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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)

Announcement

Results Prediction

This announcement is made pursuant to Rule 13.09 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 decrease in the net profit attributable to the shareholders of the Company in the first three quarters of 2012 as compared with that of the same period last year.

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 first three quarters results of 2012

1. Period of predicted results: 1 January 2012 to 30 September 2012.
2. Predicted results: decrease as compared with that of the same period last year.
3. Predicted results tables:

(1) Period of prediction: 1 January 2012 to 30 September 2012

Items	Current reporting period	Corresponding period of last year
Net profit attributable to the shareholders of the Company	Decrease as compared with that of the same period last year : 50%-60%	Profit : RMB80,010,000
	Profit : Approximately RMB32,000,000 –RMB40,000,000	
Basic earnings per share	Approximately RMB0.069-RMB0.087	RMB0.175

(2) Period of prediction: 1 July 2012 to 30 September 2012

Items	Current reporting period	Corresponding period of last year
Net profit attributable to the shareholders of the Company	Decrease as compared with that of the same period last year : 54%-96%	Profit : RMB19,310,000
	Profit : Approximately RMB 800,000-RMB8,800,000	
Basic earnings per share	Approximately RMB 0.0017-RMB0.019	RMB0.042

B. Audit

The predicted results have not been audited by registered accountants.

C. Reasons for the change in predicted results

There is a downturn in both the domestic and foreign demand for the major products of the Company's bulk drugs. Sale of preparation products has been impacted by, among other things, the medical reform, the tendering result and the limitation imposed on the use of antibiotic. The chemical products markets in which the Company's subsidiary is highly competitive and has experienced decline in demand the prices.

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 2012. Investors are advised to exercise caution in dealing in the shares of the Company.

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

12 October 2012, Zibo, PRC

As at the date of this announcement, the Board 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