 in the Connected Person Participation Table

The relevant Intended Participant Subscription Agreement entered into between the Company and the Connected Participant numbered 6 dated 8 October 2015 and the Connected Participation contemplated thereunder be and is hereby approved on the conditions that the relevant maximum Intended Subscription Money and the maximum amount of Intended Subscription Interests as set out in the Connected Person Participation Table will not be exceeded;

4. To consider and approve the resolution regarding shareholders' return plan for the next three years;
5. To consider and approve the resolution to amend "Administrative measures of Shandong Xinhua Pharmaceutical Company Limited on Capitals Raised";
6. To approve and confirm the agreement entered into between the Company and Shandong Hualu Hengsheng Chemical Company Limited (the "**Hualu Hengsheng**") dated 29 October 2015 and the proposed annual caps in relation to the purchasing chemical products by the Company and/or its subsidiaries from Hualu Hengsheng and/or its subsidiaries in the sum of RMB80,000,000, RMB100,000,000 and RMB120,000,000 for 2016, 2017 and 2018 respectively under such agreement; and
7. To approve and confirm the agreement entered into between the Company and Shandong Xinhua Pharmaceutical Group Limited (the "**SXPGC**") dated 29 October 2015 and the proposed annual caps in relation to the selling of waste materials, water, electricity and steam by the Company and/or its subsidiaries to SXPGC and/or its subsidiaries and the purchasing of accessories, raw materials and packaging materials by the Company and/or its subsidiaries from SXPGC and/or its subsidiaries in the sum of RMB180,000,000, RMB195,000,000 and RMB210,000,000 for 2016, 2017 and 2018 respectively under such agreement.

SPECIAL RESOLUTION

1. To consider and approve the resolution regarding the fulfilment of conditions on the Company's non-public offering of A shares;
2. To consider and approve the resolution regarding the plan on the Company's non-public offering of A shares, in particular
 - 2.1 Class and par value;
 - 2.2 Method and time;
 - 2.3 Price determination date;
 - 2.4 Price and principle date;
 - 2.5 Number of Shares to be issued;
 - 2.6 Subscribers and method of subscription;
 - 2.7 Fund raising size and use of proceeds;

- 2.8 Lock-up Period for the issue of shares;
- 2.9 Place of listing;
- 2.10 Arrangement of the accumulated undistributed profit;
- 2.11 Effective period of the shareholders' resolutions;
- 3. To consider and approve the resolution regarding the proposal on the Company's non-public offering of A shares;
- 4. To consider and approve the resolution regarding the feasibility study report on use of proceeds from the non-public share offering of A shares;
- 5. To consider and approve the resolution regarding the connected transactions involved in the Company's non-public offering of A shares;
- 6. To consider and approve the resolution regarding the conditional share subscription agreement signed between the Company and various specific entities as below:
 - 6.1. the subscription agreement dated 8 October 2015 entered into between the Company and Shandong Ju Ying Industrial Fund Partnerships (Limited Partnership) (the "**SJY Industrial Fund LLP**") in relation to the subscription of a maximum of 21,360,000 new A Shares of the Company by SJY Industrial Fund LLP at the subscription price of RMB9.36 each and the transactions contemplated thereunder;
 - 6.2. the subscription agreement dated 8 October 2015 entered into between the Company and Shanghai Kai Shi Assets Management Limited ("**SKS Assets Management Limited**") in relation to the subscription of a maximum of 10,000,000 new A Shares of the Company by SKS Fund* (a fund to be established and managed by the SKS Assets Management Limited) at the subscription price of RMB9.36 each and the transactions contemplated thereunder;
 - 6.3. the subscription agreement dated 8 October 2015 entered into between the Company and Beijing Xin Cheng Da Rong Assets Management Limited (the "**BXC Assets Management Limited**") in relation to the subscription of a maximum of 21,360,000 new A Shares of the Company by BXC Fund* (a fund to be established and managed by the BXC Assets Management) at the subscription price of RMB9.36 each and the transactions contemplated thereunder;

6.4. the subscription agreement dated 8 October 2015 entered into between the Company and Chongqing Bao Run Equity Investment Fund Management Company Limited (the “**CBR Investment Fund Management Limited**”) in relation to the subscription of a maximum of 20,535,600 new A Shares of the Company by CBR Fund* (a fund to be established and managed by the CBR Investment Fund Management Limited) at the subscription price of RMB9.36 each and the transactions contemplated thereunder;

