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 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") and directors ("**Directors**") of Shandong Xinhua Pharmaceutical Company Limited (the "**Company**") hereby announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015. The following financial information has been prepared in accordance with China Accounting Standards for Business Enterprises. This results announcement (the "**Announcement**") is summarised from the annual report (the "**Annual Report**") and investors are advised to read the full text of the Annual Report to understand the full details.

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

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 Secretary: Mr. Cao Changqiu

Telephone Number: 86-533-2196024

Facsimile Number: 86-533-2287508

E-mail Address of Company Secretary: 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: 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**") for publication of the annual report :

Hhttp://www.cninfo.com.cn

Listing Information:

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

Stock Short Name: Shandong Xinhua

Stock Code: 0719

A Shares: Shenzhen Stock Exchange

Stock Short Name: Xinhua Pharm

Stock Code: 000756

II. FINANCIAL SUMMARY

Principal Financial Data (prepared in accordance with China Accounting Standards for Business Enterprises)

Item	2015 *RMB*	2014 *RMB*	Change as compared to that of last year (%)	2013 *RMB*
Total operating income	3,597,033,209.79	3,589,749,770.93	0.20	3,391,228,655.29
Total profits	117,729,615.03	91,485,154.18	28.69	64,439,131.70
Income tax expense	23,720,864.46	23,150,467.44	2.46	14,448,293.02
Net profits	94,008,750.57	68,334,686.74	37.57	49,990,838.68
Minority interest income	10,946,493.40	17,609,375.69	(37.84)	10,837,716.63
Net profit attributable to shareholders of parent company	83,062,257.17	50,725,311.05	63.75	39,153,122.05
Net profit attributable to shareholders of parent company after deduction of non-recurring profit and loss	40,944,834.40	8,778,507.42	366.42	(46,009,462.38)
Net cash flow from operating activities	348,636,176.12	346,342,064.00	0.66	104,990,785.05
Basic earnings per share	0.18	0.11	63.64	0.09
Diluted earnings per share	0.18	0.11	63.64	0.09
Return on equity %	4.44	2.81	Increase 1.63 points	2.18

Item	As at 31 December 2015	As at 31 December 2014	Change as compared to that of last year (%)	As at 31 December 2013
Total assets	4,492,122,436.63	4,245,149,713.77	5.82	4,009,560,374.10
Total liabilities	2,508,040,118.23	2,333,280,726.09	7.49	2,126,210,077.23
Minority shareholder’s equity	99,825,757.46	91,178,815.24	9.48	80,314,118.00
Total of equity assigned to the shareholders of parent company	1,884,256,560.94	1,820,690,172.44	3.49	1,803,036,178.87

Note: Reconciliation of accounts prepared in accordance with China Accounting Standards for Business Enterprises (“**CASBE**”) and Hong Kong General Accepted Accounting Principle (“**HKGAAP**”)

Item	**Net profit**		**Net assets**	
	2015 *RMB*	**2014** *RMB*	**2015** *RMB*	**2014** *RMB*
Belong to the Company prepared under **HKGAAP**	81,967,517.24	49,963,779.11	1,888,188,776.15	1,825,717,127.58
Adjustment：				
1. Reserve Fund for Education	1,287,929.33	895,919.93	(4,626,135.54)	(5,914,064.87)
2. Influence of Deferred Income Tax	(193,189.40)	(134,387.99)	693,920.33	887,109.73
Subtotal of Adjustment	1,094,739.93	761,531.94	(3,932,215.21)	(5,026,955.14)
Belong to the Company prepared under **CASBE**	83,062,257.17	50,725,311.05	1,884,256,560.94	1,820,690,172.44

III. CHANGES IN SHARE CAPITAL STRUCTURE AND INFORMATION ON SHAREHOLDERS

1. Share Capital structure

Count unit: share

Class of shares	31 Dec 2015 Number of shares (share)	31 Dec 2015 % of the total share capital	31 Dec 2014 Number of shares (share)	31 Dec 2014 % of the total share capital
1. Total number of conditional tradable shares	8,925	0.002	0	0
State-owned shares	0	0	0	0
Domestic legal person shares	0	0	0	0
Conditional tradable senior management A shares	8,925	0.002	0	0
Others	0	0	0	0
2. Total number of unconditional tradable shares	457,303,905	99.998	457,312,830	100.00%
Renminbi ordinary shares (A shares)	307,303,905	67.198	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	99.998	457,312,830	100.00%

2. Shareholders information

(1) As at 31 December 2015, the Company had on record a total of 32,257 shareholders, including 45 holders of H Shares and 32,212 holders of A Shares. As at 29 February 2016, the Company had a record a total of 34,123 shareholders, including 45 holders of H Shares and 34,078 holders of A Shares.

(2) As at 31 December 2015, the top ten shareholders of the Company were as follows:

Count unit: share

Name of shareholders	Nature of shareholders	% of the total share capital	Number of shares held	Change	Number of conditional tradable shares held	Number of unconditional tradable shares	Pledged or frozen Status	Pledged or frozen Number
Shandong Xinhua Pharmaceutical Group Company Limited ("**SXPGC**")	State-owned shares	34.46%	157,587,763	(2,856,932)		157,587,763		
HKSCC (Nominees) Limited	Listed H shares	32.56%	148,887,698			148,887,698		

New China Life Insurance Co., Ltd.- Traditional - General Insurance Products - 018 l - CT001 Shen	Fund	0.70%	3,194,559		3,194,559
Tu Dequan	Domestic individual	0.51%	2,348,155		2,348,155
China Construction Bank Co., LTD.－Peng Hua Healthcare Equity Securities Investment Fund	Fund	0.44%	2,000,000		2,000,000
New Times Securities - GuangFa Bank – Collective Asset Management Plan, No. 22 of New Times & New Wealth	Fund	0.40%	1,821,977		1,821,977
Huaxia Life Insurance Company Limited －Own funds	Fund	0.37%	1,685,601		1,685,601
Hui Tou Holding Group Co., Ltd.	Domestic general legal person	0.32%	1,463,707		1,463,707
Bank Of Communications Co., Ltd. － Chang Xin Quantify the Mixed Type Securities Investment Fund	Fund	0.30%	1,365,069		1,365,069
Yang Lin	Domestic individual	0.30%	1,352,800		1,352,800

The top ten shareholders holding unconditional tradable shares of the Company were as follows:

Count unit: share

Name of shareholders	Number of unconditional listed shares	Class of shares
SXPGC	157,587,763	RMB ordinary shares
HKSCC (Nominees) Limited	148,887,698	Overseas listed foreign shares
New China Life Insurance Co., Ltd.- Traditional - General Insurance Products - 018 l - CT001 Shen	3,194,559	RMB ordinary shares

