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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 incorporated in the People's Republic of China with limited liability)

(Stock Code: 00719)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND
RELATED PARTY TRANSACTION AND ENTERING INTO OF CONTINUING CONNECTED
TRANSACTION**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY
TRANSACTION AND ENTERING INTO OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 23 November 2021, the circular of the Company dated 15 December 2021 and the annual reports of the Company for each of the years ended 31 December 2021, 2022 and 2023 in relation to certain continuing connected transactions and a related party transaction of the Company concerning the procurement or supply of certain pharmaceutical related products and drugs. The relevant agreements concerning such transactions are due to expire on 31 December 2024.

As the Group expects to continue procuring and supplying certain pharmaceutical related products and drugs from and to the connected persons (including associates of HHC) and related parties of the Company referred to in the above announcements and circular of the Company, it has entered into the Shandong Lukang Agreement, the China Shandong Agreement, the Hualu Hengsheng Agreement, the Perrigo Agreement and the Centrient Zibo Agreement with Shandong Lukang, China Shandong Group, Hualu Hengsheng, Perrigo Company and Centrient Zibo, respectively, on 29 October 2024, to renew the continuing connected transactions and related party transaction contemplated thereunder for a term from 1 January 2025 to 31 December 2027, respectively.

Further, the Group would like to purchase chemical materials from Shandong Huatong for the purpose of production of chemical raw materials and has on 29 October 2024 entered into the Shandong Huatong Agreement pursuant to which the Group shall purchase chemical materials from Shandong Huatong for a term from 1 January 2025 to 31 December 2027.

The purpose of this announcement is to set out the terms and details of the continuing connected transactions and the related party transaction constituted by the Agreements and the proposed annual caps in respect of the continuing connected transactions for the years ending 31 December 2025, 2026 and 2027, respectively.

HONG KONG LISTING RULES IMPLICATIONS

The CCT Agreements (partially exempt continuing connected transaction)

Each of Shandong Lukang (the board of directors of which is controlled by HHC), China Shandong Group (the share capital of which is held as to 99.75% by HHC), Hualu Hengsheng (the share capital of which is indirectly held as to approximately 32.06% by HHC) and Shandong Huatong (an indirect wholly-owned subsidiary of HHC) are associates of HHC, the controlling shareholder of the Company and are therefore connected persons of the Company. The CCT Agreements therefore constitute continuing connected transactions of the Company.

Since the CCT Agreements are of a similar nature and have been entered into by the Company with the parties which are connected with each other within a 12-month period, the Directors consider that the transactions contemplated under these CCT Agreements should be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Hong Kong Listing Rules.

As (i) the applicable percentage ratios (other than the profits ratio) under the Hong Kong Listing Rules for the transactions contemplated under the CCT Agreements calculated on an aggregated basis is more than 0.1% but less than 5% on an annual basis; (ii) the continuing connected transactions contemplated under the CCT Agreements are conducted on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors of the Company) has approved the continuing connected transactions under the CCT Agreements and confirmed that the terms of the continuing connected transactions thereunder are conducted on normal commercial terms, the transactions contemplated under the CCT Agreements are subject to the reporting, announcement, annual review and certain other requirements applicable to continuing connected transactions, but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements, under Chapter 14A of the Hong Kong Listing Rules.

As the A Shares are listed on the Shenzhen Stock Exchange, the Company is subject to and regulated by the Shenzhen Listing Rules. According to the Shenzhen Listing Rules and the articles of association of the Company, the CCT Agreements and the transactions contemplated thereunder are required to be submitted to the general meeting of the Company for consideration and approval. An EGM will be convened to consider and, if thought fit, pass resolutions to approve the transactions in respect of the CCT Agreements. HHC and its associates will be required to abstain from voting at the EGM.

A circular containing, *inter alia*, further details of the Relevant CCT Proposals and the notice convening the EGM, is expected to be despatched by the Company to its Shareholders on or before 13 November 2024..

The Perrigo Agreement (partially exempt continuing connected transaction)

Perrigo Company is the indirect holder of 49% of the share capital of Zibo Xinhua-Perrigo, a subsidiary of the Company as of the date of this announcement, and is therefore regarded as a "connected person at the subsidiary level" (as defined under rule 14A.06(9) of the Hong Kong Listing Rules) of the Company.

As (i) Perrigo Company is regarded as a connected person at the subsidiary level of the Company only; (ii) the continuing connected transactions contemplated under the Perrigo Agreement are on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors of the Company) has approved the continuing connected transactions under the Perrigo Agreement and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the continuing connected transactions contemplated under the Perrigo Agreement are subject to the reporting, announcement, annual review and certain other requirements applicable to continuing connected transactions, but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements, under Chapter 14A of the Hong Kong Listing Rules.

The Perrigo Agreement and the transactions contemplated thereunder will not be subject to

Independent Shareholders' approval under the Shenzhen Listing Rules.

The Centrient Zibo Agreement (related party transaction under Shenzhen Listing Rules)

Centrient Zibo is a joint venture company the share capital of which is held as to 30% by the Company, and Mr. He Tongqing is a director of both the Company and Centrient Zibo, respectively. As such, Centrient Zibo is a related legal person (關聯法人) under the Shenzhen Listing Rules and the Centrient Zibo Agreement constitutes a related party transaction under the Shenzhen Listing Rules.

