神威藥業
SHINEWAY

CHINA SHINEWAY PHARMACEUTICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2877)

PROFIT WARNING

This announcement is made by China Shineway Pharmaceutical Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2) 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 in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

The board of directors of the Company (the "**Board**") wishes to inform its shareholders (the "**Shareholders**") and potential investors that, based on the preliminary assessment of the Group's unaudited consolidated management accounts, the Group's profit attributable to the owners of the Company ("**net profit**") for the year ended 31 December 2020 is expected to decrease by approximately 40% to 50% as compared with 2019, due to a one-time non-recurring impairment charge related to the intangible assets, goodwill, and other assets (the "**Impairment Charge**") of a wholly-owned subsidiary of the Group (the "**Subsidiary**").

Without the Impairment Charge, the Group's net profit for the year ended 31 December 2020 is only expected to decrease by not more than 5%.

The Impairment Charge is an accounting treatment made in accordance with the International Financial Reporting Standards and would not affect the cash flow of the Group.

As a result of the Impairment Charge, the Group expects that the amortization expense (net of deferred tax) starting from 2021 to 2024 would be reduced by approximately RMB30,000,000 annually, leading to an improvement of the Group's net profit margin in these years.

The Impairment Charge reflects the unfavorable outlook of the related product of the Subsidiary which will be removed from various provincial drug reimbursement lists in 2022 or before due to the change in drug reimbursement policy in 2020. If the prospect for the related product for re-entering the drug reimbursement list is to be enhanced, the Group will need to spend a significant amount of additional research and development expenses and clinical trial expenses over the next few years.

The information contained in this announcement is only based on the Board's preliminary assessment with reference to the Group's unaudited consolidated management accounts for the year ended 31 December 2020, which as at the date of this announcement are yet to be audited or reviewed by the Company's auditors and may therefore be subject to change. The Group's annual results for the year ended 31 December 2020 are expected to be announced before the end of March 2021 in accordance with the Listing Rules.

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

By Order of the Board
China Shineway Pharmaceutical Group Limited
Li Zhenjiang
Chairman

Hong Kong, 5 March 2021

As at the date of this announcement, the executive Directors are Mr. Li Zhenjiang, Ms. Xin Yunxia, Mr. Li Huimin and Mr. Chen Zhong; the non-executive director is Mr. Zhou Wencheng and the independent non-executive Directors are Ms. Cheng Li, Prof. Luo Guoan and Mr. Cheung Chun Yue Anthony.