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）

2013 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the **"Board**") and directors ("**Directors**") of Shandong Xinhua Pharmaceutical Company Limited (the "**Company**" or "**Xinhua Pharm**") hereby announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013 (the **"Reporting Period"**). The following financial information has been prepared in accordance with Hong Kong Generally Accepted Accounting Principles ("**HKGAAP**") and PRC accounting standards. This results announcement (the "**Announcement**") is summarised from the Company's 2013 interim report (the "**Interim Report")** and investors are advised to read the full text of the Interim Report for full information.

The Announcement is published in Chinese and English. The Chinese version shall prevail if there are discrepancies between the Chinese version and the English version.

I. COMPANY INFORMATION

Chinese Name of the Company : 山東新華製藥股份有限公司

English Name of the Company: SHANDONG XINHUA PHARMACEUTICAL COMPANY LIMITED

Legal Representative: Mr. Zhang Daiming

Company Secretaries: Mr. Cao Changqiu, Ms. Guo Lei

Telephone Number: 86-533-2196024

Facsimile Number: 86-533-2287508

E-mail Address of Company Secretaries: cqcao@xhzy.com, guolei@xhzy.com

Registered Address: Chemical Industry Area of Zibo Hi-tech Industry Development Zone, Zibo City, Shandong Province, the People's Republic of China (the "PRC")

Office Address: No. 1 Lutai Ave., Hi-tech Industry Development Zone, Zibo City, Shandong Province, the PRC

Postal Code: 255086

Website of the Company: http://www.xhzy.com

E-mail Address of the Company: xhzy@xhzy.com

PRC newspaper for information disclosure: Securities Times

Website designated by the China Securities Regulatory Commission (the "**CSRC**"): http://www.cninfo.com.cn

Listing Information

H Shares

Stock Exchange: The Stock Exchange of Hong Kong Limited (the "**SEHK**")

Abbreviated Name: Shandong Xinhua

Stock Code: 0719

A Shares

Stock Exchange: Shenzhen Stock Exchange

Abbreviated Name: Xinhua Pharm

Stock Code: 000756

Ⅱ. SUMMARY OF FINANCIAL RESULTS

(i) In accordance with PRC accounting standards (Renminbi ("RMB"))

Item	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (the "End of Last Year") (Audited)	Change as compared to the End of Last Year (%)
Total assets	3,625,856,788.80	3,628,270,364.03	(0.07)
Total equity attributable to equity holders of Company	1,703,391,898.29	1,737,287,914.32	(1.95)
Capital	457,312,830.00	457,312,830.00	–
Net assets per share attributable to equity holders of Company	3.72	3.80	(2.11)
Asset-liability ratio (%)	51.90	51.02	Increase 0.88 points
	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (the "**Same Period Last Year**") (Unaudited)	**Change as compared to the Same Period Last Year (%)**
Total operating income	1,617,134,270.43	1,537,930,023.23	5.15
Operating profit	(13,046,260.32)	25,524,759.04	(151.11)
Profit before taxation	9,280,671.77	40,002,473.65	(76.80)
Profit attributable to the equity holders of Company	4,987,774.39	31,195,182.82	(84.01)
Profit attributable to the equity holders of Company after extraordinary items (Note)	(16,444,797.62)	18,012,640.74	(191.30)
Basic earnings per share	0.01	0.07	(85.71)
Diluted earnings per share	0.01	0.07	(85.71)
Basic earnings per share after extraordinary loss	(0.04)	0.04	(200.00)
Return on equity of weighted average (%)	0.29	1.81	Decrease 1.52 points
Fully diluted return on equity (%)	0.29	1.79	Decrease 1.50 points
Return on equity of weighted average after extraordinary loss (%)	(0.95)	1.04	Decrease 1.99 points
Fully diluted return on equity after extraordinary loss (%)	(0.97)	1.03	Decrease 2.00 points
Net cash flow from operating activities	5,378,264.18	(42,186,834.32)	112.75
Net cash flow from operating activities per share	0.01	(0.09)	111.11

Note:

Extraordinary items include:

Item	**Amount (RMB)**	**Notes (if applicable)**
Profit or loss from disposal of non-current assets	(119, 826. 73)	Loss of disposal of fixed assets
Government subsidies recognised in current profit and loss, (excluding those closely related to the Company's normal operations and granted on an ongoing basis under the national policies according to certain fixed quota of amount or volume)	23, 798, 900. 08	Received government subsidies reckoned into current term
Gains (losses) from fair value changes of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, except effective hedging activities related to the Company's normal operations	174, 625. 00	Dividends from available-for-sale financial assets
Other non-operating income or cost except the above items	(1, 352, 141. 26)	–
Non-controlling interests	12, 900. 22	–
Income tax expense	(1, 081, 885. 30)	–
Total	21, 432, 572. 01	–

(ii) In accordance with HKGAAP (RMB'000)

Consolidated Income Statement

Item	**Six months ended 30 June 2013（Unaudited）**	Six months ended 30 June 2012（Unaudited）
Revenue	1, 600, 002	1, 525, 008
Profit before tax	8, 719	39, 087
Income tax expense	(3, 086)	(6, 831)
Profit for the period	5, 633	32, 256
Includes: Profit attributable to owners of the Company	4, 510	30, 416
Non-controlling interests	1, 123	1, 840

Consolidated Statement of Financial Position

Item	**As at 30 June 2013** **（Unaudited）**	As at 31 December 2012 （Audited）
Total assets	3, 636, 675	3, 639, 490
Total liabilities	(1, 886, 246)	(1, 855, 699)
Non-controlling interests	(40, 713)	(39, 701)
Equity attributable to owners of the Company	1, 709, 716	1, 744, 090

(iii) Reconciliation of accounts prepared in accordance with PRC accounting standards and HKGAAP (RMB) (Unaudited)