However, as Mr. He Tongqing does not, together with any other persons (i) exercise or control the exercise of 30% (or an amount for triggering a mandatory general offer or establishing legal or management control over a business enterprise under the PRC law) or more of the voting power at general meetings of Centrient Zibo; or (ii) control the composition of a majority of the board of directors of Centrient Zibo, Centrient Zibo is not an associate of Mr. He Tongqing and is therefore not a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. As such, the Centrient Zibo Agreement does not constitute a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

The Centrient Zibo Agreement and the transactions contemplated thereunder will not be subject to Independent Shareholders' approval under the Shenzhen Listing Rules.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 23 November 2021 and the circular of the Company dated 15 December 2021 and the annual reports of the Company for each of the years ended 31 December 2021, 2022 and 2023 in relation to certain continuing connected transactions and a related party transaction of the Company concerning the procurement or supply of certain pharmaceutical related products and drugs. The relevant agreements concerning such transactions are due to expire on 31 December 2024.

As the Group expects to continue procuring and supplying certain pharmaceutical related products and drugs from and to the connected persons (including associates of HHC) and related parties of the Company referred to in the above announcements and circular of the Company, the Company has entered into the Shandong Lukang Agreement, the China Shandong Agreement, the Hualu Hengsheng Agreement, the Perrigo Agreement and the Centrient Zibo Agreement with Shandong Lukang, China Shandong Group, Hualu Hengsheng, Perrigo Company and Centrient Zibo, respectively, on 29 October 2024, to renew the continuing connected transactions and related party transaction contemplated thereunder for a term from 1 January 2025 to 31 December 2027, respectively.

Further, the Group would like to purchase chemical materials from Shandong Huatong for the purpose of production of chemical raw materials and has on 29 October 2024 entered into the Shandong Huatong Agreement pursuant to which the Group shall purchase chemical materials from Shandong Huatong for a term from 1 January 2025 to 31 December 2027.

The purpose of this announcement is to set out the terms and details of the continuing connected transactions and related party transaction constituted by the Agreements and the proposed annual caps in respect of the continuing connected transactions for the years ending 31 December 2025, 2026 and 2027, respectively.

2. RENEWAL OF THE SHANDONG LUKANG AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2021 and the circular of the Company dated 15 December 2021 in relation to the entering into by the Company of a supply of goods and service agreement with Shandong Lukang on even date concerning the purchase of pharmaceutical preparation products and APIs by the Group from, and the sale of pharmaceutical intermediaries and APIs

and provision of engineering design services by the Group to, Shandong Lukang and/or its subsidiaries over the period commencing from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Existing Shandong Lukang Agreement**”). As the Existing Shandong Lukang Agreement shall expire on 31 December 2024, and the transactions contemplated thereunder will continue to be entered into on a recurring basis, the Company has entered into the Shandong Lukang Agreement with Shandong Lukang on 29 October 2024 (after trading hours) to renew the Existing Shandong Lukang Agreement.

The principal terms of the Shandong Lukang Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. Shandong Lukang

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months’ prior written notice.

Subject matter

The Group shall purchase pharmaceutical preparation products and APIs from Shandong Lukang and/or its subsidiaries.

The Group shall sell pharmaceutical intermediaries, APIs as well as provide engineering design services to Shandong Lukang and/or its subsidiaries.

Pricing

The price of pharmaceutical preparation products and API to be acquired from, and the price of pharmaceutical intermediaries and APIs and the consideration for engineering design services to be sold to, Shandong Lukang and/or its subsidiaries, shall be determined through arm’s length negotiations with Shandong Lukang and/or its subsidiaries (as applicable) with reference to:

- (i) the Pricing Policy; and
- (ii) the prevailing market price charged by independent third parties for comparable products and services.

In any event, the Company shall ensure that the price paid to or received from Shandong Lukang and/or its subsidiaries under the Shandong Lukang Agreement shall be no less favourable to the Company than those entered into by the Company with independent third parties. On such basis, the Company is of the view that the pricing terms based on the above would reflect normal commercial terms or better for the Company.

Historical amounts and proposed annual caps

The following table summarises (i) the historical amounts in respect of the transactions under the Existing Shandong Lukang Agreement; and (ii) the annual caps proposed by the Board in respect of the transactions under the Shandong Lukang Agreement for the years ending 31 December 2025, 2026 and 2027:

	Historical amounts (in RMB’ 000) for the year ended/ ending 31 December	Proposed annual cap (in RMB’ 000) for the year ending 31 December
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	2022	2023	2024	2025	2026	2027
	(audited)	(audited)	(expected, unaudited)			
Purchase of pharmaceutical preparation products and APIs by the Group from Shandong Lukang and/or its subsidiaries	12,015	7,655	10,850	12,000	13,000	14,000
Sale of pharmaceutical intermediaries, APIs and provisions of engineering design services by the Group to Shandong Lukang and/or its subsidiaries	4,027	7,242	8,160	41,000	42,000	42,000
Total	16,042	14,897	19,010	53,000	55,000	56,000

Basis for the proposed annual caps

The proposed annual caps under the Shandong Lukang Agreement was arrived at after taking into account (i) the historical amounts for the transactions between the Group and Shandong Lukang and/or its subsidiaries as disclosed above; (ii) the expected demand for products to be purchased by the Group from Shandong Lukang and/or its subsidiaries based on expected demand from customers of the Group for these products as well as end-products which require the use of these products in their product; (iii) expected demand of products and services to be supplied by the Group to Shandong Lukang and/or its subsidiaries based on discussions with Shandong Lukang; (iv) the prevailing market price as well as the market price trend for the relevant products and services to be purchased and/or sold; and (v) the anticipated business volume and production capacity of the Company.

The Company will satisfy the consideration of the transaction contemplated under the Shandong Lukang Agreement from its internal resources.

