

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



山東新華製藥股份有限公司

Shandong Xinhua Pharmaceutical Company Limited

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

(Stock Code: 0719)

POSSIBLE CONNECTED TRANSACTION:

**INTENTION TO SUBMIT BIDDING APPLICATION IN OPEN TENDER FOR
ACQUIRING EQUITY INTEREST IN TARGET COMPANY**

This announcement is made by Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) in accordance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company wishes to announce that, for the purposes of, *inter alia*, resources consolidation and improving the Company’s overall competitiveness and capability of sustainable development, it intends to submit an application (the “**Bidding Application**”) to bid for the 27% interests in the equity capital (“**Wanbo Interests**”) of 山東新華萬博化工有限公司 (Shandong Xinhua Wanbo Chemical Industrial Co., Ltd*) (“**Wanbo Chemical Industrial**”) in the open tender (the “**Tender**”) on 山東產權交易中心 (Shandong Property Right Exchange Centre*) (“**SDPREC**”) by 華魯控股集團有限公司 (Hualu Holdings Co. Ltd.*) (“**HHGC**”).

As far as the Company is aware, the details of the Tender are summarised as follows:

- (1) the tender period is from 27 February 2020 to 25 March 2020;
- (2) the listing price in respect of the Wanbo Interests at which the Tender starts (the “**Listing Price**”) is Renminbi (“**RMB**”) 15,906,834;
- (3) the principal businesses of Wanbo Chemical Industrial include the production and sale of chemical products such as dimethyl sulfate, isobutylbenzene, sulfuric acid, 1,8-diazabicyclo(5,4,0)undec-7-ene, tetramethylguanidine and the sale of chemical raw materials;
- (4) according to the audited report of Wanbo Chemical Industrial, the audited financial figures of Wanbo Chemical Industrial are as follows:

(Rounded off to RMB 0,000)

Item Period	Total assets	Total liabilities	Owner's Equity	Operating Income	Operating profits	Net profits	Net cash flow from operating activities
Year ended 31 December 2016	5,625.57	4,767.28	858.29	7,951.71	381.30	217.64	1,294.96
Year ended 31 December 2017	6,052.79	4,631.30	1,421.49	8,165.83	675.91	405.17	424.13
Year ended 31 December 2018	6,773.34	2,945.93	3,827.41	10,090.90	614.52	434.28	-2,214.68
Four months ended 30 April 2019	6,587.06	2,614.56	3,972.50	3,302.81	248.12	181.15	59.05

- (5) Chung Rui Assets Appraisal Co., Ltd. (中瑞世聯資產評估（北京）有限公司) has been engaged to conduct valuation of Wanbo Chemical Industrial using 30 April 2019 as the benchmark date, and the valuation report of “Chung Rui Ping Bao Zi (2019) No. 000679” was issued accordingly. According to the aforementioned valuation report, as of 30 April 2019, the appraised values of the total value of shareholders’ rights and interests of Wanbo Chemical Industrial amounted to RMB58,914,200 ;
- (6) as of the date of this announcement, no definitive agreements or documents of binding legal force have been entered into and no terms and provisions have been agreed to between HHGC and the Company and/or any of its subsidiaries (collectively, the “**Group**”) in respect of the proposed acquisition of Wanbo Interests by the Tender;
- (7) pursuant to the rules of SDPREC in respect of the Tender, bidders, including the Company, are required to pay a security deposit of RMB 2 million for bidding for the Wanbo Interests to prove their being qualified transferees and such security deposits will be applied to set off part of the consideration (the “**Consideration**”) under the definitive agreement to be entered into between HHGC and the successful bidder. If the Bidding Application is successful and upon entering into of a definitive agreement, the Consideration will be paid one-off [in cash] by the internal resources of the Group; and
- (8) as of the date of this announcement, Wanbo Chemical Industrial is 27% owned by HHGC and 73% owned by the Company and is a subsidiary of the Company. In case of the successful bidding in the Tender by the Company, it will be 100% owned by the Company and become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HHGC, being a wholly state-owned company of the People's Republic of China (the "PRC"), is the immediate controlling shareholder of the Company. Reference is made to the announcement of the Company dated 11 October 2019 whereby the Company announced that it had entered into a sale and purchase agreement to acquire 33% interests in the equity capital of Wanbo Chemical Industrial (the "**Previous Acquisition**"). If the Company is successful in the bidding of the Tender and the acquisition contemplated thereunder materialises, pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the transactions contemplated under the Tender will be aggregated with the transaction under the Previous Acquisition as they were entered into within a 12-month period with the same party or a connected party thereof.

All the applicable percentage ratios (with the meanings ascribed thereto under the Listing Rules and assuming that the consideration ratios are calculated based on the Listing Price) are more than 0.1% and less than 5% in respect of the proposed acquisition and in aggregation. The acquisition, if materialised at the Listing Price: (i) will therefore constitute a connected transaction (with the meanings ascribed thereto under the Listing Rules) of the Company and be subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and disinterested shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) will not constitute any notifiable transaction (with the meanings ascribed thereto under the Listing Rules).

On 20 March 2020, the board of directors of the Company (the "**Directors**") has passed the resolution approving the Tender. [Mr. Zhang Daiming, Mr. Xu Lie and Mr. Ren Fulong], being the Directors, have by virtue of their respective directorships or capacities as a member of the management of a subsidiary of HHGC abstained from voting on the decision of the Bidding Application and the businesses contemplated thereunder. Save as disclosed above, the Company is not aware of any other Directors who has a material interest therein.

The Company will, with reference to the development of the Bidding Application and the Tender, make further announcement(s) in compliance with the forms and applicable requirements of connected transactions and/or notifiable transactions under the Listing Rules as required and appropriate.

The Tender is open to the wider investing public and will be subject to, amongst others, the relevant tender and procedures regulated by applicable laws, rules and regulations in relation to the transfer of state-owned assets of the PRC. Subject to development of the Tender, the Bidding Application and the definitive agreement to be entered into with HHGC, the proposed acquisition of the Wanbo Interests may or may not proceed and shareholders of the Company and potential investors are advised to exercise caution in dealing in the shares of the Company.

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

20 March 2020, Zibo, the 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. Li Wenming

Mr. Du Guanhua

Mr. Lo Wah Wai

Non-executive Directors:

Mr. Ren Fulong

Mr. Xu Lie

** for identification purpose only*