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

(Stock Code: 0719)

**PROPOSED APPOINTMENT OF NEW DIRECTOR
PROPOSED AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION,
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. 14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, The People's Republic of China on Monday, 8 June 2009 at 9:00 a.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. 14 Dongyi Road, Zhangdian 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.

22 April 2009

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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 2008 of the Company to be held at the Company’s conference room at No. 14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, the PRC on Monday, 8 June 2009 at 9:00 a.m.;
“Articles of Association”	the existing 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 limited company incorporated in the PRC with limited liability;
“Directors”	the directors of the Company including Independent Non-executive Directors;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company;
“Independent Non-executive Directors”	the independent non-executive directors of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

LETTER FROM THE CHAIRMAN



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

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

(Stock Code: 0719)

Executive Directors:

Ms. Guo Qin (*Chairman*)
Mr. Ren Fulong
Mr. Zhao Songguo

Registered Address:

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

Non-executive Directors:

Mr. Liu Zhenwen
Mr. Li Tianzhong

Independent Non-executive Directors:

Mr. Zhu Baoquan
Mr. Xu Guojun
Mr. Sun Minggao
Mr. Kwong Chi Kit, Victor

22 April 2009

To the Shareholders

Dear Sir or Madam,

I. INTRODUCTION

The purpose of this circular is to provide you with the information regarding the resolutions to be proposed at the AGM. These include (i) an ordinary resolution proposing the appointment of one new Director; and (ii) a special resolution amending the Articles of Association. A notice convening the AGM is set out on pages 5 to 7 of this circular.

LETTER FROM THE CHAIRMAN

II. PROPOSED APPOINTMENT OF DIRECTOR

The following are the particulars of Mr. Zhao Bin, proposed to be appointed as a non-executive Director at the AGM:

Mr. Zhao Bin, aged 49, graduated from Zhongnan University of Economics and Law EMBA. He joined the People's Liberation Army in 1976, previously held the positions of soldier, the ex-officio of deputy company, the ex-officio of company, the ex-officio of deputy battalion, deputy director and director of political department of Jinan Military Region and Shandong Province Military Region. Mr. Zhao has worked in enterprises since 1998. He previously held the positions of investment manager and office general manager of Shandong Hualu Group Company Limited, deputy general manager of Shandong Hualu International Business Center Company Limited and development planning department general manager of Hualu Holdings Company Limited. Mr. Zhao is the assistant to the general manager and development planning department general manager of Hualu Holdings Company Limited. Save as disclosed above, he did not hold any other directorship in any listed companies in the past three years or any other positions with the Company or other members of the Group. Mr. Zhao has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Zhao 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. Zhao has not entered into any service contract with the Company. The proposed amount of his emoluments for 2009 to be approved by the Company's shareholders at the AGM is approximately RMB35,000. The emolument of Mr. Zhao is determined by reference to his experience and the emoluments of other non-executive Directors of the Company. The term of office of Mr. Zhao will commence from the date of approval by the shareholders of the Company at the AGM and will end on the expiry of the term of the sixth Board of the Company.

Save as disclosed herein, there is nothing in respect of Mr. Zhao 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. REASON FOR THE PROPOSED APPOINTMENT

The proposed appointment of the new Director will bring in a new member with a different background, experience and qualification to the Board in line with the future development of the Company's business. As advised by the Company's PRC legal advisers in respect of PRC law, the proposed appointment of the new director complies with the applicable PRC laws and regulations as well as the Articles of Association.

LETTER FROM THE CHAIRMAN

IV. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The proposed amendment to the Articles of Association is to add a paragraph in Article 147 as follows:

“The aggregate amount of distribution of profits in cash of the Company in the most recent three years should not be less than 30 percent of the realized annual distributable profits of the Company in the most recent three years. If the above ratio shall not be attained for any particular reason, the Board should make a special explanatory statement to the general meeting of the Company; if there are circumstances where the shareholders of the Company use the funds of the Company in a manner which violates the regulations, the Company should deduct the cash dividend of those shareholders in order to repay the funds it used.”

At the AGM, a special resolution will be proposed to approve the above amendment to the Articles of Association.

The proposed amended and restated Articles of Association have been considered and reviewed by the PRC lawyer appointed by the Company to ensure that they comply with the relevant PRC laws and regulations applicable to joint stock limited companies established in the PRC with limited liability. The PRC lawyer confirms that the amended and restated Articles of Association do comply with the relevant PRC laws and regulations applicable to the Company.

V. ANNUAL GENERAL MEETING

The notice convening the AGM is set out on pages 5 to 7 of this circular.

