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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)

ANNOUNCEMENT ON THE ADJUSTMENT TO ISSUE PRICE AND NUMBER OF SHARES TO BE ISSUED UNDER THE PROPOSED A SHARE ISSUE OF THE COMPANY

References are made to the announcement and overseas regulatory announcements of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) dated 14 April 2021 concerning the Proposed A Share Issue; the announcement of the Company dated 27 April 2021 concerning the approval of the Proposed A Share Issue by HHC; the poll results announcement of the Company dated 30 June 2021 (the “**Poll Results Announcement**”) concerning, among others, the passing of the resolutions of the AGM, the A Shareholders’ Class Meeting, and the H Shareholders’ Class meeting on 30 June 2021 in relation to, *inter alia*, approval of the Proposed A Share Issue and the payment of 2020 final dividend; the announcement of the Company dated 19 July 2021 concerning the acceptance by the CSRC of the Company’s application in relation to the Proposed A Shares Issue; and the announcement of the Company dated 2 August 2021 concerning the receipt of the “Notice regarding First Feedback Comments on the Review by the China Securities Regulatory Commission of Administrative Permission Items” (collectively, the “**Announcements**”) and the circular of the Company dated 31 May 2021 (the “**Circular**”) concerning, among others, details of the Proposed A Share Issue;

Unless the context otherwise requires, the capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular.

I. THE PROPOSED A SHARE ISSUE

The resolutions in relation to the Proposed A Share Issue were considered and approved by the Board on 14 April 2021, and considered and approved at the AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, respectively, on 30 June 2021.

As disclosed in the Circular, the issue price of the A Shares (the “**Issue Price**”), being the subscription price payable by Hualu Investment under the Proposed A Shares Issue, was RMB6.89 per A Share, which represented the higher of: (i) not less than 80% of the average trading price of the A Shares over the 20 trading days preceding the Pricing Benchmark Date (which is calculated by dividing the total trading turnover of A Shares traded in the 20 trading days preceding the Pricing Benchmark Date by the total volume of A Shares traded in those 20 trading days); and (ii) not less than the unaudited net asset value per share attributable to the holders of ordinary shares of the parent company at the end of the Company’s most recent financial year prior to the Pricing Benchmark Date.

Further, as disclosed in the Circular, if any ex-right or ex-dividend event involving a cash distribution (such as, without limitation, a cash dividend distribution) occurs during the period from the Pricing Benchmark Date to the Issuance Date, then the Issue Price shall be adjusted based on the following formula (the “**Adjustment of Issue Price**”):

Cash distribution:

$$PI = P0 - D$$

where:

P1	denotes	the new Issue Price after Adjustment of Issue Price
P0	denotes	the Issue Price before the Adjustment of Issue Price
D	denotes	the amount of cash to be distributed per A Share

In addition, as disclosed in the Circular, the number of Shares to be issued under the Proposed A Shares Issue shall not exceed 36,284,470 (inclusive) or exceed 30% of total share capital of the Company prior to the Proposed A Shares Issue (the “**Restriction**”). However, if during the period from the Pricing Benchmark Date of A shares to the date of the Proposed A Shares Issue, any ex-right or ex-dividend event (such as cash dividends, bonus shares and conversion of capital reserves into share capital), share placing or other corporate actions of the Company leads to any change in the issued share capital of the Company or an adjustment to the Issue Price, then the Restriction would not limit the number of shares that may be issued under the Proposed A Shares Issue under the proposed subscription by Hualu Investment, which shall be adjusted accordingly based on the Issue Price following the Adjustment of the Issue Price (the “**Adjustment of Number of Shares**”, together with the Adjustment of Issue Price, the “**Adjustment**”).

Under the Proposed A Share Issue and before the Adjustment, the Issue Price per A Share and the number of A Shares to be subscribed by Hualu Investment were as follows:

Issue Price per A Share	Number of A Shares to be subscribed
RMB6.89	36,284,470

II. PAYMENT OF 2020 FINAL DIVIDEND

As disclosed in the announcement of the Company dated 31 March 2021 in relation to the annual results of the Group for the year ended 31 December 2020, the Company proposed a dividend of RMB0.15 (tax inclusive) on each share of the Company to be paid and distributed to Shareholders in cash (the “**Distribution of 2020 Final Dividend**”). As disclosed in the Poll Results Announcement, the Shareholders approved the Distribution of 2020 Final Dividend at the AGM on 30 June 2021.

The Company published an overseas regulatory announcement on 21 July 2021 in relation to the implementation of the Distribution of 2020 Final Dividend to the A Shareholders. In the announcement, it was disclosed that the record date for determining entitlements to the Distribution of 2020 Final Dividend, the ex-dividend date and the payment date in relation to the Distribution of 2020 Final Dividend were set to be 29 July 2021, 30 July 2021 and 30 July 2021, respectively, for A Shareholders.

