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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)

INSIDE INFORMATION

AGREEMENT WITH YUHAN CORPORATION ON DEVELOPMENT, MANUFACTURE AND COMMERCIALIZATION OF ITS YH25448 FOR NON-SMALL CELL LUNG CANCER (NSCLC)

This announcement is made by Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 17.10 of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

THE AGREEMENT

The board of directors (the “**Board**”) of the Company announces that on 27 July 2016, the Group entered into an agreement (the “**Agreement**”) with Yuhan Corporation (“**Yuhan Corporation**”), a company listed on the Korea Exchange (KRX: 000100), pursuant to which Yuhan Corporation will grant the Group an exclusive right to develop, manufacture, and commercialize its asset YH25448, a new drug for non-small cell lung cancer (NSCLC), in China including Hong Kong and Macau (the “**Territory**”). The Group will in exchange pay (i) Yuhan Corporation up-front cash payment, and subsequent clinical, regulatory and performance-based milestone payments with the total amount of USD120 million; and (ii) double-digit percentage royalties based on net sales of YH25448 in the Territory. It is anticipated that the clinical trial application of YH25448 will be submitted to the China Food and Drug Administration (中國國家食品藥品監督管理總局) by the end of 2016.

The Group and Yuhan Corporation will work amicably towards the signing of a definitive agreement to complete the transaction.

* For identification purpose only

REASONS FOR ENTERING INTO THE AGREEMENT

A global data report has estimated that the number of non-small cell lung cancer (NSCLC) patients will reach approximately 690,000 in China by 2022 and the therapeutic drug market will exceed USD1.3 billion by 2019.

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

The cooperation with Yuhan Corporation on YH25448 is another step in executing research and development strategy of innovative drugs since 2014. 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.

INFORMATION ABOUT YUHAN CORPORATION

Yuhan Corporation is a South Korea-based healthcare company founded in 1926. Yuhan Corporation has positioned itself as one of the top pharmaceutical companies in terms of market capitalization and sales revenue in Korea. Its core business consists of primary and specialty care, dietary supplements, household and animal care, and contract manufacturing of active pharmaceutical ingredients. It has a number of subsidiaries and a global presence in the form of joint ventures with Janssen (Belgium), the Clorox Company (USA), and Kimberly-Clark Corporation (USA). Yuhan Corporation (KRX: 000100) is a publicly-listed company with its shares traded on the Korea Exchange.

The Board would emphasize that the transaction contemplated herein may or may not proceed and shareholders of the Company and potential investors are advised to exercise caution and assess their own investment risk when dealing in the shares of the Company.

By order of the Board
Shandong Luoxin Pharmaceutical Group Stock Co., Ltd.*
Liu Baoqi
Chairman

PRC, 28 July 2016

As at the date of this announcement, the Board comprises 10 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. Liu Zhenhai (劉振海) is a non-executive Director; Mr. Foo Tin Chung, Victor (傅天忠), Mr. Fu Hongzheng (付宏征), Prof. Du Guanhua (杜冠華) and Ms. Huang Huiwen (黃慧文) 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>.