6.5. the subscription agreement dated 8 October 2015 entered into between the Company and the first phase employee stock ownership scheme of the Company (the “**Employee Stock Ownership Scheme**”) in relation to the subscription of a maximum of 3,744,400 new A Shares of the Company by Employee Stock Ownership Scheme at the subscription price of RMB9.36 each and the transactions contemplated thereunder;

* *For identification purpose only, for details, please refer to the Company’s announcement dated 8 October 2015 and the circular to be dispatched.*

7. To consider and approve the resolution regarding authorising the Board of Directors to handle all matters in relation to Company’s non-public offering of A shares; and

8. To consider and approve the resolution regarding the amendments to the articles of association of the Company and the attachment thereto.

C. MATTERS TO BE CONSIDERED AND APPROVED AT THE H SHAREHOLDERS CLASS MEETING

The following resolutions will be considered and approved at the H Shareholders Class Meeting:

SPECIAL RESOLUTION

1. To consider and approve the resolution regarding the plan on the Company’s non-public offering of A shares, in particular

1.1. Class and par value;

1.2. Method and time;

1.3. Price determination date;

1.4. Price and principle date;

1.5. Number of Shares to be issued;

- 1.6. Subscribers and method of subscription;
- 1.7. Fund raising size and use of proceeds;
- 1.8. Lock-up Period for the issue of shares;
- 1.9. Place of listing;
- 1.10. Arrangement of the accumulated undistributed profit;
- 1.11. Effective period of the shareholders' resolutions;
2. To consider and approve the resolution regarding the proposal on the Company's non-public offering of A shares plan;
3. To consider and approve the resolution regarding the connected transactions on the Company's non-public offering of A shares;
4. To consider and approve the resolution regarding the conditional share subscription agreement signed between the Company and various specific entities as below:
 - 4.1. the subscription agreement dated 8 October 2015 entered between the Company and SJY Industrial Fund LLP in relation to the subscription of a maximum of 21,360,000 new A Shares of the Company by SJY Industrial Fund LLP at the subscription price of RMB9.36 each and the transactions contemplated thereunder;
 - 4.2. the subscription agreement dated 8 October 2015 entered between the Company and SKS Assets Management Limited in relation to the subscription of a maximum of 10,000,000 new A Shares of the Company by SKS Fund* at the subscription price of RMB9.36 each and the transactions contemplated thereunder;
 - 4.3. the subscription agreement dated 8 October 2015 entered between the Company and BXC Assets Management Limited in relation to the subscription of a maximum of 21,360,000 new A Shares of the Company by BXC Fund* at the subscription price of RMB9.36 each and the transactions contemplated thereunder;
 - 4.4. the subscription agreement dated 8 October 2015 entered between the Company and CBR Investment Fund Management Limited in relation to the subscription of a maximum of 20,535,600 new A Shares of the Company by CBR Fund* at the subscription price of RMB9.36 each and the transactions contemplated thereunder;

- 4.5. the subscription agreement dated 8 October 2015 entered between the Company and Employee Stock Ownership Scheme in relation to the subscription of a maximum of 3,744,400 new A Shares of the Company by Employee Stock Ownership Scheme at the subscription price of RMB9.36 each and the transactions contemplated thereunder; and

** For identification purpose only, for details, please refer to the Company's announcement dated 8 October 2015 and the circular to be dispatched.*

5. To consider and approve the resolution regarding authorising the Board of Directors to handle all matters in relation to Company's non-public offering of A share.

D. REGISTRATION OF THE MEETINGS

1. The register of members of the Company will be closed from 30 November 2015 to 29 December 2015 (both days inclusive), during which period no H share transfers will be effected. Shareholders of the Company whose names appear on the register of members of the Company in the Hong Kong Registrars Limited at 4:30 p.m. on 30 November 2015 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 18 December 2015 and the Directors, the Supervisors and the senior officers of the Company are entitled to attend the EGM or any adjournment thereof.
2. H shareholders of the Company who wish to attend the EGM shall lodge their share transfer instruments accompanied by the relevant share certificates with the share register for the Company's H shares not later than 4:30 p.m. on 30 November 2015.