III. ADJUSTMENTS TO THE ISSUE PRICE AND NUMBER OF SHARES TO BE ISSUED OF THE PROPOSED A SHARE ISSUE

As at the date of this announcement, the Distribution of 2020 Final Dividend to the A Shareholders has been completed. As such, the base Issue Price and the maximum total number of A Shares to be issued under the Proposed A Share Issue are adjusted as follows in accordance with the Adjustment:

1. Adjustment to Issue Price

The Issue Price is adjusted from RMB6.89 per A Share to RMB6.74 per A Share in accordance with the Adjustment, as follows:

$$\begin{aligned} P1 &= P0 - D \text{ (cash dividend per A Share)} \\ &= \text{RMB6.89 per A Share} - \text{RMB0.15 per A Share} \\ &= \text{RMB6.74 per A Share} \end{aligned}$$

2. Adjustment to the Number of A Shares to be Issued

As the Issue Price has been adjusted and the total proceeds from the subscription of Huala Investment remains unchanged at RMB250 million (the “**Total Subscription Amount**”), the number of shares to be issued to Hualu Investment under the Proposed A Share Issue shall be adjusted to 37,091,988 A Shares in accordance with the Adjustment, as follows:

$$\begin{aligned}
 \text{Adjusted number of A Shares} &= \text{Total Subscription Amount / Issue Price after the Adjustment} \\
 &= \text{RMB 250,000,000 / (RMB6.74 per A Share)} \\
 &= 37,091,988 \text{ A Shares (the remaining fractional Share disregarded)}
 \end{aligned}$$

Upon the above Adjustment resulting from the Distribution of 2020 Final Dividend, the adjusted Issue Price and the proposed number of new A Shares to be issued to Hualu Investment by the Company are as follows:

Issue Price per A Share	Number of A Shares to be subscribed
RMB6.74	37,091,988

Save for the above adjustments, all other relevant aspects of the Proposed A Share Issue remain unchanged.

IV. EFFECT OF THE PROPOSED A SHARES ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Proposed A Share Issue after the Adjustment (assuming no further change in the number of issued shares of the Company other than as a result of the Adjustment of Number of Shares):

Shareholders	As at the date of this announcement		Immediately after the completion of the proposed A Shares Issue after the Adjustment		Immediately after the completion of the proposed A Shares Issue and exercise of all outstanding Share Options after the Adjustment	
	Number of Shares held	Approximate percentage of all issued Shares	Number of Shares held	Approximate percentage of all issued Shares	Number of Shares held	Approximate percentage of all issued Shares
A Shares:						
HHC	204,864,092	32.65%	204,864,092	30.83%	204,864,092	30.34%
Hualu Investment	4,143,168	0.66%	41,235,156	6.21%	41,235,156	6.11%
Public A Share Shareholders and Shareholders under the Share Option Scheme of the Company (excluding Directors)	222,476,655	35.46%	222,476,655	33.48%	232,502,055	34.44%
Directors:						
Mr. Zhang	292,358	0.047%	292,358	0.044%	490,358	0.073%
Mr. Du	243,368	0.039%	243,368	0.037%	421,568	0.062%
Mr. Xu	156,414	0.025%	156,414	0.024%	301,614	0.045%
Mr. He	191,392	0.031%	191,392	0.029%	336,592	0.050%
Subtotal	432,367,447	68.92%	469,459,435	70.65%	480,151,435	71.12%
H Shares:						
Well Bring	20,827,800	3.32%	20,827,800	3.13%	20,827,800	3.08%
Public H Share Shareholders	174,172,200	27.76%	174,172,200	26.21%	174,172,200	25.80%
Subtotal	195,000,000	31.08%	195,000,000	29.35%	195,000,000	28.88%
Total Issued Shares:						
HHC and parties acting in concert with it (including Hualu Investment and Well Bring)	229,835,060	36.63%	266,927,048	40.17%	266,927,048	39.54%
Public Share Shareholders and Shareholders under the Share Option Scheme of the Company (excluding Directors)	396,648,855	63.22%	396,648,855	59.69%	406,674,255	60.23%
Directors	883,532	0.14%	883,532	0.13%	1,550,132	0.23%

Total number of Shares in issue	627,367,447	100%	664,459,435	100%	675,151,435	100%
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By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited
Zhang Daiming
Chairman

13 August 2021, Zibo, PRC

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

Executive Directors:

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

Independent Non-executive Directors:

Mr. Pan Guangcheng
Mr. Zhu Jianwei
Mr. Lo Wah Wai

Non-executive Directors:

Mr. Cong Kechun
Mr. Xu Lie

As at the date of this announcement, the directors of HHC include Mr. Fan Jun, Mr. Ding Zhenbo, Mr. Sun Youmin, Mr. Zhang Yuming, and Mr. Lou Hongxiang.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to HHC and parties acting in concert with it, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The directors of HHC jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than those relating to the Company, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.