3. RENEWAL OF THE CHINA SHANDONG AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2021 and the circular of the Company dated 15 December 2021 in relation to the entering into by the Company of a sales of goods agreement with China Shandong Group on even date concerning the sale of chemical drug products and chemical products by the Group to China Shandong Group and/or its subsidiaries over the period commencing from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Existing China Shandong Agreement**”). On 29 October 2024 (after trading hours), the Company has entered into the China Shandong Agreement with China Shandong Group pursuant to which the Group shall purchase preparation products from China Shandong Group and ceased selling chemical drug products and chemical products to China Shandong Group upon the expiration of the Existing China Shandong Agreement on 31 December 2024. The Group ceased selling products to China Shandong Group mainly because China Shandong Group’s customer demand decreased significantly year by year; and started purchasing products from China Shandong Group will help the Group expand international procurement channels and expand business scale.

The principal terms of the China Shandong Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. China Shandong Group

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months' prior written notice.

Subject matter

The Group shall purchase preparation products from China Shandong Group.

Pricing

The price of preparation products to be purchased from China Shandong Group shall be determined through arm's length negotiations with China Shandong Group and/or its subsidiaries (as applicable) with reference to:

- (i) the Pricing Policy; and
- (ii) the prevailing market price charged by independent third parties for comparable products.

In any event, the Company shall ensure that the price paid to China Shandong Group under the China Shandong Agreement shall be no less favourable to the Company than those entered into by the Company with independent third parties. On such basis, the Company is of the view that the pricing terms based on the above would reflect normal commercial terms or better for the Company.

Historical amounts and proposed annual caps

The following table summarises (i) the historical amounts in respect of the transactions under the Existing China Shandong Agreement; and (ii) the annual caps proposed by the Board in respect of the transactions under the China Shandong Agreement for the years ending 31 December 2025, 2026 and 2027:

	Historical amounts (in RMB' 000) for the year ended / ending 31 December			Proposed annual cap (in RMB' 000) for the year ending 31 December		
	2022 (audited)	2023 (audited)	2024 (expected, unaudited)	2025	2026	2027
Sale of chemical drug products and chemical products by the Company to China Shandong Group and/or subsidiaries	19,507	13,703	2,227	Nil	Nil	Nil
Purchase of preparation products	Nil	Nil	Nil	11,000	16,000	21,000

Basis for the proposed annual caps

The proposed annual caps under the China Shandong Agreement was arrived at after taking into account (i) the expected demand for the preparation products to be purchased by the Group from China Shandong Group based on discussions with China Shandong Group; (ii) the prevailing market price as well as market price trend for preparation products to be purchased under the agreement; and (iii) the anticipated business volume of the Group and market demand.

4. RENEWAL OF THE HUALU HENGSHENG AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2021 and the circular of the Company dated 15 December 2021 in relation to the purchase by the Group of chemical raw materials from Hualu Hengsheng over the period commencing from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Existing Hualu Hengsheng Agreement**”). As the Existing Hualu Hengsheng Agreement shall expire on 31 December 2024, and the transactions contemplated thereunder will continue to be entered into on a recurring basis, the Company has entered into the Hualu Hengsheng Agreement with Hualu Hengsheng on 29 October 2024 (after trading hours) to renew the Existing Hualu Hengsheng Agreement.

The principal terms of the Hualu Hengsheng Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. Hualu Hengsheng

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months’ prior written notice.

Subject matter

The Group shall purchase chemical raw materials from Hualu Hengsheng and/or its subsidiaries.

Pricing

The price of chemical raw materials to be purchased from Hualu Hengsheng and/or its subsidiaries shall be determined through arm’s length negotiations with Hualu Hengsheng and/or its subsidiaries (as applicable) with reference to:

- (i) the Pricing Policy; and
- (ii) the prevailing market price charged by independent third parties for comparable products.

In any event, the Company shall ensure that the price paid to Hualu Hengsheng and/or its subsidiaries under the Hualu Hengsheng Agreement shall be no less favourable to the Company than those entered into by the Company with independent third parties. On such basis, the Company is of the view that the pricing terms based on the above would reflect normal commercial terms or better for the Company.

Historical amounts and proposed annual caps

The following table summarises (i) the historical amounts in respect of the transactions under the Existing Hualu Hengsheng Agreement; and (ii) the annual caps proposed by the Board in respect of the transactions under the Hualu Hengsheng Agreement for the years ending 31 December 2025, 2026 and 2027:

	Historical amounts (in RMB’ 000) for the year ended / ending 31 December			Proposed annual cap (in RMB’ 000) for the year ending 31 December		
	2022 (audited)	2023 (audited)	2024 (expected, unaudited)	2025	2026	2027

Purchase of chemical raw materials by the Group from Hualu Hengsheng and/or its subsidiaries	183,629	135,173	95,650	120,000	120,000	120,000
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Basis for the proposed annual caps

The proposed annual cap under the Hualu Hengsheng Agreement was arrived at after taking into account (i) the historical amounts for the transactions between the Group and Hualu Hengsheng and/or its subsidiaries as disclosed above; (ii) the expected demand for the chemical raw materials to be purchased by the Group from Hualu Hengsheng and/or its subsidiaries based on expected demand from customers of the Group for end-products which require the use of relevant chemical raw materials; (iii) the prevailing market price as well as market price trend for chemical raw materials to be purchased under the agreement; and (iv) the anticipated business volume and production capacity of the Company.

The Company will satisfy the consideration of the transaction contemplated under the Hualu Hengsheng Agreement from its internal resources.

5. ENTERING INTO OF THE SHANDONG HUATONG AGREEMENT

On 29 October 2024, the Group and Shandong Huatong entered into the Shandong Huatong Agreement pursuant to which the Group shall purchase chemical materials from Shandong Huatong for a term from 1 January 2025 to 31 December 2027.

The principal terms of the Shandong Huatong Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. Shandong Huatong

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months' prior written notice.

Subject matter

The Group shall purchase chemical raw materials from Shandong Huatong and/or its subsidiaries.

