
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)

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
PROPOSED CHANGE OF AUDITORS,
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual 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 Wednesday, 24 June 2015 at 2:00 p.m. is set out on pages 5 to 7 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 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 annual 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.

8 May 2015

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DEFINITIONS

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

“AGM”	The annual general meeting for the year 2014 of the Company to be held on 24 June 2015;
“Approved PRC Accounting Firms”	PRC accounting firms that have been approved by the Ministry of Finance of the PRC and the China Securities Regulatory Commission to be eligible to provide auditing services to PRC incorporated issuers listed in Hong Kong using PRC auditing standards;
“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;
“Conclusions Papers”	“Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” issued by the Stock Exchange in December 2010;
“Directors”	the directors of the Company;
“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. Du Guanhua
Mr. Li Wenming
Mr. Chan Chung Kik, Lewis

8 May 2015

To the Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
PROPOSED CHANGE OF AUDITORS,
AND
NOTICE OF ANNUAL GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to provide you with the information regarding resolutions to be proposed at the AGM. These include, but are not limited to, a special resolution proposing the amendments to the Articles of Association and an ordinary resolution proposing the change of auditors. A notice convening the AGM is set out on pages 5 to 7 of this circular.

LETTER FROM THE BOARD

II. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A. THE AMENDMENTS

Original Article 142 of the Articles of Association:

“The financial statements of the Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or overseas accounting standards of the place at which foreign shares of the Company are listed. If there are material differences between the financial statements prepared in accordance with the aforesaid accounting standards, then the notes to those financial statements shall state and explain such tax profits in a financial year, the Company’s after-tax profits shall be deemed to be the lesser of the amounts stated in the different sets of financial statements.”

Be amended to:

“The financial statements of the Company shall be complying with PRC accounting standards, rules and regulations.”

Original Article 143 of the Articles of Association:

“Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations as well as in accordance with either international accounting standards or overseas accounting standards of the place where foreign shares of the Company are listed.”

Be amended to:

“Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations.”

B. EFFECT OF THE AMENDMENTS

Pursuant to Articles 142 and 143 of the Articles of Association, the Company is currently required to prepare financial statements and interim results in accordance with both the PRC and Hong Kong accounting standards. Pursuant to the Conclusions Papers, the Company may prepare its financial statements using only PRC accounting standards. In light of this, the Company proposes to amend Articles 142 and 143 so that the Company will only be required to prepare its financial statements and interim results using only the PRC accounting standards which, the Board considers, is in the best interest of the Company and the Shareholders as a whole, and meets the Company’s production and operational needs.

III. PROPOSED CHANGE OF AUDITORS

ShineWing (HK) CPA Limited will retire as the international auditor of the Company with effect from the close of the AGM and will not be re-appointed. This is because pursuant to the Conclusions Papers and related amendments to the Listing Rules, issuers incorporated in the PRC and listed on the Stock Exchange have been allowed to prepare their financial statements using PRC accounting standards. Further, according to the Conclusions Papers, Approved PRC Accounting Firms are eligible to provide auditing services to PRC incorporated issuers listed in Hong Kong using PRC auditing standards.

In light of the above and in order to enhance efficiency and to save costs, the Company intends, subject to the approval by Shareholders of the proposed amendments to the Articles of Association, to adopt PRC accounting standards to prepare its financial statements for the year ending 31 December 2015 and thereafter. The Board noted that its domestic auditor, ShineWing Certified Public Accountants, is one of the Approved PRC Accounting Firms. The Board therefore proposes, with the recommendation from the audit committee of the Company, to appoint ShineWing Certified Public Accountants as the Company's domestic and international auditor for the year ending 31 December 2015. Such proposed appointments are subject to the approval of the Shareholders at the AGM.

ShineWing (HK) CPA Limited has confirmed that there were no matters in connection with its retirement that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company also confirm that there were no relevant matters in connection with the retirement of ShineWing (HK) CPA Limited and the proposed change of auditors that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company further confirm that there were no disagreements or unresolved matters between the Company and ShineWing (HK) CPA Limited in connection with the retirement of ShineWing (HK) CPA Limited and the proposed change of auditors.

