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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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

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. 14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, The People’s Republic of China (the “**PRC**”) on 20 September 2010 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

“That:

1. Mr. Zhang Daiming and Mr. Du Deping be elected as executive directors of the Company by cumulative voting* (see Note 8 below); and

** 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 candidate of director or divide his or her votes among several candidates of directors. Directors are elected at the EGM based on the total number of votes he or she receives.*

2. The board of directors be authorised to fix Mr. Zhang Daiming’s and Mr. Du Deping’s emoluments for 2010.”

Shandong Xinhua Pharmaceutical Company Limited

The Board of Directors

5 August 2010

Notes:

1. The register of members of the Company will be closed from 21 August 2010 to 20 September 2010 (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 20 August 2010 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 20 August 2010 and the directors, supervisors and senior officers of the Company are entitled to attend the EGM or any adjournment thereof.
2. 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 5 August 2010 to the company secretary's office of the Company (see Note 7 below) on or before 30 August 2010, by hand, by post or by facsimile. The written reply will not affect the right of the shareholders (see Note 1 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.
3. 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. Each holder of H shares (or his/her proxy or proxies) shall be entitled to one vote for each share held.
4. 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 5 August 2010 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 7 below) 24 hours prior to the commencement of the EGM.
5. 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.
6. The EGM is expected to last for half day. Shareholders who attend the EGM shall bear their own traveling and accommodation expenses.
7. The address of the company secretary's office of the Company is as follows:

14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, PRC

Postal Code: 255005

Telephone: 86 533 2196024

Facsimile: 86 533 2287508

8. Particulars of the individuals proposed to be appointed as directors of the Company are set out in the section headed “Proposed appointment of two new directors” in the circular dated 5 August 2010.

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

Executive directors:

Ms. Guo Qin (Chairman)

Mr. Ren Fulong

Mr. Zhao Songguo

Independent non-executive directors:

Mr. Zhu Baoquan

Mr. Sun Minggao

Mr. Kwong Chi Kit, Victor

Non-executive directors:

Mr. Xu Lie

Mr. Zhao Bin