Tu Dequan	2,348,155	RMB ordinary shares
China Construction Bank Co., LTD.－Peng Hua Healthcare Equity Securities Investment Fund	2,000,000	RMB ordinary shares
New Times Securities - GuangFa Bank - Collective Asset Management Plan, No. 22 of New Times & New Wealth	1,821,977	RMB ordinary shares
Huaxia Life Insurance Company Limited－Own funds	1,685,601	RMB ordinary shares
Hui Tou Holding Group Co., Ltd.	1,463,707	RMB ordinary shares
Bank Of Communications Co., Ltd. －Chang Xin Quantify the Mixed Type Securities Investment Fund	1,365,069	RMB ordinary shares
Yang Lin	1,352,800	RMB ordinary shares

Note:

i. The Directors are not aware as to whether there is any association amongst the ten largest shareholders of the Company, nor if any of them are 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 if any of them are 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 any of them are persons acting in concert as defined in the CSRC Rules.

ii. The only domestic shareholder holding more than 5% of the total issued shares of the Company is SXPGC. during the reporting period, SXPGC reduced its holding of 1,888,932 shares by secondary market auction and 968,000 shares by judicial auction.

3. There was no change of controlling shareholder of the Company during the reporting period.

IV.DIVIDENDS

The Board has announced and proposed a final dividend for the year ended 31 December 2015 of RMB0.02 per share in the Company (the "**Share**") (approximately HK$0.025 per Share, including income tax) on 307,312,830 A Shares and 150,000,000 H Shares in issue. The proposed dividend is subject to approval by the shareholders of the Company at the Company's annual general meeting for the year 2015. In respect of the book closure period of the proposed dividend, please see the announcement dated 30 March 2016 headed 2015 Final Dividend Distribution and Enterprise Income Tax Withholding of Overseas Non-resident Enterprises for details.

V. DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

Changes of directors, supervisors and senior officers of the Company and the number of shares held by them were as follows:

Name	Position	Number of Shares (share) as at 31 December 2015	Change in number of Shares	Number of Shares (share) as at 31 December 2014
Directors:				
Mr. Zhang Daiming	Chairman	11,900	11,900	Nil
Mr. Ren Fulong	Non-executive Director	Nil	Nil	Nil
Mr. Du Depings	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. Chan Chung Kik, Lewis	Independent non-executive Director	Nil	Nil	Nil
Mr. Du Guanhua	Independent non-executive Director (has been appointed with effect from 20 March 2015)	Nil	Nil	Nil
Mr. Li Wenming	Independent non-executive Director(has been appointed with effect from 20 March 2015)	Nil	Nil	Nil
Mr. Yu Xiong	Original Independent non-executive Director (resigned with effect from 20 March 2015)	Nil	Nil	Nil
Supervisors:				
Mr. Li Tianzhong	Chairman of Supervisory Committee	Nil	Nil	Nil
Mr. Tao Zhichao	Independent Supervisor	Nil	Nil	Nil
Ms. Hu Yanhua	Employee Supervisor	Nil	Nil	Nil
Mr. Wang Jianping	Employee Supervisor(appointed with effect from 10 August 2015)			
Mr. Zhang Yueshun	Original Independent Supervisor(resigned with effect from 27 October 2015)	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	Original Company Secretary(resigned with effect from 26 May 2015)	Nil	Nil	Nil
Total		11,900	11,900	Nil

All shares held by the Directors, Supervisors and Senior Officers are A Shares. One Director purchased 11,900 A Shares of the Company by SZSE trading system through auction during this reporting period.

VI.MAIN BUSINESS AND FINANCIAL SITUATION

The Group is mainly engaged in the development, production and sale of chemical bulk drugs, preparations, medical intermediate and other products. The profit of the Group is mainly attributable to its principal operations.

Analysis of financial situation and operating results in accordance with PRC accounting standards

Total assets of the Group as at 31 December 2015 was approximately RMB4,492,122,000 increased by approximately RMB246,972,000 or 5.82%, as compared with the figure of approximately RMB4,245,150,000 at the beginning of the year. The increase in total assets was mainly due to the increase of the profits generated this year leading to the increase of currency funds and notes receivable.

Currency funds of the Group as at 31 December 2015 was approximately RMB476,289,000, increased by approximately RMB147,520,000 or 44.87%, as compared with the figure of approximately RMB328,769,000 at the beginning of the year. The increase in currency funds was mainly attributable to the profits generated this year.

Notes receivable of the Group as at 31 December 2015 was approximately RMB225,147,000, representing an increase of approximately 74.69%, as compared with the figure at the beginning of the year. The increase in notes receivable was because the Company carried out Bank Notes Pool with the bank this year, issuing notes payable and decreasing the payment of notes receivable.

Total equity attributable to the shareholders of the Company as at 31 December 2015 was approximately RMB1,884,257,000, increased by approximately RMB63,567,000 or 3.49%, as compared with the figure of approximately RMB1,820,690,000 at the beginning of the year. This increase was mainly attributable to the profits generated this year.

The total liabilities of the Group as at 31 December 2015 were approximately RMB2,508,040,000, representing an increase of approximately RMB174,759,000 or 7.49%, as compared with the figure of approximately RMB2,333,281,000 at the beginning of the year. The increase in liabilities was mainly attributable to an increase in investment expenditure for project construction and research and development, and in order to ease the financial pressure, bank borrowings and notes payable increased accordingly.

Operating profit of the Group amounted to RMB92,068,000 for the year of 2015, while the operating profit of the Group amounted to RMB54,559,000 for the same period last year, representing an increase of approximately RMB37,509,000 or 68.75%, as compared with the same period last year. The main reasons for the change were due to the following initiatives adopted by the Company: significant adjustment to the product structure achieving expansion in the sale scale of high value added products; in depth research on technological breakthrough leading to reduction of energy and consumption; and continual price comparison policy in procurement process attaining reduction in production costs.

The Group's sales expense amounted to RMB353,775,000 for the year of 2015, representing an increase of approximately 11.33% as compared with the same period last year, the increase was mainly attributable to the increase of terminal sales expense.

The Group's administration expense amounted to RMB303,258,000 for the year of 2015, representing an increase of approximately 14.24% as compared with the same period last year, the increase was mainly attributable to the increase of investment in research and development.

The Group's financial expense amounted to RMB67,591,000 for the year of 2015, representing a decrease of approximately 6.23% as compared with the same period last year, the decrease was mainly attributable to the increase of exchange gain.

To enhance R&D level, the Group's investment in R&D amounted to RMB117,846,000, representing an increase of approximately 38.91% as compared with the same period last year. The Group's investment in R&D accounts for 3.28% of operating revenue, representing an increase of 0.92 percent as compared with the same period last year.