Pricing

The price of chemical raw materials to be purchased from Shandong Huatong and/or its subsidiaries shall be determined through arm's length negotiations with Shandong Huatong and/or its subsidiaries (as applicable) with reference to:

- (i) the Pricing Policy; and
- (ii) the prevailing market price charged by independent third parties for comparable products.

In any event, the Company shall ensure that the price paid to Shandong Huatong and/or its subsidiaries under

the Shandong Huatong Agreement shall be no less favourable to the Company than those entered into by the Company with independent third parties. On such basis, the Company is of the view that the pricing terms based on the above would reflect normal commercial terms or better for the Company.

Historical amounts and proposed annual caps

The following table summarises the annual caps proposed by the Board in respect of the transactions under the Shandong Huatong Agreement for the years ending 31 December 2025, 2026 and 2027:

	Historical amounts (in RMB' 000) for the year ended / ending 31 December			Proposed annual cap (in RMB' 000) for the year ending 31 December		
	2022 (audited)	2023 (audited)	2024 (expected, unaudited)	2025	2026	2027
Purchase of chemical raw materials by the Group from Shandong Huatong and/or its subsidiaries	Nil	Nil	Nil	117,000	119,000	122,000

Basis for the proposed annual caps

The proposed annual cap under the Shandong Huatong Agreement was arrived at after taking into account (i) the expected demand for the chemical raw materials to be purchased by the Group from Shandong Huatong and/or its subsidiaries based on expected demand from customers of the Group for end-products which require the use of relevant chemical raw materials; (ii) the prevailing market price as well as market price trend for chemical raw materials to be purchased under the agreement; and (iii) the anticipated business volume and production capacity of the Company.

The Company will satisfy the consideration of the transaction contemplated under the Hualu Hengsheng Agreement from its internal resources.

6. RENEWAL OF THE PERRIGO AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2021 in relation to the sale of chemical drug products and pharmaceutical preparation products by the Group to Perrigo Company, which shall act as the exclusive distributor of the Group for the distribution of the chemical raw materials and pharmaceutical preparation products globally (other than the domestic PRC market) over the period commencing from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Existing Perrigo Agreement**”). As the Existing Perrigo Agreement shall expire on 31 December 2024, and the transactions contemplated thereunder will continue to be entered into on a recurring basis, the Company has entered into the Perrigo Agreement with Perrigo Company on 29 October 2024 (after trading hours) to renew the Existing Perrigo Agreement.

The principal terms of the Perrigo Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. Perrigo Company

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months' prior written notice.

Subject matter

The Group shall sell chemical drug products and pharmaceutical preparation products to Perrigo Company, which shall act as the exclusive distributor of the Group for the distribution of the chemical raw materials and pharmaceutical preparation products globally (other than the domestic PRC market).

Pricing

The price of chemical drug products and pharmaceutical preparation products to be sold to Perrigo Company shall be determined through arm's length negotiations with Perrigo Company with reference to:

- (i) the Pricing Policy; and
- (ii) the prevailing market price charged by independent third parties for comparable products.

In any event, the Company shall ensure that the price charged on Perrigo Company under the Perrigo Agreement shall be no less favourable to the Company than those entered into by the Company with independent third parties. On such basis, the Company is of the view that the pricing terms based on the above would reflect normal commercial terms or better for the Company.

Historical amounts and proposed annual caps

The following table summarises (i) the historical amounts in respect of the transactions under the existing agreement between the Company and Perrigo Company in relation to the sale of chemical raw materials to Perrigo Company (the "Existing Perrigo Agreement"); and (ii) the annual caps proposed by the Board in respect of the transactions under the Perrigo Agreement for the years ending 31 December 2025, 2026 and 2027:

	Historical amounts (in RMB'000) for the year ended / ending 31 December			Proposed annual cap (in RMB' 000) for the year ending 31 December		
	2022 (audited)	2023 (audited)	2024 (expected, unaudited)	2025	2026	2027
Sale of chemical drug products and pharmaceutical preparation products by the Group to Perrigo Company	408,442	380,729	358,000	558,000	655,000	659,000

Basis for the proposed annual caps

The proposed annual cap under the Perrigo Agreement was arrived at after taking into account (i) the historical amounts for the transactions between the Group and Perrigo Company as disclosed above; (ii) the expected demand for the chemical drug products and pharmaceutical preparation products of the Group in international markets (excluding the domestic PRC market) following discussions with Perrigo Company; (iii) the prevailing market price as well as market price trend for chemical drug products and pharmaceutical preparation products to be sold under the agreement; and (iv) the anticipated business volume and production capacity of the Company.

7. RENEWAL OF THE CENTRIENT ZIBO AGREEMENT

Reference is made to the announcement of the Company dated 23 November 2021 in relation to the

provision of utility (including water, electricity and steam) and engineering design services by the Group to Centrient Zibo and/or its subsidiaries, and the purchase of chemical raw materials by the Group from Centrient Zibo and/or its subsidiaries over the period commencing from 1 January 2022 to 31 December 2024 (both dates inclusive) (the “**Existing Centrient Zibo Agreement**”). As the Existing Centrient Zibo Agreement shall expire on 31 December 2024, and the transactions contemplated thereunder will continue to be entered into on a recurring basis, the Company has entered into the Centrient Zibo Agreement with Centrient Zibo on 29 October 2024 (after trading hours) to renew the Existing Centrient Zibo Agreement.

The principal terms of the Centrient Zibo Agreement are set out below:

Date

29 October 2024

Parties

1. The Company; and
2. Centrient Zibo

Term

From 1 January 2025 to 31 December 2027 (both dates inclusive), subject to early termination by either party giving the other party at least three (3) months’ prior written notice.

