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Shandong Xinhua Pharmaceutical Company Limited

山東新華製藥股份有限公司

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

(Stock Code: 00719)

GRANT OF RESERVED SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

This announcement is made by Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) pursuant to Rule 17.06A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Reference is made to (i) the announcements of Company dated 29 October 2021 and 31 December 2021; and (ii) the circular of the Company dated 15 December 2021 (the “**Circular**”), in relation to, among other things, the Share Option Scheme. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

GRANT OF RESERVED SHARES OPTIONS UNDER THE SHARE OPTION SCHEME

According to the Share Option Scheme, a total of up to 1,750,000 Options may be granted to Participants (which shall be determined by the Board within 12 months after the approval of the Share Option Scheme by Shareholders at the EGM and Class Meetings) under the Reserved Grant.

The Board is pleased to announce that the conditions of Grant under the Share Option Scheme have been fulfilled, and on the date of this announcement a total of 1,750,000 Options (hereinafter (“**Reserved Share Options**”) were granted to 35 Participants who are employees (including core management and business personnel) of the Group as determined by the Board.

Further details of the Reserved Share Options are set out as follows:

- Source of underlying Shares in respect of the Reserved Share Options:** : New ordinary A Shares to be issued by the Company to Participants upon exercise of the Reserved Share Options
- Grant Date** : 26 December 2022 (“**Grant Date**”)
- Exercise price** : The exercise price of the Reserved Share Options is RMB 37.53 per A Share. The aforementioned exercise price will be adjusted in the event of distribution of dividends, capitalization issue, bonus issue, sub-division or consolidation of Shares or rights issue of the Company since the Grant Date and before the exercise of the Reserved Share Options in accordance with the Share Option Scheme
- Closing price of the A Shares on the trading day immediately preceding the Grant Date** : RMB 36.17 per A Share
- Validity Period of the Reserved Share Options** : The Reserved Share Options shall be valid from the Grant Date and the validity period of which shall end on the date on which all the Options have been exercised or cancelled, provided that such period shall not exceed 60 months
- Vesting Period of the Reserved Share Options** : The Reserved Share Options shall be exercised in three tranches, each of which shall vest on each date falling 24 months, 36 months and 48 months from the Grant Date (each a “**Vesting Date**”)
- Exercise arrangement of the Reserved Share Options** : Upon satisfaction of the Exercise Conditions, the Reserved Share Options may be exercised in three tranches over a period of 36 months from the first date on which they become vested (i.e. from the first Vesting Date)

Exercise arrangement	Exercise period	Proportion of the Reserved Shares Options which may be exercised
First Exercise Period	Commencing from the first trading day after the expiry of the 24 th month from the Grant Date, and ending on the last trading day of the 36 th month from the Grant Date	34%
Second Exercise Period	Commencing from the first trading day after the expiry of the 36 th month from the Grant Date, and ending on the last trading day of the 48 th month from the Grant Date	33%

Third Exercise Period	Commencing from the first trading day after the expiry of the 48 th month period from the Grant Date, and ending on the last trading day of the 60 th month period from the Grant Date	33%
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None of the Participants granted with the Reserved Share Options is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates (as defined under the Listing Rules).

By order of the Board

Shandong Xinhua Pharmaceutical Company Limited

He Tongqing

Chairman

23 December 2022, Zibo, PRC

Executive Directors:

Mr. He Tongqing (*Chairman*)

Mr. Xu Wenhui

Mr. Hou Ning

Non-executive Directors:

Mr. Xu Lie

Mr. Cong Kechun

Independent non-executive Directors:

Mr. Pan Guangcheng

Mr. Zhu Jianwei

Mr. Lo Wah Wai

Mr. Ling Peixue