CHINA TRADITIONAL CHINESE MEDICINE CO. LIMITED
中國中藥有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 570)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the "Board") of directors (the "Directors") of China Traditional Chinese Medicine Co. Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2015 as follows:

RESULTS HIGHLIGHTS

	Unaudited Six months ended 30 June		
	2015	2014	
	RMB'000	*RMB'000* (Restated)	Change
Continuing operations			
Turnover	**1,422,067**	1,239,755	14.7%
Gross Profit	**856,705**	760,424	12.7%
Profit from continuing operations for the period	**244,229**	189,064	29.2%
Discontinued operation			
Loss from discontinued operation (net of tax)	**(16,963)**	(16)	>100%
Profit attributable to equity shareholders of the Company	**234,592**	188,790	24.3%
– Continuing operations	**243,243**	188,798	28.8%
– Discontinued operation	**(8,651)**	(8)	>100%
Basic earnings per share *(RMB cent)*	**7.78**	7.45	4.4%
– Continuing operations	**8.07**	7.45	8.3%
– Discontinued operation	**(0.29)**	–	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000 (restated – see note 8)
Continuing operations			
Turnover	*3(a)*	**1,422,067**	1,239,755
Cost of sales		**(565,362)**	(479,331)
Gross profit		**856,705**	760,424
Other revenue	*4*	**33,460**	12,666
Other net income/(expenses)	*4*	**7,689**	(2,737)
Selling and distribution costs		**(445,484)**	(404,993)
Administrative expenses		**(123,274)**	(106,493)
Profit from operations		**329,096**	258,867
Finance costs	*5(a)*	**(37,894)**	(33,475)
Profit before taxation	*5*	**291,202**	225,392
Income tax	*6*	**(46,973)**	(36,328)
Profit from continuing operations for the period		**244,229**	189,064
Discontinued operation			
Loss from discontinued operation (net of tax)	*8*	**(16,963)**	(16)
Profit for the period		**227,266**	189,048

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2015 – unaudited (continued)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
			(restated – see note 8)
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		**243,243**	188,798
– Discontinued operation		**(8,651)**	(8)
		234,592	188,790
Non-controlling interests			
– Continuing operations		**986**	266
– Discontinued operation		**(8,312)**	(8)
		(7,326)	258
Profit for the period		**227,266**	189,048
Earnings per share	*7*		
Basic and diluted			
– Continuing operations		**8.07 cents**	7.45 cents
– Discontinued operation		**(0.29) cents**	–
		7.78 cents	7.45 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit for the period	**227,266**	189,048
Other comprehensive loss for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	**(11,256)**	(4,431)
Other comprehensive loss for the period	**(11,256)**	(4,431)
Total comprehensive income for the period	**216,010**	184,617
Attributable to:		
– Equity shareholders of the Company	**223,336**	184,359
– Non-controlling interests	**(7,326)**	258
Total comprehensive income for the period	**216,010**	184,617

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Non-current assets			
Fixed assets			
– Investment properties		**2,583**	2,651
– Other property, plant and equipment		**647,385**	674,696
– Interests in leasehold land held for own use under operating leases		**270,551**	282,893
Construction in progress		**81,230**	76,074
Other receivables		**584,574**	12,569
		1,586,323	1,048,883
Intangible assets		**900,817**	948,005
Goodwill		**1,097,065**	1,191,052
Other financial assets		**1,010**	1,010
Deferred tax assets		**57,452**	48,424
		3,642,667	3,237,374
Current assets			
Other financial assets		**500,694**	662
Inventories		**360,855**	417,695
Trade and other receivables	*9*	**1,389,554**	1,236,400
Deposits with banks		**15,110**	305
Cash and cash equivalents		**6,258,515**	439,416
Assets held for sale		**219,541**	–
		8,744,269	2,094,478

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited (continued)

(Expressed in Renminbi)

	Note	**At 30 June 2015** *RMB'000*	At 31 December 2014 *RMB'000*
Current liabilities			
Trade and other payables	*10*	**556,315**	540,113
Bank and other loans		**717,540**	501,648
Current taxation		**45,811**	47,743
Current portion of deferred government grants		**44,906**	44,337
Liabilities held for sale		**34,077**	–
		1,398,649	1,133,841
Net current assets		**7,345,620**	960,637
Total assets less current liabilities		**10,988,287**	4,198,011
Non-current liabilities			
Deferred tax liabilities		**235,998**	245,022
Deferred government grants		**65,095**	25,302
Bank loans		**680,425**	670,565
		981,518	940,889
NET ASSETS		**10,006,769**	3,257,122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 – unaudited (continued)

(Expressed in Renminbi)

	Note	**At 30 June 2015** *RMB'000*	At 31 December 2014 *RMB'000*
CAPITAL AND RESERVES			
Share capital	*11(a)*	**9,075,883**	2,542,246
Reserves		**864,846**	641,510
Total equity attributable to equity shareholders of the Company		**9,940,729**	3,183,756
Non-controlling interests		**66,040**	73,366
TOTAL EQUITY		**10,006,769**	3,257,122

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

The unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended 30 June 2015.

The interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the newly adopted accounting policy and the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of the newly adopted accounting policy and the changes in accounting policies are set out in note 2.

The preparation of the interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company (the "Audit Committee"). It has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA.

