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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)

PROPOSED CHANGE OF AUDITORS

This announcement is made by the board of directors (the “**Board**”) of Shandong Xinhua Pharmaceutical Company Limited (“**Company**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (“**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

The Board announces that ShineWing (HK) CPA Limited will retire (“**Retirement**”) as the international auditor of the Company with effect from the close of the forthcoming annual general meeting of the Company (the “**AGM**”) to be held on 24 June 2015 and will not be re-appointed. This is because pursuant to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (“**Conclusions Papers**”) issued by the Stock Exchange in December 2010 and related amendments to the Listing Rules, issuers incorporated in the People’s Republic of China (“**PRC**”) and listed on the Stock Exchange have been allowed to prepare their financial statements using PRC accounting standards. Further, according to the Conclusions Papers, PRC accounting firms that have been approved (“**Approved PRC Accounting Firms**”) by the Ministry of Finance of the PRC and the China Securities Regulatory Commission are eligible to provide auditing services to PRC incorporated issuers listed in Hong Kong using PRC auditing standards.

In light of the above and in order to enhance efficiency and to save costs, the Company intends to adopt PRC accounting standards to prepare its financial statements for the year ending 31 December 2015 and thereafter. The Board noted that its domestic auditor, ShineWing Certified Public Accountants, is one of the Approved PRC Accounting Firms. The Board therefore proposes, with the recommendation from the audit committee of the Company, to appoint ShineWing Certified Public Accountants as the Company’s domestic and international auditor for the year ending 31 December 2015. Such proposed appointments are subject to the approval of the shareholders of the Company (“**Shareholders**”) at the AGM.

ShineWing (HK) CPA Limited has confirmed that there were no matters in connection with its Retirement that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company also confirm that there were no relevant matters in connection with the Retirement and the proposed change of auditors that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company further confirm that there were no disagreements or unresolved matters between the Company and ShineWing (HK) CPA Limited in connection with the Retirement and the proposed change of auditors.

The Board would like to express its sincere gratitude to ShineWing (HK) CPA Limited for their professional services provided to the Company in the past years.

A circular containing, among other matters, the details of the proposed change of auditors of the Company together with the notice of the AGM will be despatched to the Shareholders as soon as practicable.

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

7 May 2015, Zibo, PRC

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

Executive Directors:

Mr. Zhang Daiming (Chairman)
Mr. Du Deping

Independent Non-executive Directors:

Mr. Du Guanhua
Mr. Li Wenming
Mr. Chan Chung Kik, Lewis

Non-executive Directors:

Mr. Ren Fulong
Mr. Xu Lie
Mr. Zhao Bin