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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)

Profit Warning Announcement

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

The Company estimates that there will be a decrease in the net profit attributable to the Shareholders of the Company during the Reporting Period as defined herein.

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**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the “**SFO**”).

A. Estimated interim results of 2013

The board of directors (the “**Board**”) of the Company wish to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the Company’s preliminary estimates for the period from 1 January 2013 to 30 June 2013 (the “**Reporting Period**”), a decrease in the net profit attributable to the Shareholders is expected to be recorded as compared to that for the corresponding period in 2012.

Details of the estimated results relating to the profit attributable to the Shareholders are shown in the table below:

Items	Profit / loss during the Reporting Period	Profit/loss during the corresponding period of 2012
Net profit attributable to the Shareholders	Profit : Approximately RMB3,120,000 – RMB9,360,000 (representing a decrease of 70%-90% as compared with that of the same period last year)	Profit : RMB31,200,000
Basic earnings per share	Profit : Approximately RMB0.01-RMB0.02	Profit : RMB0.068

B. Reasons for the estimated decrease

Based on the information available to the Company immediately preceding the release of this announcement, such estimated decrease in the profit attributable to the Shareholders is mainly attributable to factors such as the formation of fixed assets in the new park area resulting in an increase in depreciation charges, an increase in costs caused by the fluctuating raw material and power consumption during the initial production stage of production lines, an increase in management costs as more resources have been allocated to environmental protection, a foreign exchange loss caused by the appreciation of the Renminbi, an increase in financial expenses due to increased borrowings and an increase in expenses caused by increased investment in the research and development of new products.

C. Others

The information contained in this announcement is only a preliminary estimate made by the finance department of the Company and has not been audited by the Company's auditors. Detailed information will be disclosed in the 2013 interim results of the Company.

Shareholders and potential 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 July 2013, 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