Subject matter

The Group shall provide utility (including water, electricity and steam) and provide engineering design services to Centrient Zibo and/or its subsidiaries.

The Group shall purchase chemical raw materials from Centrient Zibo and/or its subsidiaries.

8. PRICING POLICY

The Pricing Policy for the transactions contemplated under each of the Agreements is summarised in the following table:

Relevant transactions in relation to purchase of Pricing policy products

- | | |
|---|---|
| <ul style="list-style-type: none">• purchase of pharmaceutical preparation products and APIs by the Company from Shandong Lukang under the Shandong Lukang Agreement• purchase of chemical raw materials by the Company from Hualu Hengsheng under the Hualu Hengsheng Agreement• purchase of chemical raw materials by the Company from Centrient Zibo under the Centrient Zibo Agreement• purchase of preparation products by the Group from China Shandong Group under the China Shandong Agreement | <p>The prices and terms in respect of any purchase of products by the Group shall be negotiated on an arm’s length basis with relevant counterparties taking into account the prevailing market price of the same or substantially similar products announced by at least two independent third parties in the same period which offer the same or substantially similar products in the same or nearby areas through inquiries via websites.</p> |
|---|---|

- purchase chemical raw materials from Shandong Huatong and/or its subsidiaries under the Shandong Huatong Agreement

Relevant transactions in relation to sale of products ***Pricing policy***

- sale of pharmaceutical intermediaries, APIs and by the Company to Shandong Lukang under the Shandong Lukang Agreement
- sale of chemical drug products and pharmaceutical preparation products by the Company to Perrigo Company under the Perrigo Agreement
- provision of utility (including water, electricity and steam) by the Company to Centrient Zibo under the Centrient Zibo Agreement

The prices and terms for any sale of products, chemical materials and/or provision of utility from the Group will be negotiated on arm's length basis with relevant counterparties taking into account and/or with reference to the following:

- (i) the actual costs incurred plus a reasonable profit margin (with reference to the general range of profit in the industry).

The Company will refer to the historical average price for the relevant products and profit margins of comparable products and services disclosed by at least two other PRC listed companies to determine whether the profit margin charged is in line with the industry.

In this regard, some PRC listed companies publish profit margins of their principal goods and services on the Shanghai Stock Exchange, the Shenzhen Stock Exchange or domestic bond markets (including but not limited to the inter-bank market of the PRC operated by the National Association of Financial Market Institutional Investors), from which the Company is able to draw references. As information are categorised by the industry and the region in the PRC, the Company will select and refer to profit margins of comparable products and services in the same or nearby areas or in the PRC (to the extent available) to determine whether the profit margin charged is in line with the industry.

- (ii) the demand and supply in the market for the relevant products and the urgency of the orders from counterparties at the relevant time will be considered in determining the final transaction price.

Relevant transactions in relation to provision of engineering design services ***Pricing policy***

- provision of engineering design services by the Company to Shandong Lukang under the Shandong Lukang Agreement
- provision of engineering design services by the Company to Centrient Zibo under the Centrient Zibo Agreement

The determination of the service fees chargeable by the Group on relevant counterparties will be negotiated on arm's length basis with the counterparties taking into account and/or with reference to the following:

- (i) the urgency of the requested services to be provided;
- (ii) the estimated man-hours and/or man-days of the human resources required to provide the relevant services;
- (iii) the materiality and complexity of the proposed services to be provided; and
- (iv) the fees charged for historical transactions of

similar nature.

9. INTERNAL CONTROLS

To ensure that the continuing connected transactions and related party transaction contemplated under the Agreements will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its public shareholders, the Company has adopted the following internal control procedures:

- (i) the management of the Company will hold meetings to discuss and consider the terms and conditions and the pricing mechanism of each transaction contemplated under the Agreements before entering into such transactions to ensure that they are on normal commercial terms;
- (ii) the finance department of the Company shall review the relevant transactions on a monthly basis and submit the relevant information (including, but not limited to, historical and actual transaction amounts) to the Board for review to ensure, without limitation, that the relevant transactions are conducted in accordance with the terms of the Agreements, that the annual caps (as applicable) have not been exceeded, and that the pricing mechanism has been effectively implemented; and
- (iii) the independent non-executive Directors and the auditors of the Company will conduct annual review on the continuing connected transactions and related party transaction contemplated under the Agreements to confirm that the pricing mechanisms and annual caps remain fair and reasonable, and provide confirmation of the same annually in the annual report of the Company in accordance with the Hong Kong Listing Rules.

10. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND RELATED-PARTY TRANSACTION

By entering into the Shandong Lukang Agreement, the Group is able to expand their sales channels by selling pharmaceutical intermediates and APIs to Shandong Lukang and/or its subsidiaries. The purchase of pharmaceutical preparation products and APIs from Shandong Lukang and/or its subsidiaries enables the Company to distribute such products to medical institutions on a large scale in the Luzhong region (the surrounding areas of the Company) and to meet the Company's production needs. The provision of engineering design service to Shandong Lukang and/or its subsidiaries can enable the Company to utilise its pharmaceutical engineering capabilities as well as product and solution innovation experience in the pharmaceutical industry.

By entering into the China Shandong Agreement, the Group is able to broaden its international procurement channels and expand the scale of relevant business operations.

By entering into the Hualu Hengsheng Agreement, the Group is able to minimise procurement costs by reducing intermediate layers as well as secure a steady supply of chemical products.

By entering into the Shandong Huatong Agreement, the Group can obtain payment extensions, effectively alleviate financial pressure and ensure a stable supply of chemical products.

By entering into the Perrigo Agreement, the Company is able to obtain the product technical support and stable sales channels from Perrigo Company. Through the sales of chemical raw materials and pharmaceutical preparation products to Perrigo Company, the Company is able to maintain stable and continuous revenue growth in order to expand the Company's business scale in the international markets.

