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)

2007 INTERIM RESULTS ANNOUNCEMENT

I. COMPANY INFORMATION

Chinese Name of the Company	:	山東新華製藥股份有限公司
English Name of the Company	:	SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED (the "Company")
Legal Representative	:	Ms. Guo Qin
Company Secretaries	:	Mr. Cao Changqiu, Ms. Guo Lei
Telephone Number	:	86-533-2166666
Facsimile Number	:	86-533-2287508
E-mail Address of Company Secretaries	:	cqcao@xhzy.com, guolei@xhzy.com
Registered Address and Office Address	:	Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, the People's Republic of China (the "PRC")
Postal Code	:	255005
Website of the Company	:	http://www.xhzy.com
E-mail Address of the Company	:	xhzy@xhzy.com

PRC newspaper for information disclosure	:	Securities Times
Website designated by the China Securities Regulatory Commission (the "CSRC")	:	http://www.cninfo.com.cn

Listing Information

H Shares

Stock Exchange	:	The Stock Exchange of Hong Kong Limited (the "SEHK")
Abbreviated Name	:	Shandong Xinhua
Stock Code	:	0719

A Shares

Stock Exchange	:	Shenzhen Stock Exchange (the "SZSE")
Abbreviated Name	:	Xinhua Pharm
Stock Code	:	000756

II. SUMMARY OF FINANCIAL RESULTS

1. FINANCIAL SUMMARY PREPARED IN CONFORMITY WITH PRC ACCOUNTING STANDARDS (RMB'000)

Item	**As at 30 June 2007** ***(Unaudited)***	As at 31 December 2006 *(Audited)* (Restated)
Total assets	**2,040,490**	1,888,203
Shareholders' equity	**1,429,100**	1,351,520
Net assets per share (RMB)	**3.125**	2.955

Item	**Six months ended 30 June 2007** *(Unaudited)*	Six months ended 30 June 2006 *(Unaudited)*
Operating profit	**26,030**	16,492
Profit before taxation	**29,823**	15,345
Profit after taxation	**18,846**	12,279
Net profit after extraordinary items	**14,003**	10,881
Basic earnings per share (RMB)	**0.041**	0.027
Return on equity (%)	**1.32**	0.92
Net cash flow from operating activities	**78,785**	6,252
Net cash flow from operating activities per share (RMB)	**0.172**	0.014

2. FINANCIAL SUMMARY PREPARED IN CONFORMITY WITH HONG KONG GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (HKGAAP) (RMB'000)

Condensed Consolidated Income Statement

	Six months ended 30 June 2007 *(Unaudited)*	Six months ended 30 June 2006 *(Unaudited)*
Turnover	**977,688**	869,353
Profit before taxation	**30,121**	15,505
Income tax expense	**(7,783)**	(3,131)
Profit for the period	**22,338**	12,374
Include:		
Profit attributable to shareholders	**19,144**	12,439
Minority interests	**3,194**	(65)

Condensed Consolidated Balance Sheet

	As at 30 June 2007 *(Unaudited)*	As at 31 December 2006 *(Audited)*
Total assets	**1,956,670**	1,881,575
Total liabilities	**(552,022)**	(509,088)
Minority interests	**(25,517)**	(3,343)
Net assets	**1,379,131**	1,369,144

3. RECONCILIATIONS OF ACCOUNTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND HKGAAP (RMB'000)

Item	**Net assets at 30 June 2007** *(Unaudited)*	**Profit attributable to shareholders for the six months ended 30 June 2007** *(Unaudited)*
Prepared under PRC accounting standards	1,429,100	18,846
HKGAAP adjustments:		
Deferred taxation	(12,235)	—
Depreciation charges due to revaluation on 30 September 1996	(19,235)	(225)
Provision for education fund	12,980	523
Provision for welfare expenses	15,297	—
Surplus from revaluation for listing of H Shares	21,300	—
Change in fair value of available for sale investments	(67,892)	—
Others	(184)	—
Prepared under HKGAAP	1,379,131	19,144

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share Capital structure

	30 Jun 2007				1 Jan 2007		
	Class of shares	**Number of shares** *(share)*	**% of the total share capital** *(%)*		**Class of shares**	**Number of shares** *(share)*	**% of the total share capital** *(%)*
1.	Total number of conditional tradable shares	187,820,062	41.07%	1.	Total number of conditional tradable shares	204,544,593	44.73%
	Stated-owned shares	163,258,735	35.70%		Stated-owned shares	163,258,735	35.70%
	Domestic legal person shares	0	0%		Domestic legal person shares	16,719,500	3.66%
	Conditional tradable senior management A Shares	33,727	0.01%		Conditional tradable senior management A Shares	38,758	0.01%
	Others	24,527,600	5.36%		Others	24,527,600	5.36%
2.	Total number of unconditional tradable shares	269,492,768	58.93%	2.	Total number of unconditional tradable shares	252,768,237	55.27%
	Renminbi ordinary shares (A Shares)	119,492,768	26.13%		Renminbi ordinary shares (A Shares)	102,768,237	22.47%
	Overseas listed foreign shares (H shares)	150,000,000	32.80%		Overseas listed foreign shares (H Shares)	150,000,000	32.80%
3.	Total number of shares	457,312,830	100.00%	3.	Total number of shares	457,312,830	100.00%

Note: Domestic legal person shares were listed on 6 June, 2007 according to the share reform proposal.

Tradable Schedule of Conditional Listed Tradable Shares is as follows:

No.	Name of Shareholders	Proportion of Total Share Capital	Time of Trade	Terms of Conditional Trade
1	Shandong Xinhua Pharmaceutical Group Company Limited ("SXPGC") and the shareholders of undertaking judicial auction shares *(Notes 3)*	5%	G *(Note 1)* + 36 to 48 months	*Note 2*
		41.06%	G + 48 months	—
2	Domestic Legal Person Shares	3.66%	Listed on 6 June, 2007	—

Note 1: Word "G" represents the first trading day (i.e. 6 June 2006) following the implementation of the revised share reform of the Company.