The Group's net increase in cash and cash equivalents for the year of 2015 was approximately RMB85,204,000. The increase in currency funds was mainly attributable to that net cash flow from operating activities was approximately RMB348,636,000.

In 2015, the Group recorded net cash flow from investment activities amounting to RMB-110,176,000, representing a decrease of 70.43% with that of last year. This decrease was mainly due to the reason that the main relocation project of the Company had been basically completed in 2014 and the corresponding investment this year decreased.

In 2015, the Group recorded net cash flow from financing activities amounting to RMB-163,549,000, representing a decrease of approximately RMB159,875,000, the decrease was mainly attributable to the increase in repayment of bank loan and the occurrence of a structured deposit .

The Group's operating revenue classified by products and by geographical location in accordance with PRC accounting standards is as follow (RMB):

	Operating revenue	Operating cost	Gross profit rate	Operating revenue change as compared to the same period last year	Operating cost change as compared to the same period last year	Gross profit rate change as compared to the same period last year

By product						
Chemical bulk drugs	1,477,861,463.23	1,136,272,128.12	23.11%	(2.95%)	(8.70%)	Increase 4.84 point
Preparations	1,658,770,753.62	1,229,075,729.85	25.90%	4.69%	3.94%	Increase 0.53 point
Medical intermediate and other products	460,400,992.94	395,038,136.83	14.20%	(4.57%)	(7.67%)	Increase 2.88 point
Total	3,597,033,209.79	2,760,385,994.80	23.26%	0.20%	(3.31%)	Increase 2.79 point
By geographical location						
PRC (incl. Hong Kong)	2,563,087,209.79	1,882,649,994.80	26.55%	10.08%	6.74%	Increase 2.30 point
Americas	480,760,000.00	414,639,000.00	13.75%	(18.13%)	(19.04%)	Increase 0.96 point
Europe	240,234,000.00	199,917,000.00	16.78%	(35.10%)	(37.14%)	Increase 2.70 point
Others	312,952,000.00	263,180,000.00	15.90%	2.92%	0.84%	Increase 1.74 point
Total	3,597,033,209.79	2,760,385,994.80	23.26%	0.20%	(3.31%)	Increase 2.79 point

Liquidity and analysis of financial resources and capital structure under the Listing Rules published by the SEHK

As at 31 December 2015, the current ratio and the quick ratio of the Group was 84.65% and 56.64% respectively, and the rate of accounts receivable turnover (rate of accounts receivable turnover = revenue/average trade and bill receivables×100%) and the rate of inventory turnover (rate of stock turnover = cost of sales/average inventories×100%) were 1,148.67% and 486.26% respectively.

The Group's demand for working capital did not show significant seasonal fluctuation throughout the year.

The Group's main source of funds was loans. As at 31 December 2015, the total amount of outstanding loans was approximately RMB1,545,756,000. As at 31 December 2015, currency funds and in bank of the Group amounted to approximately RMB476,289,000 (including bank acceptance drafts deposits of approximately RMB9,650,000 and structured deposit of RMB100,000,000).

On 31 December 2015, the Company and the Company's subsidiary Shandong Zibo Xincat Pharmaceutical Co., Ltd. pledged currency funds of RMB100,000,000 and RMB 9,650,000 to the bank for the bank acceptance respectively. Besides the above transaction, the Group did not have other assets pledged.

In 2015, the properties consisting of state-owned relocated idle land together with the building and fixtures erected thereon of old factory area held by the Company were partially expropriated by local government, the expropriation brought about revenue amounted to approximately RMB21,789,000.

Apart from the above transactions, the Group did not have any material investment, acquisitions or any disposal of assets during the reporting period.

The classification of the performance results of the Group is referred to in the section headed "Analysis of financial situation and operating results in accordance with PRC accounting standards".

As at 31 December 2015, the number of staff employed by the Group was 6,348, and the total amount of salaries and wages for 2015 was approximately RMB324,158,000.

The asset-liability ratio of the Group was 55.83% (asset-liability ratio = total liabilities / total assets ×100%).

The bank balance of the Company will mainly be used as working capital for project construction and working fund of the Company.

The assets and liabilities of the Group were mainly recorded in Renminbi. For the year 2015, the revenue from the Group's exports was approximately US$171,683,000, which exposed the Group to certain risks associated with the fluctuation of exchange rates. Therefore, the Group has taken the following measures to lower the risks from the fluctuation of exchange rates: (1) the Group has increased the price of its export products to decrease the risks of fluctuation of exchange rates; (2) the Group has made arrangements with overseas customers when entering into material export contracts that the risks associated with the fluctuation in exchange rates shall be borne by both parties if the fluctuation exceeds the range of exchange rate fluctuation agreed by both parties; (3) Foreign currency accounts receivable pledge loans, reducing the risk of exchange rate fluctuations.

VII. BUSINESS REVIEW

In 2015, the Company overcame various unfavorable factors including stagnant market demands for pharmaceuticals, firmly implemented its greater preparations strategy, actively took measures to reduce manufacturing costs, and vigorously reduced procurement costs. Meanwhile, it endeavored to advance technological progress and new products development, and continuously improved basic management. Accordingly, the Company maintained a sound growth momentum for production and operations. A review of the Company's principal business is as follows:

1. Vigorously carrying out restructuring and focusing on product layout

In 2015, the sales revenue of the preparations segment accounted for 46.10% of the total revenue of the Group, representing a year-on-year increase of 2.0 percentage points and making it the segment with the rapidest growth. Revenue from five strategic preparations varieties including rabeprazole and Jiening (介寧) totaled RMB130 million, increased by 17.3% over the preceding year.

While stabilizing the business scale of the bulk pharmaceutical raw materials, featured pharmaceutical raw materials including glimepiride and Carbidopa have been on commercial sale with a sound growth momentum. The trail production and preparation of Drug Master File (DMF) in respect of a number of products have been carried out in the multi-function industrialization center, ready for the forthcoming international registration in Europe and the US.

The Company has completed the main building construction of the International Cooperation Center for Modern Pharmacy (phase I) project and the civil works of the Medicine Industrialization Center of Modern Chemistry (II). The "short, flat and quick" technical transformation was going smoothly to further increase the production capacity.

2. Devoting great efforts in innovation of the marketing pattern to seek breakthroughs in market development.

The Company fully capitalized on its subsidiary in Europe and the US as bridgeheads to lay a foundation for the entry of its self-brand preparations products into the Europe and the US markets by engaging professionals and expediting Abbreviated New Drug Application (ANDA) of its pharmaceuticals.

Driven by innovation of business model, the development of Xinhua Drug Store and the online drug store made a great step forward. The terminal sales business of preparations enjoyed rapid growth with the development of the B2B e-commerce platform going smoothly.