By entering into the Centrient Zibo Agreement, the Company is able to generate revenue through provision of utility and provision of engineering design service to Centrient Zibo as well as secure a steady supply of raw materials from the relevant contracting parties. Further, the Company is situated relatively close to Centrient Zibo and this will assist to lower relevant transportation fees.

11. LISTING RULES IMPLICATIONS

Connected persons and related persons of the Company

Each of Shandong Lukang (the board of directors of which is controlled by HHC), China Shandong Group (the share capital of which is held as to 99.75% by HHC) and Hualu Hengsheng (the share capital of which is indirectly held as to approximately 32.06% by HHC) are associates of HHC, the controlling shareholder of the Company, and are therefore connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. The CCT Agreements therefore constitute continuing connected transactions of the Company.

Perrigo Company is the indirectly holder of 49% of the share capital of Zibo Xinhua-Perrigo, a subsidiary of the Company as of the date of this announcement, and is therefore regarded as a “connected person at the subsidiary level” (as defined under rule 14A.06(9) of the Hong Kong Listing Rules) of the Company.

Centrient Zibo is a joint venture company the share capital of which is held as to 30% by the Company, and Mr. He Tongqing is a director of both the Company and Centrient Zibo, respectively. As such, Centrient Zibo is a related legal person (關聯法人) of the Company under the Shenzhen Listing Rules. However, as Mr. He Tongqing does not, together with any other persons (i) exercise or control the exercise of 30% (or an amount for triggering a mandatory general offer or establishing legal or management control over a business enterprise under the PRC law) or more of the voting power at general meetings of Centrient Zibo; or (ii) control the composition of a majority of the board of directors of Centrient Zibo, Centrient Zibo is not an associate of Mr. He Tongqing and is therefore not a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules.

Shandong Huatong is indirectly wholly-owned by HHC. As such, Shandong Huatong is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules.

Listing Rules implications concerning CCT Agreements

Since the CCT Agreements are of a similar nature and have been entered into by the Company with the parties which are connected with each other within a 12-month period, the Directors consider that the transactions contemplated under these CCT Agreements should be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Hong Kong Listing Rules.

As (i) the applicable percentage ratios (other than the profits ratio) under the Hong Kong Listing Rules for the transactions contemplated under the CCT Agreements calculated on an aggregated basis is more than 0.1% but less than 5% on an annual basis; (ii) the continuing connected transactions contemplated under the CCT Agreements are conducted on normal commercial terms; and (iii) the Board (including all the independent non-executive Directors of the Company) has approved the continuing connected transactions under the CCT Agreements and confirmed that the terms of the continuing connected transactions thereunder are conducted on normal commercial terms, the transactions contemplated under the CCT Agreements are subject to the reporting, announcement, annual review and certain other requirements applicable to continuing connected transactions, but are exempt from the circular (including independent financial advice) and Independent Shareholders’ approval requirements, under Chapter 14A of the Hong Kong Listing Rules.

As the A Shares are listed on the Shenzhen Stock Exchange, the Company is subject to and regulated by the Shenzhen Listing Rules. According to the Shenzhen Listing Rules and the articles of association of the Company, the CCT Agreements and the transactions contemplated thereunder are required to be submitted the general meeting of the Company for consideration and approval. An EGM will be convened to consider and, if thought fit, pass resolutions to approve the transactions in respect of the CCT Agreements. HHC and its associates will be required to abstain from voting at the EGM.

Listing Rules implications concerning the Perrigo Agreement

As (i) Perrigo Company is regarded as a connected person at the subsidiary level of the Company only; (ii) the continuing connected transactions contemplated under the Perrigo Agreement are on normal

commercial terms; (iii) the Board (including all the independent non-executive Directors of the Company) has approved the continuing connected transactions under the Perrigo Agreement and confirmed that the terms of the continuing connected transactions are fair and reasonable and that the continuing connected transactions are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the continuing connected transactions contemplated under the Perrigo Agreement are subject to the reporting, announcement, annual review and certain other requirements applicable to continuing connected transactions, but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements, under Chapter 14A of the Hong Kong Listing Rules.

The Perrigo Agreement and the transactions contemplated thereunder will not be subject to Independent Shareholders' approval under the Shenzhen Listing Rules.

Listing Rules implications concerning the Centrient Zibo Agreement

Since Centrient Zibo is not a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules, the Centrient Zibo Agreement does not constitute a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules. However, Centrient Zibo is a related legal person (關聯法人) of the Company under the Shenzhen Listing Rules and therefore the Centrient Zibo Agreement constitutes a related party transaction under the Shenzhen Listing Rules.

The Centrient Zibo Agreement and the transactions contemplated thereunder will not be subject to Independent Shareholders' approval under the Shenzhen Listing Rules.

12. APPROVAL BY THE BOARD

The Board (including the independent non-executive Directors, but excluding Mr. He Tongqing (who has abstained from voting in respect of the Centrient Zibo Agreement) and Mr. Zhang Chenyong (who has abstained from voting in respect of the CCT Agreements) (collectively, "**Interested Directors**") who are considered to have a material interest in the Agreements due to their respective directorships or capacities as a member of the management of a subsidiary of HHC) have considered and reviewed the terms and provisions of the Agreements and are of the view and resolved, in a duly convened meeting of the Board, that the Agreements have been entered into on an arm's length basis and in the ordinary and usual course of business, and that the transactions contemplated thereunder and the relevant proposed annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Other than the Interested Directors, none of the other Directors has any material interest in the Agreements and were required to abstain from voting, or abstained from voting, on the relevant resolutions of the Board concerning approval of the Agreements.

