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SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED

山東新華製藥股份有限公司

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

(Stock Code: 0719)

ANNOUNCEMENT

This announcement is made by the Company pursuant to Rules 13.09 of the Listing Rules.

Profit Warning

The Board would like to inform the shareholders of the Company and investors that the Company's net profit for the financial years 2008 and 2009 may decrease by approximately RMB9,000,000 and approximately RMB18,000,000 respectively due to the increase in the price of steam that the Company uses in production.

Potential investors and shareholders of the Company should exercise caution when dealing in the securities of the Company.

This announcement is made by Shandong Xinhua Pharmaceutical Company Limited (the "Company") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

Profit Warning

The Board would like to inform the shareholders of the Company and investors that the Company's net profit for the financial years 2008 and 2009 may decrease by approximately RMB9,000,000 and approximately RMB18,000,000 respectively due to the increase in the price of steam that the Company uses in production. Today, the Company was notified by the Zibo Thermoelectricity Group Limited that Zibo Price Control Bureau issued a notice on 3 September 2008 (*Zi Jia Zi* (2008) No. 180) stating that the price of steam that the Company uses in production would increase from RMB45/GJ to RMB65/GJ with effect from 1 September 2008. The Company estimates that it has to purchase steam of approximately 600,000GJ from an external party from September 2008 to the end of 2008. After the implementation of the new price, the net profit of the Company of the financial year 2008 will decrease for approximately RMB9,000,000. For the financial year 2009, the Company estimates that the net profit of the Company will decrease by approximately RMB18,000,000 due to the adjustment of steam price. In order to deal with the situation, the Company will take positive measures to mitigate the effect on the decrease of the Company's net profit.

Further details of the Company's performance will be disclosed when the final results for the year ended 31 December 2008 and 31 December 2009 are announced.

Potential investors and shareholders of the Company should exercise caution when dealing in the securities of the Company.

By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited
Guo Qin
Chairman

8 September 2008, Zibo, PRC

As at the date of this announcement, the Directors of the Company are:

Directors

Ms. Guo Qin (Chairman)

Mr. Liu Zhenwen

Mr. Ren Fulong

Mr. Zhao Songguo

Mr. Li Tianzhong

Independent non-executive Directors

Mr. Dai Qingjun

Mr. Xu Guojun

Mr. Sun Minggao