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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）

2015 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 2015 (the **"Reporting Period"**). The following financial information has been prepared in accordance with Accounting Standards for Business Enterprises (ASBEs) (the "**PRC Accounting Standards**"). This interim results announcement (the "**Announcement**") is abstracted from the Company's 2015 interim report (the "**Interim Report")** and investors are advised to read the full text of the Interim Report for complete information.

The Announcement is published in Chinese and English. The Chinese version shall prevail if there are any 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

Telephone Number: 86-533-2196024

Facsimile Number: 86-533-2287508

E-mail Address of Company Secretaries: cqcao@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: Hhttp://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**"): Hhttp://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

Unit: RMB Yuan

Item	**Six months ended 30 June 2015 (Unaudited)**	**Six months ended 30 June 2014 (Unaudited)**		**Change as compared to the Same Period Last Year**
		Before adjustment	After adjustment	After adjustment
Operating revenue	1, 948, 408, 051. 58	1, 736, 816, 836. 23	1, 860, 412, 320. 64	4. 73%
Total profits	44, 479, 116. 56	52, 744, 363. 41	61, 847, 039. 97	(28. 08%)
Net profits	31, 096, 064. 50	42, 703, 407. 79	50, 180, 377. 35	(38. 03%)
Income tax expense	13, 383, 052. 06	10, 040, 955. 62	11, 666, 662. 62	14. 71%
Minority interest income	5, 236, 486. 95	2, 716, 937. 73	10, 086, 809. 40	(48. 09%)
Profit attributable to the equity holders of Company	25, 859, 577. 55	39, 986, 470. 06	40, 093, 567. 95	(35. 50%)
Net cash flow from operating activities	73, 271, 923. 37	119, 711, 584. 97	135, 417, 879. 83	(45. 89%)
Basic earnings per share	0. 06	0. 09	0. 09	(33. 33%)
Diluted earnings per share	0. 06	0. 09	0. 09	(33. 33%)
	As at 30 June 2014 (Unaudited)	As at 31 December 2014 (the "**End of Last Year**") (Audited)		**Change as compared to the Same Period Last Year**
Total assets	4, 489, 165, 716. 19	4, 245, 149, 713. 77	4, 245, 149, 713. 77	5. 75%
Total liabilities	2, 548, 535, 162. 10	2, 333, 280, 726. 09	2, 333, 280, 726. 09	9. 23%
Minority shareholders' equities	101, 960, 898. 21	91, 178, 815. 24	91, 178, 815. 24	11. 83%
Total of equity assigned to the shareholders of parent company	1, 838, 669, 655. 88	1, 820, 690, 172. 44	1, 820, 690, 172. 44	0. 99%

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share Capital structure

Count unit: share

Class of shares	**30 Jun 2015**		**1 Jan 2015**	
	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	0	0	0	0
Stated-owned shares	0	0	0	0
Domestic legal person shares	0	0	0	0
Conditional tradable senior management A shares	0	0	0	0
Others	0	0	0	0

2. Total number of unconditional tradable shares	457, 312, 830	100. 00	457, 312, 830	100. 00%
Renminbi ordinary shares (A shares)	307, 312, 830	67. 20	307, 312, 830	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 2015, the Company had on record a total of 36,803 shareholders, including 45 holders of H Shares and 36,758 holders of A Shares.

3. As at 30 June 2015, 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	157, 587, 763	34. 46	0	0
HKSCC (Nominees) Limited	Listed H shares	148, 903, 698	32. 56		
The industrial and commercial bank of China co., LTD. - the south big data 100 index securities investment funds	Fund, A shares	2, 276, 563	0. 50	0	0
Agricultural bank of China co., LTD. - China strategy selected equity securities investment fund	Fund, A shares	1, 699, 950	0. 37	0	0
Yang Lin	Domestic person, A shares	1, 352, 800	0. 30	0	0
Ding Youyang	Domestic person, A shares	1, 329, 700	0. 29	0	0
Xia Yuanxiang	Domestic person, A shares	1, 107, 600	0. 24	0	0
Qian Xuqing	Domestic person, A shares	947, 500	0. 21	0	0
Ping An Bank Ltd - Xinhua Wealth and Flexible Configuration Hybrid Securities Investment Fund	Fund, A shares	900, 600	0. 20	0	0
Tao Rong	Domestic	772, 296	0. 17	0	0

