
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Xinhua Pharmaceutical Company Limited, you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 0719)

**ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of the Company to be held at the Company's conference room at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, The People's Republic of China on Friday, 20 March 2015 at 2:00 p.m. is set out on pages 6 to 9 of this circular. Whether or not you are able to attend the meeting, we encourage you to complete and return the enclosed form of proxy and ballot in accordance with the instructions printed thereon, as soon as possible and in any event not less than 24 hours prior to the commencement of the extraordinary general meeting to the Company Secretary's office of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, The People's Republic of China.

Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

In the case of any discrepancy, the Chinese text of this circular shall prevail over the English text.

3 February 2015

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors;
“Company”	山東新華製藥股份有限公司 (Shandong Xinhua Pharmaceutical Company Limited), a joint stock company incorporated in the PRC with limited liability;
“Directors”	the directors of the Company;
“EGM”	The extraordinary general meeting of the Company to be held on 20 March 2015;
“Group”	The Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Shareholders”	the shareholders of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.



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: 0719)

Executive Directors:

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

Registered Address:

Chemical Industry Area of Zibo Hi-tech
Industry Development Zone, Zibo City,
Shandong Province, PRC

Non-executive Director:

Mr. Ren Fulong
Mr. Xu Lie
Mr. Zhao Bin

Independent Non-executive Directors:

Mr. Yu Xiong
Mr. Chan Chung Kik, Lewis

3 February 2015

To the Shareholders

Dear Sir or Madam,

**ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS,
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to provide you with the information regarding resolutions to be proposed at the EGM. These include (i) an ordinary resolution proposing the election of independent non-executive directors; and (ii) a special resolution proposing the amendments to Article 13 of the Articles of Association. A notice convening the EGM is set out on pages 6 to 9 of this circular.

LETTER FROM THE BOARD

II. ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Reference is made to the announcements of the Company dated 3 December 2014 and 19 January 2015 in relation to the resignations of Mr. Liu Hongwei and Mr. Yu Xiong as the Company's independent non-executive directors. In this connection, it is proposed that Mr. Du Guanhua and Mr. Li Wenming are to be elected as the independent non-executive directors of the Company at the EGM to replace Mr. Liu Hongwei and Mr. Yu Xiong. The new term of office of the elected independent non-executive directors will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the eighth session of the Board of the Company.

Particulars of Mr. Du Guanhua

Mr. Du Guanhua, aged 58, is a doctor, pharmacology researcher (professor) and tutor to PhD candidates. Mr. Du obtained a Bachelor of Pharmacy from Shandong University, a Master of Medicine from Tongji Medical College and a PhD in Pharmacology from Peking Union Medical College. Mr. Du has been the head of National Center for Pharmaceutical Screening since July 1999, the chairman of Chinese Pharmacological Society since November 2007 and the deputy director of Institute of Materia Medica of Chinese Academy of Medical Sciences since September 2011. Mr. Du is currently an independent non-executive director of Shandong Luoxin Pharmacy Stock Co., Ltd and an independent director of Hebei Changshan Biochemical Pharmaceutical Co., Ltd. Save as disclosed above, Mr. Du did not hold any other directorship in any listed companies in the past three years or any other positions in the Company or other members of the Group. Mr. Du has no relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Du does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Du has not entered into any service contract with the Company. His emoluments will be determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Du will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the eighth session of the Board of the Company.

Save as disclosed herein, there is nothing in respect of Mr. Du which needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules nor is there anything that needs to be brought to the attention of the Shareholders of the Company.

LETTER FROM THE BOARD

Particulars of Mr. Li Wenming

Mr. Li Wenming, aged 41, graduated from Faculty of Management of the Dalian University of Technology and obtained a Master of Business Administration. Mr. Li previously held the positions of officer of Henan Pingdingshan Zhanhe Health Bureau, market researcher of Beijing CHNMED Consulting Co., Ltd., manager of the pharmaceutical department of Beijing Peking University Founder Group and a partner of the pharmaceutical department of Beijing Hejun Consulting Co., Ltd. Mr. Li is currently a partner of Hejun Group Co., Ltd, a deputy secretary general of China Association of Pharmaceutical Commerce, an independent director of Beijing AKEC Medical Co., Ltd., a director of Beijing Tianheng Hospital Management Co., Ltd. and a director of Diacha Diagnostics Technology (Suzhou) Co., Ltd. Save as disclosed above, Mr. Li did not hold any other directorship in any listed companies in the past three years or any other positions in the Company or other members of the Group. Mr. Li has no relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Li does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Li has not entered into any service contract with the Company. His emoluments will be determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Li will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the eighth session of the Board of the Company.

Save as disclosed herein, there is nothing in respect of Mr. Li which needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules nor is there anything that needs to be brought to the attention of the Shareholders of the Company.

III. PROPOSED AMENDMENTS TO ARTICLE 13 OF THE ARTICLES OF ASSOCIATION

A. THE AMENDMENTS

Original Article 13 of the Articles of Association:

“The scope of operations of the Company shall be that approved by the companies registration authorities of the State Council.

