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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)

**Overseas Regulatory
Announcement**

**Increase in Holding of H Shares of the Company by Hualu Holdings Group
Company Limited's Hong Kong Company**

This announcement is made pursuant to Rules 13.09 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 15 May 2012, Shandong Xinhua Pharmaceutical Company Limited (the "Company" or "Xinhua Pharmaceutical") received a notice from Hualu Holdings Group Company Limited ("Hualu Holdings"), the Company's ultimate controller, that a subsidiary of Hualu Holdings, Well Bring Limited (維斌有限公司 (Hong Kong)) has purchased certain H shares of the Company via the trading system of the Stock Exchange of Hong Kong Limited. The relevant details are as follows:

1. Details of the increase of shareholding

On 15 May 2012, Well Bring Limited purchased 100,000 H shares of the Company via the trading system of the Stock Exchange of Hong Kong Limited, representing approximately 0.07% of the issued H shares of the Company and approximately 0.02% of the total issued share capital of the Company.

Well Bring Limited is a wholly-owned subsidiary of China Shandong Group Limited (華魯集團有限公司 (Hong Kong)). China Shandong Group Limited is a wholly-owned subsidiary of Hualu Holdings.

Immediately prior to the aforesaid share purchase, Hualu Holdings held 166,115,720 shares of the Company through its wholly-owned subsidiary Shandong Xinhua Pharmaceutical Group Company Limited (the Company's direct controlling shareholder) and held 6,200,000 shares of the Company through Well Bring Limited, representing approximately 36.32% and 1.36% of the total issued share capital of the Company respectively. Immediately after the aforesaid share purchase, Hualu Holdings held 172,415,720 shares of the Company by its subsidiaries, representing approximately 37.70% of the total issued share capital of the Company.

2. Plan of Subsequent Purchase

After the aforesaid purchase of H shares, Hualu Holdings and its parties acting in concert intend to increase the holding of H shares of the Company by no more than 2% (including the aforesaid purchase of H shares) of the total issued share capital of the Company within 12 months from the date of the aforesaid share purchase.

The aforesaid share purchase complies with the People's Republic of China's Securities Law and other laws, regulations, departmental rules and regulations and Shenzhen Stock Exchange's business rules.

Hualu Holdings and its parties acting in concert undertake that they will not reduce their respective shareholdings in the Company during the course of share purchase and within the statutory period.

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

16 May 2012, Zibo, the PRC

As at the date of this announcement, the Company's board of directors comprises:

Executive Directors:

Mr. Zhang Daiming (Chairman)

Mr. Du Deping

Mr. Zhao Songguo

Independent Non-executive Directors:

Mr. Zhu Baoquan

Mr. Bai Huiliang

Mr. Kwong Chi Kit, Victor

Non-executive Directors:

Mr. Ren Fulong

Mr. Xu Lie

Mr. Zhao Bin