13. APPROVAL BY INDEPENDENT SHAREHOLDERS

The Company will seek the Independent Shareholders' approval of the Relevant CCT Proposals at the EGM to be convened. Any Shareholder with a material interest in the CCT Agreements or transactions thereunder will not vote on the relevant resolutions at the EGM.

In view of the direct or indirect interests of HHC and/or its associates in the CCT Agreements and transactions contemplated thereunder, HHC and its associates will abstain from the resolutions for approving the Relevant CCT Proposals at the EGM.

A circular containing, *inter alia*, further details of the Relevant CCT Proposals and the notice convening the EGM, is expected to be despatched by the Company to its Shareholders on or before 13 November 2024.

14. INFORMATION OF THE PARTIES TO THE AGREEMENTS

The Company is a joint stock limited company incorporated in the PRC with its H shares and A shares listed

on the Hong Kong Stock Exchange and Shenzhen Stock Exchange respectively. The Company is principally engaged in the development, manufacture and sale of bulk pharmaceuticals, preparations and chemical products. The ultimate beneficial owner of the Company is the State-owned Assets Supervision and Administration Commission of the State Council of Shandong province.

HHC is a state-owned enterprise principally engaged in investment holding of various listed public companies (listed on the stock exchanges of the Mainland China and Hong Kong) and private companies, and is the controlling shareholder of the Company).

Shandong Lukang is a company incorporated in the PRC with limited liability and its principal businesses include, *among others*, manufacturing, processing and sales of chemical raw materials and preparations products for pharmaceutical production, auxiliary materials and intermediates, veterinary drugs, pharmaceutical packaging products and feed additives.

China Shandong Group is a company incorporated in Hong Kong with limited liability and its principal businesses include project investment and import and export trade.

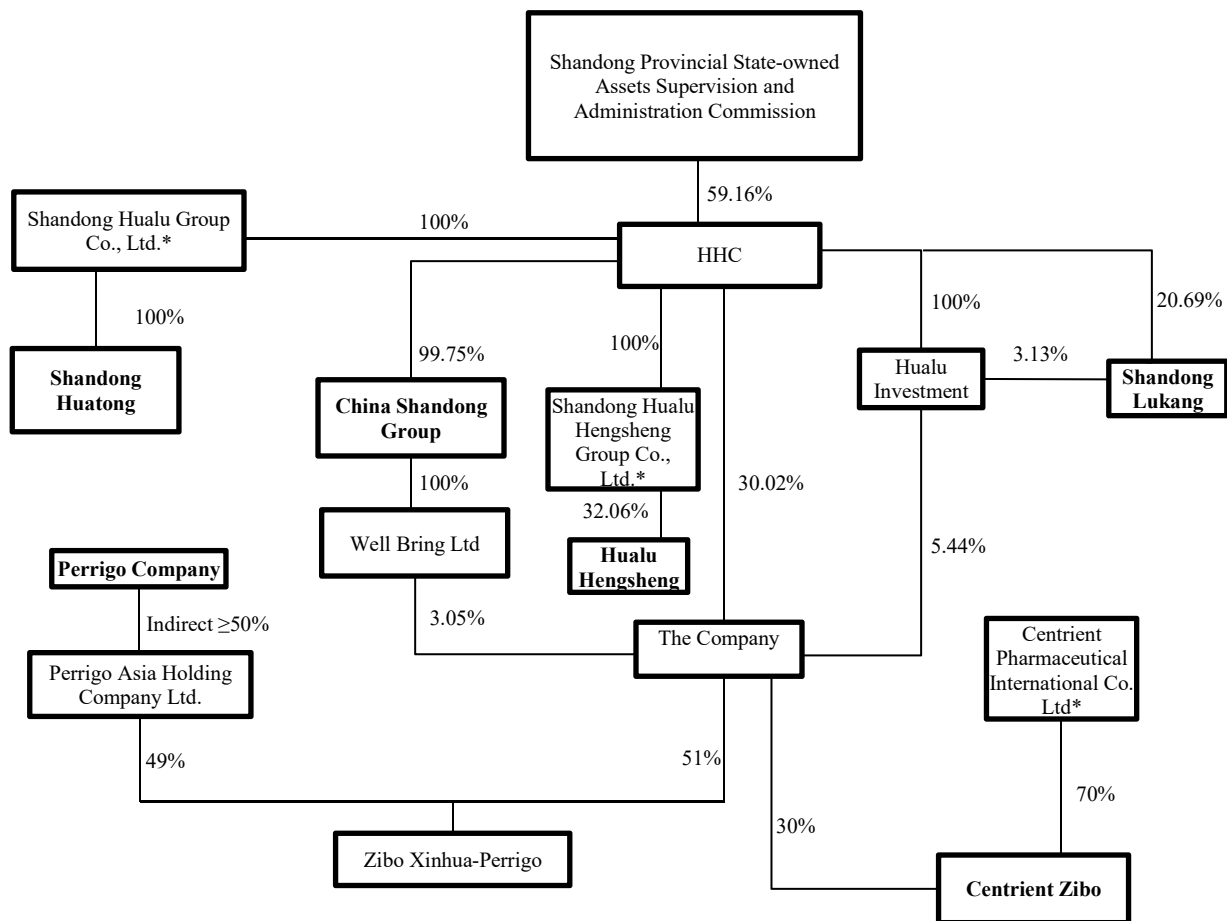
Perrigo Company is a company incorporated in the United States with limited liability and its principal business include the manufacture, distribution and sale of certain over-the-counter, non-prescription pharmaceutical products in the United States.

Hualu Hengsheng is a company incorporated in the PRC with limited liability and its principal businesses include, the production and sales of chemical products. The company's main businesses include the production and sales of chemicals and chemical fertilizers, as well as the electricity generation and heating supply businesses.