The register of members of the Company will be closed from 9 May 2009 to 8 June 2009 (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 after 4:30 p.m. on Friday, 8 May 2009 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Friday, 8 May 2009 and the Directors, the supervisors and the senior officers of the Company are entitled to attend the AGM or any adjournment thereof. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the share register for the Company's H Shares not later than 4:30 p.m. on Friday, 8 May 2009.

The address of the share register for the Company's H Shares:

Hong Kong Registrar Limited
17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

LETTER FROM THE CHAIRMAN

A form of proxy for use at the AGM is enclosed herein. 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 AGM to the company secretary's office of the Company at No. 14 Dongyi Road, Zhangdian 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.

VI. VOTE BY POLL

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

VII. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The proposed appointment of the new Director has been reviewed by an Independent Board Committee, which comprises four Independent Non-executive Directors, Mr. Zhu Baoquan, Mr. Xu Guojun, Mr. Sun Minggao and Mr. Kwong Chi Kit, Victor. The Independent Board Committee advises that such appointment is fair and reasonable, and in the interests of the Company and its shareholders as a whole, and further advises that shareholders of the Company should vote in favour of such proposed appointment.

VIII. RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board considers that the proposed appointment of the new Director and proposed amendment to the Articles of Association are fair and reasonable so far as the shareholders of the Company are concerned.

IX. 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 notice.

Yours faithfully,

By order of the Board of Directors

Shandong Xinhua Pharmaceutical Company Limited

Guo Qin

Chairman

NOTICE OF ANNUAL GENERAL MEETING



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

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

(Stock Code: 0719)

**NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR 2008
AND
CLOSURE OF THE REGISTER OF MEMBERS**

NOTICE IS HEREBY GIVEN that the annual general meeting for the year 2008 (“**AGM**”) 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 Monday, 8 June 2009 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 and special resolution:

ORDINARY RESOLUTIONS

1. To review and approve the report of the board of directors of the Company (the “**Board**”) for the year 2008;
2. To review and approve the report of the supervisory committee of the Company for the year 2008;
3. To review and approve the audited financial statements for the year 2008;
4. To review and approve the profit distribution plan and the final dividend for the year 2008 as proposed by the Board on 20 March 2009;
5. To review and approve the reappointment of ShineWing (HK) CPA Limited (Certified Public Accountants in Hong Kong) and Shine Wing (Certified Public Accountants in the PRC) as the international and domestic auditors respectively for the year 2009 and authorise the Board to fix their remuneration;
6. To review and approve the remuneration of the directors and the supervisors of the Company for the year 2009;
7. To appoint Mr. Zhao Bin as non-executive director of the Company (see Note 8 below).

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

1. To review and approve the proposed amendment to the articles of association of the Company (see Note 9 below).

Shandong Xinhua Pharmaceutical Company Limited

The Board of Directors

22 April 2009

Notes:

1. The register of members of the Company will be closed from 9 May 2009 to 8 June 2009 (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 after 4:30 p.m. on 8 May 2009 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 8 May 2009 and the directors, the supervisors and the senior officers of the Company are entitled to attend the AGM or any adjournment thereof. In order to qualify for the proposed final dividend, all share transfer accompanied by the relevant share certificates must be lodged with the share register for the Company's H Shares not later than 4:30 p.m. on 8 May 2009.

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

2. 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 22 April 2009 to the company secretary's office of the Company (see Note 7 below) on or before 18 May 2009, by hand, by post or by facsimile. The written reply will not affect the right of the shareholders of the Company (see Note 1 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.
3. 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. 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 22 April 2009 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 AGM.

NOTICE OF ANNUAL GENERAL MEETING

5. 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.
6. The AGM is expected to last half a day. Shareholders of the Company who attend the AGM shall bear their own traveling and accommodation expenses.
7. The address of the company secretary's office of the Company is as follows:

No. 14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, The PRC
Postal Code: 255005
Telephone: (86) 533 2196025
Facsimile: (86) 533 2287508
8. Particulars of the individual proposed to be appointed as director of the Company is set out in the section headed "Proposed Appointment of Director" in this circular.
9. Particulars of amendment to the articles of association of the Company is set out in the section headed "Proposed Amendment to the Articles of Association" in this circular.

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

Executive Directors:

Ms. Guo Qin (*Chairman*)
Mr. Ren Fulong
Mr. Zhao Zongguo

Independent Non-executive Directors:

Mr. Zhu Baoquan
Mr. Xu Guojun
Mr. Sun Minggao
Mr. Kwong Chi Kit, Victor

Non-executive Directors:

Mr. Liu Zhenwen
Mr. Li Tianzhong