2 Newly adopted accounting policy and changes in accounting policies

(a) Newly adopted accounting policy

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(b) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Turnover and segment reporting

(a) Turnover

Continuing operations

The principal activities of the Group are manufacture and sale of pharmaceutical products in the PRC. Turnover represents the sales value of goods sold less returns, discounts, value added tax, and sales tax and is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Sale of pharmaceutical products		
– Pills and tablets	**965,629**	880,995
– Granules	**324,190**	218,001
– Injections	**56,601**	54,373
– Medicine wine	**17,275**	25,190
– Others	**58,372**	61,196
	1,422,067	1,239,755

(b) Segment reporting

The Group manages its businesses by subsidiaries. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd. (previously known as "Foshan Dezhong Pharmaceutical Co., Ltd.", "Dezhong")
- Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd. (previously known as "Foshan Feng Liao Xing Pharmaceutical Co., Ltd.", "Feng Liao Xing")
- Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. (previously known as "Guangdong Medi-World Pharmaceutical Co., Ltd.", "Guangdong Medi-World")
- Sinopharm Group Luya (Shandong) Pharmaceutical Co., Ltd. (previously known as "Shandong Luya Pharmaceutical Co., Ltd.", "Luya")
- Sinopharm Group Feng Liao Xing (Foshan) Medicinal Material & Slices Co., Ltd. (previously known as "Foshan Feng Liao Xing Medicinal Material & Slices Co., Ltd.", "Feng Liao Xing Material & Slices")
- Foshan Winteam Pharmaceutical Sales Company Limited ("Winteam Sales")

- Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. (previously known as "Guizhou Tongjitang Pharmaceutical Co., Ltd.", "Tongjitang Pharmaceutical")

- Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. (previously known as "Anhui Jingfang Pharmaceutical Co., Ltd.", "Jingfang")

- Sinopharm Group Longlife (Guizhou) Pharmaceutical Co., Ltd. (previously known as "Guizhou Longlife Pharmaceutical Co., Ltd.", "Guizhou LLF")

- Qinghai Pulante Pharmaceutical Co., Ltd. ("Pulante")

- Guizhou Zhongtai Biological Technology Company Limited and its subsidiaries ("Guizhou Zhongtai", discontinued operation)

(i) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Continuing operations											Discontinued operation	
	Dezhong *RMB'000*	Feng Liao Xing *RMB'000*	Guangdong Medi-World *(note)* *RMB'000*	Luya *RMB'000*	Feng Liao Xing Material & Slices *RMB'000*	Winteam Sales *RMB'000*	Tongjitang Pharmaceutical *RMB'000*	Jingfang *RMB'000*	Guizhou LLF *RMB'000*	Pulante *RMB'000*	Subtotal *RMB'000*	Guizhou Zhongtai *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2015													
Revenue from external customers	2,034	4,589	15,684	10,534	20,836	545,043	641,249	164,294	17,804	–	1,422,067	3,444	1,425,511
Inter-segment revenue	147,613	83,847	200,692	31,018	22,801	–	456	–	–	12,758	499,185	–	499,185
Reportable segment revenue	**149,647**	**88,436**	**216,376**	**41,552**	**43,637**	**545,043**	**641,705**	**164,294**	**17,804**	**12,758**	**1,921,252**	**3,444**	**1,924,696**
Reportable segment profit/ (loss) (adjusted EBITDA)	**48,671**	**8,873**	**35,651**	**22,184**	**4,519**	**34,591**	**198,877**	**48,856**	**1,722**	**5,060**	**409,004**	**(10,278)**	**398,726**
Interest income	16	47	44	3	4	13	134	28	6	26	321	82	403
Interest expenses	2,271	1,865	10,178	–	673	459	22,205	243	–	–	37,894	849	38,743
Depreciation and amortisation for the period	8,707	2,721	9,688	2,743	248	294	27,379	3,595	74	588	56,037	6,590	62,627
As at 30 June 2015													
Reportable segment assets	**1,047,207**	**491,267**	**1,166,111**	**183,103**	**331,155**	**631,202**	**3,144,152**	**361,462**	**38,309**	**72,221**	**7,466,189**	**228,273**	**7,694,462**
Reportable segment liabilities	**491,992**	**132,683**	**1,235,119**	**13,140**	**310,361**	**609,313**	**473,858**	**140,045**	**18,043**	**17,353**	**3,441,907**	**37,642**	**3,479,549**

	Continuing operations											Discontinued operation	
	Dezhong	Feng Liao Xing	Guangdong Medi-World *(note)*	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Tongjitang Pharmaceutical	Jingfang	Guizhou LLF	Pulante	Subtotal	Guizhou Zhongtai	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2014													
Revenue from external customers	4,941	17,680	11,836	25,127	14,502	456,288	565,363	114,547	20,688	8,783	1,239,755	23,359	1,263,114
Inter-segment revenue	109,341	62,196	154,162	14,699	28,602	–	–	–	–	–	369,000	–	369,000
Reportable segment revenue	114,282	79,876	165,998	39,826	43,104	456,288	565,363	114,547	20,688	8,783	1,608,755	23,359	1,632,114
Reportable segment profit/ (loss) (adjusted EBITDA)	31,275	1,463	49,722	15,991	(1,911)	(2,933)	169,228	22,555	3,108	1,900	290,398	6,539	296,937
Interest income	22	14	174	7	8	86	156	167	21	37	692	114	806
Interest expenses	6,180	3,387	4,623	–	574	293	18,418	–	–	–	33,475	849	34,324
Depreciation and amortisation for the period	8,711	3,331	9,321	2,757	180	285	26,988	1,113	72	656	53,414	6,687	60,101
As at 31 December 2014													
Reportable segment assets	1,024,135	370,105	530,795	175,780	232,043	433,783	3,053,801	300,378	52,062	66,225	6,239,107	244,334	6,483,441
Reportable segment liabilities	478,881	94,233	611,032	17,993	211,627	425,937	399,701	120,855	17,077	14,922	2,392,258	36,475	2,428,733

Note: The reportable segment assets of Guangdong Medi-World as at 30 June 2015 excluded RMB503,086,000 of investment in subsidiaries (31 December 2014: RMB503,086,000).