Note 2: SXPGC has undertaken that it shall not sell any of its A shares of the Company on the SZSE at a price less than RMB4.8 per share, (such price will be on an ex-rights basis if there is any declaration of dividends, bonus issues or capitalization of capital reserve during the period between the day of implementation of the revised share reform of the Company and sale of the shares by SXPGC) being 150% of the average of the closing prices of the listed A Shares as quoted on the SZSE in the thirty (30) trading days prior to the issuance date of the relevant notice of the shareholders' meeting. Should SXPGC breach any of the provisions of this undertaking in the sale of its shares, the proceeds resulting from such sale shall be transferred to the account of the Company and owned by the Company.

Note 3: The information of the shareholders of undertaking judicial auction shares:

Qingdao Haowei Investment Development Company Limited holds 15,000,000 shares of the Company, Zibo High-Tech Venture Capital Company Limited holds 7,632,600 shares of the Company, Huludao Bajiazi; Mining Industry Company Limited holds 1,550,000 shares of the Company, Shangrao Daihu Industry Company Limited holds 345,000 shares of the Company.

2. As at 30 June 2007, the Company had on record a total of 34,924 shareholders, including 60 holders of H Shares and 34,864 holders of A Shares.

3. As at 30 June 2007, the ten largest shareholders of the Company were as follows:

Name of Shareholder	Types of shareholders	Number of shares held	% of the total share capital	Number of conditional tradable shares held	Number of shares being charged or freezed
SXPGC	State-owned shareholder	163,258,735	35.70	163,258,735	44,680,000
HKSCC (Nominees) Limited	H shares shareholder	148,813,998	32.54	—	—
Qingdao Haowei Investment Development Company Limited	Others	15,000,000	3.28	15,000,000	15,000,000
Zibo High-Tech Venture Capital Company Limited	Others	7,632,600	1.67	7,632,600	—
Shanghai Zhengda Investment Management Company Limited	Non-State-owned Legal person	2,100,000	0.46	—	—
Huludao Bajiazi Mining Industry Company Limited	Others	1,550,000	0.34	1,550,000	—
China National Pharmaceutical Industry Corporation	Non-State-owned Legal person	1,540,000	0.34	—	—
Zibo All-purpose Service Company Limited of Shandong Xinhua Pharmaceutical Group	Non-State-owned Legal person	860,000	0.19	—	—
Liu Suying	Domestic person	759,718	0.17	—	—
Yangpu Xinyufeng Investment Company Limited	Non-State-owned Legal person	712,000	0.16	—	—

4. **As at 30 June 2007, the ten largest shareholders of the unconditional tradable shares of the Company were as follows:**

Name of Shareholder	Number of unconditional listed shares	Class of shares
HKSCC (Nominees) Limited	148,813,998	H Shares
Shanghai Zhengda Investment Management Company Limited	2,100,000	A Shares
China National Pharmaceutical Industry Corporation	1,540,000	A Shares
Zibo All-purpose Service Company Limited of Shandong Xinhua Pharmaceutical Group	860,000	A Shares
Liu Suying	759,718	A Shares
Yangpu Xinyufeng Investment Company Limited	712,000	A Shares
Li Huaxin	602,935	A Shares
Li Fei	600,500	A Shares
China National Pharmaceutical Foreign Trade Corporation	590,000	A Shares
Shenzhen Zhonglian Guangshen Pharmaceutical (Group) Company Limited	540,000	A Shares

Note: a. So far as the Directors are aware, Zibo All-purpose Service Company Limited of Shandong Xinhua Pharmaceutical Group is the wholly-owned Subsidiary of Shandong Xinhua Pharmaceutical Group Company Limited, Other than the above-mentioned claim, there is no association amongst the ten largest domestic shareholders of the Company, nor the persons acting in concert as defined in the "Rules for the Information Disclosure of Changes in the Shareholding of Listed Companies" issued by the China Securities Regulatory Commission (the "CSRC"). However, the Directors do not know whether there is any association amongst the shareholders of H Shares of the Company or persons acting in concert as referred to above.

The Directors do not know whether there is any association amongst the ten largest shareholders of unconditional tradable shares of the Company, any association between the ten largest shareholders of unconditional tradable shares the Company and the ten largest shareholders of the Company or whether there are any persons acting in concert as defined in the Rules for the Information Disclosure of Changes in the Shareholding of Listed Companies issued by the CSRC.

b. The only domestic shareholder with more than 5% of the total issued shares of the Company is SXPGC.

c. There was no change of controlling shareholder of the Company during this reporting period.

IV. DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

As at 30 June 2007, the number of shares held by the Directors, supervisors of the Company ("Supervisors") and senior officers of the Company ("Senior Officers") were as follows:

Name	Position	As at 1 January 2007 Number of Shares	Change Number of Shares	**As at 30 June 2007 Number of Shares**
Directors:				
Ms. Guo Qin	Chairman	16,852	-4,213	**12,639**
Mr. Liu Zhenwen	Non-executive Director	Nil		**Nil**
Mr. Ren Fulong	Executive Director, General Manager	Nil		**Nil**
Mr. Zhao Songguo	Executive Director, Deputy general manager & Financial Controller	Nil		**Nil**
Mr. Ma Yong	Non-executive Director	Nil		**Nil**
Mr. Dai Qingjun	Independent non-executive Director	Nil		**Nil**
Mr. Mok Chung Kwan, Stephen	Independent non-executive Director	Nil		**Nil**
Mr. Xu Guojun	Independent non-executive Director	Nil		**Nil**
Mr. Sun Minggao	Independent non-executive Director	Nil		**Nil**