IV. ANNUAL GENERAL MEETING

The Board has resolved to convene the AGM to consider and, if thought fit, to pass the resolutions in relation to, inter alia, the amendments to the Articles of Association and the change of auditors. Notice of the AGM is set out on pages 5 to 7 of this circular. The register of members of the Company will be closed from 25 May 2015 to 24 June 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 Friday, 22 May 2015 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Friday, 12 June 2015 and the Directors, the supervisors and the senior officers of the Company are entitled to attend the AGM or any adjournment thereof. A form of proxy for use at the AGM is enclosed herein. Whether or not you are able to attend the AGM, we encourage you to complete and return the enclosed form of proxy 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 AGM, to the office of the company secretary of the Company at No. 1 Lutai Ave., Hi-tech District, Zibo City, Shandong Province, PRC.

LETTER FROM THE BOARD

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 AGM shall be taken by poll.

VI. RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board considers that the proposed amendments to the Articles of Association and the proposed change of auditors 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



山東新華製藥股份有限公司
Shandong Xinhua Pharmaceutical Company Limited

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**NOTICE OF ANNUAL GENERAL MEETING
AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND CHANGE OF AUDITORS
AND CLOSURE OF THE REGISTER OF MEMBERS
IN RELATION TO H SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an annual general meeting (“AGM”) 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 Wednesday, 24 June 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. To review and approve the annual report of the Company for the year 2014;
2. To review and approve the report of the board of directors of the Company (the “**Board**”) for the year 2014;
3. To review and approve the report of the supervisory committee of the Company for the year 2014;
4. To review and approve the audited financial statements for the year 2014;
5. To review and approve the profit distribution plan and the final dividend for the year 2014 as proposed by the Board on 27 March 2015;
6. To review and approve the appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company’s international and domestic auditors for the year 2015 and authorise the Board to fix their remuneration;

NOTICE OF ANNUAL GENERAL MEETING

7. To review and approve the remuneration of the directors and the supervisors of the Company for the year 2015;

SPECIAL RESOLUTION

8. The proposed amendments to the articles of association of the Company (see Note 1 below) be approved.

Shandong Xinhua Pharmaceutical Company Limited

The Board of Directors

8 May 2015

Notes:

1. Original Article 142 of the Articles of Association:

“The financial statements of the Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or overseas accounting standards of the place at which foreign shares of the Company are listed. If there are material differences between the financial statements prepared in accordance with the aforesaid accounting standards, then the notes to those financial statements shall state and explain such tax profits in a financial year, the Company’s after-tax profits shall be deemed to be the lesser of the amounts stated in the different sets of financial statements.”

Be amended to:

“The financial statements of the Company shall be complying with PRC accounting standards, rules and regulations.”

Original Article 143 of the Articles of Association:

“Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations as well as in accordance with either international accounting standards or overseas accounting standards of the place where foreign shares of the Company are listed.”

Be amended to:

“Any interim results of financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards, rules and regulations.”

2. The register of members of the Company will be closed from 25 May 2015 to 24 June 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 22 May 2015 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 12 June 2015 and the Directors, the Supervisors and the senior officers of the Company are entitled to attend the AGM or any adjournment thereof.

H shareholders of the Company who wish to attend the AGM 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 22 May 2015.

NOTICE OF ANNUAL GENERAL MEETING

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

3. Shareholders of the Company who intend to attend the AGM are asked to send the completed and signed reply slip for attendance dispatched to the Company's shareholders together with the circular dated 8 May 2015 to the Company Secretary's office of the Company (see Note 8 below) on or before 3 June 2015, by hand, by post or by facsimile. The written reply will not affect the right of the shareholders (see Note 2 above) to attend and vote at the AGM. 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 AGM or any adjournment thereof.
4. A shareholder of the Company entitled to attend and vote at the AGM 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 AGM. When a shareholder appoints more than one proxy, such proxies may only vote on a poll.
5. 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 8 May 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 8 below) 24 hours prior to the commencement of the AGM.
6. Shareholders of the Company or their proxies shall present proof of identity upon attending the AGM. Should a proxy be appointed, the proxy shall also present his/her form of proxy.
7. The AGM is expected to last half a day. Shareholders who attend the AGM shall bear their own traveling and accommodation expenses.
8. 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 2196025
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. Du Guanhua
Mr. Li Wenming
Mr. Chan Chung Kik, Lewis

Non-executive Director:

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