山東新華製藥股份有限公司
Shandong Xinhua Pharmaceutical Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0719)

POSITIVE PROFIT ALERT

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 pursuant to the "Announcement on Increasing the Export Tax Rebate Rate for Certain Products" (Announcement of Ministry of Finance and the State Administration of Taxation No. 15 of 2020) 《關於提高部分產品出口退稅率的公告》（財政部 稅務總局公告 2020 年第 15 號）jointly issued by the Ministry of Finance of the People's Republic of China and the State Administration of Taxation on March 17 2020, the export tax rebate rate of 1084 items including porcelain sanitary ware will increase to 13% on March 20, 2020. After checking the "List of Products Subject to Higher Export Tax Rebate Rate" 《提高出口退稅率的產品清單》, the Company's raw materials including Ibuprofen, Analgin, Caffeine, Aspirin, Hydrocortisone etc are included in the list, meaning the export tax rebate rate for these items will increase from 10% to 13%.

As the proportion of export sales of the Group is relatively significant, the aforementioned export tax rebate rate will have a relatively material impact on the Group's operating results for the year ended 31 December 2020 and thereafter. According to export sales amount estimated by the Group's finance department for the coming nine months of 2020, it is estimated that there will be an increase of approximately RMB30 million in the profit before tax for the year ended 31 December 2020.

The information contained in this announcement is only based on the preliminary review and assessment by the Board based on estimated export sales amount and other information currently available, which have not been reviewed or audited by the Company's auditors and may be subject to amendments. The actual results of the Group for the year ended 31 December 2020 may be different from what is indicated in this announcement. Detailed financial information of the Group will be disclosed in the announcement of the results of the Group for the year ended 31 December 2020 in due course.

The export business of pharmaceutical products of the Group is susceptible to many factors such as changes in the market environment. Due to such uncertainties, Shareholders and potential investors of the Company are reminded to exercise caution when dealing with the shares.

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

18 March 2020

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

Executive Directors:
Mr. Zhang Daiming (Chairman)
Mr. Du Deping

Independent Non-executive Directors:
Mr. Li Wenming
Mr. Du Guanhua
Mr. Lo Wah Wai

Non-executive Directors:
Mr. Ren Fulong
Mr. Xu Lie