Item	**Profit attributable to the equity holders of Company**		**Total equity attributable to equity holders of Company**	
	the Reporting Period	Same Period Last Year	**As at 30 June 2013**	As at 1 January 2013
Prepared under PRC accounting standards	4, 987, 774. 39	31, 195, 182. 82	1, 703, 391, 898. 29	1, 737, 287, 914. 32
HKGAAP adjustments:				
Provision for education fund	(562, 000. 00)	(916, 000. 00)	7, 439, 000. 00	8, 002, 000. 00
Deferred taxation	84, 225. 61	136, 817. 18	(1, 114, 898. 29)	(1, 199, 914. 32)
Total of the difference between the PRC accounting standards and HKGAAP	(477, 774. 39)	(779, 182. 82)	6, 324, 101. 71	6, 802, 085. 68
Prepared under HKGAAP	4, 510, 000. 00	30, 416, 000. 00	1, 709, 716, 000. 00	1, 744, 090, 000. 00

Explanation of the difference between the PRC accounting standards and HKGAAP:

1. Education fees are set out as per the actual expenses, without the need of provision under HKGAAP. As at 30 June 2013 provision made for the balance of education fees under the PRC accounting standards was RMB7,439,000 with an amount in education fees of RMB562,000 for this period.

2. Education fees also led to the difference in the Company’s deferred income tax, with the difference in accumulated deferred income tax of RMB1,114,898.29 and that in deferred income tax of the current period of RMB84,225.61.

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share Capital structure

	30 Jun 2013		1 Jan 2013	
Class of shares	**Number of shares (share)**	**% of the total share capital**	**Number of shares (share)**	**% of the total share capital**
1. Total number of conditional tradable shares	961	0	961	0
Stated-owned shares	0	0	0	0
Domestic legal person shares	0	0	0	0
Conditional tradable senior management A shares	961	0	961	0
Others	0	0	0	0
2. Total number of unconditional tradable shares	457,311,869	100.00	457,311,869	100.00
Renminbi ordinary shares (A shares)	307,311,869	67.20	307,311,869	67.20
Overseas listed foreign shares (H shares)	150,000,000	32.80	150,000,000	32.80
3. Total number of shares	457,312,830	100.00	457,312,830	100.00

2. As at 30 June 2013, the Company had on record a total of 38,266 shareholders, including 58 holders of H Shares and 38,208 holders of A Shares.

3. As at 30 June 2013, the ten largest shareholders of the Company were as follows:

Unit: share

Name of Shareholder	Types of shareholders	Number of shares held	% of the total share capital	Number of conditional tradable shares held	Number of shares being charged or frozen
Shandong Xinhua Pharmaceutical Group Company Limited (“**SXPGC**”)	State-owned shareholder, A shares	166,115,720	36.32	0	0
HKSCC (Nominees) Limited	Listed H shares	148,027,998	32.37	0	0
Qingdao Haowei Investment Development Company Limited	Domestic general legal person shares	9,386,851	2.05	0	9,380,000
Hongyuan Securities Company Limited Customer credit transaction backed securities account	Domestic general legal person shares	1,286,351	0.28	0	0
Chen Yugui	Domestic person	1,184,300	0.26	0	0
Wang Guohua	Domestic person	641,298	0.14	0	0
Liu Shida	Domestic person	616,000	0.13	0	0
Guangfa Securities Company Limited Customer credit transaction backed securities account	Domestic general legal person shares	614,713	0.13	0	0
Zhang Linlin	Domestic person	600,000	0.13	0	0
Zheng Huidan	Domestic person	499,990	0.11	0	0

4. As at 30 June 2013, the ten largest shareholders of the unconditional tradable shares of the Company were as follows:

Name of Shareholder	Number of unconditional listed shares (share)	Class of shares
SXPGC	166,115,720	A Shares
HKSCC (Nominees) Limited	148,027,998	H Shares
Qingdao Haowei Investment Development Company Limited	9,386,851	A Shares
Hongyuan Securities Company Limited Customer credit transaction backed securities account	1,286,351	A Shares
Chen Yugui	1,184,300	A Shares
Wang Guohua	641,298	A Shares
Liu Shida	616,000	A Shares
Guangfa Securities Company Limited Customer credit transaction backed securities account	614,713	A Shares
Zhang Linlin	600,000	A Shares
Zheng Huidan	499,990	A Shares

Note:

1. The Directors are not aware as to whether there is any association amongst the ten largest shareholders of the Company, nor the persons acting in concert as defined in the "Rules for the information Disclosure of Changes in the Shareholding of Listed Companies" ("**CSRC Rules**") issued by the CSRC. In addition, the Directors do not know whether there is any association amongst the shareholders of H Shares of the Company or persons acting in concert as defined in the CSRC Rules.

The Directors do not know whether there is any association amongst the ten largest shareholders of unconditional tradable shares of the Company, or any association between ten largest shareholders of unconditional tradable shares and the ten largest shareholders of the Company or if there are any persons acting in concert as defined in the CSRC Rules.

2. The only domestic shareholder with more than 5% of the total issued shares of the Company is SXPGC.

3. There was no change of controlling shareholder of the Company during the Reporting Period.

4. Save as disclosed above and so far as the Directors are aware, as at 30 June 2013, no other person (other than the Directors, supervisors of the Company (the "**Supervisors**"), chief executives or members of senior management of the Company (the **"Senior Officers"**)) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("**SFO**") and as recorded in the register required to be kept under section 336 of the SFO), or was otherwise a substantial shareholder (as defined in the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**")) of the Company.

