四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.
四 環 醫 藥 控 股 集 團 有 限 公 司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

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

The board (the "**Board**") of directors (the "**Directors**") of Sihuan Pharmaceutical Holdings Group Ltd. ("**Sihuan Pharmaceutical**" or the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2015 (the "**Period**") together with the comparative figures for the six months ended 30 June 2014.

INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	**2014**	**Change**
	RMB'000	*RMB'000* *(Restated)*	
Key Income Statement Items			
Revenue	1,773,521	1,383,462	28.2%
Gross profit	1,278,850	960,558	33.1%
Operating profit	1,598,783	962,327	66.1%
Profit before income tax	1,682,282	1,012,443	66.2%
Profit attributable to owners of the Company	1,451,550	823,384	76.3%
Key Financial Indicators			
Gross profit margin	72.1%	69.4%	
Net profit margin	81.8%	59.5%	
Earnings per share - Basic (RMB cents)	14.01	7.95	
Receivable Turnover (days)	63	104	
Inventory Turnover (days)	73	49	
Interim dividend per share (RMB cents)	1.4	1.3	

- Revenue of the Group increased by 28.2% to approximately RMB1,773.5 million (for the six months ended 30 June 2014: approximately RMB1,383.5 million).

- Gross profit margin slightly increased to 72.1% (for the six months ended 30 June 2014: 69.4%), mainly due to the faster growth of products with higher profits.

- Profit before income tax of the Company increased by 66.2% to approximately RMB1,682.3 million (for the six months ended 30 June 2014: approximately RMB1,012.4 million).

- Profit attributable to owners of the Company increased by 76.3% to approximately RMB1,451.6 million (for the six months ended 30 June 2014: approximately RMB823.4 million), including RMB547.0 million of gains from disposal of Shandong Buchang Pharmaceutical Co., Ltd. ("**Shandong Buchang**"), refer to note 12 for further details.

- Basic earnings per share increased to approximately RMB14.01 cents (for the six months ended 30 June 2014: approximately RMB7.95 cents).

- An interim dividend of RMB1.4 cents per share was declared by the Board.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
Assets			
Non-current assets			
Property, plant and equipment	4	1,895,457	1,704,128
Investment properties	4	31,770	32,659
Intangible assets	4	2,822,565	2,815,711
Land use rights	4	374,270	362,364
Investment accounted for using the equity method	6	1,110,582	358,491
Deferred income tax assets		21,398	61,906
Other non-current assets		357,480	361,228
		6,613,522	5,696,487
Current assets			
Inventories		222,523	177,181
Trade and other receivables	5	1,218,696	1,240,666
Available-for-sale financial assets		1,992,461	1,617,631
Cash and cash equivalents		2,291,981	1,317,945
		5,725,661	4,353,423
Asset of disposal group classified as held for sale	12	—	1,273,073
		5,725,661	5,626,496
Total assets		12,339,183	11,322,983

	Note	As at 30 June 2015 RMB'000 Unaudited	As at 31 December 2014 RMB'000 Audited
Equity			
Equity attributable to owners of the company			
Share capital		85,610	85,610
Share premium		5,574,848	5,574,848
Other reserves		157,906	151,897
Retained earnings			
— Proposed dividend		145,099	134,734
— Others		4,797,123	3,344,588
		10,760,586	9,291,677
Non-controlling interests		67,056	114,336
Total equity		10,827,642	9,406,013
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		133,031	130,390
Other non-current liabilities	8	62,157	89,912
Borrowings		3,500	3,500
		198,688	223,802
Current liabilities			
Trade and other payables	7	1,016,134	1,105,384
Current income tax liabilities		247,468	194,572
Other current liabilities		49,251	96,338
		1,312,853	1,396,294
Liabilities of disposal group classified as held for sale	12	—	296,874
		1,312,853	1,693,168
Total liabilities		1,511,541	1,916,970
Total equity and liabilities		12,339,183	11,322,983
Net current assets		4,412,808	3,933,328
Total assets less current liabilities		11,026,330	9,629,815

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 30 June 2015** *RMB'000* Unaudited	**2014** *RMB'000* Unaudited *(Restated)*
Revenue	3	1,773,521	1,383,462
Cost of sales		(494,671)	(422,904)
Gross profit		1,278,850	960,558
Other income	9	19,821	17,990
Other gains — net	9	615,256	244,083
Distribution costs		(61,929)	(77,299)
Administrative expenses		(253,215)	(183,005)
Operating profit	9	1,598,783	962,327
Finance income		71,920	59,592
Finance costs		(292)	(8,687)
Finance income — net		71,628	50,905
Share of profit/(loss) of investment accounted for using the equity method	6	11,871	(789)
Profit before income tax		1,682,282	1,012,443
Income tax expense	10	(240,534)	(186,655)
Profit for the period		1,441,748	825,788
Profit attributable to:			
Owners of the Company		1,451,550	823,384
Non-controlling interests		(9,802)	2,404
		1,441,748	825,788

	Note	Six months ended 30 June 2015	2014
		RMB'000	*RMB'000*
		Unaudited	Unaudited
			(Restated)
Earnings per share attributable to owners of the Company			
- Basic and diluted earnings per share (RMB cents)	13	14.01	7.95
Profit for the period		1,441,748	825,788
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Changes in value of available-for-sale financial assets, net of tax		11,444	3,145
Other comprehensive income for the period, net of tax		11,444	3,145
Total comprehensive income for the period		1,453,192	828,933
Total comprehensive income attributable to:			
Owners of the Company		1,462,994	826,529
Non-controlling interests		(9,802)	2,404
		1,453,192	828,933