The scope of the Company’s businesses covers production of chemical medicine, chemical raw materials, food additive, healthcare food, pharmaceutical equipment, medicine inspection instruments and apparatus; technology transfer, service, consultancy and training for projects independently developed by the Company; sale of the enterprise’s own products; production, inflation and sale of oxygen and nitrogen for industrial use.”

LETTER FROM THE BOARD

Be amended to:

“The scope of operations of the Company shall be that approved by the companies registration authorities of the State Council.

The scope of the Company’s businesses covers production of chemical medicine, chemical raw materials, food additive, healthcare food, solid beverage, pharmaceutical equipment, medicine inspection instruments and apparatus; technology transfer, service, consultancy and training for projects independently developed by the Company; sale of the enterprise’s own products.”

B. EFFECTS OF THE AMENDMENTS

The effect of the aforementioned amendments is to meet the production and operational needs of the Company.

IV. EXTRAORDINARY GENERAL MEETING

The Board has resolved to convene the EGM to consider and, if thought fit, to pass the resolutions in relation to the election of independent non-executive directors and the amendments to Article 13 of the Articles of Association. Notice of the EGM is set out on pages 6 to 9 of this circular. The register of members of the Company will be closed from 18 February 2015 to 20 March 2015 (both days inclusive), during which period no H share transfers will be effected. Shareholders of the Company whose names appear on the register of members of the Company in the Hong Kong Registrars Limited at 4:30 p.m. on Tuesday, 17 February 2015 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Tuesday, 17 February 2015 and the Directors, the supervisors and the senior officers of the Company are entitled to attend the EGM or any adjournment thereof. A form of proxy for use at the EGM is enclosed herein. Whether or not you are able to attend the EGM, we encourage you to complete and return the enclosed form of proxy and ballot in accordance with the instructions printed thereon, as soon as possible and in any event not less than 24 hours prior to the commencement of the EGM, to the office of the company secretary of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC.

Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

V. VOTE BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of Shareholders at the EGM shall be taken by poll.

LETTER FROM THE BOARD

VI. RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board considers that the proposed election of independent non-executive directors and the proposed amendments to Article 13 of the Articles of Association are fair and reasonable so far as the Shareholders are concerned.

VII. RESPONSIBILITY STATEMENT

The Board and each of the Directors confirm that there are no false representations, material omissions or misleading statements contained in this circular, and they, jointly and severally, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this circular.

Yours faithfully,
By order of the Board
Shandong Xinhua Pharmaceutical Company Limited
Zhang Daiming
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



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: 0719)

**NOTICE OF EXTRAORDINARY GENERAL MEETING
AND ELECTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS
AND AMENDMENTS TO ARTICLE 13 OF THE ARTICLES OF ASSOCIATION
AND CLOSURE OF THE REGISTER OF MEMBERS
IN RELATION TO H SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) will be held at the Company’s conference room at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, The People’s Republic of China (the “**PRC**”) on Friday, 20 March 2015 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolution and special resolution:

ORDINARY RESOLUTION

1. Mr. Du Guanhua and Mr. Li Wenming (see Note 1 below) be elected as independent non-executive directors of the Company by cumulative voting*.

SPECIAL RESOLUTION

2. Change of the scope of operations of the Company and the proposed amendments to Article 13 of the articles of association of the Company (see Note 2 below) be approved.

* When directors are elected through cumulative voting at the EGM, the number of total votes that a shareholder can exercise is decided by the following factors: (i) the number of shares held by such shareholder, and (ii) the number of directors to be elected. A shareholder can give all his or her votes to one of the candidates for directors or divide his or her votes among several candidates for directors. Directors are elected based on the total number of votes a candidate receives at the EGM.

Shandong Xinhua Pharmaceutical Company Limited

The Board of Directors

3 February 2015

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. **Particulars of Mr. Du Guanhua**

Mr. Du Guanhua, aged 58, is a doctor, pharmacology researcher (professor) and tutor to PhD candidates. Mr. Du obtained a Bachelor of Pharmacy from Shandong University, a Master of Medicine from Tongji Medical College and a PhD in Pharmacology from Peking Union Medical College. Mr. Du has been the head of National Center for Pharmaceutical Screening since July 1999, the chairman of Chinese Pharmacological Society since November 2007 and the deputy director of Institute of Materia Medica of Chinese Academy of Medical Sciences since September 2011. Mr. Du is currently an independent non-executive director of Shandong Luoxin Pharmacy Stock Co., Ltd and an independent director of Hebei Changshan Biochemical Pharmaceutical Co., Ltd. Save as disclosed above, Mr. Du did not hold any other directorship in any listed companies in the past three years or any other positions in the Company or other members of the Group. Mr. Du has no relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Du does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Du has not entered into any service contract with the Company. His emoluments will be determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Du will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the eighth session of the Board of the Company.

Save as disclosed herein, there is nothing in respect of Mr. Du which needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules nor is there anything that needs to be brought to the attention of the Shareholders of the Company.

