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

(Stock Code: 0719)

**PROPOSED ELECTION OF DIRECTORS AND SUPERVISORS
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. 14 Dongyi Road, Zhangdian District, Zibo City, Shandong Province, The People's Republic of China on Thursday, 22 December, 2011 at 9:00 a.m. is set out on pages 12 to 13 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 extraordinary general meeting to the Company Secretary's office of the Company at 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.

4 November 2011

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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 22 December 2011;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supervisors”	the supervisors of the Company;
“Supervisory Committee”	the supervisory committee of the Company.



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. Ren Fulong
Mr. Du Deping
Mr. Zhao Songguo

Registered Address:

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

Non-executive Director:

Mr. Xu Lie
Mr. Zhao Bin

Independent Non-executive Directors:

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

4 November 2011

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 EGM. This include: ordinary resolutions proposing the election of Directors and Supervisors. A notice convening the EGM is set out on pages 12 to 13 of this circular.

II. PROPOSED ELECTION OF DIRECTORS AND SUPERVISORS

The Board currently comprises nine Directors including Zhang Daiming being the Chairman, Ren Fulong, Du Deping and Zhao Songguo being executive Directors, Xu Lie and Zhao Bin being non-executive Directors and Zhu Baoquan, Sun Minggao and Kwong Chi Kit, Victor being independent non-executive Directors. The Supervisory Committee comprises four Supervisors namely, Li Tianzhong, Hu Yanhua, Zhang Yueshun and Tao Zhichao. In accordance with Articles 91 and 112 of the Articles of Association, all Directors and Supervisors shall hold office for a term of three years and may offer themselves for re-election.

All the following candidates will be elected at the EGM by ordinary resolutions passed by the Shareholders attending the EGM. The new term of office of the elected Directors and the Supervisors will be for a period of three years, which will commence on the date of the EGM and will expire on the completion of the term of office.

A. Executive Directors proposed to be elected

1. Mr. Zhang Daiming

Mr. Zhang Daiming, aged 49, is a senior economist. He graduated from Qingdao Science and Technology University, specialising in organic chemical engineering and obtained a master's degree in economics from Shanghai Financial and Economic University. Mr. Zhang joined Shangdong Xinhua Pharmaceutical Factory in 1987 and was previously a workshop technician, planner of the planning and statistics department of the Company, the deputy manager and manager of the international trade department of the Company and the deputy general manager of the Company. Mr. Zhang is the Chairman of the Company, the chairman of the board of Shandong Xinhua Pharmaceutical Group Company Limited, Shandong Xinhua Import & Export Company Limited and Shandong Xinhua Pharmaceutical (Europe) GmbH, and the chairman of Shandong Xinhua Medical Trade Company Limited, Zibo Xinhua Eastwest Pharmaceutical Company Limited, Zibo Xinhua-Perrigo Pharmaceutical Company Limited and Xinhua (Zibo) Properties 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 in the Company or other members of the Group. Mr. Zhang has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Zhang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Zhang has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB200,000, determined by reference to his experience and the emoluments of other executive directors of the Company. The term of office of Mr. Zhang will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

2. Mr. Du Deping

Mr. Du Deping, aged 42, is a senior engineer. He graduated from the Ocean University of PRC, specialising in chemistry and obtained a master's degree in medicinal chemistry from Shandong University. He joined Shandong Xinhua Pharmaceutical Factory in 1991. He was previously a deputy head and head of the workshop, assistant to the general manager of the Company and deputy general manager of the Company. Mr. Du is currently a director and the general manager of the Company, and the chairman of the board of Zibo Xinhua Pharmaceutical Design Institute Company Limited and Xinhua Pharmaceutical (Shouguang) 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 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 SFO. Mr. Du has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB360,000, determined by reference to his experience and the emoluments of other 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 seventh Board of the Company.

3. Mr. Zhao Songguo

Mr. Zhao Songguo, aged 48, is a senior accountant. He graduated from Shandong Television and Broadcasting University, specialising in enterprise management, in 1986. He also completed a postgraduate refresher course in financial management in Qingdao Ocean University in 2004. Mr. Zhao joined Shandong Xinhua Pharmaceutical Factory in 1980 and previously held the positions of the head and the director of the finance department and the assistant to the general manager of the Company. Mr. Zhao is the director, and the deputy general manager and the financial controller of the Company, the director of Zibo Xinhua- Eastwest Pharmaceutical Company Limited, the director of Shandong Xinhua Pharmaceutical Export & Import Company Limited, the director of Shandong Xinhua Medical Trade Company Limited, the director of Zibo Xinhua Drug Store Chain Company Limited, the director of Shandong Xinhua Pharmaceutical (Europe) GmbH and the director of Xinhua Pharmaceutical (Shouguang) 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 in 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.