IV. DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

The number of shares held by the Directors, Supervisors and Senior Officers of the Company were as follows:

Name	Position	Number of Shares (share) as at 1 January 2013	Change in number of Shares	Number of Shares (share) as at 30 June 2013
Directors:				
Mr. Zhang Daiming	Chairman	Nil	Nil	**Nil**
Mr. Ren Fulong	Non-executive Director	Nil	Nil	**Nil**
Mr. Du Deping	Executive Director, General Manager	Nil	Nil	**Nil**
Mr. Zhao Songguo	Executive Director, Deputy general manager & Financial Controller	Nil	Nil	**Nil**
Mr. Xu Lie	Non-executive Director	Nil	Nil	**Nil**
Mr. Zhao Bin	Non-executive Director	Nil	Nil	**Nil**
Mr. Zhu Baoquan	Independent non-executive Director	Nil	Nil	**Nil**
Mr. Bai Huiliang	Independent non-executive Director	Nil	Nil	**Nil**
Mr. Kwong Chi Kit, Victor	Independent non-executive Director	Nil	Nil	**Nil**
Supervisors:				
Mr. Li Tianzhong	Chairman of Supervisory Committee	Nil	Nil	**Nil**
Mr. Zhang Yueshun	Independent Supervisor	Nil	Nil	**Nil**
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	**Nil**
Ms. Hu Yanhua	Employee Supervisor	Nil	Nil	**Nil**
Senior Officers:				
Mr. Dou Xuejie	Deputy General Manager	Nil	Nil	**Nil**
Mr. Du Deqing	Deputy General Manager	Nil	Nil	**Nil**
Mr. He Tongqing	Deputy General Manager	Nil	Nil	**Nil**
Mr. Cao Changqiu	Company Secretary	1,281	Nil	**1,281**
Ms. Guo Lei	Company Secretary	Nil	Nil	**Nil**
Total		1,281	Nil	**1,281**

All shares held by the Directors, Supervisors and Senior Officers are A shares. The number of shares held by the Directors, Supervisors and Senior Officers has no change during this Reporting period.

So far as the Directors, Senior Officers and Supervisors are aware, save as disclosed above, as at 30 June 2013, no Director, Senior Officer or Supervisor had any interest or short position in the shares, underlying shares and / or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short position which any such Director, Senior Officer or Supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

During this Reporting Period, there were no changes of Directors, Supervisors and Senior Officers.

V. CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to report the operating results of the Company for the six months ended 30 June 2013.

For the six months ended 30 June 2013, pursuant to the PRC accounting standards, the operating income of the Group was RMB1,617,134,000 and net profit attributable to equity holders of the Company was RMB4,988,000, representing an increase of 5.15% and a decrease of 84.01% respectively, as compared to that of the Same Period Last Year.

The Group had a turnover of RMB1,600,002,000 and profit attributable to owners of the Company of RMB4,510,000 for the six months ended 30 June 2013 under HKGAAP, representing an increase of 4.92% and a decrease of 85.17% respectively, as compared with that of the Same Period Last Year.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

BUSINESS REVIEW

In the first half of 2013, when faced with various difficulties such as a continuous downturn of international market demands, the appreciation of RMB, the increasing downward pressure on the domestic economy, price competitions of pharmaceutical products, bidding of preparation products, as well as the increasing pressures on environmental protection, price drop of the Company's products, the increase of financial expenses arising from products relocation and the rise of production costs resulted from the initial operation stage of new production lines, the Group actively took measures to expand sales, reduce non-production expenses, strengthen research and development and accelerate the construction of relocation projects. In the first half of 2013, the Group realized a minor increase in indicators such as sales revenue and exports earnings on a year-on-year basis; however, the Group's profit witnessed a significant decline. The major business review is set out below.

1. Actively explored markets and expanded sales scale

During the first half of 2013, the Group actively explored the domestic and international markets and made efforts to expand the scale of operations, achieving a 5.15% year-on-year increase in operating income. The Group took a differentiated marketing approach to focus on preparation products, endeavored to develop untapped terminals and enhanced market cultivation, recording a 47.2% year-on-year increase in the sales income of new key preparation products, 0.26% year-on-year increase in export earnings, which amounted to US$94,614,000, and 90% year-on-year increase in preparation products exports, which amounted to RMB53,000,000.

2. Applied scientific and technological innovation and consolidated development potential

During the first half of 2013, the Group adhered to technological innovation, improving efficiency in the use of materials and saving RMB1,720,000 in respect of raw materials.

The Group carried out in-depth energy saving and emission reduction activities, and implemented 18 energy saving projects, which led to a year-on-year 0.75% decrease in the energy consumption per RMB10,000 production value in the first half of 2013.

The Group attached great importance to product quality management. During the first half of 2013, the Group accomplished 9 breakthrough projects in respect of quality and technology, and successfully passed the examinations of three international official bodies including EDQM and 60 quality audits by manufacturers both from home and abroad.

During the first half of the year, the Group accelerated the strategic reserve of new products. 6 bulk pharmaceuticals have completed pilot scale testing (or qualified for full production), and 7 bulk pharmaceuticals have completed pre-pilot scale testing. Production testing of 6 preparation products has been completed or nearly completed, and pre-pilot testing of 6 preparation products has been completed.

During the first half of the year, the Company was granted 5 invention patents and 3 new utility model patent.

3. Accelerating construction of the relocation project and improving the product mix

By leveraging the opportunity of product relocation at the old factory, we endeavored to fulfill product mix adjustment and industrial upgrade through intense technological renovation and application of the "four new energy-saving technologies", facilitated the industrialization of several new products developed in recent years and fostered new profit drivers.

The commissioning of salicylic acid and aspirin as well as the multi-functional industrialization center all achieved success at the first attempt, and such products and projects also passed the GMP certification and relevant international certifications. The principal part of the relocation project for the analgin series product was completed, and the installation of relevant equipment is close to completion. New techniques and technologies have been utilized, which would help boost the market competitiveness of products.

MAJOR WORKS FOR THE SECOND HALF OF THE YEAR 2013

Various unfavorable factors that affect corporate development still persist in the second half of 2013, and the Company also faces great pressure on capital as it is currently in the critical stage of relocation. As such, in the second half of 2013, the Group will continue to step up market development and sales of products, actively proceed with the relocation of products, accelerate research and development, improve the management of business fundamentals, and unswervingly strengthen team building.