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration, other head office or corporate administration costs.

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June					
	2015			2014		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment profit/(loss)	**409,004**	**(10,278)**	**398,726**	290,398	6,539	296,937
Elimination of inter-segment (loss)/profit	**(37,218)**	**–**	**(37,218)**	28,453	–	28,453
Reportable segment profit/(loss) derived from the Group's external customers	**371,786**	**(10,278)**	**361,508**	318,851	6,539	325,390
Other revenue and net income/(expenses)	**41,149**	**488**	**41,637**	9,929	488	10,417
Depreciation and amortisation	**(56,037)**	**(6,590)**	**(62,627)**	(53,414)	(6,687)	(60,101)
Finance costs	**(37,894)**	**(849)**	**(38,743)**	(33,475)	(849)	(34,324)
Unallocated head office and corporate expenses	**(27,802)**	**–**	**(27,802)**	(16,499)	–	(16,499)
Consolidated profit/(loss) before taxation	**291,202**	**(17,229)**	**273,973**	225,392	(509)	224,883

4 Other revenue and net income/(expenses)

Continuing operations

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Other revenue		
Government grants		
– Unconditional subsidies	**2,542**	3,117
– Conditional subsidies	**2,627**	8,379
Rental income	**544**	478
Interest income	**27,747**	692
	33,460	12,666
Other net income/(expenses)		
Loss on disposal of fixed assets	**(67)**	(404)
Net realised and unrealised gain/(loss) on trading securities	**32**	(362)
Exchange loss	**(1,816)**	(1,387)
Net gain on forward exchange contracts	**9,842**	–
Others	**(302)**	(584)
	7,689	(2,737)

5 Profit before taxation

Continuing operations

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank advances and other borrowings wholly repayable within five years	**37,894**	33,475

(b) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Write down of inventories	**3,949**	4,610
Depreciation		
– investment properties	**68**	80
– interests in leasehold land held for own use under operating leases	**3,062**	2,333
– other property, plant and equipment	**29,808**	27,839
Amortisation		
– intangible assets	**23,099**	23,162
Impairment losses recognised		
– trade and other receivables	**6,051**	3,135
Operating lease charges: minimum lease payments	**1,396**	3,474
Research and development costs	**31,566**	29,849

6 Income tax

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC income tax for the period	**59,746**	45,395
Under/(over)-provision in respect of prior year	**697**	(1,914)
	60,443	43,481
Deferred tax		
Reversal of temporary differences	**(13,736)**	(5,351)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(2,295)
	(13,736)	(7,646)
Income tax expenses	**46,707**	35,835
Representing:		
Income tax expenses from continuing operations	**46,973**	36,328
Income tax expenses from discontinued operation *(note 8)*	**(266)**	(493)
Income tax expenses	**46,707**	35,835

No provision has been made for the Hong Kong Profits Tax as the Company and its Hong Kong incorporated subsidiaries sustained losses in Hong Kong for taxation purposes during the six months ended 30 June 2015 and 2014.

Pursuant to the Corporate Income Tax Law of the RPC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for: 1) Feng Liao Xing, Dezhong, Guangdong Medi-World, Jingfang and Luya, which were recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15% from 2014 to 2016 pursuant to documents issued by local government authorities. The PRC income tax rate applicable to Feng Liao Xing, Dezhong, Guangdong Medi-World, Jingfang and Luya was of 15% for the six months ended 30 June 2015 (six months ended 30 June 2014: 15%); and 2) Tongjitang Pharmaceutical, Guizhou LLF, Pulante and Guizhou Zhongtai Biological Technology Company Limited, being a qualified enterprise located in the western region of the PRC, enjoys a preferential income tax rate of 15% effective retrospectively from 1 January 2011 to 31 December 2020 pursuant to CaiShui [2011] No. 58 dated 27 July 2011.

Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. The Group's certain Hong Kong incorporated subsidiaries, which are the qualified Hong Kong tax residents, are subject to withholding tax rate of 5% on retained earnings beginning on 1 January 2008.

Deferred tax liabilities have been provided for based on the expected dividends to be distributed from the subsidiaries in the foreseeable future in respect of profit generated by subsidiaries in the PRC. As at 30 June 2015, the Board of Directors of the Company estimated that dividends to be distributed to the shareholder will not be greater than RMB113,258,000 in the foreseeable future.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB234,592,000 (six months ended 30 June 2014: RMB188,790,000) and the weighted average of 3,015,543,000 ordinary shares (six months ended 30 June 2014: 2,533,899,000) in issue during the interim period.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit attributable to the equity shareholders of the Company	**234,592**	188,790
Number of ordinary shares in issue for the purpose of basic earnings per share (thousands)	**3,015,543**	2,533,899
Basic earnings per share (RMB per share)	**7.78 cents**	7.45 cents
Continuing operations		
Profit attributable to the equity shareholders of the Company	**243,243**	188,798
Number of ordinary shares in issue for the purpose of basic earnings per share (thousands)	**3,015,543**	2,533,899
Basic earnings per share (RMB per share)	**8.07 cents**	7.45 cents
Discontinued operation		
Loss attributable to the equity shareholders of the Company	**(8,651)**	(8)
Number of ordinary shares in issue for the purpose of basic earnings per share (thousands)	**3,015,543**	2,533,899
Basic earnings per share (RMB per share)	**(0.29) cents**	–

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2015	2014
	'000	*'000*
Issued ordinary shares at 1 January	**2,533,899**	2,533,899
Effect of shares issued	**481,644**	–
Weighted average number of ordinary shares at 30 June	**3,015,543**	2,533,899

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the periods presented and, therefore, diluted earnings per share are not presented.