LETTER FROM THE CHAIRMAN

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 SFO. Mr. Zhao has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB270,000, determined by reference to his experience and the emoluments of other executive directors of the Company. The term of office of Mr. Zhao will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

B. Non-executive Directors proposed to be elected

1. Mr. Ren Fulong

Mr. Ren Fulong, aged 49, is a senior engineer and practising pharmacist. He graduated from Shandong Changwei Medicine College in 1985. From 1985 to 1988, Mr. Ren was a resident physician. In 1991, Mr. Ren obtained his master of medicine from Beijing Medical University and joined Shandong Xinhua Pharmaceutical Factory in the same year. He previously held the positions of the deputy director and the director of the Company's research institute, the assistant to the general manager and the deputy general manager of the Company, the deputy general manager of Shandong Xinhua Pharmaceutical Group Company Limited and the general manager of the Company. Mr. Ren is the director of the Company, the director and general manager of Shandong Xinhua Pharmaceutical Group 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 in the Company or other members of the Group. Mr. Ren has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Ren does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Ren has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB170,000, determined by reference to his experience and the emoluments of other non-executive directors of the Company. The term of office of Mr. Ren will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

LETTER FROM THE CHAIRMAN

2. Mr. Xu Lie

Mr. Xu Lie, aged 45, is a senior economist and is a university graduate. He joined Shandong Xinhua Pharmaceutical Factory in 1986 and has been the deputy director and the director of the office, the deputy head of the office, and the manager of the human resource department. Mr. Xu is currently a director and the chairman of the labour union of the Company, and a director and the chairman of the labour union of Shandong Xinhua Pharmaceutical Group 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 in the Company or other members of the Group. Mr. Xu has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Xu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Xu has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB270,000, determined by reference to his experience and the emoluments of other non-executive directors of the Company. The term of office of Mr. Xu will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

3. Mr. Zhao Bin

Mr. Zhao Bin, aged 52, graduated from Zhongnan University of Economics and Law with 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 the 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 general manager of the development planning department of Hualu Holdings Group Company Limited. Mr. Zhao is the assistant to the general manager and general manager of the development planning department of Hualu Holdings Group Company Limited. Mr. Zhao is a director of the Company. Save as disclosed above, he 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. Zhao has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

LETTER FROM THE CHAIRMAN

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 SFO. Mr. Zhao has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB70,000, 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 at the EGM and will end on the expiry of the term of the seventh Board of the Company.

C. Independent non-executive Directors proposed to be elected

1. Mr. Zhu Baoquan

Mr. Zhu Baoquan, aged 65, is a researcher and a tutor of students in a doctorate class. He was previously the vice president and president of Shanghai Pharmaceutical Industry Research Institute and an independent non-executive director of Zhejiang Pharmaceutical Company Limited. Mr. Zhu is currently an adviser and the Academic Committee Dean of Shanghai Pharmaceutical Industry Research Institute and an independent non-executive director of the Company. Save as disclosed above, he 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. Zhu has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Zhu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Zhu has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB70,000, determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Zhu will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

LETTER FROM THE CHAIRMAN

2. Mr. Bai Huiliang

Mr. Bai Huiliang, aged 68, graduated from Beijing University of Technology, specialising in organic chemistry, is a senior engineer and a visiting professor. He was previously a technician of Shenyang Dongbei Pharmaceutical Factory, the deputy director of the office of technical personnel, deputy director of the department of personnel, deputy director and director of the department of policy and regulations and director of the general office of State Drug Administration, the director of department of safety supervision of State Food and Drug Administration. Mr. Bai is currently the president of the China Nonprescription Medicines Association and the vice president of the China Pharmaceutical Enterprises Association. Mr. Bai is also an independent non-executive director of Shanghai Pharmaceuticals Holding Company Limited, Sihuan Pharmaceutical Holdings Group Limited and Gansu Duiyiwei Biological Pharmaceutical 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 in the Company or other members of the Group. Mr. Bai has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Bai does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Bai has not entered into any service contract with the Company. The term of office of Mr. Bai will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

3. Mr. Kwong Chi Kit, Victor

Mr. Kwong Chi Kit, Victor, aged 44, is a fellow member of the Association of Chartered Certified Accountants (United Kingdom) and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a bachelor's degree in commerce from Curtin University of Technology, Australia. He is currently a financial controller of Anwell Technologies Limited, a company whose shares are listed on Singapore Exchange Limited, an independent non-executive director of the Company, an independent non-executive director of Get Nice Holdings Limited and an independent non-executive director of Angang Steel Company Limited. Mr. Kwong has more than 19 years' experience covering auditing, accounting and financial management in commercial, manufacturing and public accounting sectors. Save as disclosed above, he 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. Kwong has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

LETTER FROM THE CHAIRMAN

As at the date hereof, Mr. Kwong does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Kwong has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB70,000, determined by reference to his experience and the emoluments of other independent non-executive directors of the Company. The term of office of Mr. Kwong will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Board of the Company.

D. Supervisors proposed to be elected

1. Mr. Li Tianzhong

Mr. Li Tianzhong, aged 48, is a senior engineer. He graduated from the Shandong Institute of Technology, specialising in industry automation. He joined Shandong Xinhua Pharmaceutical Factory in 1983. Mr. Li has been the engineer and director of the electricity workshop, manager of the trade department, supply and marketing department and drug department of the Company, director of the Company, assistant to the general manager, director and deputy general manager of Xinhua Lukang Pharmaceutical Group Corporation, director and deputy general manager of Shandong Xinhua Pharmaceutical Group Company Limited. Mr. Li is currently the chairman of the Supervisory Committee. Mr. Li is currently a deputy general manager of Shandong Xinhua Pharmaceutical Group 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 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 SFO. Mr. Li has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB130,000, determined by reference to his experience and the emoluments of other supervisors 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 seventh Supervisory Committee of the Company.

