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SHANDONG LUOXIN PHARMACEUTICAL GROUP STOCK CO., LTD.*

(a joint stock limited company established in the People’s Republic of China with limited liability)

(Stock Code: 8058)

VOLUNTARY ANNOUNCEMENT

COOPERATION AGREEMENT WITH SHANGHAI INSTITUTE OF MATERIA MEDICA, CHINESE ACADEMY OF SCIENCES AND FUDAN UNIVERSITY IN RESPECT OF AN ANTI-CANCER DRUG

The board of directors (the “**Board**”) of 山東羅欣藥業集團股份有限公司 (Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.*) (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that on 26 November 2015, the Company entered into a collaboration agreement (the “**Agreement**”) with Shanghai Institute of Materia Medica, Chinese Academy of Sciences (“**SIMM**”) (中科院上海藥物所) and Fudan University (復旦大學) (the “**Partners**”) for a potential anti-cancer drug (the “**Drug**”). According to the Agreement, the Company will make upfront payments, and subsequent milestone payments based on the clinical and regulatory progress. The Company has an exclusive right to research and develop (“**R&D**”), manufacture and commercialise the Drug in the People’s Republic of China (the “**PRC**”), Hong Kong and Macau. The rights to the Drug in markets beyond the PRC, Hong Kong and Macau will be jointly owned by the Company and the Partners, who also will work together to expedite the R&D of the Drug. Under the Agreement, the Partners will derive revenues based on certain percentage of the sales of the Drug upon its launching into the market.

Upon entering into the Agreement, the Company and the Partners are expected to submit the clinical research application to the China Food and Drug Administration (中國國家食品藥品監督管理總局) and related foreign drug administrative authorities soon.

The Drug is a new competitive ATP mTOR kinase inhibitor that acts as potent and highly selective dual inhibitors of mTORC1 and mTORC2. PI3K-AKT-mTOR is an essential signal transduction pathway inside the cells and plays a crucial role in controlling the process of tumor formation, growth and resistance to drug. Given that about 50% of human tumors occur by abnormal activation of mTOR and the central position of mTOR in the tumor signal network, mTOR inhibitor should be a new generation drug targeting at cancer spectrum and frequency with inhibiting effects on tumors with various molecular mechanisms. Compared with simple mTORC1 inhibitor, mTOR inhibitor, with its prospect in broadening cancer spectrum and enhancing effectiveness of cancer treatment, the Board expects to see enormous development going forward, especially in the fields of breast cancer, lung cancer and gastric cancer.

Cancer remains a huge threat to human health nowadays. According to the statistics in the World Cancer Report 2014 published by the World Health Organization (WHO), there were approximately 14 million new cancer cases in 2012, with 8.2 million mortality cases; among which, the PRC had approximately 3.12 million new cancer cases, with around 2.2 million mortality cases. New cancer cases in the PRC is estimated to reach 5 million per year by 2025. The five illnesses with the highest incidence and mortality rates are, in order, lung cancer, liver cancer, gastric cancer, colorectal cancer and breast cancer amongst females. Developing countries like the PRC still have a long way to go in catching up the developed countries' general standards of cancer treatment, and the needs of clinical patients' are not being sufficiently addressed.

Since 2014, on top of the Group's existing generic drugs, the Group has strengthened the efforts in R&D of innovative drugs with a view to expand the innovative drug product line step by step. The R&D of innovative drugs focuses on oncological, digestive, respiratory and cardiovascular treatments.

The cooperation with SIMM and Fudan University on the Drug is a major step in executing R&D strategy of innovative drugs. The organic combination of generic drugs with innovative drugs forms a quality product portfolio, enabling the Group to lay a solid foundation for future development.

This announcement is made by the Company on a voluntary basis to inform the investing public of the latest business development of the Group and does not constitute, nor is intended to be, an advertisement regarding the use of any medicine, surgical appliance, treatment or orally consumed product.

By order of the Board
山東羅欣藥業集團股份有限公司
Shandong Luoxin Pharmaceutical Group Stock Co., Ltd*
Liu Baoqi
Chairman

26 November 2015, PRC

As at the date of this announcement, the Board comprises 11 Directors, of which Mr. Liu Baoqi (劉保起), Ms. Li Minghua (李明華), Mr. Han Fengsheng (韓風生), Mr. Chen Yu (陳雨) and Mr. Liu Zhenteng (劉振騰) are executive Directors; Mr. Yin Chuangui (尹傳貴) and Mr. Liu Zhenhai (劉振海) are non-executive Directors and Mr. Foo Tin Chung, Victor (傅天忠), Mr. Fu Hongzheng (付宏征), Prof. Chen Yun Zhen (陳允震) and Prof. Du Guanhua (杜冠華) are independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the Company’s designated website at: <http://shandongluoxin.quamir.com>.

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