1. Firmly focus on operation

The Company will further enhance the strategic cooperation partnership with its clients, design new marketing models, fully step up the development and maintenance of the markets for economically viable products, practically press ahead with market expansion and distribution of strategic products, and put additional efforts in marketing and the promotion of featured products.

The Company will make full preparation for tenders for preparation products at all the related regions, proactively supplement the catalogues of basic drugs at provincial levels, and practically strengthen the building of marketing teams.

The Company will step up cooperation with strategic suppliers, actively implement the purchase model of “factory-to-factory direct supply”, find new suppliers, continue to reduce exclusive supply of raw materials, and lower the purchase cost.

2. Place emphasis on the relocation of products and production

The second half of 2013 is a critical stage for the relocation of products, and the Company will safeguard the smooth relocation of the analgin series products, and strive for a successful production at the first attempt. The Company will proactively proceed with the change of the production license for Hutian Park, and make full preparation for the on-site inspection and certification of a number of products, including the relocation project.

The Company will push for fundraising, ensure the supply of raw materials and power for key products by closely studying and leveraging relevant policies, adjust its marketing tactics in accordance with changes in costs and in the market, and properly organize its production.

3. Accelerate research and development progress and highlight technological breakthroughs

The Company will speed up the research and development progress to complete the research and development as well as on-site inspection over the production of 6 new medicines and 2 health care products; strive to complete the pilot scale testing of 9 new medicines, lab research of 8 new medicines, and manufacturing and technical upgrade of the clinical samples of 3 products; and aggressively push forward the trial production of 4 new preparation products.

The Company will actively carry out technological breakthroughs by concentrating on the technological and quality breakthrough targets set at the beginning of the year, accelerate the application of technological achievements, improve quality, lower costs and enhance the market competitiveness of its products.

4. Focus on improving management of the business fundamentals to ensure healthy production and operation

We will strengthen efforts in energy saving and emission reduction through implementing a series of measures in respect of energy-saving and environmental protection with a focus on point source control. We will endeavor to make technological breakthroughs for our products, to enhance product quality and reduce energy consumptions, with a view to minimize the impact of adverse factors on the performance of the Company. With regard to expenses control and budget management, we will implement a centralized capital management system to enhance risk control.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, manufacturing and sale of bulk pharmaceuticals, pharmaceutical preparations, chemicals and other products. The profit of the Group is mainly attributable to its principal businesses.

1. LIQUIDITY AND ANALYSIS OF FINANCIAL RESOURCES AND CAPITAL STRUCTURE UNDER HKGAAP

As at 30 June 2013, the liquidity ratio of the Group was 126.95%, the quick ratio was 83.07%, the turnover ratio of account receivables was 387.39% (turnover ratio of account receivables = turnover / average account receivables and net value of bills x 100%) and the turnover ratio of inventory was 297.53% (inventory turnover ratio = cost of sales / average net value of inventory x 100%).

There was no significant seasonal effect on the capital demand of the Group.

The main sources of funds for the Group were loans from financial institutions and funds provided by the ultimate holding company of the Company. As at 30 June 2013, the total amount of bank loans was RMB450,731,000, which were floating rate loans based on Hong Kong inter-bank offered rates or rates issued by the People's Bank of China, and the total amount of loans from the ultimate holding company was RMB693,250,000. As at 30 June 2013, cash on hand and in bank amounted to RMB213,385,000 (including bank acceptance drafts deposits of RMB59,820,000).

As of 30 June 2013, the Group charged the land use rights in Hutianzhen, Zhangdian, to a bank for loans. The book value of the land use rights is RMB 67,371,000. There was no charge on the Group's assets except the above charged assets.

The Group has stringent internal control systems for cash and fund management in order to strengthen financial management. The Group has sound liquidity and repayment ability.

The clarification of the performance results of the Group is referred to in the section headed "Results and Financial Analysis under PRC Accounting Standards".

As at 30 June 2013, the number of employees of the Group was 5,904. The total salaries for employees in the first half of 2013 amounted to RMB116,962,000.

The main investment projects in the second half of 2013 will be Hutian Park project and Shouguang Park project.

As at 30 June 2013, the capital debt ratio of the Group was 66.91% (capital debt ratio = total borrowings / equity attributable to owners of the Company x 100%).

The cash and bank balances of the Company will mainly be used as working capital for production, operation, projects and research development.

The assets and debts of the Group were denominated in RMB. However, the Group achieved USD94,641,000 in its export for the first half of 2013. Therefore, there was a greater impact from foreign exchange. The Group adopted the following measures to minimise the foreign exchange fluctuation risk: (1) raising the export price in order to minimise foreign exchange fluctuation risk; and (2) when the Group enters into larger export contracts, the Group will seek the prior agreement of the purchaser that both parties shall jointly bear the foreign exchange fluctuation risk should the foreign exchange fluctuation exceed the contractual limit as agreed by both parties.

2. RESULTS AND FINANCIAL ANALYSIS UNDER PRC ACCOUNTING STANDARDS

In the first half of 2013, the Group's operating income wasRMB1,617,134,000, representing an increase of 5.15% as compared to the Same Period Last Year. The increase in operating income was mainly attributable to the increase in marketing, leading to a rise in the sales of certain products. The net decrease in cash and cash equivalents was RMB221,979,000, while there was a net increase of RMB101,099,000 in the Same Period Last Year. The main reason for the change was due to the decrease in net cash flow of RMB373,993,000 from fundraising activities as compared to the Same Period Last Year. Operating loss amounted to RMB13,046,000, whereas there was an operating profit of RMB25,525,000 in the Same Period Last Year. The main reasons for the decrease include the formation of fixed assets in the new park area which resulted in an increase in depreciation charges, an increase in costs caused by the fluctuating raw material and power consumption during the initial production stage of production lines, an increase in management costs as more resources have been allocated to environmental protection, a foreign exchange loss caused by the appreciation of the RMB, an increase in financial expenses due to increased borrowings and an increase in expenses caused by increased investment in the research and development of new products.