Supervisors:				
Mr. Yu Gongfu	Chairman of Supervisory Committee	6,075		**6,075**
Mr. Gao Qinggang	Supervisor	4,370	-500 +500	**4,370**
Mr. Liu Qiang	Supervisor (appointed on 2 February 2007)	4,370		**4,370**
Mr. Zhang Yueshun	Independent Supervisor	Nil		**Nil**
Mr. Tao Zhichao	Independent Supervisor	Nil		**Nil**
Mr. Lü Zhongde	Supervisor (retired on 2 February 2007)	Nil		**Nil**
Senior Officers:				
Mr. Zhang Daiming	Deputy General Manager	Nil		**Nil**
Mr. Huo Yong	Deputy General Manager	4,027		**4,027**
Mr. Fu Hengqian	Deputy General Manager	Nil		**Nil**
Mr. Wang Xiaolong	Deputy General Manager	3,384		**3,384**
Mr. Cao Changqiu	Company Secretary	4,050	-1,012	**3,038**
Ms. Guo Lei	Company Secretary	Nil		**Nil**
Total		43,128	-5,225	**37,903**

All shares held by the Directors, Supervisors and Senior Officers are A Shares.

So far as the Directors, Senior Officers and Supervisors are aware, save as disclosed above, as at 30 June 2007, no Director, Senior Officer or Supervisor of the Company had any interest or short position in the shares, underlying shares and / or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short position which any such Director, Senior Officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

As a result of job allocation, Mr. Lü Zhongde has resigned from his position as supervisor of the Company. Pursuant to a resolution of the employee's representatives meeting held on 2 February 2007, Mr. Liu Qiang was appointed to replace Mr. Lü Zhongde as a supervisor of the Company.

In the eighth meeting of the fifth Board of Directors held on 23 March 2007, Mr. Zhao Songguo was re-appointed as the deputy general manager and financial controller of the Company, Mr. Zhang Daiming, Mr. Fu Hengqian and Mr. Wang Xiaolong were re-appointed as the deputy general managers, Mr. Cao Changqiu and Ms. Guo Lei were re-appointed as the company secretaries.

Mr. Huo Yong has not been appointed as the deputy general manager for age reason.

V. CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to report the operating results of the Company for the six months ended 30 June 2007.

For the six months ended 30 June 2007, pursuant to PRC accounting standards, the operating income of the Company and its subsidiaries (collectively referred to as "the Group") was RMB968,877,000 and profit after taxation of the Company's shareholders was RMB18,846,000, representing an increase of 9.71% and an increase of 53.48% respectively, as compared to that of the same period last year.

The Group had a turnover of RMB977,688,000 and the profit attributable to shareholders of RMB19,144,000 for the six months ended 30 June 2007 under HKGAAP, representing an increase of 12.46% and an increase of 53.90% respectively, as compared with that of the same period last year.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2007.

REVIEW OF OPERATION

During the first half of 2007, the Group took active steps to undermine the negative impact brought by the increase in the price of the chemical raw materials, decrease in the price of pharmaceuticals and exchange rates fluctuations. The Group took advantage of the booming sale market, actively explored the domestic and overseas pharmaceutical markets and strengthened the management of the Group. As a result, the target for the first half of the year was achieved quite satisfactorily and the economic situation of the Group was improved considerably. The following is an overall review of the main businesses of the Group in the first half of 2007:-

1. Actively exploring the product markets

During the first half of 2007, by applying flexible and diversified marketing strategies, the Group actively participates in the market competition, and the Group had around double-digit growth in its sales of the products.

Significant results were obtained from the improvement in the marketing of the preparation products and market network was further improved. The sales of preparation products represented an increase of 25.66% as compared to that of the same period last year. The sales of bulk pharmaceuticals in the domestic market increased considerably, representing 33.05% increase as compared to that of the same period last year. During the first half of 2007, the export of SINO-USA Zibo Xinhua-Perrigo Pharmaceutical Company Limited, a subsidiary of the Company, was US$6,920,000.

During the first half of 2007, the Group enhanced the effectiveness of the operation by controlling the operation scale and improving the product quality. The sales of the pharmaceutical products had a decrease of 20.21% as compared to that of the same period last year.

2. Joint ventures and cooperation projects proceed smoothly

The allocation of resources was improved and the production of the raw materials for pharmaceuticals was enhanced. At present, the joint ventures producing raw materials are operating smoothly. Among others, the production of 3 formaldehyde has commenced and the 3 formaldehyde can be supplied to the Company for its production of the pharmaceutical products on a timely basis. The prospect of the production of salicylic acid by the joint ventures is promising. The production of enamel by co-operation has already been commenced.

By making use of the advantageous position of the Company, the cooperation between the Company and the reputable international strategic partners has been strengthened. In the first half of the year, the negotiation with the international companies on the production projects has proceeded smoothly.

3. Enhancing the technology and raising profits of the Company

During the first half of 2007, the technology of the Company was improved and such improvement was expedited. The quality of the products was improved and the yield of the products increased. As a result, the Company achieved the target in relation to the improvement of technology for the production of the key products in the first half of 2007 and the consumption of raw materials decreased by RMB4,740,000 as compared to that of the same period last year.

The Company actively carried out its energy saving project and significant results were achieved. During the first half of 2007, power consumption decreased by RMB6,860,000 as compared to that of the same period last year.

4. Achievement of the management

During the first half of 2007, three products of the Company obtained FDA certification of the United States and a number of the products of the Company passed the quality examinations of national, provincial and municipal authorities of the PRC.

The Company adopted public bidding in the procurement process and reduced the procurement costs. During the first half of 2007, the procurement costs of the raw materials by the Group was approximately RMB4,160,000 less than the average procurement costs in the market.