person, A
shares

4. As at 30 June 2015, 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 share
Shandong Xinhua Pharmaceutical Group Company Limited (“**SXPGC**”)	157,587,763	A Shares
HKSCC (Nominees) Limited	148,903,698	H Shares
The Industrial and Commercial Bank of China Co., LTD. - the South Big Data 100 Index Securities Investment Funds	2,276,563	A Shares
Agricultural Bank of China Co., LTD. - China Strategy Selected Equity Securities Investment Fund	1,699,950	A Shares
Yang Lin	1,352,800	A Shares
Ding Youyang	1,329,700	A Shares
Xia Yuanxiang	1,107,600	A Shares
Qian Xuqing	947,500	A Shares
Ping An Bank Ltd - Xinhua Wealth and Flexible Configuration Hybrid Securities Investment Fund	900,600	A Shares
Tao Rong	772,296	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 2015 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 2014	Change in number of Shares	Number of Shares (share) as at 30 June 2014
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. Xu Lie	Non-executive Director	Nil	Nil	Nil
Mr. Zhao Bin	Non-executive Director	Nil	Nil	Nil
Mr. Li Wenming	Independent non-executive Director(has been appointed with effect from 20 March 2015)	Nil	Nil	Nil
Mr. Du Guanhua	Independent non-executive Director (has been appointed with effect from 20 March 2015)	Nil	Nil	Nil
Mr. Chan Chung Kik, Lewis	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. Wang Xiaolong	Deputy General Manager	Nil	Nil	Nil
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. Hou Ning	Financial Controller	Nil	Nil	Nil
Mr. Cao Changqiu	Company Secretary	Nil	Nil	Nil
Ms. Guo Lei	Company Secretary(resigned with effect from 26 May 2015)	Nil	Nil	Nil
Total		Nil	Nil	Nil

No Directors, Supervisors or Senior Officers holds any A Shares or H Shares in the Company.

So far as the Directors, Senior Officers and Supervisors are aware, as at 30 June 2015, 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, details in relation to the changes of Directors, Supervisors and Senior Officers can be referred to the table above.

V. CHAIRMAN'S STATEMENT

I hereby report to the shareholders of Shandong Xinhua Pharmaceutical Company Limited ("the Company") the operating results of the Company for the six months ended 30 June 2015.

The operating income of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2015 calculated pursuant to the PRC Accounting Standards was RMB1,948,408,000, representing a 4.73% increase as compared to that of the same period last year, and the net profit attributable to the shareholders of the Company was RMB25,860,000, accounting for a 35.50% decrease as compared to that of the same period last year.

The board of directors does not recommend the distribution of interim dividends for the six months ended 30 June 2015.

Business Review

In the first half of 2015, the Group actively participated in the competition in the pharmaceutical market and overcame various adverse factors including the increase in depreciation expenses, finance costs and labor costs as a result of relocation. The Group also took the initiative to seize market opportunities, took priority to maintain the manufacturing of cost-efficient products, set out to tap the preparation market and strengthened the foundational management, thus the enterprise's capability of the operational profitability was enhanced.

<u>1. Improving profitability by capturing market opportunities and adjusting the organizational structure</u>

In the first half of the year, the Group captured opportunities in the aspirin and caffeine markets and spared no efforts in meeting the market demand in a bid to ensure the stability of the market of mainstream pharmaceutical raw materials. A gross profit of 19.95% was recorded in the pharmaceutical raw material segment, up by 2.74 percentage points as compared to the same period last year.

The strategy for exploring the preparation market proved effective. In the first half of the year, the growth in the preparation business segment sped up and the sales volumes of rabeprazole and nitrendipine soft capsules, the key areas of strategic focus, increased by 38.6% and 33% respectively as compared to the same period last year. A gross profit of 43.42% was recorded in the industrial preparation segment, up by 4.39 percentage points as compared to the same period last year.

The gross profit of the Group in the first half of the year was 21.48%, up by 1.63 percentage points as compared to the same period last year.

<u>2. Stepping up technological advancements by allocating more resources to research and development</u>

The Group allocated more resources to research and development and inspired the motivation of R&D staff. In the first half of the year, the Group had approximately 60 applications for new products pending approval from the Center for Drug Evaluation of the PRC (CDE) and 10 applications for new products which had passed on-site inspection will soon be placed in the queue pending approval from CDE.