The Group seized the opportunities amid the sluggish petrochemical market to improve its tendering and price comparison measures and other practices, leading to a significant reduction in procurement costs.

3. Putting great effort in technological innovation to consolidate development foundation

The strong advocacy of the guideline regarding technological innovation and cost reduction and the introduction of the supporting incentive policies, led to the promotion and applications of an array of new technologies and new equipment, and the automation reform of the production facilities, thereby increasing productivity. Currently, the Group had approximately 65 applications for new products pending approval from the Center for Drug Evaluation of the PRC (CDE). During the year, the Group was granted 22 patents including 15 patents for invention.

4. Enhancing overall strength and reinforcing fundamental management

The Group further promoted lean production management and arranged production in a thorough manner to guarantee the market supply. During the year, significant breakthroughs in cost reduction were made to save a total of RMB18.25 million in raw materials.

During the year, the Group received a total of 158 audits by foreign clients, and its aspirin, Hydrocortisone and Caffeine passed international official audits. The Solid Preparations Workshop has passed a number of quality audits for transnational corporations and social responsibility audits. The Group's pipemidic acid, theophylline and aminophylline passed the certification of Good Manufacturing Practices (GMP) and its fish oil products were granted the food production license. The Group's injection also passed the GMP follow-up audit performed by China Food and Drug Administration.

The Group fully implemented 5S management that led to the improvement of its production site management level. With its ongoing intrinsic safety construction, the Company passed the Second Grade (Provincial) Safety Standardization Audit without a hitch and accomplished its annual safety target. The environmental protection tasks were carried out smoothly with 100% effluent reaching the emission standards and a significant reduction in Chemical Oxygen Demand (COD) treatment costs.

5. Initiating non-public issuance of additional A shares and making its own plan for the Thirteenth Five-year Plan period

On 8 October 2015, the Company announced the proposed placing of additional A shares of the Company (including the proposed first phase employee stock ownership scheme), and has been approved in the shareholders' meeting. Upon approval of the adjusted proposed placing of A share by State-owned Assets Supervision and Administration Commission of Shandong, it is expected that an application of the proposed placing of A share will be submitted to China Securities Regulatory Commission. It is expected that the proposed placing would involve issuance of not more than 67 million A shares to raise approximately RMB627 million. If succeeded, the proposed placing will create sound conditions for the Company’s development during the Thirteenth Five-year Plan period.

VIII. PROSPECTS

During the Thirteenth Five-year Plan period, the Group is expected to be provided with important opportunities to improve park layout, accelerate transformation and upgrading, and achieve healthy development.

In 2016, the Group will face plenty of opportunities for development. The accelerating reform of medical insurance, two-child policy and the aging population provide strong support for the rapid growth of the pharmaceutical industry. The downward trend in RMB exchange rate and the interest rate, the declining international crude oil price and the ongoing low prices of petrochemical materials, are favorable for the Company to curb production costs. As the time for approval of new drugs has been shortened, the Company expects to have replenishment of new medicine resources in the near future, which will help foster new growth points for the Company. In addition, consistency evaluation brings rare opportunities to enterprises with strong scientific research strength.

The Group is also confronted with lots of difficulties. The marketing environment is harsh due to weak global economy, unabated downward pressure on domestic economy, sluggish market demands, worsening international trade protectionism and escalating oversupply. With the deepening reform of medical insurance, open tendering for drug procurement across the nation still favors low-price tenders, thus affecting the profitability of preparations. Expenses on environmental protection and safety are increasing with growing pressure of rigid cost rise.

In the first year of the Thirteenth Five-year Plan, the Group will focus on the following tasks:

1. Innovating in marketing model and expanding the scale of operation

The Group will firmly implement its greater preparations strategy to make new breakthroughs in preparations development. It strives to innovate in its marketing model, devoting more efforts in tendering, conduct precise planning, and put great efforts in marketing of the key strategic drugs and major generic drugs so as to drive the overall preparations development with key varieties. Drawing upon its overall strengths in complete industrial chain, multiple varieties and renowned brands, the Company will facilitate the synergies between pharmaceutical raw materials and preparations and between preparations and preparations workshops, and integrate marketing efforts with marketing resources to further tap market potential and increase the overall strength.

The Group plans to boost its advantage in the development of pharmaceutical raw materials business by making the business stronger with great care. The Group will lay great stress on the international and domestic marketing of its key pharmaceutical raw materials and new products to improve its strength in pharmaceutical raw materials. The Group will build on its comprehensive and characteristic advantage in pharmaceutical raw materials to make innovative and exclusive product strategies and implement the differential operation strategy so as to maximize profits.

The Group will make innovations in marketing model to explore new business. The Group will also grasp opportunities to vigorously develop e-commerce and create a business landscape featuring interaction and mutual promotion between online and offline business. The Group will also step up the development of sales terminals (including drug stores and hospitals) for its preparations business, explore new business and accelerate development to expand its scale of operation based on healthcare operation. Moreover, the business scope of Xinhua Drug Stores will be extended and store expansion will be expedited with further improved standardized management, so as to enhance the corporate influence.

2. Facilitating technological advances to foster new growth drivers

The Group will speed up R&D of new products to offer impetus for future growth. The Group will prioritize its product layout, expedite its ongoing R&D projects, form a rational product mix and make a product layout suitable for the Company's development. The Group aims to obtain more than two production licenses for new products and more than five clinical trial approvals. The Group will start ANDA registration for more than two products and take the initiative to conduct product quality consistency evaluation. The Group will actively carry out international R&D cooperation and draw on international resources to enhance its R&D level.

It endeavors to make technological progress and enhance the competitiveness of its products. The Group will continue to implement the cost reduction and extra commission measures and motivate staff to reduce product costs by increasing related rewards. The Group will carry out in-depth research and industrial applications of new processes and technologies to achieve breakthroughs in processes and technologies in order to improve product competitiveness.

The Group will also speed up the industrialization of new products as well as commercialization of a number of new products including carbasalate calcium.

3. Seizing the opportunities from the international industry transfer and accelerating the implementation of the internationalization strategy.

The Group will advance its internationalization strategy in respect of product export, project cooperation, industrial and capital output. Meanwhile, it will proactively push ahead with international registration of products and carry out more extensive international cooperation on product processing, product development and market expansion, etc.

While maintaining the normal production of Redoxon, Saridon and Ibuprofen, the Group will complete construction of the International Cooperation Center for Modern Pharmacy as scheduled, seize the opportunities for production transfer of transnational pharmaceutical companies, and draw on the Company's overall strength to accelerate project cooperation.