PLANS FOR THE SECOND HALF OF THE YEAR 2007

In relation to the second half of 2007, the situation of the pharmaceutical enterprises is not promising. There is an increase in the costs of the chemical raw materials and a decrease in rebate rates of export tax. Therefore, the enterprises will experience greater pressure in increasing its profit. Further, the PRC government has tightened the macroeconomic regulations and control which will bring about severe adverse effect on those enterprises which do not have competitive edge. However, the development of those enterprises which have competitive edge will be expedited and the production of the products will be more concentrated. Therefore, the main focus for the Group in the second half of 2007 will be as follows:

1. Actively dealing with the impact brought by the change in the macro-control policy

The PRC government has implemented its macro-control policy, including changes in the monetary policy, the land policy and the adjustment in the rebate rate of export tax, and the tightening of the environmental protection policy. Further, the new GMP of the pharmaceutical industry has been launched and the new registration and management system of the pharmaceuticals has been introduced. As a result, the Group will encounter new challenges. The Group has taken or is taking practicable measures to mitigate the adverse effect brought by the macro-control policy and to expedite the development of the Group.

2. Exploring the market for the products and improving the quality of the products

The Group will explore the opportunity in the market and actively develop both the domestic and international pharmaceutical markets. It will strengthen its leading position in the market of the raw materials for producing pharmaceuticals and focus on the development of the preparation product market and endeavour to increase the sales of the preparation products. The Group will carry out an in-depth study about the varieties of products, improve the quality of products and further develop the market for those products which are cost-effective and have good development potential so as to increase the profits of the Group.

The Group will continue to co-operate with the external parties and expedite the progress of cooperation projects so that the Group can achieve economic growth.

3. Improving the technology further

The Group will further improve its production technology, continue to carry out the energy saving project and develop the "four first" ideology (that is, quality first, safety first, environmental protection first and energy saving first). The Group will take effective measures and devise means to develop its technology, strengthen its management, save power and energy, and reduce the consumption of raw materials so that the competitive edge of the Group can be strengthened.

By order of the Board
Guo Qin
Chairman

6 August 2007
Zibo, Shandong, PRC

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, manufacturing and sale of bulk pharmaceuticals, pharmaceutical preparations, chemical and other products. The profit of the Group is mainly attributable to these businesses.

1. Liquidity and analysis of financial resources and capital structure under HKGAAP

As of 30 June 2007, the liquidity ratio of the Group was 166.47%, quick ratio was 125.91%, the turnover ratio of account receivables was 350.48% (turnover ratio of account receivables = turnover / average account receivables and net value of bills x 100%) and turnover ratio of inventory was 364.14% (inventory turnover ratio = cost of sales / average net value of inventory x 100%).

There was no significant seasonal effect on the capital demand of the Group.

The main source of funds of the Group was loans from financial institutions. As at 30 June 2007, the total amount of bank loans was approximately RMB128,718,000, which were unsecured. As at 30 June 2007, cash on hand and in bank amounted to approximately RMB238,890,000 (including the pledged deposits for acceptance of bills of exchange by banks amounted to approximately RMB57,000,000).

The Group has stringent internal control systems for cash and fund management in order to strengthen financial management. The Group has sound liquidity and repayment ability.

As at 30 June 2007, the Company made a cash investment of RMB8,464,000 to purchase 20% registered capital of Shandong Zibo XinCat Pharmaceutical Company Limited, and made a cash investment of RMB5,140,000 and an equipment investment of RMB2,300,000 to Shandong Dadi Xinhua Medical Company Limited. The company is confident of the future development of the above companies.

As at 30 June 2007, the Group had income of RMB6,070,000 by disposal of some houses and land.

Apart from the above transactions, the Group did not have any significant investment, takeovers, asset acquisitions or disposals during this reporting period.

The clarification of the performance results of the Group is referred to in the section headed “Results and Financial Analysis under PRC accounting standards”.

As at 30 June 2007, the number of employees of the Group amounted to 4,854. The total salaries for employees in the first half of 2007 amounted to RMB56,275,000.

As at 30 June 2007, there was no charge on the Group’s assets.

There was no significant investment projects in the future plans of the Company.

The capital debt ratio of the Group was 9.33%. (capital debt ratio = total loans / share capital and total reserve x 100%)

The cash and bank balances of the Company will mainly be used as working capital for production, operation and research.

As at 30 June 2007, the Company has no contingent liabilities.

The assets and debts of the Group were mainly denominated in Renminbi. However, the Group achieved USD62,090,000 in its export for the first half of 2007. Therefore, there was a foreign exchange fluctuation risk. The Group adopted the following measures to minimize the foreign exchange fluctuation risk: 1. raising the export price in order to minimize foreign exchange fluctuation risk; and 2. when the Group enters into an export contract involving large quantities of products with other parties, the Group shall seek prior consent from the other party that both parties will bear the foreign exchange fluctuation risk should the foreign exchange fluctuation exceed the contractual limit as agreed by both parties; and 3. the Group has entered into long-term settlement agreement with financial institutions to fix exchange rates in order to mitigate foreign exchange fluctuation risks.

2. Results and Financial Analysis under PRC accounting standards

In the first half of 2007, the Group had achieved a turnover of RMB968,877,000 from its principal business, representing an increase of 9.71% as compared to the same period last year. The increase in revenue from the principal business was mainly attributable to the fact that the Group took advantage of the booming sale market and strengthened the sale, sales of the products increased considerably. Increase in net cash and cash equivalents was RMB48,756,000, while there was a decrease of RMB121,717,000 in the same period last year. The main reason for the change was that an investment principal of RMB117,000,000 was received as the investment was mature. Operating profit amounted to RMB26,030,000, representing an increase of 57.84% as compared to the same period last year. The main reason for the increase was that the Group explored the products markets actively, increased products sales, improved the technology, reduced the consumption of raw materials and power, strengthened expenditure management and decreased sale expenses.

