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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)

Announcement

Profit Prediction

This announcement is made pursuant to Rules 13.09(1) and 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) predicts that there will be a significant increase in the Company’s net profit in the first three quarters of 2009.

The Company and all members of its board of directors (the “**Board**”) warrant the authenticity, accuracy and completeness of the information contained in this announcement. The Company and the Board also warrant that there is no misrepresentation and that there are no misleading statements or material omissions contained in this announcement.

A. Predicted results for the Half Yearly Results of 2009

1. Results prediction period: 1 January 2009 to 30 September 2009; 1 July 2009 to 30 September 2009.
2. Results prediction: significant increase in the net profit.

	Results Prediction Period 1 January 2009 to 30 September 2009	Corresponding period in 2008 1 January 2008 to 30 September 2008	Increase
Net Profit	Approximately RMB51,080,000-RMB63,850,000	RMB25,540,000	100%—150%
Basic Earnings Per Share	Approximately RMB0.112-RMB0.14	RMB0.056	100%—150%

	Results Prediction Period 1 July 2009 to 30 September 2009	Corresponding period in 2008 1 July 2008 to 30 September 2008	Increase
Net Profit	Approximately RMB10,180,000-RMB23,960,000	RMB5,090,000	100%—370%
Basic Earnings Per Share	Approximately RMB0.022-RMB0.052	RMB0.011	100%—370%

B. Audit

The results prediction has not been audited by registered accountants.

C. Reasons for the predicted increase

1. The Company has restructured its products and expanded the sale of the products which have high profit margin.
2. The Company has strengthened its management, resulting in a considerable decrease in the costs of procurement when compared with the corresponding period last year.
3. The Company has strengthened energy saving measures to reduce product costs.

D. Others

The information in this results prediction is a preliminary estimate by the finance department of the Company. The specific data will be disclosed in detail in the third quarter report of 2009. Investors are advised to exercise caution in dealing in the shares of the Company

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

24 July 2009, Zibo, PRC

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

Executive Directors:
Ms. Guo Qin (Chairman)
Mr. Ren Fulong
Mr. Zhao Songguo

Independent Non-executive Directors:
Mr. Zhu Baoquan
Mr. Sun Minggao
Mr. Kwong Chi Kit, Victor

Non-executive Directors:

Mr. Liu Zhenwen
Mr. Li Tianzhong
Mr. Zhao Bin