

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 )

**THE THIRD QUARTER RESULTS OF 2016**

( for the period commencing from 1 July 2016 to 30 September 2016 )

This announcement is made in accordance with the disclosure requirements under rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of Shandong Xinhua Pharmaceutical Company Limited (the “**Company**”) and its directors hereby announce the unaudited third quarter results of 2016 for the 3 months ended 30 September 2016 (the “**Reporting Period**”) of the Company and its subsidiaries (the “**Group**”). All financial information set out in this announcement has been prepared in accordance with the CASBE (as defined under the Listing Rules).

This announcement was prepared in both Chinese and English. In the event of any inconsistencies between the two versions, the Chinese version shall prevail.

## 1. KEY ACCOUNTING AND FINANCIAL DATA

Item	As at 30 Sep 2016 (Unaudited) RMB Yuan	As at 31 Dec 2015 (Audited) RMB Yuan	Change	
Total assets	4,599,789,506.27	4,492,122,436.63	2.40%	
Net assets attributable to the shareholders of Company	1,958,248,777.72	1,884,256,560.94	3.93%	
	Jul - Sep 2016 (Unaudited) RMB Yuan	Change as compared to last year	Jan - Sep 2016 (Unaudited) RMB Yuan	Change as compared to last year
Total operating income	977,969,739.89	18.55%	2,976,470,152.80	7.32%
Net profit attributable to shareholders of Company	43,313,070.81	20.58%	89,180,216.49	44.35%
Net profit attributable to the shareholders of Company after deduction of non-recurring profit and loss (Note)	33,804,998.20	37.45%	78,516,685.86	96.07%
Net cash flow from operating activities	-	-	241,910,554.24	19.62%
Basic earnings per share (RMB Yuan/Share)	0.09	12.50%	0.20	42.86%
Diluted earnings per share (RMB Yuan/Share)	0.09	12.50%	0.20	42.86%
Ratio of weighted average return on net assets	2.24%	Increase by 0.31 percentage point	4.63%	Increase by 1.29 percentage point

Note:

Extraordinary items and their amounts are as follows:

Items	Jan - Sep 2016 RMB	Notes
Profit or loss from disposal of non-current assets(including provisions for asset impairment)	1,081,204.75	Losses and profits from the disposal of non-current assets
Government subsidies recognized in current profit and loss (excluding government subsidies of fixed quota or amounts granted on an ongoing basis and closely related to the Company's operations and in line with national policies)	6,936,110.56	Government subsidies received and amortized during the current period in the profit and loss account
Gains/losses from the holding or disposal of available-for-trading assets and liabilities, and investment income from the disposal of held-for-sale assets, excluding the effective hedging business associated with the Company's normal operations	7,781,048.82	Income from available-for-sale financial assets (such as dividend)
Reversal of impairment provision of receivables subject to separate impairment test	840,000.00	Reversal of provision for impairment of accounts receivable
Other non-operating income or cost except the above	(6,609,718.55)	

Unit: RMB Yuan

items			
Less : Impact of income taxes		317,651.29	
Impact of minority interests (after taxes)		( 952,536.34 )	
Total		10,663,530.63	--

