



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)

THE THIRD QUARTER RESULTS OF 2008

(for the period commencing 1 July 2008 to 30 September 2008)

This announcement is made in accordance with the disclosure requirement under rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the "Board" and "Directors" respectively) of Shandong Xinhua Pharmaceutical Company Limited (the "Company") hereby announces the unaudited third quarter results of 2008 for the 3 months ended 30 September 2008 of the Company and its subsidiaries ("Group"). All financial information set out in this announcement has been prepared in accordance with the generally accepted accounting standards and systems of the People's Republic of China (the "PRC") and the financial results of the Group have not been audited.

This announcement was prepared in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

1. KEY ACCOUNTING AND FINANCIAL DATA

	As at 30 September 2008	As at 31 December 2007	
	Unaudited	Audited	Change
	RMB'000	RMB'000	%
Total assets	2, 290, 501	2, 270, 715	0. 87
Shareholders' equity	1, 476, 721	1, 665, 961	(11. 36)
Net assets per share(RMB)	3. 23	3. 64	(11. 26)

	Jan - Sep 2008	Change as compared to
	Unaudited	last year
	RMB'000	%
Net cash flow from operating activities	66, 978	(51. 23)
Net cash flow from operating activities (RMB)	0. 15	(50. 00)

	Jul - Sep 2008	Jan - Sep 2008	Change as compared to
	Unaudited	Unaudited	last year
	RMB'000	RMB'000	%
Profit attributable to the equity shareholders of the Parent	5, 086	25, 544	(9. 15)
Basic earnings per share (RMB)	0. 0111	0. 0559	(9. 02)
Basic earnings per share after items extraordinary (Note) (RMB)	—	0. 0358	—

Diluted earnings per share (RMB)	0. 0111	0. 0559	(9. 02)
Return on equity (%)	0. 34	1. 73	a decrease of 0. 05%
Return on equity after items extraordinary (%)	(0. 21)	1. 11	a decrease of 0. 55%

Note:

Extraordinary items include:

Item	Amount (RMB)
Profit or loss from disposal of non-current assets	302, 348. 68
Change in fair value of held-for-trading financial assets	(22, 817, 499. 17)
Profit or loss from disposal of held-for-trading financial assets	19, 356, 800. 00
Income invested from available-for-sale financial assets	650, 793. 00
Government subsidy including the current profit or loss	15, 496, 701. 78
Write back of provision for accounts receivable	1, 234, 024. 00
Non-operating income or cost except items above	(586, 705. 30)
Income tax	(2, 472, 373. 13)
Net non-routine profit or loss attributable to the minority shareholders	(1, 977, 461. 60)
Total	9, 186, 628. 26

2. PROFIT AND LOSS ACCOUNT

Item	Jan - Sep 2008		Jan - Sep 2007	
	Consolidated	Parent company	Consolidated	Parent company
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1. Total operating income	1, 648, 287	1, 184, 285	1, 428, 312	1, 101, 646
Include: Operating income	1, 648, 287	1, 184, 285	1, 428, 312	1, 101, 646
2. Total operating cost	1, 600, 788	1, 143, 007	1, 396, 081	1, 066, 180
Include: Operating cost	1, 435, 388	1, 042, 544	1, 201, 626	933, 585
Operating tax and surcharge	6, 929	5, 994	8, 277	7, 837
Selling expenses	74, 229	22, 218	82, 357	47, 021
Administrative expenses	82, 553	70, 725	79, 402	70, 539
Financial expenses	1, 536	1, 526	15, 611	14, 698
Assets impairment	153	–	8, 808	(7, 500)
Add: Fair value change income	(22, 817)	(22, 817)	1, 874	1, 874
Investment income	1, 610	1, 750	2, 256	2, 265
Include: Investment income of related ventures and joint ventures	480	480	451	451
3. Operating profit	26, 292	20, 211	36, 361	39, 605
Add: Non-operating income	18, 786	14, 438	12, 466	12, 431
Less: Non-operating expenses	3, 574	3, 062	8, 057	7, 531
Include: Loss from the disposal of non-current assets	(302)	(302)	(5, 280)	(5, 379)
4. Profit before taxation	41, 504	31, 587	40, 770	44, 505
Less: income tax	11, 444	9, 926	11, 809	9, 804
5. Profit after taxation	30, 060	21, 661	28, 961	34, 701
Profit attributable to the equity shareholders of the Parent	25, 544	21, 661	24, 534	34, 701
Minority interest	4, 516	–	4, 427	–
6. Earnings per share				
1) Basic earnings per share(RMB)	0. 0559	0. 0474	0. 0536	0. 0759
2) Diluted earnings per share(RMB)	0. 0559	0. 0474	0. 0536	0. 0759

Item	Jul - Sep 2008		Jul - Sep 2007	
	Consolidated	Parent company	Consolidated	Parent company
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1. Total operating income	507,634	358,849	459,435	338,648
Include: Operating income	507,634	358,849	459,435	338,648
2. Total operating cost	503,613	356,623	448,863	334,824
Include: Operating cost	453,167	326,374	394,040	297,593
Operating tax and surcharge	2,050	1,712	3,104	2,960
Selling expenses	18,033	1,342	18,750	7,474
Administrative expenses	29,886	26,928	25,026	22,244
Financial expenses	344	268	4,943	4,553
Assets impairment	133	–	3,000	–
Add: Fair value change income	(9,182)	(9,182)	(88)	(88)
Investment income	(76)	542	(153)	(153)
Include: Investment income of related ventures and joint ventures	(76)	(76)	(153)	(153)
3. Operating profit	(5,237)	(6,414)	10,331	3,583
Add: Non-operating income	17,635	13,567	1,399	1,384
Less: Non-operating expenses	1,462	1,506	783	643
Include: Loss from the disposal of non-current assets	153	153	(534)	(534)
4. Profit before taxation	10,936	5,647	10,947	4,324
Less: income tax	2,749	2,483	4,115	3,850
5. Profit after taxation	8,187	3,164	6,832	474
Profit attributable to the equity shareholders of the Parent	5,086	3,164	5,599	474
Minority interest	3,101	–	1,233	–
6. Earnings per share				
1) Basic earnings per share(RMB)	0.0111	0.0069	0.0122	0.0010
2) Diluted earnings per share(RMB)	0.0111	0.0069	0.0122	0.0010

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

23 October 2008, Zibo, PRC

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

Directors	Independent Non-executive Directors
Ms. Guo Qin (Chairman)	Mr. Dai Qingjun
Mr. Liu Zhenwen	Mr. Xu Guojun
Mr. Ren Fulong	Mr. Sun Minggao
Mr. Zhao Songguo	
Mr. Li Tianzhong	