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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)

POSITIVE PROFIT ALERT

This announcement is made by the Company 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 Board wishes to inform the Shareholders and potential investors that the Group is expected to record an increase in the net profit attributable to the Shareholders during the Reporting Period as defined herein.

The information contained in this announcement is only based on the preliminary review and assessment by the Board of the consolidated management accounts of the Group and other information currently available, which have not been reviewed or audited by the Company's auditors.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by Shandong Xinhua Pharmaceutical Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") 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**").

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that the Group is expected to record an increase in the net profit attributable to the Shareholders for the period from 1 January 2013 to 31 December 2013 (the "**Reporting Period**"), as compared to 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
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Net profit attributable to the Shareholders	Profit : Approximately RMB30,760,000 –RMB40,220,000 (representing an increase of 30%-70% as compared with that of the same period last year)	Profit : RMB23,660,000
Basic earnings per share	Profit : Approximately RMB0.07-RMB0.09	Profit : RMB0.05

Based on the information currently available, the expected significant increase in profit was mainly due to the increase of non-current assets disposal income and government subsidies.

As the Company is still in the process of finalizing the consolidated annual results of the Group for the Reporting Period, the information contained in this announcement is only based on the preliminary review and assessment by the Board of the consolidated management accounts of the Group and other information currently available, which have not been reviewed or audited by the Company's auditors. Detailed financial information of the Group will be disclosed as and when the annual results of the Group for the Reporting Period are announced.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

27 January 2014, 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