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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)

**FURTHER UPDATE ON THE RECENT DEVELOPMENT OF
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO XINCAT PHARMACEUTICAL ACQUISITION**

Reference is made to the announcement of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 29 January 2014, the circular (the “**Circular**”) of the Company dated 3 March 2014, the announcement of the Company dated 18 March 2014 in relation to the poll results of the EGM resolutions, and the voluntary announcement (the “**Announcement**”) of the Company dated 25 August 2014 in relation the development of the Xincat Pharmaceutical Acquisition. Capitalised terms not defined herein bear the same meanings as those defined in the Circular and the Announcement.

The Board is pleased to announce that the tender process in relation to the Relevant Equity Interest held at the Shandong Property Right Exchange Center was closed on 22 September 2014, and the Company has succeeded in bidding for the Relevant Equity Interest at the price of RMB102 million. The Company and Hualu Holdings are in the course of finalizing the terms of the Acquisition Agreement. Further announcement will be made by the Company when the Company has entered into the Acquisition Agreement.

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

22 September 2014, 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. Zhu Baoquan

Mr. Liu Hongwei

Mr. Chan Chung Kik, Lewis

Non-executive Directors:

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