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited							
Balance as at 1 January 2014 (Original stated)	44,419	5,573,951	89,329	2,174,606	7,882,305	115,485	7,997,790
Prior year adjustments	—	—	—	(60,846)	(60,846)	—	(60,846)
Balance as at 1 January 2014 (Restated)	44,419	5,573,951	89,329	2,113,760	7,821,459	115,485	7,936,944
Comprehensive income							
Profit for the period (Restated)	—	—	—	823,384	823,384	2,404	825,788
Other comprehensive income							
Changes in value of available-for-sale financial assets, net of tax	—	—	3,145	—	3,145	—	3,145
Total other comprehensive income, net of tax	—	—	3,145	—	3,145	—	3,145
Total comprehensive income	—	—	3,145	823,384	826,529	2,404	828,933
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Issuance of ordinary shares	56	42,032	—	—	42,088	—	42,088
Bonus issue of ordinary shares	41,135	(41,135)	—	—	—	—	—
Employees share award scheme: -value of employee service	—	—	13,848	—	13,848	—	13,848
Dividends	—	—	—	(108,824)	(108,824)	—	(108,824)
Transfer to PRC statutory reserve fund	—	—	2,561	(2,561)	—	—	—
Changes in ownership interests in subsidiaries without change of control	—	—	(38,823)	—	(38,823)	(14,749)	(53,572)
Total transactions with owners, recognised directly in equity	41,191	897	(22,414)	(111,385)	(91,711)	(14,749)	(106,460)
Balance as at 30 June 2014 (Restated)	85,610	5,574,848	70,060	2,825,759	8,556,277	103,140	8,659,417

	Attributable to owners of the Company						
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited							
Balance as at 1 January 2015	85,610	5,574,848	151,897	3,479,322	9,291,677	114,336	9,406,013
Comprehensive income							
Profit for the period	—	—	—	1,451,550	1,451,550	(9,802)	1,441,748
Other comprehensive income							
Changes in value of available-for-sale financial assets, net of tax	—	—	11,444	—	11,444	—	11,444
Total other comprehensive income, net of tax	—	—	11,444	—	11,444	—	11,444
Total comprehensive income	—	—	11,444	1,451,550	1,462,994	(9,802)	1,453,192
Employees share award scheme: -value of employee service	—	—	6,805	—	6,805	—	6,805
Total contributions by and distributions to owners of the Company, recognised directly in equity							
Non-controlling interests arising on business combination	—	—	—	—	—	30,338	30,338
Non-controlling interests arising on a capital injection	—	—	—	—	—	8,027	8,027
Disposal of a subsidiary	—	—	(11,350)	11,350	—	(72,326)	(72,326)
Changes in ownership interests in subsidiaries without change of control	—	—	(890)	—	(890)	(3,517)	(4,407)
Total transactions with owners, recognised directly in equity	—	—	(5,435)	11,350	5,915	(37,478)	(31,563)
Balance as at 30 June 2015	85,610	5,574,848	157,906	4,942,222	10,760,586	67,056	10,827,642

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Net cash generated from operating activities	573,322	521,543
Net cash generated from/(used in) investing activities	351,635	(265,102)
Net cash generated from/(used in) financing activities	7,930	(306,828)
Net increase/(decrease) in cash and cash equivalents*	932,887	(50,387)
Cash and cash equivalents at beginning of period*	1,359,094	1,600,854
Cash and cash equivalents at end of period*	2,291,981	1,550,467

* *Comprise cash and cash equivalents in assets of the disposal group.*

Notes to the Condensed Interim Financial Information for the six months ended 30 June 2015

1. General information

Sihuan Pharmaceutical Holdings Group Ltd. (the "**Company**") is incorporated in Bermuda under the Bermuda Companies Act as an exempted company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together, the "**Group**") are research and development, manufacturing and sale of pharmaceutical products in the People's Republic of China (the "**PRC**").

The address of the Company's registered office is Clarendon House, 2 Church Street, P.O. Box HM 1022, Hamilton HM DX, Bermuda. The address of the principal place of business of the Group is 21st Floor, Building 2, Zhubang 2000, West Balizhuang, Chaoyang District, Beijing 100025, PRC.

The Company had its primary listing on The Stock Exchange of Hong Kong Limited on 28 October 2010.

The condensed consolidated interim financial information is presented in Renminbi ("**RMB**") thousand Yuan, unless otherwise stated. The condensed interim financial information was approved for issue on 31 August 2015.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its operating activities, the Board of executive directors of the Company considers that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopts the going concern basis in preparing the condensed consolidated interim financial information.

2.2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2.3 Prior Period adjustments and restatements

In 2014, the Company received an external enquiry (the "**Enquiry**") as to how the Group has been conducting its sales and marketing activities, which may have an impact on the accounting treatment that the Group adopted in the past for certain of its sales revenue and distribution expenses, as well as other financial reporting matters. In response to the Enquiry, the audit committee of the Company (the "**Audit Committee**") conducted an independent investigation (the "**Investigation**") involving, among others, assistance from a third party consultant in relation to the matters raised in the Enquiry.

Based on the findings of the Investigation, the directors of the Company (the "**Directors**") considered it appropriate to make adjustments to the Group's condensed consolidated interim financial information for the six months ended 30 June 2014, and consequently prior period adjustments were recorded by the Group in respect of the following matters:

(i) ***Revised sales model and reimbursement to distributors***

Prior to 2011 and under the Group's original sales model, the marketing and promotion activities in relation to the Group's products were mainly carried out by the distributors of the Group. The related marketing and promotion expenses were not incurred nor recorded by the Group. With effect from the completion of certain acquisitions in 2011, the Group retained the sales model of the newly acquired companies ("**Revised Sales Model**") and adopted it for some of the Group's products in order to have an effective integration of such business with that of the Group. The Revised Sales Model was used alongside with the Company's original sales model, although most of the sales were conducted using the Revised Sales Model in 2012 and 2013. Under the Revised Sales Model, the Group engaged certain marketing research agents ("**MRAs**") for provision of marketing and promotion services, which were previously conducted by the Group's distributors before the adoption of the Revised Sales Model. The selling prices of the Group's products to the distributors were then adjusted and increased accordingly after considering these marketing and promotion expenses under the Revised Sales Model. The marketing and promotion expenses paid by the Group to the MRAs were previously recorded as distribution costs in the consolidated financial statements of the Group. Since mid-2014 the Group has significantly reduced its use of the Revised Sales Model and consequently does not engage MRAs for provision of marketing and promotion services anymore.

(a) Based on the findings of the Investigation, certain MRAs, whose sole activities are provision of marketing related services to the Group, were now considered to be controlled by the Group as the Group is exposed to variable returns and has the ability to affect those returns through its power over these MRAs. The Directors considered that these MRAs should be accounted for as structured entities of the Group and therefore should be consolidated ("**Consolidated MRAs**") in the consolidated financial statements of the Group.