The Group commenced plans for the Abbreviated New Drug Application (ANDA) to register ibuprofen tablets. The Group had intensified its efforts in projects on technological breakthroughs. There was a significant increase in the techno-economic indicator of certain products and the Group had saved RMB8.04 million yuan in terms of raw material consumption for the first half of the year.

3. Reinforcing the foundation for development by seizing opportunities for construction of the special projects

The construction of the international cooperation center for modern pharmacy and the second multi-purpose industrial center was underway as planned. The project of the international cooperation center for modern pharmacy had been particularly and closely monitored and endorsed by the heads of the municipal and provincial governments. The production expansion project for the injection business is now underway.

4. Sharpening the competitive edge by stepping up internal management

The Group continued to intensify its efforts to implement the 5S management method, which further improved on-site management. Works related to the management on areas such as quality, safety and environmental protection commenced smoothly. The Group had passed the test on its aspirin conducted by the Therapeutic Goods Administration (TGA) of Australia, the on-site audit for its Hydrocortisone performed by Ministry of Food and Drug Safety of Korea and the audit on other 77 items by international clients and had obtained GMP certificates for its 5 products. Various foundational management works such as the risk management and control had been gradually carried out.

Plan for the second half of the year

With the launch of a set of policies including the reform on national pharmaceutical prices, the increased efforts of the PRC government in industrial regulation have, from an objective perspective, established an improved environment for the development of the Company. The fact that the chemical raw material market is running low has brought about favorable conditions for the Company to lower the costs of its products. Now that the relocation plan is basically completed, it is beneficial for the Company to shift its focus to enhancing management, minimizing costs and stepping up efficiency.

Due to the weakened demand in the international market, the competition will become more intensified. With the implementation of the new environmental protection law, the investment in environmental protection will increase and the manufacturing units will face even more constraints. The surge in depreciation expenses, labor costs and R&D costs as a result of relocation will present enormous challenges to the profit margin for the period.

1. Achieving breakthroughs in marketing by driving the market

The Group will seize market opportunities, strive to maximize sales, focus on the development of key products and markets, endeavor to explore emerging markets and intensify efforts to explore the market for new products.

The Group will capture opportunities for pharmaceutical tenders and those presented by national policies in favor of low-price drugs, utilize the overall strengths of the Company, focus on the operations of key preparations and strive to over-achieve the annual targets of its preparation business segment.

The Group will also expedite the development of online pharmacies, drive the development of e-commerce in the pharmaceutical industry and actively develop “Internet+” e-commerce business model.

2. Achieving technological breakthroughs by enhancing product R&D processes and enabling technical improvements

The Group will promote the R&D of key new pharmaceuticals, speed up the industrialization of new products and ensure that targets for the industrialization of brand new products will be achieved.

The Group will promote and implement the amended *Administrative Measures on Awards for Technological Improvements*, *Administrative Measures on Awards for Production of New Products* and *Administrative Measures on Awards for Costs in the Research and Development Stage* and inspire the motivation of R&D personnel in order to achieve the annual goal of tendering a total of 70 applications for new products pending approval from the CDE.

3. Making breakthroughs in lowering costs by endeavoring to implement plans for minimizing costs and maximizing efficiency

Based on the various key projects for technological breakthroughs set at the beginning of the year, the Group will actively implement different measures for minimizing costs and maximizing efficiency, and through such breakthroughs, further lower the costs to a considerable extent, in turn sharpening its competitive edge.

The Group will take advantage of its strengths enabled by the currently low prices of chemical products in order to gain an upper hand in tenders. The Group will also enhance the strategic cooperation with key suppliers in order to minimize the procurement costs.

4. Ensuring smooth implementation of projects through delicate design and preparation

The Group will ensure that the civil engineering construction project of the international cooperation center for preparations will be completed and certain equipment for the center will be installed during the year, in turn creating favorable conditions for the Group to accelerate the internationalization of its preparations.

Further, the Group will ensure that the civil engineering construction project of the second multi-purpose industrial center will be completed during the year, establishing a solid foundation for the industrialization, R&D and registration of new products of pharmaceutical raw materials.

The Group will also expedite the technological breakthroughs in hormone products and make thorough preliminary preparations for the relocation of the hormone business in order to establish conditions facilitating the relocation in due course.

5. Achieving breakthroughs in management through enhancing foundational management

The Group will continue to implement the 5S management method in an attempt to improve on-site management in all aspects.