8 Discontinued operation

On 27 January 2015, the Group agreed with a fellow subsidiary, China Biotechnology Co., Ltd. (中國生物技術股份有限公司), which is a wholly-owned subsidiary of China National Pharmaceutical Group Corporation ("CNPGC"), that the Group shall conditionally sell 31% of equity interest in Guizhou Zhongtai at a consideration of RMB139,500,000. On 27 January 2015, the board of directors of the Group approved to dispose 31% of equity interest and remain 20% of equity interest in Guizhou Zhongtai. The Directors expect that the transaction will be completed within next twelve months. Upon the completion of transaction, the Group will have 20% of equity interest in Guizhou Zhongtai, which will become an associate to the Group. CNPGC is the ultimate controlling shareholder of the Group.

Accordingly, the operating results of Guizhou Zhongtai for the six months ended 30 June 2015 are presented as discontinued operation in the interim financial report. The presentation of comparative information in respect of the period ended 30 June 2014 has been reclassified to conform to the current period's presentations.

Result of the discontinued operation:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Revenue *(note 3(b)(i))*	**3,444**	23,359
Expenses	**(20,673)**	(23,868)
Loss before taxation	**(17,229)**	(509)
Income tax benefit *(note 6)*	**266**	493
Loss for the period	**(16,963)**	(16)

9 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Within 3 months after invoice date	**556,178**	421,102
3 to 6 months after invoice date	**89,495**	84,433
More than 6 months less than 12 months after invoice date	**46,170**	29,453
More than 12 months after invoice date	**11,502**	9,502
Trade debtors, net of allowance for doubtful debts	**703,345**	544,490
Bills receivable	**570,077**	608,653
Other receivables	**116,132**	83,257
	1,389,554	1,236,400

Trade receivables are due within 30 to 90 days from the date of billing. As at 30 June 2015, the Group's gross trade receivables of RMB24,700,000 (31 December 2014: RMB20,728,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of RMB24,700,000 were recognised (31 December 2014: RMB20,728,000).

As at 30 June 2015, bills receivable of RMB76,091,000 were pledged as securities (31 December 2014: bills receivable of RMB166,547,000).

10 Trade and other payables

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Trade creditors	**149,508**	133,143
Other creditors and accrued charges	**362,433**	333,940
Advances received from customers	**44,374**	73,030
	556,315	540,113

Trade creditors are due within 1 month or on demand from the date of billing.

11 Capital and dividends

(a) Share capital

(i) Ordinary shares

	At 30 June 2015		At 31 December 2014	
	Number of shares		Number of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	2,533,899	2,542,246	2,533,899	235,087
Transition to no-par value regime on 3 March 2014 *(note 1))*	–	–	–	2,307,159
Share issue *(note 2))*	1,752,099	6,533,637	–	–
At 30 June/31 December	4,285,998	9,075,883	2,533,899	2,542,246

Notes:

1) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium and any capital redemption reserve were subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.

2) The Company allotted and issued 1,538,425,000 and 213,674,000 ordinary shares at HKD4.68 (approximately RMB3.75) per share on 12 May 2015 and 14 May 2015 respectively. The total net proceeds from the share issues amounted to RMB6,533,637,000.

(b) Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Board of the Company is pleased to announce the unaudited consolidated results of the Group prepared under Hong Kong Financial Reporting Standards for the six months ended 30 June 2015, together with the comparative figures for the corresponding periods in 2014 and the relevant explanatory notes. The consolidated results are unaudited, but have been reviewed by the Company's independent auditor, KPMG, and the Audit Committee.

BUSINESS PERFORMANCE

During the period under review, healthcare industry in China experienced a clear slowdown of growth as compared to the last couple years. Despite the tough situation, the Group achieved satisfactory performance in both top line and bottom line. The Group's turnover from continuing operations increased by 14.7% to approximately RMB1,422,067,000 from approximately RMB1,239,755,000 for the corresponding period of last year.

The Group continued with the integration of its subsidiaries in order to further improve operating efficiency. Net profit attributable to shareholders of the Company was approximately RMB234,592,000, which was 24.3% higher than approximately RMB188,790,000 for the corresponding period of last year.

GROUP OVERVIEW

The Group is an integrated pharmaceutical corporation engaged in R&D, manufacturing and selling of traditional Chinese medicines ("TCM") and other healthcare products. It is the TCM arm of CNPGC. The Group uses "Sinopharm" as its parent brand and operates under the brand names of Tongjitang (同濟堂), Xianling (仙靈), Dezhong (德眾) and Fengliaoxing (馮了性), all are well-known brands in China. It has over 500 TCM and chemical products, including over 60 national exclusive products. The Group has over 100 products being listed on the National Essential Drugs List ("EDL"), 7 of which are exclusive products, namely Xianling Gubao Capsule/Tablet (仙靈骨葆膠囊/片), Yu Ping Feng Granule (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片), Jingshu Granule (頸舒顆粒), Moisturizing & Anti-Itching Capsule (潤燥止癢膠囊), Zaoren Anshen Capsule (棗仁安神膠囊) and Fengshi Gutong Capsule (風濕骨痛膠囊).