As a result of the prior period adjustment on the consolidation of the Consolidated MRAs (with the eliminations), total income/gains and expenses of RMB18,122,000 and RMB18,122,000, respectively; cash and cash equivalents and trade and other payables of RMB52,425,000 and RMB52,425,000, respectively were adjusted and included in the Group's condensed consolidated interim financial information as at and for the six months ended 30 June 2014.

These adjustments did not affect the net profit or net assets of the Group for the six months ended 30 June 2014.

(b) Besides, the Investigation also revealed that under the Revised Sales Model; the marketing and promotion expenses paid by the Group to the MRAs were eventually reimbursed, directly or indirectly, by the MRAs to the distributors or recipients designated by the distributors ("**Reimbursement Activities**"). The Directors considered that the relevant marketing and promotion expenses should be adjusted and accounted for as a reduction of the revenue earned from the distributors. As a result, a prior period adjustment was recorded to offset the related revenue and distribution costs of RMB616,576,000 for the six months ended 30 June 2014.

This adjustment did not affect the net profit or net assets of the Group for the six months ended 30 June 2014.

(ii) ***Off-book transactions conducted through employees' personal bank accounts***

The Investigation also revealed that the Group had certain off-book transactions that were conducted through certain personal bank accounts, which were opened in the names of certain employees of the Group (referred to as "**off-book transactions**"). These off-book transactions mainly included: (1) sales of distribution rights; (2) payments of distribution rights; (3) deposits from certain distributors; and (4) payments of salary of and other expenses incurred by certain employees of the Group. Based on the Investigation findings, these off-book transactions were not previously accounted for and recorded in the Group's consolidated financial statements. The Directors considered that the prior year consolidated financial statements should be adjusted.

As a result of this prior period adjustment, total income/gains and expenses of RMB5,131,000 and RMB11,880,000, respectively; and total assets and liabilities of RMB48,930,000 and RMB67,595,000, respectively were adjusted and included in the Group's condensed consolidated interim financial information as at and for the six months ended 30 June 2014.

2.4 Changes in accounting policy and disclosures

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the board of the Company. The executive directors of the board of the Company review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors of the board of the Company consider the business from product perspective. The Group is engaged in only one business segment, the research and development, manufacturing and sale of pharmaceutical products in the PRC. For the six months ended 30 June 2015, all sales are from distributors and none of the distributors accounted for revenue amounted to 10% or more of the Group's revenue (2014: None).

All of the Group's operations, customers and most of the Group's assets are located in the PRC. Accordingly, no geographical analysis of revenue, non-current assets and customers is presented.

4. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS AND LAND USE RIGHTS

	Property, plant and equipment	Investment properties	Other intangible assets	Goodwill	Land use rights
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Six months ended 30 June 2015					
Opening net book amount as at 1 January 2015	1,704,128	32,659	588,775	2,226,936	362,364
Additions	142,291	—	31,621	—	20,423
Acquisition of a subsidiary (Note 11)	121,989	—	8,050	20,792	—
Transfer out for investment in an associate	(11,481)	—	—	—	(3,565)
Depreciation and amortisation	(61,470)	(889)	(53,609)	—	(4,952)
Closing net book amount as at 30 June 2015	1,895,457	31,770	574,837	2,247,728	374,270
Six months ended 30 June 2014					
Opening net book amount as at 1 January 2014	1,441,677	34,437	653,686	2,226,936	337,998
Additions	135,051	—	17,493	—	17,672
Depreciation and amortisation	(36,620)	(889)	(54,048)	—	(7,784)
Closing net book amount as at 30 June 2014	1,540,108	33,548	617,131	2,226,936	347,886

The land use rights represent land use rights in the PRC with a lease period of 50 years.

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
Trade receivables — third parties	144,420	157,817
Notes receivables	554,329	375,202
Prepayments to suppliers	131,095	107,830
Amount receivable from a joint venture	101,564	—
Prepaid value added tax	68,230	198,283
Amount receivable from disposal of a subsidiary (a)	—	177,166
Prepaid income tax	9,199	52,580
Other receivables	209,859	171,788
	1,218,696	1,240,666

(a) The amount represented the consideration and interest related to partial disposal of a subsidiary, which bears effective interest rate of 8% (31 December 2014: 8%).

The Group's credit terms granted to customers range from one month to one year. As at 30 June 2015, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
Trade Receivables		
Within 3 months	103,252	89,900
3 to 6 months	1,817	43,910
6 to 12 months	27,354	14,696
More than 12 months	11,997	9,311
	144,420	157,817

6. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Investment in -Associates	451,463	358,491
-A joint venture	659,119	—
	1,110,582	358,491

(a) Investment in associates

	2015	2014
	RMB'000	*RMB'000*
Opening balance at 1 January	358,491	34,069
Addition	102,720	—
Share of post-tax operating loss of associates	(9,748)	(789)
Closing balance at 30 June	451,463	33,280

During the period ended 30 June 2015, the Group made a capital injection of RMB87,541,000 to acquire 39% equity interest of Beijing Ruiye Drugs Manufacture Co. Ltd. and made an additional capital injection of RMB15,179,000 to Renfang Medical Holdings Ltd.

(b) Investment in a joint venture

	2015	2014
	RMB'000	*RMB'000*
Opening balance at 1 January	—	—
Transfer from disposal group held-for-sale (Note 12)	637,500	—
Share of post-tax operating profit of Joint venture	21,619	—
Closing balance at 30 June	659,119	—

7. TRADE AND OTHER PAYABLES

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	122,199	40,818
Advances from customers	237,764	225,056
Deferred gain on partial disposal of a subsidiary	—	193,590
Cost of construction and purchase of equipment payable	107,451	150,697
Amount payables to related parties	144,123	135,906
Deposit payables	144,901	125,759
Accrued reimbursement to distributors	66,590	94,301
Accrued performance bonus to directors	95,600	66,800
Other tax payables	8,278	19,972
Salaries payables	15,255	14,710
Other payables	73,973	37,775
	1,016,134	1,105,384

At 30 June 2015, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade Payables		
Within 6 months	119,641	36,736
6 to 12 months	512	102
More than 1 year	2,046	3,980
	122,199	40,818

8. OTHER LIABILITIES

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Deferred revenue for sales of distribution right (a)	76,890	102,369
Deferred government grants (b)	34,518	83,881
	111,408	186,250
Less: current portion		
Deferred revenue for sales of distribution right (a)	31,108	32,107
Deferred government grants (b)	18,143	64,231
	49,251	96,338
Non-current portion	62,157	89,912

(a) It represents the cash advances received for sales distribution rights of certain pharmaceutical products to distributors for 5 years. The revenue is recognised in the consolidated statement of comprehensive income based on straight line basis.