Particulars of Mr. Li Wenming

Mr. Li Wenming, aged 41, graduated from Faculty of Management of the Dalian University of Technology and obtained a Master of Business Administration. Mr. Li previously held the positions of officer of Henan Pingdingshan Zhanhe Health Bureau, market researcher of Beijing CHNMED Consulting Co., Ltd., manager of the pharmaceutical department of Beijing Peking University Founder Group and a partner of the pharmaceutical department of Beijing Hejun Consulting Co., Ltd. Mr. Li is currently a partner of Hejun Group Co., Ltd, a deputy secretary general of China Association of Pharmaceutical Commerce, an independent director of Beijing AKEC Medical Co., Ltd., a director of Beijing Tianheng Hospital Management Co., Ltd. and a director of Diacha Diagnostics Technology (Suzhou) Co., Ltd. Save as disclosed above, Mr. Li did not hold any other directorship in any listed companies in the past three years or any other positions in the Company or other members of the Group. Mr. Li has no relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Li does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Li has not entered into any service contract with the Company. His emoluments will be determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Li will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the eighth session of the Board of the Company.

Save as disclosed herein, there is nothing in respect of Mr. Li which needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules nor is there anything that needs to be brought to the attention of the Shareholders of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. Original Article 13 of the Articles of Association:

“The scope of operations of the Company shall be that approved by the companies registration authorities of the State Council.

The scope of the Company’s businesses covers production of chemical medicine, chemical raw materials, food additive, healthcare food, pharmaceutical equipment, medicine inspection instruments and apparatus; technology transfer, service, consultancy and training for projects independently developed by the Company; sale of the enterprise’s own products; production, inflation and sale of oxygen and nitrogen for industrial use.”

Be amended to:

“The scope of operations of the Company shall be that approved by the companies registration authorities of the State Council.

The scope of the Company’s businesses covers production of chemical medicine, chemical raw materials, food additive, healthcare food, solid beverage, pharmaceutical equipment, medicine inspection instruments and apparatus; technology transfer, service, consultancy and training for projects independently developed by the Company; sale of the enterprise’s own products.”

3. The register of members of the Company will be closed from 18 February 2015 to 20 March 2015 (both days inclusive), during which period no H share transfers will be effected. Shareholders of the Company whose names appear on the register of members of the Company in the Hong Kong Registrars Limited at 4:30 p.m. on 17 February 2015 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 17 February 2015 and the Directors, the Supervisors and the senior officers of the Company are entitled to attend the EGM or any adjournment thereof.

H shareholders of the Company who wish to attend the EGM shall lodge their share transfer instruments accompanied by the relevant share certificates with the share register for the Company’s H shares not later than 4:30 p.m. on 17 February 2015.

The address of the share register for the Company’s H shares:

Hong Kong Registrars Limited
17th Floor, Hopewell Centre
183 Queen’s Road East, Hong Kong

4. Shareholders of the Company who intend to attend the EGM are asked to send the completed and signed reply slip for attendance dispatched to the Company’s shareholders together with the circular dated 3 February 2015 to the Company Secretary’s office of the Company (see Note 9 below) on or before 27 February 2015, by hand, by post or by facsimile. The written reply will not affect the right of the shareholders (see Note 3 above) to attend and vote at the EGM. The completion and deposit of a form of proxy will not preclude any shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof.

5. A shareholder of the Company entitled to attend and vote at the EGM may appoint one or more proxies (whether the person is a shareholder of the Company or not) to attend and vote on his/her behalf at the EGM. When a shareholder appoints more than one proxy, such proxies may only vote on a poll.

6. Shareholders of the Company must appoint a proxy or proxies in writing i.e. the original proxy form dispatched to the Company’s shareholders together with the circular dated 3 February 2015 or a copy of it, which shall be signed by the person appointing the proxy or proxies or by his/her duly authorised attorney. If the form of proxy is signed by an attorney, the document appointing the attorney must be certified by a notary public. If the appointing shareholder is a legal person, the legal person’s seal or the signature of its director(s) or representative(s) duly authorised in writing is required. To be valid, a notarially certified power of attorney or other authority (if any) and the form of proxy must be received by the Company Secretary’s office of the Company (see Note 9 below) 24 hours prior to the commencement of the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. Shareholders of the Company or their proxies shall present proof of identity upon attending the EGM. Should a proxy be appointed, the proxy shall also present his/her form of proxy.
8. The EGM is expected to last half a day. Shareholders who attend the EGM shall bear their own traveling and accommodation expenses.
9. The address of the Company Secretary's office of the Company is as follows:

No.1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC
Postal Code: 255086
Telephone: 86 533 2196024
Facsimile: 86 533 2287508

As at the date of this notice, the board of directors comprises:

Executive Directors:

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

Independent Non-executive Directors:

Mr. Yu Xiong
Mr. Chan Chung Kik, Lewis

Non-executive Director:

Mr. Ren Fulong
Mr. Xu Lie
Mr. Zhao Bin