2. Mr. Zhang Yueshun

Mr. Zhang Yueshun, aged 62, is a senior accountant, a certified public accountant and a certified public assessor of the PRC. Mr. Zhang was the controller of an enterprise, the deputy chief of Zibo Office affiliated to the Enterprise Department of the Ministry of Finance of the PRC, the vice director of the Zibo Municipal State-owned Assets Administration and the chief accountant of Shandong Zibo Accountant Firm. Mr. Zhang is currently a senior consultant of Zibo Puhua Accountant Firm and an independent supervisor of the Company. Save as disclosed above, he 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. Zhang has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

LETTER FROM THE CHAIRMAN

As at the date hereof, Mr. Zhang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Zhang has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB30,000, determined by reference to his experience and the emoluments of other supervisors of the Company. The term of office of Mr. Zhang will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Supervisory Committee of the Company.

3. Mr. Tao Zhichao

Mr. Tao Zhichao, aged 42, graduated from East China University of Politics and Laws and obtained a bachelor's degree in law. Mr. Tao was also awarded a masters' degree in law from Shandong University. Mr. Tao is a partner of Shandong Zhigong Associates, the legal consultant for the People's Government of Zibo, Shandong and an independent supervisor of the Company. Save as disclosed above, he 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. Tao has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

As at the date hereof, Mr. Tao does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Tao has not entered into any service contract with the Company. The proposed amount of his emoluments for 2011 is approximately RMB30,000, determined by reference to his experience and the emoluments of other supervisors of the Company. The term of office of Mr. Tao will commence from the date of approval by the Shareholders at the EGM and will end on the expiry of the term of the seventh Supervisory Committee of the Company.

E. Employee Supervisor

Ms. Hu Yanhua was appointed as employee Supervisor of the Company by the employee's representatives meeting held on 18 July 2011. Pursuant to the Article 113 of the Articles of Association, an employee Supervisor need not be elected by the Shareholders. She will automatically be appointed as Supervisor of the seventh Supervisory Committee of the Company.

Ms. Hu Yanhua, aged 37, graduated from Shandong University. She has also received a postgraduate education. She joined the Company in 1996. Ms. Hu was the deputy secretary of the Youth League Committee of Xinhua Lukang Pharmaceutical Group Corporation. Ms. Hu is currently the deputy secretary of the Youth League Committee, the deputy secretary of the political affairs department, the head of the labor union office and the employee Supervisor of the Company. Save as disclosed above, she 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. Ms. Hu has no relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

LETTER FROM THE CHAIRMAN

As at the date hereof, Ms. Hu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Ms. Hu has not entered into any service contract with the Company. The proposed amount of her emoluments for 2011 is approximately RMB57,700, determined by reference to her experience and the emoluments of other supervisors of the Company.

All of the above persons have nothing 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.

III. 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 Directors and Supervisors by the Shareholders. Notice of the EGM is set out on pages 12 to 13 of this circular. The register of members of the Company will be closed from 22 November 2011 to 22 December 2011 (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 Monday, 21 November 2011 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on Monday, 21 November 2011 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 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 14 Dongyi Road, Zhangdian 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.

IV. 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.

V. RECOMMENDATION OF THE BOARD OF DIRECTORS

The Board considers that the proposed election of Directors and Supervisors is fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE CHAIRMAN

VI. 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 of Directors

Shangdong 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 IS HEREBY GIVEN that an extraordinary general meeting 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 Thursday, 22 December 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. Mr. Zhang Daiming, Mr. Du Deping and Mr. Zhao Songguo be elected as executive Directors and Mr. Ren Fulong, Mr. Xu Lie and Mr. Zhao Bin be elected as non-executive Directors of the Company by cumulative voting*;
2. Mr. Zhu Baoquan, Mr. Bai Huiliang and Mr. Kwong Chi Kit, Victor be elected as independent non-executive Directors of the Company by cumulative voting;
3. Mr. Li Tianzhong, Mr. Zhang Yueshun and Mr. Tao Zhichao be elected as Supervisors of the Company.

* 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

4 November 2011

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The register of members of the Company will be closed from 22 November 2011 to 22 December 2011 (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 21 November 2011 and on the register of members of the China Securities Registrar Company Limited Shenzhen Branch after the closing of Shenzhen Stock Exchange on 21 November 2011 and the Directors, the Supervisors and the 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 4 November 2011 to the Company Secretary's office of the Company (see Note 7 below) on or before 1 December 2011, 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.
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 4 November 2011 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 half a 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

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

Executive Directors:

Mr. Zhang Daiming (*Chairman*)
Mr. Ren Fulong
Mr. Du Deping
Mr. Zhao Songguo

Independent Non-executive Directors:

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

Non-executive Director:

Mr. Xu Lie
Mr. Zhao Bin