The Group has manufacturing facilities in Guangdong, Guizhou, Anhui, Shandong and Qinghai, with approximately 50 GMP (2010 edition) certified production lines and annual production capacity of 5.65 billion tablets, 3.2 billion capsules, 870 million packs of granules, as well as 22,000 tonnes of TCM preprocessing and extraction.

During the period of review, sales of TCM accounted for approximately 90.6% of the turnover of the Group and sales of chemical medicine made up approximately 9.4% of the turnover. The Group's sustainable development in the future is closely related to the development of healthcare reform and TCM industry in China.

INDUSTRY OVERVIEW

Reform of Healthcare System

On 23 January 2015, the National Health and Family Planning Commission published the "Key Tasks of Healthcare and Family Planning Work in 2015" (《2015年衛生計生工作要點》), with the key points of 1) to formulate and carry out the "Opinion on the Full-Scale Implementation of Overall Reform of Public Hospitals at County Level" (《關於全面推開縣級公立醫院綜合改革的實施意見》) in order to expand the reform to all counties in the country; 2) to improve the national medical insurance system and increase the government subsidy to the basic medical insurance for urban residents and New Rural Cooperative Medical Care System ("NCMS"); 3) to enhance the essential drug system and its operation at primary healthcare institutions by strengthening the stocking and prescription of essential drugs; 4) to improve the supply system of drugs, to link the procurement mechanisms of essential and non-essential drugs and to implement guidance for centralised drug procurement in public hospitals; 5) to promote impartiality in public basic healthcare service; 6) to push forward the system of tiered medical service by producing guidance and pilot scheme and to start trial of tiered medical service in the region undertaking urban public hospital reform; and 7) to develop healthcare service sector, with focus on optimizing the macro-environment of private hospitals, regulating the reform of public hospitals, carrying forward the pilot scheme of reform for hospitals owned by SOE, and improving policies of foreign investment on healthcare.

In May 2015, the General Office of State Council promulgated the "Guidelines to the Pilot Scheme of Comprehensive Reform of Urban Public Hospital" (《關於城市公立醫院綜合改革試點的指導意見》), requiring to further enlarge the scheme to 100 prefecture-level cities (approximately 1/3 of the market) in 2015. By the year of 2017, the pilot scheme of comprehensive reform of urban public hospital should be expanded nationwide, and the income generated from medicines (excluding TCM decoction pieces) of urban public hospitals under the scheme should be reduced to approximately 30% of their total income.

While the initiatives of healthcare reform shall stimulate consumption of healthcare products in China, the intention of controlling income from medicines will force those hospitals under the pilot scheme to reduce purchase price and prescription volume in order to meet the target of 30%. Consequently, pharmaceutical producers, including the Group, may face further pressure on selling price, and sales volume growth as well.

Opportunity for Developing Chinese Medicine

The culture of Chinese medicine is an indispensible element in Chinese civilization, and is a treasure for Chinese people. TCM are made from natural substances with minimal toxic side effect and drug resistance, and the expenses of treatment are relatively lower. TCM has unique efficacy in rebalancing bodily functions of human being, prevention of illness, and treatment of chronic diseases. As the aging population in China has created huge demand for healthcare products and services, it is high time to carry forward and promote Chinese medicine.

In the "Notice on Publishing the Summary of National Healthcare Service System Planning (2015-2020)" (《關於印發全國醫療衛生服務體系規劃綱要(2015-2020年)的通知》) released by the General Office of

State Council on 30 March 2015, the government emphasized the policy of putting equal weight on TCM and western medicine by allocating sufficient resources to TCM healthcare service. By the year of 2020, all community and township hospitals, as well as 70% of village clinics in China should have appropriate capacity of TCM healthcare service.

On 8 May 2015, the General Office of State Council published "Development Plan of TCM Healthcare Service (2015-2020)" (《中醫藥健康服務發展規劃(2015-2020年)》), indicating seven key jobs: 1) to develop TCM service for preserving longevity by supporting TCM healthcare institutions; 2) to encourage investment on TCM healthcare service by all sources of funding; 3) to promote TCM rehabilitation service; 4) to support the development of TCM nursing home for the elders where medical treatment and care service are combined; 5) to nurture TCM culture and healthcare-related tourism; 6) to back up the R&D, manufacturing and utilization of TCM-related healthcare products; and 7) to promote TCM healthcare service trading in order to attract more TCM-related consumption in China and to facilitate TCM healthcare service overseas.

The Group is the TCM business platform of CNPGC, with over 90% of its revenue generated from TCM products. In the first half of 2015, the Company initiated the acquisition of 87.3% equity interest of Jiangyin Tianjiang Pharmaceutical Company Limited ("Tianjiang Pharma"), who is the largest manufacturer of concentrated TCM granule in China. In addition, the Group has taken its first step of entering into TCM healthcare service market by establishing a TCM healthcare complex in Foshan and Chongqing, respectively. The protection of and the support to Chinese medicine by the government will provide great opportunity to the Group to further enhance its presence in TCM industry and to share the market development of TCM products and services.

BUSINESS REVIEW

Sales of Products

During the period under review, the Group's turnover from continuing operations increased by 14.7% to approximately RMB1,422,067,000, which was mainly attributable to the strong revenue growth of the 7 exclusive TCM drugs on the EDL. Together these 7 key products contributed 72.4% of the turnover during the period under review, with revenue growth rate of 19.4%.