The total assets of the Group as at 30 June 2013 amounted to RMB3,625,857,000, representing a decrease of RMB2,413,000 or 0.07% as compared to that of RMB3,628,270,000 as at the beginning of this year. The decrease was mainly due to a decrease of cash and cash equivalents during the Reporting Period. The Group's loan amount as at 30 June 2013 was RMB1,143,982,000, representing a decrease of RMB67,035,000 from RMB1,211,017,000 at the beginning of this year. This decrease was mainly attributable to the repayment of some bank loans during the Reporting Period. The total equity attributable to equity holders of the Company as at 30 June 2013 was RMB1,703,392,000, representing a decrease of RMB33,896,000 or 1.95% from RMB1,737,288,000 at the beginning of this year. The decrease was mainly attributable to a decrease of Available-for-sale financial assets fair value during the Reporting Period, leading to a temporary drop in the capital reserve of the Company.

An analysis of the Group's turnover from principal operations is as follows (RMB'000):

By geographical location of customers	First half of 2013		First half of 2012	
	Total turnover	Costs	Total turnover	Costs
PRC (incl. Hong Kong)	**949,671**	**783,290**	911,697	733,860
Europe	**249,676**	**199,817**	249,443	220,276
Americas	**291,165**	**262,985**	256,616	199,318
Others	**109,490**	**97,973**	98,985	86,118
Total	**1,600,002**	**1,344,065**	1,516,741	1,239,572

By industry and By product	Income from principal operations	Costs of sales of principal operations	Gross profit margin(%)
Bulk pharmaceutical	781,092	657,492	15.82
Preparations	303,471	180,951	40.37
Commercial circulations	411,502	392,093	4.72
Chemical products and other products	103,937	113,529	(9.23)
Total	1,600,002	1,344,065	16.00

An analysis of profit as compared to 2012 is as follows:

Items	Amount (RMB'000)		% of total profit	
	Jan.-Jun. 2013	2012	**Jan.-Jun. 2013**	2012
Operating profit	**(13,046)**	(18,705)	**(140.57)**	(53.47)
Net profit/loss from non-operation activities	**22,327**	53,686	**240.57**	153.47
Profit before taxation	**9,281**	34,981	**100.00**	100.00

3. USE OF PROCEEDS

On 3 September 2001, the Company raised an amount of RMB370,517,000 from the public offer and issue of 33,000,000 A Shares (including the sale of 3,000,000 State-owned shares). As at 30 June 2013, RMB363,830,000 were used in the following projects:

Name of project	Planned investment RMB'000	Actual investment Jan.-Jun. 2013 RMB'000	Accumulated amount of investment RMB'000	% of the investment	Remarks
State-level technical center renovation	74,500	3,570	53,897	72.34%	-
Injection GMP renovation	80,000	-	80,226	100.28%	completed
Caffeine technical renovation	160,000	-	188,201	117.63%	completed
L-350 technical renovation	29,980	-	23,442	78.19%	completed
Analgin GMP renovation	39,800	-	46,265	116.24%	completed
Total	384,280	3,570	392,031	-	-

(1) Injection GMP renovation project did not reach its projected profit level due to the decrease in pharmaceutical prices.

(2) Caffeine technical renovation did not reach its projected profit level because of the effects of the drop in both prices and the export tax rebate rate.

(3) The principal portion of the state-level technical center renovation project has been completed.

The remaining proceeds were deposited with banks and will be used in accordance with the Company's project commitments.

VII. REVIEW OF MAJOR EVENTS

Save as disclosed herein:

1. There is no material deviation between the actual corporate governance implemented by the Company and the rules and requirements of corporate governance required to be observed by listed companies in the PRC.

2. The Board did not recommend the payment of any interim dividend, nor any transfer from reserves to share capital, for the half year ended 30 June 2013.

3. The Group was not involved in any material litigation or arbitration, whether pending or threatened during the Reporting Period.

4. There was no material purchase of assets or disposal of the Company's assets, nor did any material mergers or acquisitions involving the Company occur during the Reporting Period. Similarly, no transactions of such nature occurred during the last reporting period and were carried over to the Reporting Period.

5. During the Reporting Period, there was no material trust, subcontract and lease of assets between the Company and other companies.

6. The independent non-executive directors' special explanation and independent opinions in respect of the use of funds by related parties and external security provided are as follows:

During the Reporting Period, there was no non-operational use of the Company's funds by the controlling shareholder and other related parties.

During the Reporting Period, no material guarantee was provided by the Company, nor has there been any obligations that have not been performed in full by the Company. There were no guarantees provided in favour of any controlling shareholders, non-legal entities or individuals which were prejudicial to the interests of the Company and its shareholders, in particular the minority shareholders of the Company. As at 30 June 2013, the Company had no overdue external guarantee debts and the Company had no liability arising from any guarantee due to the default of a guaranteed party.

7. The Company and its shareholders holding more than 5% of total number of issued shares of the Company have provided undertakings for information disclosure as follows: Nil

8. Purchase, Sales and Redemption of the Company's listed securities

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

9. Management of Funds

During the Reporting Period, the Company did not appoint any person to manage the Company's funds. No such appointment was made in the preceding reporting period and carried over to the Reporting Period.

10. Information about holding equity in other listed companies (RMB)

Stock Code	Abbreviated Name	Initial investment amount	Proportion of equity interest in investee	Book value of end of the Reporting Period	Profit/loss in the Reporting Period	Change of shareholder's equity in the Reporting Period	Accounting courses	Share source
601601	China Pacific Insurance	7,000,000.00	0.06%	79,650,000.00	-	(32,850,000.00)	Available-for-sale financial assets	Purchase
601328	BANKCOMM	14,225,318.00	0.02%	33,452,144.00	-	(7,150,704.00)	Available-for-sale financial assets	Purchase
Total		21,225,318.00	-	113,102,144.00	-	(40,000,704.00)	-	-

11. Index of important information which has been disclosed

The announcement of the "2012 Annual Results Announcement" was published on the HKExnews, in the Securities Times C26 in the PRC, on the website: http://www.cninfo.com.cn and on the Company's website on 25 March 2013.