(b) It represents the deferred income of government grants received for the construction of property, plant and equipment and other subsidies received subject to fulfilment of certain obligations.

Government grants received for the construction of property plant and equipment will be credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets. Other subsidies received will be credited to the consolidated statement of comprehensive income after the fulfilment of relevant obligations.

9. OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is given below.

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Other income		
Sale of distribution right	19,166	16,053
Rental income	655	1,937
	19,821	17,990
Other gains - net		
Gain on disposal of a subsidiary (Note 12)	547,048	—
Government grants	64,160	242,193
Others	4,048	1,890
	615,256	244,083
Depreciation and amortization	72,659	99,341
Research and development expense	94,317	43,496

10. INCOME TAX EXPENSE

The income tax expense of the Group for the Period is analysed as follows:

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		(Restated)
Current tax	197,385	175,167
Deferred tax	43,149	11,488
Income tax expense	240,534	186,655

Income tax expense is recognised based on management's estimate of weighted average annual income tax rate expected for the full financial year.

11. BUSINESS COMBINATION

On 30 June 2015, the Group acquired 70.7% of the equity interest of Beijing Boren Hospital ("**Beijing Boren**") from certain independent third parties for a total cash consideration of RMB90,740,000 and obtained control of Beijing Boren. The detail information of the businesses acquired are summarised as follows:

Name of acquired entity	**Beijing Boren**
Acquisition date	**30 June 2015**
	RMB'000
Consideration:	
— Cash, settled	90,740
— Cash, outstanding	—
Total consideration	90,740
Recognised amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value	
Cash and cash equivalents	1,052
Property, plant and equipment	121,989
Inventories	1,832
Trade and other receivables	300
Trade and other payables	(24,236)
Borrowings	(2,000)
Total identifiable net assets	98,937
Non-controlling interest	28,989
Goodwill	20,792
	90,740
Outflow of cash to acquire business, net of cash acquired	89,688

As at the date of approval of these consolidated financial statements, the Group had not yet finalised the assessment on the above fair values of the identifiable assets acquired as well as the liabilities assumed and any resulting goodwill or gain on bargain business acquisition. These are subject to revision within 12 months from the respective date of acquisition.

12. DISPOSAL GROUP HELD-FOR-SALE

In July 2011, the Group entered into an agreement with an independent third party, Shandong Buchang (the "**Agreement**"). Pursuant to the Agreement, Shandong Buchang will conditionally purchase 50.0% equity interest in Jilin Sichang Pharmaceutical Co., Ltd. ("**Jilin Sichang**") for a cash consideration of RMB637,500,000. The transfer of equity interest will be completed by 2 steps, which represent 19.0% ("**First Disposal**") and 31.0% ("**Second Disposal**") equity interest of Jilin Sichang respectively. After completion of the 50.0% transfer of equity interest, Jilin Sichang will be jointly controlled by the Group and Shandong Buchang. In November 2011, a 19.0% equity interest of Jilin Sichang had been transferred at a cash consideration of RMB242,250,000, of which an amount of RMB100,000,000 has been received in 2011. The difference between the consideration of the 19.0% equity interest and value of the equity interest amounting to RMB193,590,000 was recorded as deferred gain.

On 2 January 2013, the Group and Shandong Buchang mutually agreed to extend the Second Disposal to an earlier date between 31 December 2014 and the 60th business day after Shandong Buchang consummated the initial public offering in the PRC. As at 31 December 2013, the Group owned 81.0% equity interest in Jilin Sichang and the executive directors of the board of the Company are of the opinion that the Second Disposal will be completed within 12 months. Accordingly, the deferred gain was reclassified as current liability and the assets and liabilities of Jilin Sichang were presented as held for sale at 31 December 2013.

On 5 January 2015, the Group and Shandong Buchang entered into a supplemental agreement to finalise the Second Disposal, and the Second Disposal was completed in January 2015 after finalisation of certain legal procedures. Accordingly, the assets and liabilities of Jilin Sichang were presented as held for sale at 31 December 2014.

During the period ended 30 June 2015, the Group completed the disposal of 50.0% equity interest of Jilin Sichang to Shandong Buchang, which resulted in Jilin Sichang became a joint venture of the Group. A disposal gain amounting to RMB547,048,000 was recognised in the condensed consolidated statement of comprehensive income.

13. EARNINGS PER SHARE

(a) ***Basic***

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the Period.

	Six months ended 30 June	
	2015	**2014**
	Unaudited	Unaudited
		(Restated)
Profit attributable to owners of the Company (RMB'000)	1,451,550	823,384
Weighted average number of ordinary shares in issue for basic earnings per share ('000)*	10,364,182	10,362,542
Basic earnings per share (RMB cents per share)	14.01	7.95

* The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six month ended 30 June 2014 has been adjusted for the effect of the bonus issue of the Company on 20 June 2014.

(b) ***Diluted***

There is no dilution to earnings per share for the Period because there was no potential dilutive ordinary shares issuance existing for the Period. The diluted earnings per share equal the basic earnings per share.

14. DIVIDENDS

	Six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Proposed interim dividend of RMB1.4 cents (2014: RMB1.3 cents) per ordinary share	145,099	134,734

An interim dividend of RMB1.4 cents per share (for the six months ended 30 June 2014: RMB1.3 cents) was proposed by the Board on 31 August 2015. It is payable on or around 23 September 2015 to shareholders of the Company who are on the register of members of the Company on 17 September 2015. The interim dividend which amounted to RMB145,099,000 has not been recognised as a liability in this interim financial information. It will be recognised in the consolidated financial statements for the year ending 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Since January 2015, in spite of challenges arising in China's pharmaceutical market, the Group maintained a steady growth momentum, with both revenue and profit continuing their sound growth trajectory. Meanwhile, breakthroughs and new progress have been achieved in the Group's research and development ("**R&D**") of new drugs, acquisitions and project investments. For the Period, all of the Group's operational activities proceeded normally as the Group achieved satisfactory results, and all aspects of operation and management are continuously improved and enhanced.