4. Making scientific planning to ensure smooth project development.

Through coordination, scientific arrangements and strict implementation of plans, the Group will make sure that the International Cooperation Center for Modern Pharmacy Project and the project of Medicine Industrialization Center of Modern Chemistry (II) are going smoothly, and guarantee the construction quality and project progress.

5. Enhance basic management to promote healthy development of the Company

The Group will continue to carry out activities to make breakthroughs in cost reduction, achieve leading technical indicators and consolidate its lifeline of safety, environmental protection and quality. According to the concept of "Clean production, recycling economy", the Group will build on new processes, new technologies, automation and applications of new energy conservation and environmental protection technologies to make technological progress, optimize production arrangements, improve management efficiency and find out breakthrough points by analyzing cost elements.

The Group will increase turnover of capital, and in particular, strictly assess accounts receivable and perform credit risk control to lower capital risks. The Group will also strength the on-site risk audits on its clients, and carefully conduct risk assessment and credit control for its clients to lower operational risks.

6. Promoting capital operation in an active and prudent manner

The Group will better coordinate its tasks and work faster to complete the issuance of A shares as soon as possible, so as to create sound conditions for Company's project construction and development during the "Thirteenth Five-year Plan" period while improving development quality and anti-risk capacity.

The Group will also actively conduct study on merger and acquisition (M&A), select target companies for M&A and endeavor to reap substantive M&A fruits as soon as possible for the purpose of optimizing its industrial structure and improving company performance.

IX.IMPORTANT ISSUES

Staff and Remuneration

The Group’s staff remuneration was determined in accordance with state policies, the Company’s profit in the corresponding period and the average income of local residents.

As at 31 December 2015, the number of staff employed by the Group was 6,348, and the total amount of their salaries and wages for the year 2015 was approximately RMB324,158,000.

Purchase, Sale and Redemption of the Company’s Listed Securities

During the year ended 31 December 2015, the Company did not redeem the Company’s listed securities. In such year, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Connected Transactions

Significant connected transactions carried out in the normal course of the Group’s business are summarised as follows:

Item	2015 *RMB*	2014 *RMB*
With holding company and its subsidiaries		
—Sale of water, electricity, steam and waste materials	9,345,428.53	12,444,169.79
—Sale of bulk pharmaceuticals and chemical raw materials	61,431,501.93	-
— Purchase of raw materials	83,557,015.16	94,274,354.79
— Payment of annual trademark licence fee	10,000,000.00	10,300,000.00
—Acquisition of land use rights	-	26,220,000.00
Total	164,333,945.62	143,238,524.58
—Repair service income	71,801.71	88,523.03
—Rental expenses	-	608,000.00
Others total	71,801.71	696,523.03
With ultimate holding company		

—Interest expenses of loan	40,850,000.00	40,850,000.00
—Underwriting expenses of loan	2,100,000.00	2,100,000.00
Total	42,950,000.00	42,950,000.00
With minority shareholders		
— Sale of bulk pharmaceuticals and chemical raw materials	120,138,203.62	140,763,790.59
Total	120,138,203.62	140,763,790.59
Grand total	327,493,950.95	327,648,838.20

In the opinion of the Directors (including the independent non-executive Directors), the above transactions were carried out in the ordinary and usual course of the Group's business and on normal commercial terms. The aggregate amount of the above transactions for each of the years 2014 and 2015 did not exceed the annual cap approved in the general meeting of the Company.

Auditors

The accounts of the Company and the Group for this year prepared in accordance with PRC accounting standards have been audited by ShineWing Certified Public Accountants (certified public accountants in the PRC).

The Company had approved the appointment of ShineWing Certified Public Accountants (Special General Partnership) as the Company's international and domestic auditors for the year 2015 at the annual general meeting of 2014 on 24 June 2015. The Company intends to re-appoint ShineWing Certified Public Accountants as auditors of the Company for the year 2016 at the annual general meeting for the year 2015 to be held in 2016.

Corporate Governance Code

The Directors (including the independent non-executive Directors) are of the opinion that for the year ended 31 December 2015, the Company complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK ("**Listing Rules**").
The Company has always strived to comply with the best corporate governance practices in the Corporate Governance Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015, except only for the deviation where Mr. Zhang Daiming had acquired 11,900 A shares of the Company via the SZSE trading system through auction during the blackout period prior to the publication of the interim results for the six months ended 30 June 2015, and such deviation was reported to the SEHK. On 18 August 2015, the SEHK issued a warning letter to Mr. Zhang Daiming privately in respect of such deviation and no further action has been taken by the SEHK as at the date of this announcement.

Material Litigation and Arbitration

The Group was not involved in any material litigation or arbitration and no material litigation or arbitration is pending or threatened or was made against the Group during the reporting period.

Sale of Assets

The Group did not have any material acquisitions or disposal of assets or mergers during the reporting period.

Amendments to the Articles

During the reporting period, the Company amended the articles of association of the Company twice in June and December 2015 respectively, the resolutions to amend the articles of association of the Company were approved by the annual general meeting of 2014 and the second extraordinary general meeting of 2015 respectively. The amendments to the articles of association of the Company conform to “the Articles of Association of the Company" and China's laws and regulations and administrative laws, and also conform to the Listing Rules.

Audit Committee

Pursuant to Rule 3.21 of the Listing Rules, the Company set up an Audit Committee (the “Audit Committee”).

The Audit Committee has, together with the management, reviewed the accounting principles, practices and methods adopted by the Group and has reviewed the auditing, internal control and financial reporting of the Group. The audit committee has convened four meetings to review the audited financial statements for 2014, the unaudited 1st quarterly financial statements for 2015, the unaudited interim statements for 2015 and the unaudited 3rd quarterly financial statements for 2015.

The Audit Committee convened a meeting on 30 March 2016 to review the 2015 audited accounts and annual results announcement.