The announcement of the "The First Quarter Report of 2013" was published on the HKExnews, in the Securities Times B63 in the PRC, on the website: http://www.cninfo.com.cn and on the Company's website on 27 April 2013.

The announcement of the "The Notice of Annual General Meeting for the 2012" was published on the HKExnews, in the Securities Times B23 in the PRC, on the website: http://www.cninfo.com.cn and on the Company's website on 9 April 2013.

The announcement of the "Announcement of 2012 Annual General Meeting Resolutions" was published on the HKExnews, in the Securities Times B32 in the PRC, on the website: http://www.cninfo.com.cn and on the Company's website on 25 May 2013.

12. Information of reception research, communications and interviews during the Reporting Period: Nil

VIII. CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors confirmed that the Company was in compliance with the Code on Corporate Governance Practices (the "**Code**") and has not deviated from the Code during the six months ended 30 June 2013. The Code includes the provisions contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company set up the audit committee under the Board in accordance with Rule 3.21 of the Listing Rules.

The audit committee along with the management of the Company has reviewed the accounting standards, principles and methods adopted by the Group, and considered matters regarding auditing, internal control and financial reporting including the unaudited interim accounts for the six months ended 30 June 2013.

The audit committee agreed to the accounting standards, principles and methods adopted by the Group for the unaudited interim accounts for the six months ended 30 June 2013, and it has been disclosed fully.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise. The Company has appointed three independent non-executive Directors including one with financial management expertise; details of their biographies were set out in the 2012 Annual Report of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

During the Reporting Period, the Company has adopted a code of conduct regarding transactions by Directors on terms no less exacting than the required standards set out in the Model Code. After having made specific enquiries to the Directors and Supervisors, the Company has confirmed that during the Reporting Period, all Directors and Supervisors have complied with the required standard set out in the Model Code in relation to directors' securities transactions and they did not have any non-compliance with the Mode Code.

Ⅸ. FINANCIAL REPORTS

1. Profit and loss account prepared in conformity with PRC accounting standards (Unaudited)

Unit: RMB

Item	First half of 2013		First half of 2012	
	Consolidated	**Parent company**	Consolidated	Parent company
1.Total operating income	**1,617,134,270.43**	**951,197,344.70**	1,537,930,023.23	908,225,960.78
Includes: Operating income	**1,617,134,270.43**	**951,197,344.70**	1,537,930,023.23	908,225,960.78
2.Total operating costs	**1,631,787,333.60**	**956,068,458.63**	1,516,606,553.73	873,375,989.93
Includes: Operating cost	**1,363,733,658.96**	**812,783,451.22**	1,264,175,647.52	752,763,409.61
Taxes and surcharges	**10,366,384.78**	**7,096,493.05**	8,253,025.71	5,078,863.76
Selling expenses	**109,963,731.83**	**14,769,801.49**	117,149,652.76	10,309,344.33
Administrative expenses	**101,448,392.30**	**79,735,424.77**	99,584,460.23	77,135,903.56
Financial expenses	**46,275,165.73**	**41,683,288.10**	27,443,767.51	28,088,468.67
Assets Impairment loss	-	-	-	-
Add: Gain or loss from changes in fair value	-	-	-	-
Investment gain or loss	**1,606,802.85**	**1,606,802.85**	4,201,289.54	4,187,410.09
Includes: Investment gain or loss from related ventures and	**1,432,177.85**	**1,432,177.85**	1,615,490.09	1,615,490.09

joint ventures				
Exchange gain or loss	-	-	-	-
3. Operating profit	**(13,046,260.32)**	**(3,264,311.08)**	25,524,759.04	39,037,380.94
Add: Non-operating income	**24,778,778.41**	**8,972,598.86**	24,632,607.10	10,172,180.36
Less: Non-operating cost	**2,451,846.32**	**1,709,409.97**	10,154,892.49	8,777,307.26
Includes: Loss from the disposal of non-current assets	**119,826.73**	**119,826.73**	6,559,471.22	6,559,471.22
4. Profit before taxation	**9,280,671.77**	**3,998,877.81**	40,002,473.65	40,432,254.04
Less: Income tax expense	**3,169,924.91**	**2,282,582.13**	6,967,721.57	5,523,789.22
5. Profit after taxation	**6,110,746.86**	**1,716,295.68**	33,034,752.08	34,908,464.82
Includes: Net Profit attributable to the equity holders of the parent company	**4,987,774.39**	**-**	31,195,182.82	-
Minority interest	**1,122,972.47**	**-**	1,839,569.26	-
6. Earnings per share				
1) Basic earnings per share	**0.01**	**0.004**	0.07	0.08
2) Diluted earnings per share	**0.01**	**0.004**	0.07	0.08
7.Other comprehensive income	**(34,421,999.76)**	**(34,000,598.40)**	13,318,667.82	13,776,885.60
8. Total comprehensive income	**(28,311,252.90)**	**(32,284,302.72)**	46,353,419.90	48,685,350.42
Includes: Total comprehensive income attributable to the equity holders of the parent company	**(29,322,887.73)**	**-**	44,674,226.86	-
Total comprehensive income attributable to the minority interest	**1,011,634.83**	**-**	1,679,193.04	-

NOTES:

1. During the Reporting Period, there was no change in accounting policies and accounting estimates.

2. During the Reporting Period, Shandong Xinhua Pharmaceutical (USA) Company Limited was added into the scope of consolidated financial statements of the Company.