## 2. PROFIT AND LOSS ACCOUNT

### (i) Profit and loss account from the beginning of this year to the end of the Reporting Period

Items	Jan - Sep 2016		Jan - Sep 2015	
	Consolidated RMB Yuan (Unaudited)	Company RMB Yuan (Unaudited)	Consolidated RMB Yuan (Unaudited)	Company RMB Yuan (Unaudited)
1. Gross revenue	2,976,470,152.80	1,598,193,459.85	2,773,324,599.67	1,440,340,687.81
Including: Operating revenue	2,976,470,152.80	1,598,193,459.85	2,773,324,599.67	1,440,340,687.81
2. Total operating cost	2,862,065,268.45	1,555,662,695.23	2,690,713,661.15	1,404,967,958.74
Including: Operating cost	2,257,191,811.68	1,278,423,003.35	2,154,210,142.15	1,168,639,947.15
Business taxes and surcharges	23,510,403.73	12,434,415.03	23,152,071.73	13,068,852.08
Selling expenses	291,511,775.39	32,715,884.76	264,842,484.03	27,736,182.28
Administration expenses	243,053,222.88	184,615,996.56	214,338,521.54	157,041,551.58
Financial expenses	43,527,615.71	44,737,303.67	49,240,283.53	49,805,301.21
Assets impairment loss	3,270,439.06	2,736,091.86	(15,069,841.83)	(11,323,875.56)
Investment incomes (losses indicated by “-”)	7,781,048.82	25,634,980.71	5,230,899.68	4,985,573.93
3. Operating profits (losses indicated by “-”)	122,185,933.17	68,165,745.33	87,841,838.20	40,358,303.00
Add: Non-operating income	10,472,911.68	9,661,875.50	25,139,867.27	21,238,913.50
Including: Gains from disposal of non-current assets	2,072,356.00	1,923,228.05	6,911,678.50	6,876,693.06
Less: Non-operating expenditure	9,065,314.92	4,309,779.76	20,809,472.36	16,540,457.57
Including: Losses from disposal of non-current assets	991,151.25	768,147.09	4,018,011.57	4,018,011.57
4. Total profits (total loss indicated with “-”)	123,593,529.93	73,517,841.07	92,172,233.11	45,056,758.93
Less: Income tax expense	24,452,937.60	7,348,434.61	22,393,823.38	4,448,782.20
5. Net profits (net loss indicated with “-”)	99,140,592.33	66,169,406.46	69,778,409.73	40,607,976.73
Net profit which belongs to shareholders of the Company	89,180,216.49		61,779,758.45	
Minority interest income	9,960,375.84		7,998,651.28	
6. Net of tax of other comprehensive income	(5,768,987.04)	(6,825,051.20)	(47,793,818.23)	(47,997,650.40)
7. Total comprehensive income	93,371,605.29	59,344,355.26	21,984,591.50	(7,389,673.67)
Total comprehensive income attributable to the shareholders of the Company	83,138,473.38		14,032,344.20	
Total comprehensive income attributable to the minority shareholders	10,233,131.91		7,952,247.30	
8. Earnings per share				
(I) Basic earnings per share	0.20	0.14	0.14	0.09
(II) Diluted earnings per share	0.20	0.14	0.14	0.09

**(ii) Profit and loss account of the Reporting Period**

Items	Jul - Sep 2016		Jul - Sep 2015	
	Consolidated RMB Yuan (Unaudited)	Company RMB Yuan (Unaudited)	Consolidated RMB Yuan (Unaudited)	Company RMB Yuan (Unaudited)
1. Gross revenue	977,969,739.89	542,146,865.12	824,916,548.09	410,483,887.96
Including: Operating revenue	977,969,739.89	542,146,865.12	824,916,548.09	410,483,887.96
2. Total operating cost	932,201,391.21	515,688,431.13	779,855,675.43	392,832,971.40
Including: Operating cost	716,491,406.52	414,522,585.12	624,344,826.99	330,878,594.98
Business taxes and surcharges	8,138,807.10	3,883,111.91	6,303,199.32	3,479,430.50
Selling expenses	101,498,755.54	11,241,657.54	80,229,183.68	9,765,460.26
Administration expenses	88,925,079.56	69,650,856.88	67,900,389.21	48,876,645.10
Financial expenses	16,074,153.01	16,390,219.68	12,203,690.79	11,156,716.12
Assets impairment loss	1,073,189.48	0.00	(11,125,614.56)	(11,323,875.56)
Investment incomes (losses indicated with “-”)	7,768,067.25	7,765,601.50	2,524,576.23	2,500,000.00
3. Operating profits (losses to be indicated with “-”)	53,536,415.93	34,224,035.49	47,585,448.89	20,150,916.56
Add: Non-operating income	4,008,904.96	3,445,419.76	8,782,276.37	6,974,396.34
Including: Gains from disposal of non-current assets	842,623.11	694,466.03	612,776.47	577,791.03
Less: Non-operating expenditure	1,838,056.82	1,660,292.72	8,674,608.71	8,149,965.80
Including: Losses from disposal of non-current assets	566,306.97	546,147.20	1,392,529.91	1,392,529.91
4. Total profits (total loss indicated with “-”)	55,707,264.07	36,009,162.53	47,693,116.55	18,975,347.10
Less: Income tax expense	9,154,390.93	4,236,534.15	9,010,771.32	2,372,683.79
5. Net profits (net loss indicated with “-”)	46,552,873.14	31,772,628.38	38,682,345.23	16,602,663.31
Net profit which belongs to shareholders of the Company	43,313,070.81		35,920,180.90	
Minority interest income	3,239,802.33		2,762,164.33	
6. Net of tax of other comprehensive income	7,542,039.85	6,568,868.00	(48,705,576.74)	(49,047,951.20)
7. Total comprehensive income	54,094,912.99	38,341,496.38	(10,023,231.51)	(32,445,287.89)
Total comprehensive income attributable to the shareholders of the Company	50,535,150.69		(12,785,395.84)	
Total comprehensive income attributable to the minority shareholders	3,559,762.30		2,762,164.33	
8. Earnings per share				
(I) Basic earnings per share	0.09	0.07	0.08	0.04
(II) Diluted earnings per share	0.09	0.07	0.08	0.04

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

26 October 2016, Zibo, the People's Republic of China

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