Total assets of the Group as at 30 June 2007 amounted to RMB2,040,490,000, representing an increase of RMB152,287,000 or 8.07% as compared to the figure of RMB1,888,203,000 as at 1 January 2007. This increase was mainly due to an increase in cash equivalents and financial assets available for sale during this reporting period. The short-term loan of the Group as at 30 June 2007 was RMB128,718,000, representing a decrease of RMB106,516,000 from RMB235,234,000 at the beginning of this year . Such decrease was attributable to the Company's adjustment of the loan structure, strengthening of the fund dispatch, a decrease in the fund costs and repayment of certain bank loans during this reporting period. Shareholders' equity (excluding minority interest) of the Company as at 30 June 2007 increased by RMB77,580,000 or 5.74%, from RMB1,351,520,000, at the beginning of this year to RMB1,429,100,000. This increase was mainly attributable to the fact that the Group had a profit of RMB18,846,000 gained from the operation and the Group had an increase of RMB67,892,000 in capital surplus resulting from the change in fair value of financial assets available for sale.

An analysis of the Group's turnover from principal operations is as follows:

By geographical location of customers	**First half of 2007** Total turnover *RMB'000*	Costs *RMB'000*	First half of 2006 Total turnover *RMB'000*	Costs *RMB'000*
PRC (incl. Hong Kong)	**516,732**	**436,094**	516,260	427,288
Europe	**139,417**	**114,064**	127,604	106,358
Americas	**150,953**	**126,339**	164,974	143,208
Others	**129,458**	**99,710**	52,796	36,480
Total	**936,560**	**776,207**	861,634	713,334

By industry and By product	**Income from principal operations** *RMB'000*	**Costs of sales of principal operations** *RMB'000*	**Gross profit margin** *(%)*
Bulk pharmaceuticals	595,240	484,687	18.57
Preparations	166,903	123,067	26.26
Medical commercial logistics	172,595	167,494	2.96
Chemical products and other products	1,822	959	47.37
Total	936,560	776,207	17.12

An analysis of the constitution of profit as compared to 2006 is as follows:

Items	Amount (RMB'000)		% of total profit	
	Jan. – Jun.		**Jan. – Jun.**	
	2007	2006	**2007**	2006
Operating profit	**26,030**	28,126	**87.28**	95.97
Profit/Loss from non-operation activities	**3,793**	1,181	**12.72**	4.03
Profit before taxation	**29,823**	29,307	**100.00**	100.00

Analysis of reasons for changes: During this reporting period, the Group had an income of RMB6,070,000 by disposal of some houses and land, which resulted in profit/loss from non-operation activities having a greater proportion in profit before taxation.

3. Use of Proceeds

On 3 September 2001, the Company raised an amount of RMB370,517,000 from the public offer and issue of 33,000,000 A Shares (including the sale of 3,000,000 State-owned shares). As at 30 June 2007, RMB320,056,000 were used in the following projects:

Name of project	Planned investment *RMB'000*	Actual investment Jan. - Jun. 2007 *RMB'000*	Accumulated amount of investment *RMB'000*	% of the investment	Remarks
State-level technical center renovation	74,500	—	10,123	13.59%	—
Injection GMP renovation	80,000	—	80,226	100.28%	completed
Caffeine technical renovation	160,000	—	188,201	117.63%	completed
L-350 technical renovation	29,980	—	23,442	78.19%	completed
Analgin GMP renovation	39,800	—	46,265	116.24%	completed
Total	384,280	—	348,257		RMB28,201,000 financed by the Company

(1) Analgin (GMP) renovation project, L-350 technical renovation project and caffeine technical renovation were completed. Except for the fact that profit forecast of the injection GMP renovation project has yet to be realised due to the decrease in pharmaceutical prices, other projects reached their profit forecast.

(2) The preparation stage of the renovation project of the state-level technical center was completed and construction will soon commence.

The remaining proceeds were deposited with banks and will be used in accordance with the Company's project commitments.

VII. REVIEW OF MAJOR EVENTS

Save as disclosed herein:

1. There is no material deviation between the actual corporate governance implemented by the Company and the rules and requirements of corporate governance required to be observed by listed companies in the PRC.

2. The Board did not recommend the payment of any interim dividend for the first half of 2007, nor any transfer from reserves to share capital.

3. The Group was not involved in any material litigation or arbitration, pending or threatened against the Group during the reporting period.

4. There was no material purchase of assets or disposal of the Company's assets nor did any material mergers or acquisition involving the Company occur during this reporting period. Similarly, no transactions of such nature occurred during the last reporting period which has been carried over to this reporting period.

5. During this reporting period, there was no trust, subcontract and lease of the assets between the Company and other companies.

6. During this reporting period, there was no material guarantee provided by the Company nor had any material guarantee provided by the Company not been fully performed.

7. The Company and its shareholders holding more than 5% of total number of issued shares of the Company have provided undertakings for information disclosure as follows:

   (1) Within the period between the 36th month to the 48th month from the listing date of the A Shares of the Company, SXPGC shall not sell any of its A shares of the Company on the SZSE at a price less than RMB4.8 per share (such price will be on an ex-rights basis if there is any declaration of dividends, bonus issues or capitalization of capital reserve during the period between the day of implementation of the revised share reform of the Company and sale of the shares by SXPGC), being 150% of the average of the closing prices of the listed A Shares as quoted on the SZSE in the thirty (30) trading days prior to the issuance date of the notice of relevant shareholders' meeting. Should SXPGC breach any of the undertakings, the proceeds resulting from such sale shall be transferred to the account of the Company and owned by the Company.

   (2) As at 1 January 2006, SXPGC owed the Company a sum of RMB9,507,000 for non-business reasons. SXPGC had repaid the sum by 30 June 2006 in cash. SXPGC guaranteed not to use any fund of the Company for non-business reasons starting from 1 January 2007 for non-business reasons.