X. FINANCIAL REPORTS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

Consolidated Balance Sheet

Unit: RMB Yuan

Assets Item	Notes	31 December 2015	31 December 2014
Current assets:			
Monetary funds		476,288,884.09	328,769,345.83
Notes receivable		225,146,715.24	128,882,485.92
Accounts receivable	3	314,348,372.90	311,949,545.31
Prepayments		23,862,000.43	42,455,262.02
Interest receivable		1,937,851.12	-
Other receivable	4	42,363,264.11	40,653,822.52
Inventories		546,460,168.40	588,887,791.35
Other current assets		21,072,010.76	20,816,342.65
Total current assets		**1,651,479,267.05**	**1,462,414,595.60**
Non-current assets:			
Financial assets available for sale		200,431,648.00	220,590,560.00
Investment real estate		78,919,116.83	69,585,332.70
Fixed assets		2,070,424,188.32	1,975,943,708.53
Projects under construction		155,326,282.87	177,782,207.67
Intangible assets		294,564,809.70	312,962,415.75
Deferred income tax assets		25,577,123.86	25,870,893.52
Other non-current assets		15,400,000.00	-
Total non-current assets		**2,840,643,169.58**	**2,782,735,118.17**
Total assets		**4,492,122,436.63**	**4,245,149,713.77**

Consolidated Balance Sheet (Continued)

Unit: RMB Yuan

Liabilities and Shareholders' Equity	Notes	31 December 2015	31 December 2014
Current liabilities:			
Short-term borrowing		530,000,000.00	429,978,928.59
Notes payable		215,648,469.78	122,175,386.81
Accounts payable	5	380,787,628.21	361,102,897.10
Accounts received in advance		40,445,572.01	34,416,698.06
Payroll payable	6	30,882,312.65	36,287,700.18
Taxes and dues payable		16,464,788.72	13,230,211.46
Interest payable		1,206,341.11	587,252.16
Dividends payable		5,310,599.53	5,310,599.53
Other payables		140,023,098.13	184,050,581.16
Non-current liabilities due within one year		585,544,786.58	408,907,645.38
Other current liabilities		4,602,000.00	5,042,000.00
Total current liabilities		1,950,915,596.72	1,601,089,900.43
Non-current liabilities:		-	-
Long-term loans		378,200,000.00	635,948,545.00
Long-term payables		52,011,490.15	-
Special payables		15,420,000.00	13,000,000.00
Estimated liabilities		-	9,440,000.00

Deferred income		97,909,029.94	55,243,824.43
Deferred income tax liabilities		10,022,501.42	14,996,956.23
Other non-current liabilities		3,561,500.00	3,561,500.00
Total non-current liabilities		**557,124,521.51**	**732,190,825.66**
Total liabilities		**2,508,040,118.23**	**2,333,280,726.09**
Shareholders' equity:			
Capital Stock		457,312,830.00	457,312,830.00
Other equity instruments		-	-
Capital surplus	7	513,092,452.66	507,192,452.66
Less: Treasury stock		-	-
Other comprehensive income	8	148,383,251.38	164,632,863.45
Special reserve		-	-
Surplus reserve		213,465,177.68	209,313,480.05
Undistributed profits	9	552,002,849.22	482,238,546.28
Total of equity assigned to the shareholders of parent company		**1,884,256,560.94**	**1,820,690,172.44**
Minority shareholders' equities		99,825,757.46	91,178,815.24
Total of shareholders' equity		**1,984,082,318.40**	**1,911,868,987.68**
Total of liabilities and shareholder's equity		**4,492,122,436.63**	**4,245,149,713.77**

Consolidated Income Statement

Unit: RMB Yuan

Item	Notes	2015	2014
I. Gross revenue		3,597,033,209.79	3,589,749,770.93
Including: operating revenue	10	3,597,033,209.79	3,589,749,770.93
II. Total operating cost		3,510,262,563.27	3,543,107,741.74
Including: operating cost	10	2,760,385,994.80	2,854,928,187.30
Business taxes and surcharges	11	29,952,900.45	20,613,746.32
Selling expenses		353,774,618.80	317,762,961.34
Administration expenses		303,257,072.10	265,461,966.74
Financial expenses		67,591,007.63	72,082,530.10
Assets impairment loss		(4,699,030.51)	12,258,349.94
Add: incomes from changes in fair value (losses to be listed with "-")		-	-
Investment incomes (losses to be listed with "-")		5,297,149.68	7,917,247.80
Including: income from investment into affiliates and joint ventures		-	-
Exchange gain（losses to be listed with "-"）		-	-
III. Operating profits (losses to be listed with "-")		92,067,796.20	54,559,276.99
Add: non-operating income		52,812,749.90	116,868,592.12
Including: gains from disposal of non-current assets		23,589,138.12	496,349.14
Less: non-operating expenditure		27,150,931.07	79,942,714.93
Including: losses from disposal of non-current assets		5,428,247.19	65,522,427.61
IV. Total profits (total loss to be listed with "-")		117,729,615.03	91,485,154.18
Less: income tax expense	12	23,720,864.46	23,150,467.44
V. Net profits (net loss to be listed with "-")		94,008,750.57	68,334,686.74

Net profit which belongs to shareholders of parent company		83,062,257.17	50,725,311.05
Minority interest income		10,946,493.40	17,609,375.69
VI Net of tax of other comprehensive income		(16,054,163.25)	77,455,484.54
Net of tax of other comprehensive income that belongs to the owners of parent company		(16,249,612.07)	78,074,939.12
(I) Other comprehensive income not subject to reclassification to profit or loss in future		-	-
1. Changes in net indebtedness or net assets subject to remeasurement of defined benefit plans		-	-
2. Shares enjoyed in other comprehensive income not subject to reclassification to loss or profit in investment-receiving company under equity law		-	-
(II) Other comprehensive income to be reclassified to profit or loss in future		(16,249,612.07)	78,074,939.12
1. Shares enjoyed in other comprehensive income to be reclassified to loss or profit in investment-receiving company under equity law		-	-
2. Profit and loss of change in fair value of financial assets available for sale		(17,135,075.20)	79,202,007.20
3.Profit and loss of held-to-maturity investment reclassified to available-for-sale financial assets		-	-
4. Effective part of cash flow hedging profit and loss		-	-
5. Conversion difference of foreign currency statement		885,463.13	(1,127,068.08)
6. Others		-	-
Net of tax of other consolidated income that belongs to the minority shareholders		195,448.82	(619,454.58)
VII. Total comprehensive income		77,954,587.32	145,790,171.28
Total comprehensive income attributable to the shareholders of parent company		66,812,645.10	128,800,250.17
Total comprehensive income attributable to the minority shareholders		11,141,942.22	16,989,921.11
VIII. Earnings per share:			
(I) Basic earnings per share	13	0.18	0.11
(II) Diluted earnings per share		0.18	0.11

SUMMARY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

NOTES:

1. Basis of preparation

On the going-concern basis, the financial statements of the Company have been prepared based on transactions and items that have actually-occurred, and in accordance with the *Accounting Standards for Business Enterprises – Basic Principles*, 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 and the disclosure requirements stipulated under 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, disclosure requirements in the *Listing Rules* and the *Companies Ordinance* of Hong Kong.

The Group has been applying the HKGAAP in the financial statements for the disclosure of Hong Kong information since its listing. In accordance with the *Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong* published by SEHK in December 2010, at the commnecement of the current financial year, the Company decided to prepare its financial statements in accordance with ASBE issued by the Ministry of Finance of the PRC and other relevant regulations and adopted the ASBE retrospectively, and transformed the financial information as of December 31, 2014 (Note: the previous finacial year was 2014) with the use of ASBE for comparison purposes.