(I) BUSINESS REVIEW

During the Period, revenue of the Group grew by 28.2% to RMB1,773.5 million from RMB1,383.5 million on a year-on-year basis. Profits attributable to owners of the Company increased 76.3% or RMB628.2 million to RMB1,451.6 million on a year-on-year basis.

According to IMS Health Incorporated, the Group maintained its No. 1 position in the cardio-cerebral vascular ("**CCV**") prescription drug market of China during the Period, with market share reaching 11.3% in terms of hospital purchases. Meanwhile, the Group is still the fourth largest pharmaceutical company in the Chinese hospital market. This further reinforced the Group's leading position in China's CCV prescription drug market and hospital market.

(i) Sales of Key Products

(a) CCV products

During the Period, sales of CCV products accounted for 94.5% of the Group's total revenue, representing an increase of 32.5% year-on-year.

The Group's several key products, Kelinao/Anjieli, Oudimei and Yuanzhijiu recorded optimal sales growth, most other CCV products maintained sound sales growth, while few products were unable to achieve sales growth due to competition from similar products and lowering drug prices.

Sales of key CCV products:

Product Name	For the six months ended 30 June 2014 (Restated) (RMB'000)	2015 (RMB'000)	Change in sales year-on-year
Kelinao/Anjieli (Cinepazide maleate injection)	289,848	366,872	26.6%
Oudimei (Cerebroside- kinin injection)	305,926	454,587	48.6%
Yuanzhijiu (Troxerutin and cerebroproptein hydrolysate injection)	132,105	218,387	65.3%
Yeduojia (Compound trivitamin B for injection (II))	48,408	62,150	28.4%
Danshen Chuanxiongqin injection (Salviae miltiorrhizae and ligustrazine hydrochloride injection)	91,507	110,299	20.5%
Yimaining (Alprostadil lipid emulsion injection)	116,523	138,772	19.1%
GM1 (Monosialotetrade osylganglioside sodium injection)	89,152	102,749	15.3%
Qu'Ao (Cerebroprotein hydrolysate)	47,585	57,950	21.8%
Chuanqing (Ligustrazine hydrochloride for injection)	40,025	44,570	11.4%
Qingtong (Edaravone injection)	38,354	37,472	-2.3%
Guhong injection (Compound of aceglutamide and safflower extract)	31,677	72,515	128.9%
Salivae Miltiorrhizae Liguspyragine Hydrochloride and Glucose Injection	335	1,727	415.5%

(b) **Non-cardio-cerebral vascular products ("Non-CCV products")**

During the Period, the Group achieved outstanding performance with the sales of newly-launched products despite delayed provincial tendering and limited market coverage. Sales of Clindamycin surged by 131.7% year-on-year, and sales of Roxatidine increased by 79.1% year-on-year. Sales of Ren'ao (Oxcarbazepine) still maintained sound growth momentum by rising 24.2% year-on-year, while sales of Zhuo'Ao (Ambroxol hydrochloride) and Bi'Ao (Ambroxol hydrochloride) were unable to achieve growth due to intense competition from similar products and continued lowering of prices.

Sales of key Non-CCV products:

Product name	For the six months ended 30 June		Change in sales year-on-year
	2014 *(Restated)*	2015	
	(RMB'000)	*(RMB'000)*	
Ren'Ao (Oxcarbazepine)	8,921	11,081	24.2%
Bi'Ao (Ambroxol hydrochloride)	28,415	29,372	3.4%
Zhuo'Ao (Ambroxol hydrochloride)	10,415	9,836	-5.6%
Clindamycin	9,974	23,108	131.7%
Roxatidine	2,338	4,189	79.1%
Huineng (Monoammonium Glycyrrhizinate and Cysteine and Sodium Chloride Injection)	—	1,036	—

(ii) Sales and Marketing

During the Period, despite a challenging market environment and tremendous pressure in drug tendering prices, the Group's sales and marketing team sustained continuous sales growth by exerting every effort to seize all opportunities in market expansion.

In several completed provincial drug tenders, including Hubei Province, Hunan Province, Chongqing Municipality, Zhejiang Province, Sichuan Province and non-EDL tender in Guangdong Province, the Group's main products all won tenders with acceptable prices. Certain newly-launched products also won tenders and obtained opportunities for market expansion.

Academic promotions remained the key focus of marketing efforts. The Group not only maintained a high level in the quantity of academic conferences and activities, but also proactively conducted academic promotions in innovative ways. During the Period, the Group organized a total of 3,556 academic promotion activities, including 11 national academic symposiums, 32 provincial/municipal medium-sized academic conferences and 3,513 departmental seminars at hospitals. The Group also conducted 3 clinical research studies, and many previous research studies have already been completed. All the experts and doctors involved in the studies fully recognize the efficacy and safety of the products with expected results.

Meanwhile, with the aim to adapt to recent market changes, the Group is also actively adjusting its sales and marketing system and has achieved preliminary effect in online marketing promotions. During the Period, through Sihuan Pharm Online School, the Group built an online platform to facilitate communication with physicians, a platform which has more than 30,000 registered members who are doctors with accumulated visits exceeding 5.5 million. The online platform has fully showcasesd the Group's professional academic image in the neurology field, which opened up a new path for future market academic promotions.

(iii) R&D

The Group achieved encouraging progress in new drug R&D since 2015. Phase I Clinical trials of innovative patented drug Pirotinib (哌羅替尼) have completed the first two cohort groups in the United States, and are in the third cohort group in dose escalation. Patients currently taking the new drug have demonstrated good pharmacokinetic profiles and preliminary efficacy responses, without serious adverse effects. Phase I clinical trials of Category 1.1 innovative drug Imigliptin Dihydrochloride (鹽酸依格列汀) have completed and it will apply for Phase II and Phase III clinical trials in the near future. In addition, Phase I clinical trials of Anaprazole Sodium (安納拉唑鈉), Tylerdipine Hydrochloride (泰樂地平) and Benapenem (百納培南), three other Category 1.1 innovative drugs, are half way through and also proceeding smoothly. L-Phencynonate Hydrochloride (左旋鹽酸苯環壬酯), a Category 1.3 innovative drug, has successfully filed an application for production to the China Food and Drug Administration ("**CFDA**").

