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山東新華製藥股份有限公司

**Shandong Xinhua Pharmaceutical Company Limited**

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

(Stock Code: 00719)

**PROPOSED AMENDMENTS TO THE TERMS OF SHARE OPTION SCHEME**

Reference is made to (i) the announcement of the Company dated 6 November 2018 and the circular of the Company dated 12 December 2018 regarding the proposed adoption of the Share Option Scheme and the grant thereunder; and (ii) the poll results announcement of the Company dated 28 December 2018 regarding the approval by the Shareholders on the adoption of the Share Option Scheme and the grant thereunder. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the abovementioned announcements and circular.

On 22 October 2020, the board of directors of the Company (the “**Board**”) has resolved to propose to the Shareholders for approving the proposed amendments to the Share Option Scheme (the “**Proposed Amendments**”) at an extraordinary general meeting (the “**EGM**”) and meeting of the shareholders of H Shares (“**H Shareholders Class Meeting**”) in order to comply with the requirements under the “Notice on Issues Concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies”(《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》) issued by the Ministry of Finance of the People's Republic of China.

A circular of the Company containing, among other things, (i) details of the Proposed Amendments; and (ii) the notice of EGM and H Shareholders Class Meeting, will be despatched to the Shareholders in around early December 2020.

**PROPOSED AMENDMENTS TO THE TERMS OF THE SHARE OPTION SCHEME**

On 22 October 2020, the Board has resolved to propose to amend the Share Option Scheme of the Company adopted on 28 December 2018 by amending the relevant terms regarding “occurrences in relation to the Participants” in order to comply with the requirements under “Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies”(《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》) issued by the Ministry of Finance of the People's Republic of China. Details of the Proposed Amendments are set out below.

| <b>Amendments to Clause 2 of Chapter 13 of the Share Option Scheme</b>  |   |
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| <b>Original terms</b>   | <b>Amended terms</b>  |
| <p>Point 2</p> <p>For cessation of service to the Group due to retirement, the Options Granted to the relevant Participant shall be dealt with in accordance with the terms and provisions of the Share Option Scheme set out above in the same manner as before the retirement save that the attainment of performance targets may no longer form a condition of the exercise of the Options Granted to the Participant.</p>   | <p>Within six months from the date of occurrence of any of the following situations, the Options of the Participant that have satisfied the conditions of exercise in that relevant year may be exercised; the Options that have not yet satisfied the conditions of exercise may not be exercised and shall be cancelled by the Company:</p> <ol style="list-style-type: none"> <li>1. when the Participant reaches the statutory retirement age;</li> <li>2. when the Participant is transferred out of the Company due to organizational arrangements and does not hold any position in the Company;</li> <li>3. when the Participant becomes deceased (the legal successor exercises the right according to the requirements);</li> <li>4. when the Participant loses his/her capacity for civil conduct;</li> <li>5. when the Participant is not dismissed by the Company for reasons such as incompetence for work, failure to pass the performance appraisal, misconduct, violation of laws and regulations, etc.</li> </ol> |
| <p>Point 5</p> <p>In the event that a Participant becomes incapacitated for work and resigns, it should be dealt with according to the following two situations:</p> <p>(1) in the event that a Participant becomes incapacitated for work and resigns and the incapacity should arise in the course of his or her engagement and out of work injuries, all Options Granted shall be dealt with pursuant to the terms and provisions of the Share Option Scheme in the same manner as prior to the incapacity, save that the attainment of performance targets may no longer form a condition of the exercise of the Participants' outstanding Options;</p> <p>(2) for a Participant who falls incapacitated and resigns for reasons otherwise, all outstanding Options Granted thereto shall not be exercised and shall lapse accordingly.</p> |   |
| <p>Point 6</p> <p>In the event that a Participant becomes deceased, it should be dealt with according to the following two situations:</p> <p>(1) if a Participant should decease in the course of his or her engagement for</p>  |   |

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| <p>performance of work duties, all outstanding Options Granted thereto shall be dealt with pursuant to the terms and provisions of the Share Option Scheme in the same manner as prior to the death, save that the attainment of performance targets may no longer form a condition of the exercise of the Participants' outstanding Options and that the Options may be exercised by the heir of the estate or statutory successor of the Participant.</p> <p>(2) for the death of a Participant for reasons otherwise, all outstanding Options Granted thereto and not exercised shall lapse accordingly.</p> |  |
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The English translation of the Proposed Amendments 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.

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

As advised by the PRC legal adviser of the Company, the Proposed Amendments comply with the requirements under “Measures for the Administration of Equity Incentives of Listed Companies” (《上市公司股權激勵管理辦法》), “Trial Measures for Implementing Equity Incentive Plans by State Holding Listed Companies (Domestic)” (《國有控股上市公司(境內)實施股權激勵試行辦法》) and “Notice on Issues concerning Regulating the Implementation of the Equity Incentive System by the State-Controlled Listed Companies” (《關於規範國有控股上市公司實施股權激勵制度有關問題的通知》) and do not contradict with laws, regulations and regulatory documents.

The Proposed Amendments will become effective on the date the Shareholders passing the resolution at the EGM and H Shareholders Class Meeting to be convened by the Company.

## LISTING RULES IMPLICATIONS

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

The EGM and H Shareholders Class Meeting will be convened at which a special resolution will be proposed to consider, and if thought fit, approve the Proposed Amendments. To the best of the directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder (excluding Mr. Zhang Daiming who is considered to have a material interest in the Proposed Amendments and is therefore required to abstain from voting at the EGM) has any material interest in the Proposed Amendments. As such, apart from Mr. Zhang Daiming, no Shareholder is required to abstain from voting in respect of such resolution to be proposed in the

EGM and H Shareholders Class Meeting.

**GENERAL**

A circular containing, among other things, (i) details of the Proposed Amendments; and (ii) a notice convening the EGM and H Shareholders Class Meeting will be despatched to the Shareholders in around early December 2020.

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

22 October 2020, 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. Li Wenming  
Mr. Du Guanhua  
Mr. Lo Wah Wai

Non-executive Directors:  
Mr. Ren Fulong  
Mr. Xu Lie  
\*for identification purpose only