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**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 People's Republic of China with limited liability)*

**(Stock Code: 0719)**

**CHANGE OF SHAREHOLDING STRUCTURE OF CONTROLLING SHAREHOLDER**

This announcement is made by Shandong Xinhua Pharmaceutical Company Limited (the “**Company”**) in accordance with Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Party XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company has been notified by Hualu Holdings Group Company Limited (“**HHGC**”) that, by the document (the “**Document**”) 魯國資收益字[2018]47號《山東省國資委關於華魯控股集團有限公司吸收合併山東新華醫藥集團有限責任公司有關問題的批復》(Lu Guozi Shouyi Zi [2018] No.47 The Reply and Approval of the State-owned Assets Supervision and Administration Commission of The People’s Government of Shandong Province on Relevant Issues of the Absorption and Merger of Shandong Xinhua Pharmaceutical Group Company Limited by HHGC), the State-owned Assets Supervision and Administration Commission of The People’s Government of Shandong Province (the “**Shandong** **SASAC**”) has granted approval in principle to the plan of internal restructuring of the HHGC group (“**Internal Restructuring**”). As part of the Internal Restructuring, Shandong Xinhua Pharmaceutical Group Company Limited (“**SXPGC**”) is expected to transfer all and any of its interests and liabilities in respect of the Company to HHGC at nil consideration (the “**Proposed** **Transfer**”).

As of the date of this announcement:

1. SXPGC owns 32.94% of the total issued shares of the Company (the “**Shares**”) (of which all are A Shares) and is the immediate controlling shareholder of the Company;
2. HHGC owns 35.80% of the total issued Shares, of which 32.94% are the A Shares held by its direct wholly-owned subsidiary SXPGC and 2.86% are the H Shares held by its indirect wholly-owned subsidiary Well Bring Limited; and
3. SXPGC and HHGC are both wholly state-owned companies belonging to the People’s Government of Shandong Province.

Upon completion of the Proposed Transfer, HHGC’s shareholding percentage in respect of the Company and its status as the controlling shareholder of the Company will remain unchanged and will become the immediate controlling shareholder of the Company; SXPGC, the immediate controlling shareholder of the Company as of the date of this announcement, will no longer have any interests or liabilities in respect of the Company.

The board of directors of the Company (the “**Board**”) is of the view that the Proposed Transfer will not have any impact on the financial position and operations of the Company and its subsidiaries.

As far as the Company is aware, as at the date of this announcement the Proposed Transfer: (i) has been granted approval in principle by the Shandong SASAC; but (ii) is still subject to, *inter alia*, approvals and/or waivers of other governmental and/or regulatory authorities including without limitation to the China Securities Regulatory Commission (the “**CSRC**”) and the Securities & Futures Commission of Hong Kong (the “**SFC**”); and (iii) has not been put into effect.

The Company will make further announcement(s) on any required disclosures on receipt of further notice(s) from the controlling shareholder.

The directors of the Company (the “**Directors**”, and each a “**Director**”) jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, 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 statement in this announcement misleading.

**The Proposed Transfer is subject to further conditions other than the Document and 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.**

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

18 July 2018, Zibo, the PRC

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

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| --- | --- |
| 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  Mr. Zhao Bin |  |

*\* for identification purpose only*