At the end of June 2015, the Group has successfully submitted an Investigational New Drug application for clinical trial approval of Sirotinib (賽羅替尼), a Category 1.1 new drug, to the CFDA, and obtained the acceptance numbers: CXHL1501498 and CXHL1501499. Sirotinib, a new generation irreversible Pan-Her inhibitor, is the second self-developed anti-cancer drug developed by Shandong Xuanzhu Pharma Co., Ltd., for the treatment of different types of cancer in advanced stages, including esophageal, gastric and lung carcinoma. In addition, the Group has filed new applications for 29 generic drugs, among which, 20 are Category 3 new drugs and have filed applications for clinical trials.

(iv) Investment and Acquisitions

The Group has also been actively involved in mergers and acquisitions ("**M&A**") and project investments.

At the end of June 2015, the Group entered into a share transfer agreement with Beijing Qi Neng Ming Da Energy Conservation and Environmental Protection Co., Ltd., Huang Wanshui and Huang Guoming with regard to Beijing Boren. The agreement has been signed and entered the implementation stage. Upon completion of the share transfer, the Group will be interested as to 70.7% of the shares of Beijing Boren.

In addition, there are a couple of projects currently under negotiation, two to three of which have entered substantive negotiation stages, and are expected to enter into cooperation agreements in the near future.

(v) Production Management and Quality Control

Due to continuous rising raw material and labor costs in recent years, as well as the beginning of amortization for the Good Manufacturing Practice ("**GMP**") reconstruction and upgrade, the Group is facing some pressure on controlling production costs. However, the production yield of the Group's main products have been significantly improved by enhanced production technology and improved production management efficiency. Moreover, coupled with the gradually expanding production scale, the cost of main operating products is under good control.

During the Period, internal product qualification rate in each of the Group's production base maintained at 100%. No unqualified products have been found during sampling inspections by external sampling inspectors (local drug inspection departments), and all facilities have not encountered any quality-related incidents.

In February 2015, Beijing Sihuan Pharmaceutical Co., Ltd. was once again granted the certificate of National High and New Technology Enterprise. The new GMP reconstruction of oral solid preparation production line in each production base of the Group has commenced construction as scheduled.

(II) FUTURE PROSPECTS

(i) Industry Outlook

Fueled by China's ageing population, rapid urbanization and universal medical insurance coverage, rigid demand in the domestic pharmaceutical market will continue to grow. Therefore, there is no doubt that the pharmaceutical industry will maintain a sustainable growth momentum. On the other hand, the pharmaceutical industry is facing enormous challenges and growth has been slowing down significantly with the government's curbing on excessive growth of medical insurance expenditure, tightening in medical insurance budgets, lowering of provincial tender prices and in-depth structural reforms in hospitals. Moreover, a rising industrial entry threshold and high technical standards will speed up the polarization and consolidation of the pharmaceutical industry. It should be emphasized that pharmaceutical companies equipped with integrated capabilities will benefit from furthered market consolidation and integration and continue to flourish in the long run.

Backed by its outstanding capabilities in sales and marketing, R&D and internal and external resource integration, Sihuan Pharmaceutical, a leading Chinese pharmaceutical corporation with a solid business foundation and economies of scale, is poised to have new opportunities for development in the new round of industrial consolidation and integration.

(ii) Growth Strategies

(a) Fully tapping the potential of existing product resources

The current comprehensive and diversified product portfolio will sustain the growth of Sihuan Pharmaceutical in the next few years. The Group's promising products such as Oudimei, Yuanzhijiu, Yeduojia, Danshen Chuanxiongqin and Yimaining still have considerable market potential, newly-launched products such as Huineng (回能), Roxatidine (羅沙替丁), Breviscapine Sodium Chloride Injection (燈盞花注射劑), together with products such as Clindamycin (克林黴素) and Metronidzole (甲硝唑) that have been included in the national essential drug lists, are products with enormous market potential. These products will sustain the growth of the Group in at least the following three years.

(b) Accelerating the development process of product pipeline

By the end of June 2015, the Group has more than 30 products that filed production license applications, which are expected to be gradually approved and launched on the market in the next three years. In addition, with over 70 new drugs under development, the Group will prioritize the projects based on their value, risks and development progress and bring together resources to vigorously promote key projects in order to commercialize blockbuster products as soon as possible. It is expected that first-to-market blockbuster generic drugs and innovative drugs will gradually be granted approval and launched to the market in the coming two to three years.

(c) **Actively diversifying the pathways for obtaining product resources**

In addition to in-house R&D, M&A is another important channel for acquisition of new product resources by Sihuan Pharmaceutical. Moreover, collaboration with well-known domestic and international research institutions and pharmaceutical companies will be a critical pathway for obtaining high-standard products. The Group has established multiple channels to obtain product resources. In the new round of industrial consolidation and integration, M&A will become the main focus of the Group in the next two years.

(d) **Maintaining strong sales and marketing capabilities with continuous improvement and innovation**

The Group maintains its strong sales and marketing capabilities by making timely adjustments to its marketing strategies and actively exploring new sales and marketing models. With Internet technologies and fully utilising the professional online platform of Sihuan Pharm Online School, the Group further expands its expertise coverage. Online publicity and promotion will be combined with offline market expansion to provide more professional services to both physicians and patients. Meanwhile, the Group will strengthen the management and control of market channels, as well as professional education of the sales and marketing team, so as to maintain highly efficient operation of the sales and marketing system.

(iii) Outlook

The management firmly projects a continuously steady growth trajectory in the second half of 2015 and is confident that the Group will achieve full-year operating targets. Looking ahead, backed by its strengths in product resources, R&D and outstanding market expansion capabilities, Sihuan Pharmaceutical is capable of withstanding challenges. While solidifying existing operational foundation, the Group will actively seek new opportunities for development in the new wave of consolidation and integration, remain committed to being innovative and explore new business models and strategies, so as to enable the Group to further progress and develop in fierce market competition.

FINANCIAL REVIEW

Turnover

For the Period, the Group continued to strengthen its CCV drugs business while promoting sales of its products of other therapeutic areas. Under the stable growth trend of sales operations of the Group, total revenue increased by 28.2% or approximately RMB390.1 million from RMB1,383.5 million for the six months ended 30 June 2014 to RMB1,773.5 million for the Period.

For the Period, a stable growth trend was shown in the sales of CCV drugs by the Group, and sales of CCV drugs for the Period amounted to approximately RMB1,675.4 million, representing an increase of approximately RMB411.1 million when compared with the six months ended 30 June 2014, which accounted for approximately 94.5% of the Group's total revenue.