2. Segment information

(a) Description of segments

The Group determines the business unit on the basis of internal organization structure, management requirements and internal reporting system and adopts different business units as reporting segments for disclosure purposes. The operating segment refers to each different business unit within the Group which satisfies the following conditions: (1) the business unit should be able to generate income and incur expenses in its daily operation; (2) the senior management of the Group would be able to evaluate the operating results of such business unit at regular intervals so as to decide resources allocation and conduct performance evaluation; (3) the Company would be able to obtain the relevant accounting information of such business unit, such as financial position, operating results and cash flow, etc. If two or more business units share similar economic characteristics and meet certain conditions, these business units would be merged into one business unit.

The Group's reporting segments are as follows:

Chemical bulk drugs	Development, production and sales of bulk pharmaceuticals
Preparations	Development, production and sales of preparations (e.g. tablets and injections)
Medical intermediate and other products	Production and sales of medical intermediate and other products

Information regarding the above segments is as below:

(b) Segment information for twelve months ended 31 December 2015 and twelve months ended 31 December 2014 (audited):

Twelve months ended 31 December 2015 (audited)

Unit: RMB

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Others	Offset Amount	Total
Operating revenue	1,484,989,808.85	2,022,418,874.06	888,639,990.21		(799,015,463.33)	3,597,033,209.79
Include: Revenue from external customers	1,477,861,463.23	1,658,770,753.62	460,400,992.94			3,597,033,209.79
Inter-segment transaction income	7,128,345.62	363,648,120.44	428,238,997.27		(799,015,463.33)	
Operating cost	1,203,533,238.97	1,587,989,297.37	760,538,440.19		(791,674,981.73)	2,760,385,994.80
Cost offsetting amount	67,261,110.85	358,913,567.52	365,500,303.36		(791,674,981.73)	
Expenses for the period	262,414,751.84	396,932,244.71	65,545,701.98		(270,000.00)	724,622,698.53
Total profit（loss）				100,538,851.17	(8,471,054.97)	92,067,796.20
Total assets	2,546,855,821.65	1,251,514,251.37	939,108,588.24	1,057,854,880.25	(1,303,211,104.88)	4,492,122,436.63
Total liability	801,101,097.56	633,740,794.81	519,724,852.31	1,366,774,729.91	(813,301,356.36)	2,508,040,118.23
Supplement information						
Recognized impairment losses in the current period	(2,935,276.25)	(3,631,296.79)	2,971,969.16		(1,104,426.63)	(4,699,030.51)
Depreciation and amortization expenses	122,309,077.00	48,627,840.56	57,244,566.21		(105,955.28)	228,075,528.49

Twelve months ended 31 December 2014 (audited)

Unit: RMB

Item	Chemical bulk drugs	Preparations	Medical intermediate and other products	Others	Offset Amount	Total
Operating revenue	1,526,660,924.48	1,897,647,610.91	960,009,893.21		(794,568,657.67)	3,589,749,770.93
Include: Revenue from external customers	1,522,839,775.76	1,584,464,958.86	482,445,036.31			3,589,749,770.93

Inter-segment transaction income	3,821,148.72	313,182,652.05	477,564,856.90		(794,568,657.67)	
Operating cost	1,289,508,088.58	1,489,484,763.47	856,782,143.24		(780,846,807.99)	2,854,928,187.30
Cost offsetting amount	44,899,799.90	307,020,643.91	428,926,364.18		(780,846,807.99)	
Expenses for the period	240,905,514.09	364,725,166.85	49,676,777.24			655,307,458.18
Total profit（loss）				73,337,548.22	(18,778,271.23)	54,559,276.99
Total assets	2,461,159,577.83	1,109,166,242.53	989,119,188.94	942,591,142.23	(1,256,886,437.76)	4,245,149,713.77
Total liability	547,729,036.43	512,929,301.87	608,825,766.28	1,435,735,698.72	(771,939,077.21)	2,333,280,726.09
Supplement information						
Recognized impairment losses in the current period	1,995,613.46	(1,186,803.06)	11,155,523.21		294,016.33	12,258,349.94
Depreciation and amortization expenses	108,619,574.26	43,326,789.33	48,781,381.61		79,351.39	200,807,096.59

3. Accounts receivable

	31 December 2015 RMB	31 December 2014 RMB
Accounts receivable	372,999,200.15	375,026,783.97
Less: provision for bad debts	58,650,827.25	63,077,238.66
	314,348,372.90	311,949,545.31

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

	31 December 2015 RMB	31 December 2014 RMB
Within one year	313,548,568.89	311,196,137.44
More than one year but less than two years	724,878.49	419,590.00
More than two years but less than three years	74,925.52	333,817.87
Total	314,348,372.90	311,949,545.31

4. Other receivable

	31 December 2015 RMB	31 December 2014 RMB
Other receivable	66,701,547.70	75,480,601.00
Less: provision for bad debts of other receivable	24,338,283.59	34,826,778.48
	42,363,264.11	40,653,822.52

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

	31 December 2015 RMB	31 December 2014 RMB
Within one year	32,691,319.89	27,453,551.01
More than one year but less than two years	2,857,766.27	13,171,143.69
More than two years but less than three years	6,805,884.59	20,834.46
Over three years	8,293.36	8,293.36
Total	42,363,264.11	40,653,822.52

5. Accounts payable

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

	31 December 2015 RMB	31 December 2014 RMB
Within one year	365,380,255.03	352,986,048.24
More than one year but less than two years	9,914,896.72	2,743,756.77
More than two years but less than three years	1,527,982.52	1,573,641.93
Over three years	3,964,493.94	3,799,450.16
Total	380,787,628.21	361,102,897.10

6. Payroll payable

(1) Classification of payroll payable

	31 December 2014 RMB	Increase during the year RMB	Decrease during the year RMB	31 December 2015 RMB
Short-term wages	36,287,700.18	427,307,207.59	432,712,595.12	30,882,312.65
Post-employment welfare - defined contribution plan	-	49,639,456.70	49,639,456.70	-
Dismission welfare	-	273,124.40	273,124.40	-
Total	36,287,700.18	477,219,788.69	482,625,176.22	30,882,312.65

(2) Short-term wages

	31 December 2014	Increase during the year	Decrease during the year	31 December 2015
	RMB	RMB	RMB	RMB
Salary, bonus, allowance and subsidy	27,312,503.01	352,502,765.41	356,307,168.41	23,508,100.01
Employee welfare expenses	543,117.38	28,733,668.12	28,550,608.88	726,176.62
Social insurance charges	-	21,061,233.50	21,061,233.50	-
Including: Medical insurance premiums	-	17,070,936.02	17,070,936.02	-
Work-related injury insurance premiums	-	2,278,131.52	2,278,131.52	-
Maternity insurance premium	-	1,712,165.96	1,712,165.96	-
Housing fund	302,603.42	15,378,749.32	15,681,352.74	-
Labor union expenditure & personnel education fund	8,129,476.37	4,865,914.24	6,347,354.59	6,648,036.02
Labor costs	-	4,764,877.00	4,764,877.00	-
Total	36,287,700.18	427,307,207.59	432,712,595.12	30,882,312.65