2. FINANCIAL STATEMENTS PREPARED UNDER HKGAAP

Condensed consolidated income statement

	Notes	Six months ended 30 June 2013	2012
		RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	1,600,002	1,525,008
Cost of sales		(1,354,431)	(1,247,825)
Gross profit		245,571	277,183
Investment income		1,331	4,057
Other income		41,801	46,607
Other expenses		(27,468)	(32,823)
Distribution and selling expenses		(109,964)	(125,417)
Administrative expenses		(106,996)	(103,989)
Finance costs		(36,988)	(28,146)
Share of profit of an associate		1,432	1,615
Profit before tax	4	8,719	39,087
Income tax expense	5	(3,086)	(6,831)
Profit for the period		5,633	32,256
Profit for the period attributable to:			
Owners of the Company		4,510	30,416
Non-controlling interests		1,123	1,840
		5,633	32,256
Earnings per share - basic and diluted	6	RMB0.010	RMB0.067

Condensed consolidated statement of comprehensive income

	Six months ended 30 June 2013	2012
	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit for the period	5,633	32,256
Other comprehensive (expense) income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation	(421)	(460)
Fair value (loss) gain on available-for-sale investments	(40,001)	15,343
Income tax relating to components of other comprehensive income (expense)	6,000	(1,566)
Other comprehensive (expense) income for the period, net of tax	(34,422)	13,317
Total comprehensive (expense) income for the period	(28,789)	45,573
Total comprehensive (expense) income attributable to:		
Owners of the Company	(29,801)	43,894
Non-controlling interests	1,012	1,679
	(28,789)	45,573

Condensed consolidated statement of financial position

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Non-current assets			
Technical know-how		13,246	14,686
Property, plant and equipment		1,382,152	1,426,187
Construction in progress		458,854	273,977
Prepaid lease payments on land use rights		305,403	235,658
Investment properties		66,416	68,906
Interest in an associate		26,395	24,963
Available-for-sale investments		116,302	156,303
Deferred tax assets		19,168	19,168
Goodwill		2,716	2,716
Prepayments for acquisition of land use rights		28,555	63,555
		2,419,207	2,286,119
Current assets			
Inventories		420,777	489,673
Trade and other receivables	8	567,962	428,468
Prepaid lease payments on land use rights		7,332	5,840
Amounts due from fellow subsidiaries		3,945	3,971
Tax recoverable		4,067	3,275
Restricted bank balances		59,820	46,600
Bank balances and cash		153,565	375,544
		1,217,468	1,353,371
Current liabilities			
Trade and other payables	9	574,866	522,747
Dividend payables		5,311	5,311
Amounts due to fellow subsidiaries		4,045	1,484
Amount due to an associate		338	514
Amount due to ultimate holding company		15,000	13,500
Tax payable		1,123	883
Borrowings		358,354	493,370
		959,037	1,037,809
Net current assets		258,431	315,562
Total assets less current liabilities		2,677,638	2,601,681

	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Capital and reserves		
Share capital	457,313	457,313
Reserves	1,252,403	1,282,204
Proposed final dividend	-	4,573
Equity attributable to owners of the Company	1,709,716	1,744,090
Non-controlling interests	40,713	39,701
Total equity	1,750,429	1,783,791
Non-current liabilities		
Deferred tax liabilities	5,789	12,331
Loan from ultimate holding company	693,250	496,500
Borrowings	92,377	221,147
Deferred income	135,793	87,912
	927,209	817,890
	2,677,638	2,601,681

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION UNDER HKGAAP

1. Basis of preparation

Shandong Xinhua Pharmaceutical Company Limited (the "Company") is a joint stock limited company established in the People's Republic of China (the "PRC") with limited liability. The H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 1996 and its A shares were listed on Shenzhen Stock Exchange in July 1997.

The directors of the Company regard Hualu Holdings Company Limited, a state-owned limited liability company established in the PRC, as the ultimate holding company and Shandong Xinhua Pharmaceutical Group Company Limited ("SXPGC"), a wholly state-owned limited liability company established in the PRC, as the immediate holding company.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Company Information" section to the interim report.

The unaudited condensed interim financial information are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the development, production and sales of bulk pharmaceuticals, preparations, chemical and other products, and commerce circulations.

The Group's unaudited condensed interim financial information has been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Listing Rules and with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA**"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

2. Principal accounting policies

The condensed consolidated interim financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Except as described below, the accounting policies and methods of calculation used in the condensed consolidated interim financial information for the six months ended 30 June 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRS 1 (Amendments)	Government loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangement
HKFRS 12	Disclosures of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Interpretation ("INT") 20	Stripping Costs in the Production Phase of a Surface Mine

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[2]
HKFRS 9	Financial Instruments[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[2]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[2]
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and

	Continuation of Hedge Accounting[2]
HK(IFRIC) – INT 21	Levies[2]

[1] Effective for annual periods beginning on or after 1 January 2015.
[2] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2011 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards and interpretations will have no material impact on the result and the financial position of the Group.

3. Segment information

(a) Description of segments

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods supplied. The principal types of goods supplied are bulk pharmaceuticals, preparations, chemical and other products and commerce circulations. The Group's reportable segments under HKFRS 8 are as follows:

Bulk pharmaceuticals:	Development, production and sales of bulk pharmaceuticals
Preparations:	Development, production and sales of preparations (e.g. tablets and injections)
Chemical and other products:	Production and sales of chemical and other products
Commerce circulations:	Trading of pharmaceutical products (including retail and wholesale)

Information regarding the above segments is reported below.

(b) Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable segment.