Also, the Group will intensify its efforts in risk management and strictly control the expenditure in order to ensure that the three items of expenditure (namely operating, management and finance expenditure) will not exceed the yearly budget and that two types of funds employed (namely funds employed for finished goods and account receivables) will be maintained at a reasonable level.

The Group will be dedicated to work in aspects including safety, environmental protection, quality and energy saving and ensure that nothing will go wrong in a business that human lives and welfare are at stake, in turn establishing a solid and sound foundation for the development of the Company.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the development, manufacturing and sale of bulk pharmaceuticals, pharmaceutical preparations, chemicals and pharmaceutical commerce. 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 2015, the liquidity ratio of the Group was 102.2% (liquidity ratio=current assets/current libilities x 100%), the quick ratio was 72.72% (quick ratio=quick assets/current libilities x 100%), the turnover ratio of account receivables was 1,013.69% (turnover ratio of account receivables = annualized turnover / average account receivables x 100%) and the turnover ratio of inventory was 560.27% (inventory turnover ratio = annualized 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 2015, the total amount of bank loans was RMB870,238,000, 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 RMB697,450,000. As at 30 June 2015, The Group borrowed RMB100,000,000 through finance lease arrangements. The amount of cash the Group has on hand and in bank amounted to RMB506,048,000 (including bank acceptance drafts deposits of RMB25,206,000 and domestic guarantee deposits of RMB3,350,000 in respect of overseas loans).

As of 30 June 2015, 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 64,458,000. Apart from this, there exist no other charges on the Group’s assets.

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

The classification of the performance results of the Group is referred to in the section headed “Analysis of business conditions and financial position under the relevant disclosure requriment and provisions of PRC. ”.

As at 30 June 2015, the number of employees of the Group was 6,520, The total salaries for all employees in the first half of 2015 amounted to RMB181,670,000.

The main investment projects in the second half of 2015 will be Hutian Park project and Headquarters Park project.

As at 30 June 2015, the asset-liability ratio of the Group was 56.77% (asset-liability ratio = total borrowings / total assets x 100%).
The cash and bank balances of the Company will mainly be used as working capital for production, operation, projects and research and development.

The assets and debts of the Group were denominated in RMB. However, the Group achieved USD93,396,000 in its export for the first half of 2015. Therefore, the Group would be subject to heavier impact from foreign exchange in this regard. 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 prior agreements of the purchasers 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. ANALYSIS OF BUSINESS CONDITIONS AND FINANCIAL POSITION UNDER THE RELEVANT DISCLOSURE REQURIMENT AND PROVISIONS OF PRC

An analysis of financial results as compared to 2014 is as follows （RMB’000）

Item	**As at 30 June 2015**	**As at 30 June 2014**	**Change as compared to the Same Period Last Year(%)**
Operating revenue	1,948,408	1,860,412	4.73
Operating cost	1,529,865	1,491,087	2.60
Period charge	368,088	326,868	12.61
Research and development expenditure	62,258	46,274	34.54
Net cash flow from operating activities	73,272	135,418	(45.89)

Net cash flow from operating activities was decreasing. The main reasons for the change include that the Group had to make payments for bank acceptance deposits during the first half of 2015, whereas in the same period last year there had been recovery of bank acceptance deposits.

In the first half of 2015, the Group’s operating income was RMB1,948,408,000, representing an increase of 4.73% 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 and a rise in the sales of commercial circulations. Operating profit amounted to RMB40,256,000, compared to RMB32,511,000 in the same period last year. The main reasons for the increase include the Company diligently carried out energy-saving and technological research work, the consumption of raw material and power fell significantly compared to the same period in the previous year.

The net increase in cash and cash equivalents was RMB196,057,000, while there was a net decrease of RMB27,595,000 in the Same Period Last Year. The main reason is that the first half of this year the Group's investment spending and repayment of debt reduction.

The total assets of the Group as at 30 June 2015 amounted to RMB4,489, 166,000, representing an increase of RMB244,016,000 or 5.75% as compared to that of RMB4,245,150,000 as at the beginning of this year. The increase was mainly due to the operating profit during the Reporting Period. The Group’s loan amount as at 30 June 2015 was RMB1,667,688,000, representing a increase of RMB192,853,000 from RMB1,474,835,000 at the beginning of this year, the cash and bank balances of the Company will mainly be used as working capital for production, operation and projects. The total equity attributable to equity holders of the Company as at 30 June 2015 was RMB1,838,670,000, representing an increase of RMB17,980,000 or 0.99% from RMB1,820,690,000 at the beginning of this year. The increase was mainly attributable to the operating profit during the Reporting Period.