(3) Defined contribution plan

	31 December 2014	Increase during the year	Decrease during the year	31 December 2015
	RMB	RMB	RMB	RMB
Basic endowment insurance	-	47,228,865.86	47,228,865.86	-
Unemployment insurance premium	-	2,410,590.84	2,410,590.84	-

7. Capital surplus

	31 December 2014	Increase during the year	Decrease during the year	31 December 2015
	RMB	RMB	RMB	RMB
Capital stock premium	424,084,320.48	-	-	424,084,320.48

Other capital reserves	83,108,132.18	5,900,000.00	-	89,008,132.18
Total	507,192,452.66	5,900,000.00	-	513,092,452.66

8. Other comprehensive income

	31 December 2014	Amount incurred in current year: Amount incurred this year before income tax	Less: Amount recorded into other comprehensive income in early stage transferred to loss and gain in current period	Less: income tax expense	Attributing to the parent after tax	Attributing to minor shareholders after tax	31 December 2015
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
I. Other comprehensive income unable to be reclassified into loss and gain in future	-	-	-	-	-	-	-
II. Other comprehensive income to be reclassified into loss and gain in future	164,632,863.45	(19,078,000.05)	-	(3,023,836.80)	(16,249,612.07)	195,448.82	148,383,251.38
Fair value variation of financial assets available for sale	166,740,455.70	(20,158,912.00)	-	(3,023,836.80)	(17,135,075.20)	-	149,605,380.50
Conversion difference of foreign currency statement	(2,107,592.25)	1,080,911.95	-		885,463.13	195,448.82	(1,222,129.12)
Total	164,632,863.45	(19,078,000.05)	-	(3,023,836.80)	(16,249,612.07)	195,448.82	148,383,251.38

9. Undistributed profits

	31 December 2015	31 December 2014
	RMB	RMB
Amount at the end of last year	482,238,546.28	443,490,488.23
Add: Adjustment for undistributed profit at the beginning of the year	-	-
Amount at the beginning of the year	482,238,546.28	443,490,488.23
Add: Net profits attributable to the parent company's shareholders in the current year	83,062,257.17	50,725,311.05
Less: appropriation of statutory surplus reserve	4,151,697.63	2,830,996.40
Appropriation of discretionary surplus reserves	-	-
Withdrawal of provision for general risk	-	-
Common stock dividends payable	9,146,256.60	9,146,256.6
Common stock dividends turned into capital stock		-
Total	552,002,849.22	482,238,546.28

10. Operating revenue and cost

	2015	2014
	RMB	RMB
Revenue of main operations	3,554,786,206.09	3,553,792,340.14
Other operating revenue	42,247,003.70	35,957,430.79
Total	3,597,033,209.79	3,589,749,770.93

	2015	2014
	RMB	RMB
Cost of main operations	2,711,152,216.43	2,810,349,464.16
Other operating costs	49,233,778.37	44,578,723.14
Total	2,760,385,994.80	2,854,928,187.30

11. Business taxes and surcharges

	2015	2014
	RMB	RMB
Business tax	451,084.32	402,052.90
City maintenance and construction tax	15,885,593.30	10,883,220.68
Educational surcharge	11,346,852.36	7,773,728.02
Local Water Conservancy Fund	2,269,370.47	1,554,744.72
Total	29,952,900.45	20,613,746.32

12. Income tax expense

（1）Income tax expense

	2015	2014
	RMB	RMB
Current income tax expense	23,558,660.61	29,589,602.44
Including: China	23,558,660.61	29,589,602.44
Overstatements (understatements) from previous years	1,819,052.20	3,460,354.28
Deferred income tax expense	（1,656,848.35）	（9,899,489.28）
Total	23,720,864.46	23,150,467.44

(2)Adjustment process of accounting profits and income tax

	2015	2014
	RMB	RMB
Annual total profit from amalgamation	117,729,615.03	91,485,154.18
Income tax expense calculated in accordance with legal/applicable tax rate	17,659,442.23	13,722,773.13
Effect of different tax rate applicable to subsidiaries	5,899,732.85	5,374,645.45
Effect of income tax before adjustment	1,819,052.20	3,460,354.28
Effect from non-assessable income	(1,816,887.50)	(869,824.78)
Effect of cost, expense and loss nondeductible	268,551.01	751,648.87
Effect of deductible loss of the unrecognized deferred income tax assets before usage	(269,617.64)	(1,339,546.90)
Deductible temporary difference or effect of deductible loss of unrecognized deferred income assets in the current year	160,591.31	2,050,417.39
Income tax expense	23,720,864.46	23,150,467.44

13. 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 RMB83,062,257.17 (2014: RMB50, 725,311.05) and based on the weighted average of 457,312,830 shares (2014: 457,312,830 shares) in issue during the period.

	31 December 2015 RMB	31 December 2014 RMB
Consolidated net profit attributable to shareholders of ordinary shares of the parent company	83,062,257.17	50,725,311.05
Weighted average of ordinary shares outstanding of the parent company	457,312,830	457,312,830
Basic earnings per share	0.18	0.11

Basic earnings per share and diluted earnings per share for the twelve months ended 31 December 2015 and that for the twelve months ended 2014 are the same as there were no dilutive events existed during both periods.

14. Dividends

	2015	**2014**
	RMB	RMB
Dividends recognised as distribution during the year:		
- 2014 final dividend: RMB0.02 per share	9,146,256.60	-
- 2013 final dividend: RMB0.02 per share	-	9,146,256.60
	9,146,256.60	9,146,256.60

For the year ended 31 December 2015, final dividend of RMB0.02 (2014: RMB0.02) per share (approximately HK$0.025(2014: HK$0.025) per share, including income tax of A shares) on 307,312,830 A shares and 150,000,000 H shares has been proposed by the directors of the Company and is subject to approval by shareholders at the annual general meeting.

XI. DOCUMENTS FOR INSPECTION AND PLACE FOR INSPECTION

(1) DOCUMENTS FOR INSPECTION

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

2. Financial statements for the twelve months ended 31 December 2015 signed and stamped by the legal representative, 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 March 2016, Zibo, PRC

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

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

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

Independent Non-executive Directors:
Mr. Li Wenming
Mr. Du Guanhua
Mr. Chan Chung Kik, Lewis