8. Purchase, Sales and Redemption of the Company's listed securities

   During this reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of its securities.

9. Management of Funds

   During this reporting period, the Company did not appoint any person for managing the Company's funds. No such appointment was made in the preceding reporting period which has been carried over to this reporting period.

10. Others

    Please refer to the relevant section of the coming interim report of 2007 of the Company for details of other significant matters.

VIII. CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors confirm that the Company has operated in compliance with the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules and has not deviated from the Code during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee along with the management have reviewed the accounting standards, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting including the unaudited interim accounts for the six months ended 30 June 2007.

The Audit Committee agreed to the accounting standards, principles and methods adopted by the Group for the unaudited interim accounts for the six months ended 30 June 2007, and it has been disclosed fully.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Group has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to appointment of a sufficient number of independent non-executive directors and at least one independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed four independent non-executive directors including one with financial management expertise, details of their biographies were set out in the 2006 Annual Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

During this reporting period, the Company has adopted a code of conduct regarding transactions by Directors on terms no less exacting than the required standards set out in the Model Code. After having made specific enquiry in this reporting period, no Director or Supervisor has infringed upon the requirements set out in the Model Code, Appendix 10 to the Listing Rules.

IX. FINANCIAL REPORTS

1. Profit and loss account prepared in conformity with PRC accounting standards (Unaudited)

Unit: RMB

Item			First half of 2007		First half of 2006	
			Consolidated	**Company**	Consolidated	Company
1.	Total operating income		**968,877,008.99**	**762,998,064.26**	883,153,733.39	704,179,570.21
	Include:	Operating income	**968,877,008.99**	**762,998,064.26**	883,153,733.39	704,179,570.21
2.	Total operating cost		**947,217,544.79**	**731,356,083.64**	869,049,250.44	689,882,159.22
	Include:	Operating cost	**807,586,439.74**	**635,991,628.71**	733,755,002.16	561,752,627.05
		Operating tax	**5,173,686.24**	**4,876,397.95**	4,158,250.22	4,036,359.63
		Selling expenses	**63,606,834.91**	**39,546,680.95**	74,963,019.33	70,684,610.87
		Administrative expenses	**54,374,896.95**	**48,296,380.09**	45,776,287.37	43,261,240.17
		Financial expenses	**10,668,099.17**	**10,144,995.94**	10,396,691.36	10,147,321.50
		Assets impairment	**5,807,587.78**	**(7,500,000.00)**	0.00	0.00
	Add:	Fair value change income	**1,961,740.72**	**1,961,740.72**	0.00	0.00
		Investment income	**2,408,608.83**	**2,417,892.02**	2,387,287.78	2,242,315.92
	Include:	Investment income of related ventures and joint ventures	**604,360.96**	**604,360.96**	(712,789.72)	(712,789.72)
3.	Operating profit		**26,029,813.75**	**36,021,613.36**	16,491,770.73	16,539,726.91
	Add:	Non-operating income	**11,066,301.45**	**11,046,141.45**	499,338.04	499,223.80
	Less:	Non-operating expenses	**7,273,218.05**	**6,887,825.76**	1,645,757.92	1,644,914.89
	Include:	Loss from the disposal of non-current assets	**(4,746,758.05)**	**(4,845,837.19)**	(49,875.71)	(49,875.71)
4.	Profit before taxation		**29,822,897.15**	**40,179,929.05**	15,345,350.85	15,394,035.82
	Less:	Income tax	**7,783,274.15**	**5,953,583.33**	3,130,872.75	3,110,135.23
5.	Profit after taxation		**22,039,623.00**	**34,226,345.72**	12,214,478.10	12,283,900.59
	Profit attributable to the equity shareholders of the Parent		**18,846,016.48**	**34,226,345.72**	12,279,060.65	12,283,900.59
	Minority interest		**3,193,606.52**	**0.00**	(64,582.55)	0.00
6.	Earnings per share					
	1)	Basic earnings per share	**0.041**	**0.075**	0.027	0.027
	2)	Diluted earnings per share	**0.041**	**0.075**	0.027	0.027

Notes of prepared in accordance with PRC accounting standards:

1. The Company has fully implemented the system and relevant regulations of the new Accounting Standards for Business Enterprises promulgated by the Ministry of Finance from 1 January 2007, pursuant to which certain amendments were made to the accounting policies of the Company. In preparing the comparative financial statements of the Company, retrospective adjustments have been made to related events in accordance with Q&A No. 7 regarding Rules on Information Disclosure of Publicly-listed Companies - Preparation and Disclosure of Comparative Financial Information during the Transitional Period of Existing and New Accounting Standards. The beginning and ending amounts of equity attributable to holders of parent company increased RMB8,183,000 and RMB77,947,000 respectively because of the implementation of the new Accounting Standards for Business Enterprises.

2. As compared with last year, Zibo XinHua-Perrigo Pharmaceutical Company Limited is consolidated into the consolidated accounting statement of the year. On 3 April 2006, the Company and Perrigo International Inc. signed Zibo Xinhua-Perrigo Pharmaceutical Company Limited Amendment Agreement for Equity Venture Contract and agreed mutually that Perrigo International Inc. would transfer 0.10% of the total equity interests of Zibo Xinhua-Perrigo Pharmaceutical Company Limited to the Company in a consideration of USD6,000. After the transferring of equity, the Company and Perrigo International Inc. would hold 50.10% and 49.90% of the equity interests, respectively. The Company has paid the consideration on 30 June 2007. Changes were made over business license registration of Xinhua Perrigo, which would be consolidated in the Reporting period. As changes were made in the scope of consolidated statement, the total assets of the Group increased by approximately RMB63,000,000 billion and operating revenues increased by approximately RMB53,000,000.