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

By geographical location of customers	First half of 2015		First half of 2014	
	Total turnover	**Costs**	Total turnover	Costs
PRC (incl. Hong Kong)	1, 212, 920	907, 706	1, 166, 914	891, 102
Americas	329, 511	280, 923	314, 946	273, 717
Europe	232, 634	186, 931	222, 350	182, 136
Others	147, 025	126, 077	140, 526	122, 843
Total	1, 922, 090	1, 501, 638	1, 844, 736	1, 469, 797

By industry and By product	Income from principal operations	Costs of sales of principal operations	Gross profit margin(%)
Bulk pharmaceutical	802, 117	642, 112	19. 95
Preparations	488, 868	276, 624	43. 42
Commercial circulations	481, 944	459, 835	4. 59
Chemical products and other products	149, 161	123, 067	17. 49
Total	1, 922, 090	1, 501, 638	21. 87

An analysis of profit as compared to 2014 is as follows:

Items	Amount (RMB'000)		% of total profit	
	Jan.-Jun. 2015	2014	**Jan.-Jun. 2015**	2014
Operating profit	40, 256	54, 559	90. 51	59. 64
Net profit/loss from non-operation activities	4, 223	36, 926	9. 49	40. 36
Profit before taxation	44, 479	91, 485	100. 00	100. 00

The composition of profits in the Reporting Period was rather different from that of last year. This was mainly due to the reason that the Group realized operating profits during the Reporting Period whereas in last year, government subsidies were received.

VII. REVIEW OF MAJOR EVENTS

Save as disclosed herein:

1. There has been 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 of capital from reserves to share capital, for the half year ended 30 June 2015.

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 occurred 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 special explanation and independent opinions of the independent non-executive directors 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.

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 2015, 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 the 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%	150,900,000.00	2,219,184.00	(10,600,000.00)	Available-for-sale financial assets	Purchase
601328	BANKCOMM	14,225,318.00	0.01%	67,726,208.00	-	11,835,648.00	Available-for-sale financial assets	Purchase
Total		21,225,318.00	-	218,626,208.00	2,219,184.00	1,235,648.00	-	-

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 2015. 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 2015.

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 2015, 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 two with financial management expertise; details of their biographies were set out in the 2014 Annual Report of the Company and the announcements of the first extraordinary general meeting resolutions for 2015.

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)

Consolidated Balance Sheet

Unit: RMB Yuan

Assets	Notes	30 June 2015(unaudited)	31 December 2014(audited)
Current asset:			
Current funds		506, 048, 133. 46	328, 769, 345. 83
Notes receivable		160, 792, 158. 50	128, 882, 485. 92
Accounts receivable	4	456, 889, 715. 07	311, 949, 545. 31
prepayments		43, 202, 743. 30	42, 455, 262. 02
Other accounts receivable	5	59, 359, 248. 19	40, 653, 822. 52

Inventories	503,338,331.83	588,887,791.35
Other current assets	14,938,552.52	20,816,342.65
Total current assets	**1,744,568,882.87**	**1,462,414,595.60**
Non-current assets：		
Financial assets available for sale	221,826,208.00	220,590,560.00
Investment real estate	87,777,445.16	69,585,332.70
Fixed assets	1,886,987,898.40	1,975,943,708.53
Projects under construction	218,439,337.78	177,782,207.67
Intangible assets	302,104,882.70	312,962,415.75
Deferred income tax assets	27,461,061.28	25,870,893.52
Total non-current assets	**2,744,596,833.32**	**2,782,735,118.17**
Total assets	**4,489,165,716.19**	**4,245,149,713.77**