Continuing Operations

Analysis by TCM and Chemical medicine:

	For the six months ended 30 June				
	2015 *RMB'000*	**Percentage to turnover**	2014 *RMB'000*	Percentage to turnover	change
TCM	**1,287,700**	**90.6%**	1,100,359	88.8%	17.0%
Chemical Medicine	**134,367**	**9.4%**	139,396	11.2%	-3.6%
Total	**1,422,067**	**100.0%**	1,239,755	100.0%	14.7%

Sales Analysis of Top Ten Products:

	For the six months ended 30 June				
	2015	**Percentage**	2014	Percentage	
	RMB'000	**to turnover**	*RMB'000*	to turnover	change
Xianling Gubao (仙靈骨葆)	**472,148**	**33.2%**	437,174	35.3%	8.0%
Yu Ping Feng Granule (玉屏風顆粒)	**164,127**	**11.5%**	109,014	8.8%	50.6%
Jingshu Granule (頸舒顆粒)	**121,283**	**8.5%**	89,099	7.2%	36.1%
Moisturizing & Anti-Itching Capsule (潤燥止癢膠囊)	**100,740**	**7.1%**	70,711	5.7%	42.5%
Bi Yan Kang Tablet (鼻炎康片)	**97,466**	**6.9%**	104,838	8.5%	-7.0%
Sheng Tong Ping (聖通平)	**42,758**	**3.0%**	53,670	4.3%	-20.3%
Fengshi Gutong Capsule (風濕骨痛膠囊)	**39,560**	**2.8%**	24,529	2.0%	61.3%
Zaoren Anshen Capsule (棗仁安神膠囊)	**34,781**	**2.4%**	27,214	2.2%	27.8%
Gao De (高德)	**34,582**	**2.4%**	41,232	3.3%	-16.1%
Sha Pei Lin (沙培林)	**22,018**	**1.5%**	13,140	1.1%	67.6%
Other Products	**292,604**	**20.7%**	269,134	21.6%	8.7%
Total	**1,422,067**	**100.0%**	1,239,755	100.0%	14.7%

Research and Development

During the period under review, the Group obtained approval of production for two of its new products, namely Fexofenadine/Pseudophedrine Sustained-Release Capsule (非索偽麻緩釋膠囊) and Gong Yan Ping Capsule (宮炎平膠囊). In July 2015, China Food and Drug Administration ("CFDA") completed on-site inspection regarding Wuwei Huoxiang Tablet (五味藿香片), a TCM new drug targeting mild depression.

In addition to the ongoing project of Yu Ping Feng Granule (玉屏風顆粒) Re-evaluation, the Group further planned for clinical trials on Xianling Gubao (仙靈骨葆), Jingshu Granule (頸舒顆粒) and Moisturising and Anti-Itching Capsule (潤燥止癢膠囊), with the purpose of strengthening evidence-based medicine study on its core products. The investment on such researches will help promotion of those products to both TCM and western medicine doctors in China.

Investment Project

Acquisition of Tianjiang Pharma

During the period under review, the Group entered into a series of agreement with various venders to conditionally acquire 87.3% equity interest of Tianjiang Pharma at a consideration of RMB8,736,223,527. In May 2015, the Company completed the placement of 1,752,098,682 new shares to raise approximately HKD8,200,000,000 (equivalent to approximately RMB6,566,686,000). The total net proceeds from the share issues amounted to approximately RMB6,533,637,000 offsetting by the direct related transaction costs of approximately HKD41,273,000 (equivalent to approximately RMB33,049,000), which would be paid as part of the consideration of the transaction. The remaining consideration will be paid by 1) proceed of RMB666,337,600 from two of the vendors, who are key management members of Tianjiang Pharma, for the subscription of 197,749,762 new shares of the Company at the completion of the acquisition; 2) the Group's internal resources of RMB567,215,000; and 3) a bank loan of approximately RMB1,000,000,000. The acquisition has been approved by shareholders of the Company at an extraordinary general meeting on 13 July 2015. It is expected the transaction will be completed in the second half of 2015.

For details of the transaction, please refer to the circular of the Company dated 24 June 2015 and the announcement of the Company dated 13 July 2015.

Manufacturing Facilities at Guiyang Economic & Technology Development Zone

During the period under review, the Group continued with the construction of the manufacturing base located at Guiyang Economic & Technology Development Zone, Guizhou Province (new factory of Tongjitang Pharmaceutical). The project is expected to be completed in 2016. The facilities will be in full compliance with new GMP requirements and will significantly improve the production capacity to meet the need of business expansion of the Group.

Construction of Headquarter Building

The Group is building its headquarter, R&D centre and ancillary facilities in Chan Cheng District, Foshan City. The Group is working with an independent third party to develop the project, and the allocation of the space of the building will be based on the amount of investment from each of the two parties. The construction work has been commenced and it is expected that the project will be completed in 2016.

Disposal of Guizhou Zhongtai

On 27 January 2015 the Group and China Biotechnology Co., Ltd. (中國生物技術股份有限公司) ("China Biotechnology Co") entered into an agreement to conditionally sell 31% equity interest in Guizhou Zhongtai to China Biotechnology Co for a consideration of RMB139,500,000. The Group considered that the main business of Guizhou Zhongtai was R&D, production and sale of plasma-based biopharmaceutical products, which was not the core business of the Group. The disposal of Guizhou Zhongtai will allow the Group to allocate more resources to focus on the development of TCM business.

The transaction can only be completed after all conditions specified in the agreement are met. Upon completion of the transaction, the Group will hold 20% equity interest of Guizhou Zhongtai, which will subsequently be sold to China Biotechnology Co at an appropriate price under certain conditions. As the controlling shareholder of China Biotechnology Co is CNPGC, this transaction constitutes a connected transaction.