The address of the share register for the Company's H shares:

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

3. Shareholders of the Company who intend to attend the EGM are asked to send the completed and signed reply slip for attendance dispatched to the Company's shareholders together with this notice to the Company Secretary's office of the Company (see Note 8 below) on or before 28 December 2015, by hand, by post or by facsimile. The written reply will not affect the right of the shareholders (see Note 1 above) to attend and vote at the EGM. The completion and deposit of a form of proxy will not preclude any shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof.

4. A shareholder of the Company entitled to attend and vote at the EGM may appoint one or more proxies (whether the person is a shareholder of the Company or not) to attend and vote on his/her behalf at the EGM. When a shareholder appoints more than one proxy, such proxies may only vote on a poll.
5. Shareholders of the Company must appoint a proxy or proxies in writing i.e. the original proxy form dispatched to the Company's shareholders together with this notice or a copy of it, which shall be signed by the person appointing the proxy or proxies or by his/her 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 person, the legal person's seal or the signature of its director(s) or representative(s) duly authorised in writing is required. To be valid, a notarially certified power of attorney or other authority (if any) and the form of proxy must be received by the Company Secretary's office of the Company (see Note 8 below) 24 hours prior to the commencement of the EGM.
6. Shareholders of the Company or their proxies shall present proof of identity upon attending the EGM. Should a proxy be appointed, the proxy shall also present his/her form of proxy.
7. The EGM is expected to last half a day. Shareholders who attend the EGM shall bear their own traveling and accommodation expenses.
8. The address of the Company Secretary's office of the Company 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

E. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolutions passed at the 5th meeting of the 8th session of the Board of the Company
2. Resolutions passed at the 2015 extraordinary general meeting of the 8th session of the Board of the Company

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

12 November 2015, Zibo, PRC

As at the date of this announcement, the Board comprises:

Executive Directors:

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

Independent Non-executive Directors:

Mr. Du Guanhua
Mr. Li Wenming
Mr. Chan Chung Kik, Lewis

Non-executive Directors:

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

APPENDIX 1

DEFINITIONS:

“Connected Participant(s)”	Intended Participant(s) who is a connected person to the Company
“Connected Person Participation(s)”	the participation(s) in the Employee Stock Ownership Scheme by a Connected Participant(s) and the transactions contemplated by such participation(s), including but not limited to the signing of the Intended Participant Subscription Agreement(s) and the transactions contemplated thereunder
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

“Employee Stock Ownership Scheme”	the first phase employee stock ownership scheme of the Company set up to allow eligible employees of the Group as at 24 July 2015, including Directors (excluding independent non-executive Directors), supervisors, senior management and other employees of the Group to hold interests thereunder
“Intended Subscription Interests”	in respect of each Intended Participant, means the amount of interests under the Employee Stock Ownership Scheme intended to be subscribed by him as agreed in the relevant Intended Participant Subscription Agreement
“Intended Subscription Money”	in respect of each Intended Participant, means the amount of money required to subscribe for the relevant Intended Subscription Interests
“Intended Participant(s)”	the target participant who has signed the Intended Participant Subscription Agreement, and fulfil all terms and condition stated therein, including a Connected Participant
“Intended Participant Subscription Agreement(s)”	the legally binding agreement signed by each Intended Participant with the Company on 8 October 2015 in relation to, among other things, confirmation of his participation in the Employee Stock Ownership Scheme, the principal terms of which are set out in the section headed “Intended Participant Subscription Agreement” in the Company’s announcement dated 8 October 2015
“RMB”	Renminbi, the lawful currency of the PRC

APPENDIX 2

Connected Person Participation Table

No.	Name of the Connected Participant	Principal Position in the Company	Amount of Intended Subscription Money (RMB)	Maximum Intended Subscription Interests
1	Zhang Dai Ming	Director/Chief Executive	1,500,000	160,256
2	Ren Fulong	Director	500,000	53,418
3	Du Deping	Director	1,300,000	138,888
4	Xu Li	Director	700,000	74,786
5	Li Tianzhong	Supervisor	800,000	85,470
6	Hu Yanhua	Supervisor	300,000	32,051
Total			<u>5,100,000</u>	<u>544,869</u>