Unit: RMB Yuan

Liabilities and Shareholders' Equity	**Notes**	30 June 2015(unaudited)	31 December 2014(audited)
Current liabilities:			
Short-term borrowing		470,927,586.43	429,978,928.59
Notes payable		86,802,291.67	122,175,386.81
Accounts payable	6	444,513,377.51	361,102,897.10
Accounts received in advance		38,695,132.41	34,416,698.06
Payroll payable		20,866,426.55	36,287,700.18
Taxes and dues payable		22,118,032.29	13,230,211.46
Interest payable		22,783,437.00	587,252.16
Dividends payable		14,456,856.13	5,310,599.53
Other payables		145,503,804.34	184,050,581.16
Non-current liabilities due within one year		435,835,729.33	408,907,645.38
Other current liabilities		4,452,000.00	5,042,000.00
Total current liabilities		**1,706,954,673.66**	**1,601,089,900.43**
Non-current liabilities:			
Long-term loans		694,257,844.00	635,948,545.00
Long-term payables		66,666,666.67	0.00
Special payables		13,000,000.00	13,000,000.00
Estimated liabilities		0.00	9,440,000.00
Deferred income		48,521,952.70	55,243,824.43
Deferred income tax liabilities		15,572,525.07	14,996,956.23
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		841,580,488.44	732,190,825.66
Total liabilities		**2,548,535,162.10**	**2,333,280,726.09**
Shareholders' equity:			
Capital Stock		457,312,830.00	457,312,830.00
Capital surplus		513,092,452.66	507,192,452.66
Other comprehensive income		165,591,025.94	164,632,863.45
Surplus reserve		209,313,480.05	209,313,480.05
Undistributed profits		493,359,867.23	482,238,546.28

Total of equity assigned to the shareholders of parent company	1, 838, 669, 655. 88	1, 820, 690, 172. 44
Minority shareholders' equities	101, 960, 898. 21	91, 178, 815. 24
Total of shareholders' equity	1, 940, 630, 554. 09	1, 911, 868, 987. 68
Total of liabilities and shareholder's equity	4, 489, 165, 716. 19	4, 245, 149, 713. 77

Consolidated Income Statement Unit: RMB Yuan

Item	**Notes**	**Six months ended 30 June 2015 (Unaudited)**	**Six months ended 30 June 2014 (Unaudited)）**
1.Total operating income		1, 948, 408, 051. 58	1, 860, 412, 320. 64
includes: Operating income	7	1, 948, 408, 051. 58	1, 860, 412, 320. 64
2.Total operating costs	7	1, 910, 857, 985. 72	1, 830, 954, 281. 11
Includes: Operating cost	7	1, 529, 865, 315. 16	1, 491, 087, 121. 24
Taxes and surcharges	8	16, 848, 872. 41	10, 283, 758. 48
Selling expenses		184, 613, 300. 35	171, 375, 102. 32
Administrative expenses		146, 438, 132. 33	125, 392, 816. 13
Financial expenses		37, 036, 592. 74	30, 099, 897. 72
Assets Impairment loss		(3, 944, 227. 27)	2, 715, 585. 22
Add: Gain or loss from changes in fair value		–	–
Investment gain or loss		2, 706, 323. 45	3, 052, 466. 18
Includes: Investment gain or loss from related ventures and joint ventures		–	–
Exchange gain or loss		–	–
3. Operating profit		40, 256, 389. 31	32, 510, 505. 71
Add: Non-operating income		16, 357, 590. 90	34, 078, 546. 72
Includes: Gains from the disposal of non-current assets		6, 298, 902. 03	252, 442. 03
Less: Non-operating cost		12, 134, 863. 65	4, 742, 012. 46
Includes: Losses from the disposal of non-current assets		7, 650, 620. 06	1, 155, 020. 92
4.Total profits		44, 479, 116. 56	61, 847, 039. 97
Less: Income tax expense	9	13, 383, 052. 06	11, 666, 662. 62
5.Net profits		31, 096, 064. 50	50, 180, 377. 35
Net profit which belongs to shareholders of parent company		25, 859, 577. 55	40, 093, 567. 95
Minority interest income		5, 236, 486. 95	10, 086, 809. 40
6.Net of tax of other comprehensive income		911, 758. 51	(2, 964, 070. 97)
Net of tax of other comprehensive income that belongs to the owners of parent company		958, 162. 49	(2, 908, 454. 43)
Other comprehensive income to be reclassified to profit or loss in future		958, 162. 49	(2, 908, 454. 43)
(I) Profit and loss of change in fair value of financial assets available for sale		1, 050, 300. 80	(2, 865, 547. 20)
(II) Conversion difference of foreign currency statement		(92, 138. 31)	(42, 907. 23)
Net of tax of other consolidated income that belongs to the minority shareholders		(46, 403. 98)	(55, 616. 54)
7.Total comprehensive income		32, 007, 823. 01	47, 216, 306. 38
Total comprehensive income attributable to		26, 817, 740. 04	37, 185, 113. 52

the shareholders of parent company			
Total comprehensive income attributable to the minority shareholders		5, 190, 082. 97	10, 031, 192. 86
8.Earnings per share			
（I）Basic earnings per share	10	0. 06	0. 09
（II）Diluted earnings per share		0. 06	0. 09