Revenue from anti-infective drugs increased by approximately 60.7% from RMB15.0 million for the six months ended 30 June 2014 to RMB24.1 million for the Period, accounting for approximately 1.4% of the Group's total revenue. Revenue from other drugs decreased by approximately 39.5% to RMB59.9 million, accounting for approximately 3.4% of the Group's total revenue.

Revenue from Active Pharmaceutical Ingredients increased by 173.4% to RMB14.2 million, accounting for approximately 0.8% of the Group's total revenue.

Cost of sales

The Group's cost of sales for the Period amounted to approximately RMB494.7 million, accounting for approximately 27.9% of the total revenue.

Gross profit

Gross profit of RMB1,278.9 million was recorded for the Period, representing an increase of RMB318.3 million when compared with RMB960.6 million for the six months ended 30 June 2014. Overall gross profit margin increased from 69.4% for the six months ended 30 June 2014 to 72.1% for the Period, which was mainly due to the faster growth of products with higher profits.

Other net gains

Other net gains increased from RMB244.1 million for the six months ended 30 June 2014 to RMB615.3 million for the Period. This was mainly due to investment income arising from the disposal of equity interest in Jilin Sichang to Shandong Buchang by the Group during the Period.

Distribution costs

Distribution costs for the Period decreased by RMB15.4 million to RMB61.9 million over the same period of last year.

Administrative expenses

Administrative expenses increased by 38.4% from RMB183.0 million for the six months ended 30 June 2014 to RMB253.2 million for the Period. The increase was primarily due to an expansion in the Group's operations and development, resulting in an increase in the relevant administrative expenses and investment in R&D.

Net finance income

Net finance income increased from RMB50.9 million for the six months ended 30 June 2014 to RMB71.6 million for the Period. The increase was mainly due to the increase in interest income received by the Group.

Profit before income tax

Based on the above factors, the Group's profit before income tax increased by 66.2% from RMB1,012.4 million for the six months ended 30 June 2014 to RMB1,682.3 million for the Period.

Income tax expenses

The Group's income tax expenses increased by 28.9% from RMB186.7 million for the six months ended 30 June 2014 to RMB240.5 million for the Period.

Profit for the Period

Based on the above factors, the Group's net profit increased by 74.6% from RMB825.8 million for the six months ended 30 June 2014 to RMB1,441.7 million for the Period.

Profit attributable to owners of the Company

Profit or net profit attributable to owners of the Company increased by 76.3% from RMB823.4 million for the six months ended 30 June 2014 to RMB1,451.6 million for the Period.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by RMB12.2 million from a profit of RMB2.4 million for the six months ended 30 June 2014 to a loss of RMB9.8 million for the Period.

Liquidity and financial resources

As at 30 June 2015, the Group's cash and cash equivalents amounted to RMB2,292.0 million (as at 31 December 2014: RMB1,317.9 million), there were no term deposits with maturities of over three months (at as 31 December 2014: nil) and available-for-sale financial assets amounted to RMB1,992.5 million (as at 31 December 2014: RMB1,617.6 million).

The Group generally deposits its excess cash in interest-bearing bank accounts and current accounts. The Group may use extra cash for short-term investments in order to obtain better returns. Therefore, members of the Group entered into agreements with certain PRC state-owned banking institutions and reputable international financial institutions outside of PRC to invest extra cash. According to such agreements, during the Period, the total amount of investment of members of the Group amounted to RMB1,968.0 million. The investments made by the Group according to these agreements were categorized as short-term investments, which mainly consisted of financial planning products purchased from certain state-owned banks and reputable international financial institutions outside of PRC. For the said financial planning products, the issuing banks of such financial planning products may invest the Group's funds at their discretion into financial instruments such as treasury bonds, discounted bank acceptances, commercial acceptance bills and bank deposits. The investment principal of RMB1,968.0 million plus interest of approximately RMB24.5 million in aggregate amounted to approximately RMB1,992.5 million, which was recognized as available-for-sale financial assets in the consolidated balance sheet of the Group as at 30 June 2015. As at the date of this announcement, total amount of sold/repaid investment principal amounted to RMB1,455.0 million.

Save as disclosed below, the Group did not have other liabilities and bank loans.

The Group has sufficient cash as at 30 June 2015. The Directors are of the opinion that the Group does not have any significant capital risk.

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Cash and cash equivalents	2,291,981	1,317,945
Less: Borrowings	(3,500)	(3,500)
	2,288,481	1,314,445

Trade and other receivables

The Group's trade receivables consist of credit sales of its products to be paid by its distributors and bank acceptance bills due within half a year. Other receivables of the Group consist of prepaid VAT, prepayments to suppliers, deposits and other receivables. The Group's trade and other receivables were RMB1,218.7 million as at 30 June 2015, representing a decrease of RMB22.0 million when compared with trade and other receivables of RMB1,240.7 million as at 31 December 2014, mainly due to equity transfer amount due from Shangdong Buchang was reversed during the Period.

Inventory

Inventory as at 30 June 2015 amounted to RMB222.5 million (as at 31 December 2014: RMB177.2 million). Inventory turnover days were 73 days for the Period (for the six months ended 30 June of 2014: 49 days). We had no inventory impairments during the Period.

Property, plant and equipment

The Group's property, plant and equipment consist of buildings, production and electronic equipment, motor vehicles and construction in progress. As at 30 June 2015, the net book value of property, plant and equipment amounted to RMB1,895.5 million, representing an increase of RMB191.4 million, or approximately 11.2%, when compared with the net book value of property, plant and equipment as at 31 December 2014. The increase was mainly attributable to the expansion or construction of existing and new production facilities, and the purchase of equipment.

Intangible assets

The Group's intangible assets mainly consist of goodwill, customer relationships, patents, deferred development costs and product development in progress. The Group's goodwill arose from the acquisitions of our subsidiaries. The deferred development costs and product development in progress mainly represented the acquisition of certain pharmaceutical R&D projects from external research institutions and self-developed R&D projects. As at 30 June 2015, net intangible assets amounted to RMB2,822.6 million (as at 31 December 2014: RMB2,815.7 million).