It is expected the transaction will be concluded in the second half of 2015. For the period under review, turnover of Guizhou Zhongtai was approximately RMB3,444,000, and its loss was approximately RMB16,963,000. The performance of Guizhou Zhongtai has been classified as discontinued operation in the financial statement of the Group.

PROSPECTS

In the short run, as drugs tenders in many provinces have been delayed, and the authorities intend to further push down bid price during the process, the pressure has become a general challenge faced by all pharmaceutical companies. In addition, there exists the uncertainty in regulation and policy regarding healthcare reform, and some local government is facing the problem of increasing reimbursement of medical expense with limited fiscal income. The pharmaceutical industry as a whole has been affected and the growth rate was significantly slowed down in the first half of 2015. In the medium to long run, however, the change in population structure and spectrum of disease will inevitably drive up the demand for healthcare product. Along with the economic development, spending on healthcare will continue to increase, which shall provide huge market opportunity for healthcare companies to promote and improve their products and services.

The Group is committed to flourishing Chinese medicine and building up its leading position in TCM industry. While making efforts on growing its existing businesses, the Group will identify M&A targets with unique products and established market share. The Group will leverage on its resources in the sector to enlarge its business scope to TCM healthcare service.

FINANCIAL REVIEW

Continuing Operations

Turnover

For the six months ended 30 June 2015, the Group's turnover amounted to approximately RMB1,422,067,000, or an increase of 14.7% from approximately RMB1,239,755,000 for the same period of last year. The growth of turnover was attributable to the successful expansion in the coverage of primary medical institutions and the formation of partnership with strategic distributor and chain pharmacy. Various promotional activities were conducted at the terminal pharmacy, increasing the coverage and penetration rate in the OTC retail market.

Cost of sales and gross profit margin

For the six months ended 30 June 2015, the Group's cost of sales was approximately RMB565,362,000, representing an increase of 17.9% as compared to approximately RMB479,331,000 for the corresponding period of last year. Direct raw materials, direct labor and production overhead accounted for approximately 74.3%, 10.0% and 15.7% of the total cost of sales, respectively, as compared to 72.4%, 11.0% and 16.6% for the corresponding period of last year. Gross profit for the period was approximately RMB856,705,000, or an increase of RMB96,281,000 from approximately RMB760,424,000 for the same period of last year. The gross profit margin was 60.2%, representing a decrease of 1.1% from 61.3% as compared to the corresponding period of last year. The decrease in gross profit margin is attributable to the enhancement of procurement standards of TCM medicinal herbs for further improvement of product quality and the adjustment of sales models for some non-core products, which was switched from selling at distribution price to selling at ex-factory price. The selling price was reduced, together with the reduction of selling and distribution costs at the same time.

Other revenue

For the six months ended 30 June 2015, the Group's other revenue was approximately RMB33,460,000,representing an increase of 164.2% compared to approximately RMB12,666,000 for the corresponding period of last year.

	For the six months ended 30 June		
	2015	2014	
	RMB'000	*RMB'000*	Change
Interest income	**27,747**	692	3909.7%
Government grants	**5,169**	11,496	-55.0%
Rental income	**544**	478	13.8%
Total	**33,460**	12,666	164.2%

Interest income increased, which was due to the interest income of approximately RMB27,711,000 generated from the deposit of funds received from the placement of new shares during the period.

Other net income/(expenses)

For the six months ended 30 June 2015, the Group's other net income were approximately RMB7,689,000 (for the six months ended 30 June 2014: other net expenses of approximately RMB2,737,000). The change from other net expenses to other net income was mainly due to net gain on forward exchange contracts of approximately RMB9,842,000.

Selling and distribution costs

For the six months ended 30 June 2015, the Group's selling and distribution costs amounted to approximately RMB445,484,000 (for the six months ended 30 June 2014: RMB404,993,000).

	For the six months ended 30 June		
	2015	2014	
	RMB'000	*RMB'000*	Change
Advertising, promotion and traveling expenses	**225,309**	222,593	1.2%
Salary expenses of sales and marketing staffs	**144,307**	116,633	23.7%
Distribution costs	**14,464**	13,988	3.4%
Other selling and distribution cost	**61,404**	51,779	18.6%
Total	**445,484**	404,993	10.0%

Selling and distribution costs increased by 10.0% as compared to that of last year, which was mainly attributable to the adjustment of remuneration policy of the Group. It was also due to the increase of expenditures as the Group strengthened product and brand promotion activities to increase the market coverage of products. During the period under review, selling and distribution costs as a percentage to turnover was 31.3%, as compared to 32.7% for the corresponding period of last year. As the sales models of some non-core products was adjusted, selling and distribution costs decreased. The integration of the sales and marketing team has been completed and improvement of operating efficiency continued to be seen.

Administrative Expenses

For the six months ended 30 June 2015, the Group's administrative expenses amounted to approximately RMB123,274,000 (for the six months ended 30 June 2014: RMB106,493,000).

	For the six months ended 30 June		
	2015	2014	
	RMB'000	*RMB'000*	Change
Staff salary	**32,361**	31,238	3.6%
Depreciation and amortisation	**9,282**	8,668	7.1%
Expenses for product research and development	**31,566**	29,849	5.8%
Office rental cost and other expenses	**50,065**	36,738	36.3%
Total	**123,274**	106,493	15.8%

Administrative expenses increased by 15.8% as compared to corresponding period of last year, which was mainly attributable to professional fees of approximately RMB6,042,000 related to the acquisition of Tianjiang Pharma. During the period under review, administrative expenses as a percentage to turnover was 8.7%, as compared to 8.6% for the corresponding period of last year.