NOTES TO THE FINANCIAL INFORMATION UNDER PRC ACCOUNTING STANDARDS

NOTES:

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard of the Accounting Standards for Business Enterprises, Specific Standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 — General Rules on Financial Reporting (2014 revised) issued by the China Securities Regulatory Commission.

2. Principal accounting policies

1) The accounting policies adopted in the Reporting Period are the same as that of the 2014 Annual Report.

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

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 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 information as at and for six months ended 30 June 2015 is as follow (unaudited):

The following is an analysis of the Group's turnover and results by reportable segment. The accounting policies of the reportable segments are the same as the Group's accounting policies. Inter-segment sales are charged at prevailing market rates. Assets are allocated based on the operation of the segments and the physical location of the assets. Liabilities are allocated based on the operation of the segment. Expenses indirectly attributable to each segment are allocated among segments based on the proportion of each segment's revenue.

Unit: RMB'000

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Unallocated	Elimination	Total
Operating revenue	804, 772	710, 415	504, 302	314, 582		(411, 981)	1, 922, 090
Include: Revenue from external customers	802, 117	488, 868	481, 944	149, 161			1, 922, 090
Inter-segment sales	2, 655	221, 546	22, 358	165, 422		(411, 981)	–
Operating cost	668, 015	468, 369	482, 433	294, 802		(411, 981)	1, 501, 638
Include: Cost of external customers	642, 112	276, 624	459, 835	123, 067			1, 501, 638
Cost of inter-segment	25, 903	191, 745	22, 598	171, 735		(411, 981)	–
Selling and distribution expenses	23, 114	141, 872	14, 914	4, 713			184, 613
Interest income	266	459	22	144			891
Interest costs	29, 389	10, 341		1, 087			40, 817
Share of profit of associates and joint ventures							–
Asset impairment losses		(3, 944)					(3, 944)
Depreciation and amortisation	73, 210	14, 826	1, 031	27, 948			117, 015
Total profit	21, 738	13, 326	5, 328	4, 086			44, 478
Income tax expense	2, 060	10, 141	851	331			13, 383
Net profit	19, 678	3, 185	4, 478	3, 755			31, 096
Segment asset	2, 107, 016	568, 702	230, 028	725, 368			3, 631, 114
Unallocated corporate assets					858, 051		858, 051
Consolidated assets							4, 489, 165
Segment liabilities	461, 460	125, 392	221, 751	111, 473			920, 076
Unallocated corporate liabilities					1, 628, 460		1, 628, 460
Consolidated liabilities							2, 548, 536

Segment information for six months ended 30 June 2014 and as at 31 December 2014 is as follow (unaudited):

Unit: RMB'000

	Bulk pharmaceuticals	Preparations	Commerce circulations	Chemical and other products	Unallocated	Elimination	Total
Operating revenue	821, 509	627, 451	448, 339	331, 681		(384, 244)	1, 844, 736
Include: Revenue from external customers	821, 203	477, 380	386, 011	160, 142			1, 844, 736
Inter-segment sales	306	150, 071	62, 328	171, 539		(384, 244)	–
Operating cost	693, 215	441, 201	427, 808	291, 817		(384, 244)	1, 469, 797
Include: Cost of external customers	679, 855	291, 086	365, 480	133, 376			1, 469, 797
Cost of inter-segment	13, 360	150, 114	62, 328	158, 442		(384, 244)	–
Selling and distribution expenses	18, 707	132, 398	14, 659	5, 612			171, 376
Interest income	295	20	3	100			418
Interest cost	5, 727						5, 727
Share of profit of associates and joint ventures							–
Asset impairment losses		2, 716					2, 716
Depreciation and amortisation	60, 210	5, 566	931	23, 503			90, 210
Total profit	38, 330	9, 052	3, 668	10, 797			61, 847
Income tax expense	6, 421	767	733	3, 746			11, 667
Net profit	31, 909	8, 285	2, 935	7, 051			50, 180
Segment asset	1, 905, 386	718, 567	208, 437	747, 127			3, 579, 517
Unallocated corporate assets					665, 633		665, 633
Consolidated assets							4, 245, 150
Segment liabilities	406, 893	128, 753	143, 187	151, 900			830, 733
Unallocated corporate liabilities					1, 502, 548		1, 502, 548
Consolidated liabilities							2, 333, 281