2 Financial Statement prepared in accordance with the HKGAAP

Condensed consolidated income statement

	NOTES	**(unaudited) For the six months ended 30th June 2007** *RMB'000*	(unaudited) For the six months ended 30th June 2006 *RMB'000*
Turnover	3	**977,688**	869,353
Cost of sales		**(812,985)**	(707,045)
Gross profit		**164,703**	162,308
Other operating income		**9,662**	6,857
Selling expenses	4	**(72,418)**	(82,682)
Administrative expenses	4	**(63,263)**	(57,915)
Other operating expenses	4	**(1,398)**	(1,646)
Share of results of associates		**604**	(713)
Finance costs		**(7,769)**	(10,704)
Profit before taxation		**30,121**	15,505
Income tax expense	5	**(7,783)**	(3,131)
Profit for the period		**22,338**	12,374
Attributable to :			
Equity holders of the Company		**19,144**	12,439
Minority interests		**3,194**	(65)
		22,338	12,374
Earnings per share - basic	6	**RMB0.042**	RMB0.027
Interim dividend	7	**—**	—

Condensed consolidated balance sheet

	NOTES	**(unaudited) At 30th June 2007** *RMB'000*	(audited) At 31st December 2006 *RMB'000*
Non-current assets			
Technical know-how		**2,488**	3,052
Property, plant and equipment		**785,712**	779,316
Construction-in-progress		**103,807**	85,922
Prepaid lease payments on land use rights		**86,608**	86,404
Interests in associates		**41,777**	42,580
Available-for-sale investments		**24,425**	23,777
		1,044,817	1,021,051
Current assets			
Inventories		**222,163**	224,356
Trade and bills receivables	8	**324,408**	233,499
Prepaid lease payments on land use rights		**2,448**	2,419
Other receivables, deposits and prepayment		**79,079**	49,647
Amount due from immediate holding company		**28,598**	46,874
Amounts due from associates		**14,172**	19,861
Available-for-sale investments		**—**	117,000
Pledged bank deposits		**57,000**	29,401
Derivative financial instruments		**2,095**	134
Bank balances and cash		**181,890**	133,134
		911,853	856,325
Assets classified as held for sale		**—**	4,199
		911,853	860,524

	Note		
Current liabilities			
Trade and bills payables	9	**311,119**	213,080
Other payables and accrued charges		**100,730**	53,267
Amount due to an associate		**2,050**	—
Tax payable		**5,129**	3,320
Unsecured short-term bank loans		**128,718**	235,234
		547,746	504,901
Net current assets		**364,107**	355,623
Total assets less current liabilities		**1,408,924**	1,376,674
Capital and reserves			
Share capital		**457,313**	457,313
Reserves		**921,818**	902,685
Proposed final dividend		**—**	9,146
Equity attributable to equity holders of the Company		**1,379,131**	1,369,144
Minority interests		**25,517**	3,343
Total equity		**1,404,648**	1,372,487
Non-current liability			
Deferred tax liabilities		**4,276**	4,187
		1,408,924	1,376,674

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNDER HKGAAP

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") No.34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The condensed consolidated interim financial statements have been prepared under the historical costs basis except for property, plant and equipment and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2006, except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendment and interpretations (collectively referrerd to as "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December 2005, 1st January 2006, 1st March 2006, 1st May 2006, 1st June 2006, 1st November 2006 and 1st January 2007. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new standards, amendment, interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations, will have no material impact on how the results and financial position of the Group are prepared and presented.

HKAS 23 (Revised)	Borrowing Cost[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int-11	HKFRS2-Group and Treasury Share Transactions[2]
HK(IFRIC)-Int-12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1st January 2009.

[2] Effective for annual periods beginning on or after 1st March 2007.

[3] Effective for annual periods beginning on or after 1st January 2008.

3. SEGMENT INFORMATION

The Group is principally engaged in the development, production and sales of pharmaceutical products, preparations, chemicals and other products. Its major place of operation is in the People's Republic of China ("PRC").

(i) By business segment:

	(unaudited) For the six months ended 30th June 2007			(unaudited) For the six months ended 30th June 2006		
	Pharmaceutical business	**Other operations**	**Total**	Pharmaceutical business	Other operations	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenues	**983,584**	**3,766**	**987,350**	866,203	3,150	869,353
Segment results	**33,520**	**3,766**	**37,286**	23,772	3,150	26,922
Share of results of associates			**604**			(713)
Finance costs			**(7,769)**			(10,704)
Profit before taxation			**30,121**			15,505
Income tax expense			**(7,783)**			(3,131)
Profit for the period			**22,338**			12,374
Capital expenditure	**43,093**	**—**	**43,093**	43,130	—	43,130
Depreciation and amortisation	**61,286**	**—**	**61,286**	51,326	—	51,326
Amortisation of technical know-how	**564**	**—**	**564**	564	—	564

	(unaudited)			(audited)		
	As at 30th June 2007			As at 31st December 2006		
	Pharmaceutical business	**Other operations**	**Total**	Pharmaceutical business	Other operations	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Assets						
Segment assets	**1,890,468**	**24,425**	**1,914,893**	1,698,218	140,777	1,838,995
Interests in associates	**41,777**	**—**	**41,777**	42,580	—	42,580
Total assets			**1,956,670**			1,881,575
Liabilities						
Segment liabilities	**(542,617)**	**—**	**(542,617)**	(501,581)	—	(501,581)
Unallocated liabilities	**—**	**—**	**(9,405)**	—	—	(7,507)
Total liabilities			**(552,022)**			(509,088)

(ii) By geographical location of customers :

	(unaudited)	
	Segment revenues	
	Six months ended 30th June 2007	Six months ended 30th June 2006
	RMB'000	*RMB'000*
PRC (including Hong Kong)	**557,860**	516,260
Europe	**139,417**	130,971
Americas	**150,953**	169,326
Others	**129,458**	52,796
	977,688	869,353