Centrient Zibo is a company incorporated in the PRC with limited liability and its principal business include the manufacturing of chemical raw materials and the sales of its manufactured products.

Shandong Huatong is a company incorporated in the PRC with limited liability and its principal businesses include, business of hazardous chemicals; import and export of goods; sales of chemical products, etc..

As of the date of this announcement, the following chart shows the shareholding relationship between the Group and each of Shandong Lukang, China Shandong Group, Perrigo Company, Hualu Hengsheng, Shandong Huatong and Centrient Zibo:



**For indication only*

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“A Share”	the domestic Shares of the Company which are listed on Shenzhen Stock Exchange and traded and denominated in RMB, with a nominal value of RMB1.00 each
“Agreements”	collectively, the CCT Agreements, the Perrigo Agreement and the Centrient Zibo Agreement
“API”	active pharmaceutical ingredient
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“CCT Agreements”	collectively, the Shandong Lukang Agreement, the China Shandong Agreement, the Hualu Hengsheng Agreement and the Shandong Huatong Agreement
“Centrient Zibo”	Centrient Pharmaceutical (Zibo) Co., Ltd. (燦盛製藥 (淄博) 有限公司), a company incorporated in the PRC with limited liability and the share capital of which is held as to 30% by the Company as of the date of this announcement
“Centrient Zibo Agreement”	the agreement entered into between the Company and Centrient Zibo on 29 October 2024 as described in this announcement
“China Shandong Group”	China Shandong Group Ltd. (華魯集團有限公司), a company incorporated in Hong Kong with limited liability and the share capital of which is held as to 99.75% by, and is a subsidiary of, HHC as of the date of this announcement
“China Shandong Agreement”	the agreement entered into between the Company and China Shandong Group on 29 October 2024 as described in this announcement
“Company”	Shandong Xinhua Pharmaceutical Company Limited, a joint stock limited company incorporated in the PRC, the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (stock code: 00719) and the Shenzhen Stock Exchange (stock code: 000756) respectively
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the second extraordinary general meeting of the Shareholders in 2024, including any adjournment thereof, to approve, among others, the CCT Agreements and the transactions contemplated thereunder described in this announcement

“Group”	the Company and its subsidiaries from time to time
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or modified from time to time
“Hualu Hengsheng”	Shandong Hualu Hengsheng Chemical Company Limited (山東華魯恒升化工股份有限公司), a company incorporated in the PRC with limited liability and the share capital of which is indirectly held as to approximately 32.06% by HHC as of the date of this announcement
“Hualu Hengsheng Agreement”	the agreement entered into between the Company and Hualu Hengsheng on 29 October 2024 as described in this announcement
“Hualu Investment”	Hualu Investment Development Co., Ltd (華魯投資發展有限公司), a company incorporated in the PRC and is a direct wholly owned subsidiary of HHC
“HHC”	Hualu Holdings Co. Ltd. (華魯控股集團有限公司), a company incorporated in the PRC and directly holding approximately 30.02% of the total number of Shares of the Company in issue as of the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share”	H shares of the Company which are listed on Hong Kong Stock Exchange and traded and denominated in Hong Kong dollar, with a nominal value of RMB1.00 each
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholder(s)”	means Shareholders, other than HHC and its associates
“independent third par(ties)”	a person or persons or a company or companies that is not or are not connected person(s) of the Group
“Perrigo Agreement”	the agreement entered into between the Company and Perrigo Company on 29 October 2024 as described in this announcement
“Perrigo Company”	Perrigo Company, a company incorporated in the United States with limited liability and indirectly holds 49% of the share capital of Zibo Xinhua-Perrigo, a subsidiary of the Company as of the date of this announcement
“Pricing Policy”	the pricing policy adopted by the Company in connection with procurement and sale or provision of products and services as further described in the section “Pricing Policy” in this announcement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Relevant CCT Proposals”	collectively, the proposals concerning the entering into of the CCT Agreements, their respective annual caps and the continuing connected transactions contemplated thereunder

“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Huatong”	Shandong Huatong Chemical Co., Ltd. (山東華通化工有限責任公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of HHC as of the date of this announcement
“Shandong Huatong Agreement”	the agreement entered into between the Company and Shandong Huatong on 29 October 2024 as described in this announcement
“Shandong Lukang”	Shandong Lukang Pharmaceutical Co., Ltd (山東魯抗醫藥股份有限公司), a company incorporated in the PRC with limited liability (the share capital of which is indirectly held as to approximately 20.69% by HHC and which HHC has the right to appoint or remove a majority of its board of directors) and is a subsidiary of HHC as of the date of this announcement
“Shandong Lukang Agreement”	the agreement entered into between the Company and Shandong Lukang on 29 October 2024 as described in this announcement
“Shareholders”	the holders of Shares
“Share(s)”	collectively, A Share(s) and H Share(s)
“Shenzhen Listing Rules”	Rules Governing the Listing of Securities on the Shenzhen Stock Exchange
“Zibo Xinhua-Perrigo”	Zibo Xinhua-Perrigo Pharmaceutical Company Limited (濰博新華 - 百利高製藥有限責任公司), a company incorporated in the PRC with limited liability and is a subsidiary of the Company as of the date of this announcement

By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited
He Tongqing
Chairman

29 October 2024, Zibo, the PRC

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

Executive Directors:

Mr. He Tongqing (Chairman)
Mr. Xu Wenhui
Mr. Hou Ning

Non-executive Directors:

Mr. Xu Lie
Mr. Zhang Chenyong

Independent Non-executive Directors:

Mr. Pan Guangcheng
Mr. Zhu Jianwei
Mr. Ling Peixue
Ms. Cheung Ching Ching, Daisy