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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 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 Company announces that it received a subsidy of RMB11,440,000 from Zibo City, the PRC on 23 September 2008. After tax, the Company's current net profit increases by approximately RMB8,500,000.

By Order of the Board
Shandong Xinhua Pharmaceutical Company Limited

Guo Qin

Chairman

26 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