For the six months ended 30 June 2013 (Unaudited)

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
External sales	781,091	303,471	411,502	103,938	-	1,600,002
Inter-segment sales	6,006	151,648	9,642	142,785	(310,081)	-
Total	787,097	455,119	421,144	246,723	(310,081)	1,600,002
Segment profit (loss)	43,510	17,669	3,222	(9,500)		54,901
Unallocated income						19,333
Unallocated expenses						(29,959)
Finance costs						(36,988)
Share of profits of an associate						1,432
Profit before tax						8,719

For the six months ended 30 June 2012 (Unaudited)

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE						
External sales	750,812	291,004	387,861	95,331	-	1,525,008
Inter-segment sales	3,758	182,753	1,301	128,972	(316,784)	-
Total	754,570	473,757	389,162	224,303	(316,784)	1,525,008
Segment profit (loss)	80,779	7,013	(147)	(16,135)		71,510
Unallocated income						28,560
Unallocated expenses						(34,452)
Finance costs						(28,146)
Share of profits of an associate						1,615
Profit before tax						39,087

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of investment and other income (exclude government grants), other expenses, deprecation for investment properties, finance costs and share of profit of an associate. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

(c) Segment assets

The following is an analysis of the Group's assets by reportable segment.

At 30 June 2013 (Unaudited)

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,828,688	374,268	223,535	764,451	3,190,942
Unallocated corporate assets					445,733
Consolidated assets					3,636,675

At 31 December 2012 (Audited)

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,600,335	569,590	135,428	639,378	2,944,731
Unallocated corporate assets					694,759
Consolidated assets					3,639,490

For the purposes of monitoring segment performances and allocating resources among segments: all assets are allocated to reportable segments other than deferred tax assets, interest in an associate, available-for-sale investments, investment properties, tax recoverable, restricted bank balances and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of revenues earned by individual reportable segments.

4. Profits before tax

Profit before tax has been arrived at after charging (crediting):

	Six months ended 30 June 2013	2012
	RMB'000 (unaudited)	RMB'000 (unaudited)
Depreciation for property, plant and equipment	80,870	82,634
Depreciation for investment properties	2,490	1,629
Amortisation of prepaid lease payments on land use rights	3,359	2,645
Amortisation of technical know-how (included in administrative expenses)	1,440	820
Total depreciation and amortisation	88,159	87,728
Cost of inventories recognised as an expense	1,354,431	1,247,825
Dividends and interest income	(2,763)	(4,057)
Loss on disposal of property, plant and equipment	120	6,300

5. Income tax expense

The major components of income tax expense in the condensed consolidated income statement are:

	Six months ended 30 June	
	2013	2012
	RMB'000 (unaudited)	RMB'000 (unaudited)
Current income tax – PRC Enterprise Income Tax ("EIT")	3,628	6,968
Deferred income tax	(542)	(137)
Income tax expense	3,086	6,831

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for both periods.

Pursuant to the relevant laws and regulations in the PRC, the Company was accredited as a high-tech enterprise. The accreditation is valid for three years. The Company is entitled to the preferential tax rate of 15% for a period of three years commencing from 1 January 2011 to 31 December 2013.

Pursuant to the relevant laws and regulations in the PRC, the Group's subsidiary, SINO-USA Zibo Xinhua - Perrigo Pharmaceutical Company Limited, operating in the PRC is entitled to exemption from the PRC income tax for the two years ended 31 December 2009, followed by a 50% reduction of the PRC income tax for the three years ended 31 December 2012. No extension on this tax reduction after 31 December 2012.

6. Earnings per share

The calculation of the basic earnings per share is based on the Group's profit for the period attributable to the owners of the Company of RMB4,510,000 (2012: RMB30,416,000) and based on the weighted average of 457,312,830 shares (2012 : 457,312,830 shares) in issue during the period.

Basic earnings per share and diluted earnings per share for the six months ended 30 June 2013 and 2012 are the same as there were no dilutive events existed during both periods.

7. Dividends

(a) The board of the directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

(b) Dividends attributable to the previous financial year, approved during the interim period.

	Six months ended 30 June 2013	2012
	RMB'000 (unaudited)	RMB'000 (unaudited)
Final dividend in respect of the financial year ended 31 December 2012, approved during the following interim period, of RMB 0.01 per share (year ended 31 December 2011: RMB0.03 per share)	4,573	13,719

8. Trade and other receivables

	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Trade and bills receivables	548,737	403,563
Less : Allowance for doubtful debts of trade receivables	(63,125)	(63,125)
	485,612	340,438
Other receivables, deposits and prepayments	83,903	53,096
VAT recoverable	7,237	14,737
Consideration receivable on disposal of land	-	28,987
Less : Allowance for doubtful debts of other receivables	(8,790)	(8,790)
	82,350	88,030
Total trade and other receivables	567,962	428,468

The Group's revenue from export sales is on letter of credit or documents against payment. The credit period is agreed upon and stipulated in the sales contract. Except for some particular customers where payment in advance is normally required, the Group allows an average credit period of 30 days to its local trade customers and 90 days for local hospital customers.

The following is an aged analysis of the trade and bills receivables net of allowance for doubtful debts presented based on the invoice date, which approximated to the revenue recognition dates, at the end of the reporting period.

	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	479,641	333,317
More than one year but within two years	5,754	6,904
More than two years but within three years	217	217
	485,612	340,438

9. Trade and other payables

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	413,380	382,711
More than one year but less than two years	6,426	6,294
More than two years but less than three years	1,680	1,707
Over three years	3,790	3,719
	425,276	394,431
Other payables and accrued charges	149,590	128,316
	574,866	522,747

X. DOCUMENTS FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS FOR INSPECTION

1. The original copy of the Company's 2013 Interim Report signed by the Chairman of the Board.

2. Financial statements for the six months ended 30 June 2013 signed by the Chairman of the Board, the financial controller and the chief of the accounting department of the Company.

(2) PLACE FOR INSPECTION

Office of the Secretary to the Board of the Company.

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

30 July 2013, Zibo, PRC

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

Executive Directors:
Mr. Zhang Daiming (Chairman)
Mr. Du Deping
Mr. Zhao Songguo

Independent Non-executive Directors:
Mr. Zhu Baoquan
Mr. Bai Huiliang
Mr. Kwong Chi Kit, Victor

Non-executive Directors:
Mr. Ren Fulong
Mr. Xu Lie
Mr. Zhao Bin