4. EXPENSES

Expenses (income) included in selling expense, administrative expenses and other operating expenses are analysed as follows :

	(unaudited) Six months ended 30th June 2007 *RMB'000*	(unaudited) Six months ended 30th June 2006 *RMB'000*
Depreciation	**60,062**	50,114
Amortisation of prepaid lease payments on land use rights	**1,224**	1,212
Amortisation of technical know-how	**564**	564
Staff costs (excluding emoluments of directors and supervisors)	**79,526**	60,297
Contributions to retirement scheme for the staff	**10,551**	9,181
Gain on disposal of fixed assets	**(4,747)**	(50)

5. INCOME TAX EXPENSE

The amount of tax charged to the condensed consolidated income statement represents:

	(unaudited) Six months ended 30th June 2007 *RMB'000*	(unaudited) Six months ended 30th June 2006 *RMB'000*
Current period PRC enterprise income tax	**7,694**	3,131
Deferred taxation	**89**	—
	7,783	3,131

(a) PRC enterprise income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

(b) The Company and a subsidiary are located in the high-technology economic zone of Zibo City and are entitled to preferential PRC enterprise income tax rate of 15% from year 2002 onwards, according to [1994] Guo Shui Fa No.151 "The notice of applying favourable tax policies for the new and high technology companies" issued by the State Administration of Taxation. The companies have obtained the relevant approvals from the local tax bureau. From year 2004 onwards, the operating results of the companies derived from business conducted in the high-technology economic zone are subject to a preferential income tax rate of 15% while the business conducted outside the high-technology economic zone are subject to an income tax rate of 33%. This has been filed with the local tax bureau as a record.

    Other companies within the Group are subject to income tax rate at 33% on their taxable income for the six months ended 30th June 2006 and 2007 except SINO-USA Zibo XinHua-Perrigo Pharmaceutical Company Limited (淄博新華 — 百利高製藥有限責任公司) is subject to income tax rate at 24%.

(c) No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the six months ended 30th June 2007 and 2006.

6. EARNINGS PER SHARE - BASIC

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of RMB19,144,000 (2006 : RMB12,439,000) and based on the weighted average of 457,312,830 shares (2006 : 457,312,830 shares) in issue during the period.

There was no dilution effect on the basic earnings per share for the six months ended 30th June 2007 and 2006 as there were no dilutive shares outstanding during the six months ended 30th June 2007 and 2006.

7. INTERIM DIVIDEND

The board of the directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June 2007 (2006 : Nil).

8. TRADE AND BILLS RECEIVABLES

At 30th June 2007, the ageing analysis of the trade and bills receivables, net of allowances is as follows :

	(unaudited) At 30th June 2007 *RMB'000*	(audited) At 31st December 2006 *RMB'000*
Within one year	**270,179**	186,017
More than one year but less than two years	**37,592**	39,584
More than two years but less than three years	**16,637**	7,898
	324,408	233,499

The Group's turnover from export sales is on letter of credit or documents against payment. The remaining balances of turnover are on open account terms which are partially covered by customers' stand-by letter of credit or bank guarantees.

9. TRADE AND BILLS PAYABLES

At 30th June 2007, the ageing analysis of the trade and bills payables is as follows :

	(unaudited) At 30th June 2007 *RMB'000*	(audited) At 31st December 2006 *RMB'000*
Within one year	**302,919**	198,906
More than one year but less than two years	**1,767**	10,388
More than two years but less than three years	**2,658**	428
Over three years	**3,775**	3,358
	311,119	213,080

10. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows :

	(unaudited) Six months ended 30th June 2007 *RMB'000*	(unaudited) Six months ended 30th June 2006 *RMB'000*
Shandong Xinhua Pharmaceutical Group Company Limited ("SXPGC") and its subsidiaries		
— Sale of water, electricity and steam and raw materials	**6,714**	9,028
— Purchase of raw materials	**40,948**	21,244
— Rental income	**—**	700
— Rental expense	**500**	—
— Purchase of machineries	**—**	1,499
— Payment of annual trademark license fee	**1,100**	1,000
Associates		
— Sale of water, electricity and steam	**657**	1,285
— Rental income	**300**	—
— Purchase of raw materials	**14,488**	4,111
— Interest income received	**—**	135

Note:

On 7th December 1996, the Group was granted the exclusive right to use the trademark "Xinhua" ("Trademark") by SXPGC for its existing and future products in and outside the PRC at an initial annual fee of RMB600,000 increasing at the rate of an extra RMB100,000 per year until the annual fee reaches the cap amount of RMB1,100,000, which shall stay as such until the agreement is terminated. The terms of the agreement shall continue to have effect during the validity period of the Trademark, being 28th February 2013, subject to further renewal of the registration of the Trademark. During the period ended 30th June 2007, the annual fee paid by the Group was RMB1,100,000 (2006 : RMB1,000,000).

X. DOCUMENTS FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS FOR INSPECTION

1. The original copy of the Company's 2007 Interim Report signed by the Chairman of the Board.

2. Financial statements for the six months ended 30 June 2007 signed by the Chairman of the Board, the financial controller and the chief of accounting department of the Company.

(2) PLACE FOR INSPECTION

Office of the Secretary to the Board of the Company.

This announcement is published in both English and Chinese. The Chinese version shall prevail.

As at the date of this Announcement, the Board consists of the following directors:

Ms. Guo Qin;
Mr. Liu Zhenwen;
Mr. Ren Fulong;
Mr. Zhao Songguo;

and the following independent non-executive directors:

Mr. Dai Qingjun;
Mr. Mok Chung Kwan, Stephen;
Mr. Xu Guojun;
Mr. Sun Minggao

Shandong Xinhua Pharmaceutical Company Limited

6 August 2007