Trade and other payables

The Group's trade and other payables primarily consist of trade payables, advances from customers, other payables, accrued expenses and amounts due to Directors. As at 30 June 2015, trade and other payables amounted to RMB1,016.1 million, representing a decrease of RMB89.3 million when compared with the trade and other payables as at 31 December 2014, mainly due to equity transfer income for Jilin Sichang which was previously included in deferred revenue was recognized during the Period and decrease in products compensation assumed by the Group and third parties.

Contingent liabilities and guarantees

As at 30 June 2015, the Group had no material contingent liabilities or guarantees (31 December 2014: nil).

Off-balance sheet commitments and arrangements

As at 30 June 2015, apart from the contingent liabilities disclosed, the Group has not entered into any off-balance sheet arrangements or commitments to provide guarantees for any payment liabilities of any third parties. The Group did not have any variable interests in any unconsolidated entities that provide financing or liquidity, create market risk or offer credit support to us or engage in the provision of leasing, hedging or R&D services to the Group.

Capital commitment

As at 30 June 2015, the Group had a total capital commitment of RMB589.9 million, mainly set aside to acquire property, plant and equipment and intangible assets.

Credit risk

Credit risk refers to the risk of a counterparty defaulting on its contractual obligations resulting in a financial loss for us. We have no significant concentrations of credit risk. Credit risk arises mainly from cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The carrying amounts of cash equivalents, short-term bank deposits, trade and other receivables and available-for-sale financial assets represent our maximum exposure to credit risk in relation to our financial assets.

With respect to cash and cash equivalents, we manage the credit risk of cash in the PRC by placing it as bank deposits in large PRC state-owned banks without significant credit risks. We manage the credit risk of cash outside the PRC by placing it as bank deposits in financial institutions that have high credit quality.

With respect to trade and other receivables, we have policies in place to ensure certain cash advances are paid by customers upon the agreement of the related sales orders. We assess the credit quality of the counterparties by taking into account their financial positions, credit histories and other factors. We also undertake certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. We regularly perform ageing analysis, assess credit risks and estimate the recoverability of groups of trade receivables bearing similar credit risks based on historical data and cash collection history.

With respect to available-for-sale financial assets, the Group invests in short-term investment products with maturities of six months and non-determinable return rate placed in certain PRC state-owned banking institutions and reputable international financial institutions outside of the PRC.

No other financial assets bear a significant exposure to credit risk.

Foreign exchange risk

RMB is the functional currency of the Group and its major subsidiaries. All of the revenues of the Group are derived from operations in the PRC. Financial instruments of the Group are denominated in RMB. The Group is not subject to material currency risk as the Group has no major cash and cash equivalents denominated in foreign currency. Nevertheless, dividend payment of foreign currency converted from RMB is subject to foreign exchange rules and regulations promulgated by the PRC government. As at 30 June 2015, the Group had no outstanding borrowings denominated in a foreign currency.

For the Period, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Treasury Policies

The Group finances its ordinary operations with internally generated resources.

Capital expenditure

Our capital expenditure primarily consists of purchase of property, plant and equipment, land use rights and intangible assets. For the Period, our capital expenditure amounted to RMB272.3 million, of which RMB196.0 million was spent on property, plant and equipment. Purchasing and self-developed intangible assets increased by RMB55.9 million, and expenditure on land use rights was RMB20.4 million.

Material acquisition and disposal

In June 2015, the Group entered into a share acquisition agreement with independent third parties for the acquisition of 70.7% equity interest in Beijing Boren for a consideration of RMB90.7 million. On 5 January 2015, the Group and Shandong Buchang entered into a supplemental agreement relating to the second phase of disposal of equity interest in Jilin Sichang (31%), the disposal was completed in January 2015 after finalisation of required legal procedures.

Pledge of assets

As at 30 June 2015, none of our assets were pledged.

Human Resources and Remuneration of Employees

Human resources are indispensable assets to the success of the Group in a competitive environment. The Group provides competitive remuneration package to all employees. The Group reviews its own human resources and remuneration policy regularly, to encourage employees to work towards enhancing the value of the Company and promoting the long-term growth of the Company.

As at 30 June 2015, the Group had 2,716 employees. For the Period, total salaries and related costs of the Group were approximately RMB112.1 million (for the six months ended 30 June 2014: RMB127.3 million).

CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the Period.

DIRECTORS' 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. All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code throughout the Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the Period, the Company has complied at all times with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and one of them should have appropriate professional qualifications or accounting or related financial management expertise.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of one non-executive Director (Dr. Zhang Jionglong) and three independent non-executive Directors (Mr. Patrick Sun, Mr. Tsang Wah Kwong and Mr. Zhu Xun), and is chaired by Mr. Patrick Sun who has a professional qualification in accountancy. The chairman of the Audit Committee has the appropriate professional qualification and experience in financial matters. The Audit Committee has reviewed the Group's interim condensed consolidated financial information for the Period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period up to the date of this announcement.

INFORMATION FOR INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB1.4 cents per Share (equivalent to HK$1.7 cents per Share) (for the six months ended 30 June 2014: RMB1.3 cents) for the Period.

The interim dividend will be payable on or around 23 September 2015 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company at the close of business on 17 September 2015.

CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF INTERIM DIVIDEND

The register of members of the Company will be closed from 15 September 2015 to 17 September 2015, both days inclusive, for the purpose of determining Shareholders' entitlements to the interim dividend. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 14 September 2015.

PUBLICATION OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 ON THE STOCK EXCHANGE'S WEBSITE

This announcement of interim results for the six months ended 30 June 2015 is published on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.sihuanpharm.com.

PUBLICATION OF INTERIM REPORT FOR THE PERIOD

The interim report of the Company for the Period will be dispatched to Shareholders and available on the websites of the Company (http://www.sihuanpharm.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

Shareholders are encouraged to elect to receive shareholder documents electronically. You may at any time send written notice to the Company c/o the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or via email at sihuanpharm-ecom@hk.tricorglobal.com specifying your name, address and request to change your choice of language or means of receipt of all shareholder documents.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange has been suspended since 9:00 a.m. on 27 March 2015. Trading in the Shares on the Stock Exchange will remain suspended until further notice.

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 31 August 2015

As at the date of this announcement, the executive Directors are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer) and Mr. Meng Xianhui; the non-executive Directors are Dr. Zhang Jionglong and Mr. Homer Sun; and the independent non-executive Directors are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Mr. Zhu Xun.