Profit from Continuing Operations

For the six months ended 30 June 2015, the Group's profit from operations was approximately RMB329,096,000, representing an increase of 27.1% as compared to approximately RMB258,867,000 for the same period of last year, while operating profit margin (defined as profit from operations divided by turnover) increased to 23.1% from 20.9% for the same period of last year.

Finance Costs

For the six months ended 30 June 2015, the Group's finance costs amounted to approximately RMB37,894,000 (for the six months ended 30 June 2014: RMB33,475,000), and the higher finance costs as compared with the corresponding period of last year was attributable to the increase of short-term borrowing for the deposit payment related to the acquisition of Tianjiang Pharma. During the period under review, the effective interest rate for bank and other loans was 4.77% (for the twelves months ended 31 December 2014: 4.98%).

Earnings per share

For the six months ended 30 June 2015, basic earnings per share of continuing and discontinuing operations was RMB7.78 cents, representing an increase of 4.4% as compared to RMB7.45 cents for the corresponding period of last year. Basic earnings per share increased because profit attributable to equity shareholders of the Company for the period under review increased by 24.3% to approximately RMB234,592,000 (for the six months ended 30 June 2014: RMB188,790,000). The growth rate of basic earnings per share was lower than that of profit attributable to equity shareholders because of the placement of 1,752,098,682 new shares in May 2015, which increased the weighted average number of ordinary shares to 3,015,543,308 shares from 2,533,899,186 shares as compared to the corresponding period of last year.

Liquidity and Financial Resources

As of 30 June 2015, the Group's current assets amounted to approximately RMB8,744,269,000 (31 December 2014: RMB2,094,478,000), which included cash, cash equivalents and deposits with banks of approximately RMB6,273,625,000 (31 December 2014: RMB439,721,000), as well as trade and other receivables of approximately RMB1,389,554,000 (31 December 2014: RMB1,236,400,000). Current liabilities amounted to approximately RMB1,398,649,000 (31 December 2014: RMB1,133,841,000). Net current assets aggregated to approximately RMB7,345,620,000 (31 December 2014: RMB960,637,000). The Group's current ratio was 6.3 (31 December 2014: 1.8). Gearing ratio (defined as bank and other loans divided by total equity attributable to equity shareholders of the Company) decreased to 0.14 from 0.37 as of 31 December 2014. Gearing ratio decreased mainly because the interests attributable to equity shareholders of the Company increased to RMB9,940,729,000 from RMB3,183,756,000 as compared to the corresponding period of last year due to the increase in retained profits and placement of new shares.

Bank and other Loans and Pledge of Assets

As of 30 June 2015, the balance of the Group's bank and other loans was approximately RMB1,397,965,000 (31 December 2014: RMB1,172,213,000), of which approximately RMB316,091,000 (31 December 2014: RMB409,547,000) was secured by the Group's assets with book value of approximately RMB209,787,000 (31 December 2014: RMB302,526,000) and guaranteed by a shareholder. Bank loans increased mainly due to the increase of short-term borrowing for the deposit payment related to the acquisition of Tianjiang Pharma.

Contingent Liabilities

The Group did not have any contingent liability as of 30 June 2015 (31 December 2014: nil).

Employee and Remuneration Policies

As of 30 June 2015, the Group had a total of 6,726 (31 December 2014: 6,579, excluded the employees of discontinued operation) employees (including directors of the Company), of which the number of sales staff, manufacturing staff and those engaged in R&D, administration and senior management were 4,032, 1,921 and 773 respectively. Remuneration packages are mainly comprised of salary and discretionary bonus based on individual performance. The Group's total remuneration amount during the period was approximately RMB228,952,000 (for the six months ended 30 June 2014: RMB199,407,000).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: Nil).

CORPORATE GOVERNANCE

Code on Corporate Governance Code

To the knowledge of the Board, the Company has complied throughout the six months ended 30 June 2015 with the Code Provisions set out in the Code on Corporate Governance Code contained in Appendix 14 of the Listing Rules except for the deviation of the code provision A.5.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

Mr. Fang Shuting resigned as an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company with effect from 25 November 2014. Due to Mr. Fang Shuting's resignation, the number of members of the audit committee decreased from three to two, below the minimum number required under Rule 3.21 of the Listing Rules. In addition, the number of members of the remuneration committee decreased from four to three, below the minimum number required under the terms of reference of the remuneration committee and the number of independent non-executive directors acting as members of the nomination committee decreased from three to two, less than the majority of the independent non-executive directors required under the terms of reference of the nomination committee and being deviated from code provision A.5.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

In compliance of with the code provision A.5.1 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, Mr. Lo Wing Yat was appointed as an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Company with effect from 27 January 2015.

The Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiry has been made with all directors and the directors have confirmed that they have complied with the required standard set out in the Model Code throughout the period. Furthermore, senior management who are likely to be in possession of inside information, have been required to comply with the provisions of the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 June 2015, including the accounting principles, treatments and practices adopted by the Group. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

By Order of the Board
China Traditional Chinese Medicine Co. Limited
WU Xian
Chairman

Hong Kong, 20 August 2015

As at the date of this announcement, the Board comprises 11 directors, of which Mr. WU Xian, Mr. YANG Bin and Mr. WANG Xiaochun are executive directors; Mr. LIU Cunzhou, Mr. ZHANG Jianhui, Mr. DONG Zenghe and Mr. ZHAO Dongji are non-executive directors; and Mr. ZHOU Bajun, Mr. XIE Rong, Mr. YU Tze Shan Hailson and Mr. LO Wing Yat are the independent non-executive directors.