4. Accounts receivable

	30 June2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Accounts receivable	515, 864	375, 027
Less: provision for bad debts	(58, 974)	(63, 077)
	456, 890	311, 950

The aging of accounts receivable based on their recording dates is analysed below:

	30 June2015	31 December 2014
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	458, 054	312, 739
More than one year but less than two years	385	524
More than two years but less than three years	773	835
Over three years	56, 652	60, 929
Total	515, 864	375, 027

The Group's revenue from export sales is on letter of credit. 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

5. Other accounts receivable

	30 June2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Other accounts receivable	94, 186	75, 480
Less: provision for bad debts of other accounts receivable	(34, 827)	(34, 826)
	59, 359	40, 654

The aging of other accounts receivable based on their recording dates is analysed below:

	30 June2015	31 December 2014
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	51, 287	35, 532
More than one year but less than two years	8, 404	9, 198
More than two years but less than three years	54	1, 374
Over three years	34, 441	29, 376
Total	94, 186	75, 480

6. Accounts payable

The aging of accounts payable based on their recording dates is analysed below:

	30 June2015	31 December 2014
	RMB'000	RMB'000

	(unaudited)	(audited)
Within one year	435, 747	352, 986
More than one year but less than two years	3, 464	2, 744
More than two years but less than three years	1, 184	1, 574
Over three years	4, 118	3, 799
Total	444, 513	361, 103

7. Operating revenue and cost

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)）
Main business income	1, 922, 090	1, 844, 736
Other operating revenue	26, 318	15, 676
	1, 948, 408	1, 860, 412

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)）
Cost of main operations	1, 501, 638	1, 469, 797
Other operating costs	28, 227	21, 290
	1, 529, 865	1, 491, 087

8. Business taxes and surcharges

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000 (Unaudited)	RMB'000 (Unaudited)）
Business tax	194	198
City maintenance and construction tax	8, 968	5, 434
Educational surcharge	6, 406	3, 875
Local Water Conservancy Construction Fund	1, 281	776
	16, 849	10, 284

9. Income tax expense

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	Six months ended 30 June 2015	Six months ended 30 June 2014

	RMB’000 (Unaudited)	RMB’000 (Unaudited)）
Total combined profits this year	44, 479	61, 847
Income tax calculated as per statutory/applicable tax rate	6, 672	9, 277
Effect from subsidiaries applicable to various tax rate	3, 593	2, 803
Effect from adjusting income tax in previous periods	3, 452	（31）
Effect from non-taxable income	（1, 542）	(394)
Effect from non-deductible costs, expense and losses	767	500
Effect from deductible temporary difference or deductible losses of unconfirmed	（98）	（1, 629）
Effect from deductible temporary difference or deductible losses of unconfirmed	49	1, 140
Income tax expense	13, 383	11, 666

10. 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 RMB25,860,000 (2014: RMB40,094,000) and based on the weighted average of 457,313,000 shares (2014: 457,313,000 shares) in issue during the period.

	30 June2015 RMB’000 (unaudited)	31 December 2014 RMB’000 (audited)
Net profit belonging to shareholders of the listed company	25, 860	40, 094
Weighted average of outstanding shares issued by the Company	457, 313	457, 313
Basic earnings per share	0. 06	0. 09

Basic earnings per share and diluted earnings per share for the six months ended 30 June 2015 and that for the six months ended 2014 are the same as there were no dilutive events existed during both periods.

11. 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 2015 (2014: nil).

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

	Six months ended 30 June	
	2015	2014
	RMB’000 (unaudited)	RMB’000 (unaudited)

Final dividend in respect of the financial year ended 31 December 2014, approved during the interim period, of RMB 0.02 per share (year ended 31 December 2013: RMB0.02 per share)	9, 146	9, 146

X. DOCUMENTS FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS FOR INSPECTION

1. The original copy of the Company's 2015 Interim Report signed by the Chairman of the Board.

2. Financial statements for the six months ended 30 June 2015 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 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. Li Wenming
Mr. Du Guanhua
Mr. Chan Chung Kik, Lewis

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