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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

RESULTS HIGHLIGHTS

	Year ended 31 December		
	2015	2014	Change
	RMB'000	*RMB'000*	
		(Restated)	
Continuing operations			
Revenue	**3,709,406**	2,650,454	40.0%
Gross Profit	**2,193,953**	1,643,389	33.5%
Profit from continuing operations for the year	**651,042**	418,733	55.5%
Discontinued operation			
Loss from discontinued operation (net of tax)	**(11,444)**	(7,187)	59.2%
Profit/(loss) attributable to equity shareholders of the Company	**621,692**	413,090	50.5%
– Continuing operations	**627,528**	416,755	50.6%
– Discontinued operation	**(5,836)**	(3,665)	59.2%
Basic earnings/(loss) per share *(RMB cent)*	**16.86**	16.30	3.4%
– Continuing operations	**17.02**	16.45	3.5%
– Discontinued operation	**(0.16)**	(0.15)	6.7%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to express my gratitude to our shareholders and other stakeholders for their continued attention and substantial support to us. On behalf of the board (the "Board") of directors (the "Directors") of China Traditional Chinese Medicine Co. Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

In 2015, the Group completed another major project after the acquisition of Tongjitang Chinese Medicines Company and its subsidiaries ("Tongjitang") in 2013 – the acquisition of 87.3% equity interest of Jiangyin Tianjiang Pharmaceutical Co., Ltd. and its subsidiaries ("Tianjiang Pharmaceutical") at approximately RMB8.76 billion. This is the largest acquisition project in the healthcare industry of China to date, fully illustrating the strength of the Company as the platform for China National Pharmaceutical Group Corporation ("CNPGC") to engage in the Chinese medicine industry.

According to the requirements of Hong Kong Accounting Standards, after completing the acquisition of Tianjiang Pharmaceutical, the Group consolidated the financial statements of Tianjiang Pharmaceutical since October 2015. The audited revenue from continuing operations of the Group for the year 2015 was approximately RMB3,709,406,000, representing an increase of 40.0% compared to approximately RMB2,650,454,000 in last year. The audited profit attributable to shareholders was approximately RMB621,692,000, representing an increase of 50.5% compared to approximately RMB413,090,000 in last year. Although the Company issued and allotted approximately 1.95 billion new shares to raise funds for acquiring Tianjiang Pharmaceutical in the year, the audited basic earnings per share increased slightly from RMB16.30 cents in last year to RMB16.86 cents in 2015, representing an increase of 3.4%.

Completing acquisition of Tianjiang Pharmaceutical
Developing concentrated TCM granules market

In 2015, the Group completed the acquisition of 87.3% equity interest of Tianjiang Pharmaceutical and entered into the market of concentrated traditional Chinese medicine ("TCM") granules. Concentrated TCM granules will be an important development in TCM in the future. According to the information of an independent third party research institution, the sales revenue is expected to reach approximately RMB18.8 billion in 2018. As the regulations and ancillary policies for liberalising the segment will be gradually implemented, concentrated TCM granules will certainly enter into the golden age of its development as a market with immense growth potential.

Tianjiang Pharmaceutical is the forerunner in China among all TCM manufacturers specialising in the research and development ("R&D") and production of concentrated TCM granules as well as the leader in the segment. Based on its market share in terms of revenue, it is the largest manufacturer of concentrated TCM granules in China. The acquisition will allow the Company to get immediate access to the market of concentrated TCM granules with a strong position in the segment. At the same time, concentrated TCM granules are an important supplement to the existing TCM finished drugs manufactured by the Company. It will also be a strong boost towards the Company's goal of establishing itself as the leader in the TCM industry.

The acquisition was completed successfully in October 2015. Integration is currently being carried out in an orderly manner. Tianjiang Pharmaceutical has a clear development strategy, solid business growth and stable management team. It achieved good results in 2015, which met the expectation of the Company.

Entering into TCM service sector
Exploring the industrial chain on multiple levels

The Company strives to expand its business scope and explore the Chinese medicine industrial chain on multiple levels. In November 2015, the first TCM healthcare complex of the Company opened for business in Foshan, Guangdong. TCM healthcare complex will have face-to-face diagnosis as the core service, supplemented by Chinese medicine physiotherapy, display and sale of Chinese medicine/healthcare products. It is an effective channel for promoting the brands and products of the Group. The Group will continue to grow its TCM healthcare complex business through self-expansion and acquisition, gradually forming a network in major cities throughout China. 2 to 3 more shops are expected to begin operation in 2016.

In January 2016, the Group announced the joint venture of rehabilitation hospital and geriatric hospital with Foshan TCM Hospital and a subsidiary of Foshan Municipal State-Owned Assets Supervision and Administration Commission. Foshan TCM Hospital is a well-known TCM hospital in China, who is renowned for treating orthopedic diseases, and post-surgery rehabilitation for orthopedic patients is a market yet to be developed in China. The cooperation with Foshan TCM Hospital helps the Group to promptly understand the needs of the patients and reduce risks.

In response to the increasing demand for elderly care service, Foshan Municipal Government planned to set up an elderly care industrial park of approximately 148 acres in Foshan City in 2015. A subsidiary of the Group, Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd. ("Feng Liao Xing"), is located at the centre of the park. According to the government's policy of encouraging the development of Chinese medicine elderly care service, the Group believes the joint establishment of geriatric hospital will become a core component of the Foshan elderly care industrial park. As the facilities of the park come into use, the demand for the medical service of the hospital will continue to increase.

The Group will begin to restructure its production operations in Foshan in 2016. Feng Liao Xing will be relocated to Shunde, in order to coordinate with the progress of the above mentioned joint venture hospital project.

Seizing opportunities to become leader in the TCM industry

The principal business of the Group starts with R&D, manufacturing and sales of TCM finished drugs. It owns various long-lasting and well-known brands such as "Dezhong", "Fengliaoxing" and "Tongjitang", and possesses production approvals for more than 500 drugs, including over 60 exclusive products and specifications. 7 of its exclusive products, namely Xianling Gubao Capsule/Tablet (仙靈骨葆膠囊／片), Yu Ping Feng Granules (玉屏風顆粒), Jingshu Granules (頸舒顆粒), Moisturising & Anti-

Itching Capsule (潤燥止癢膠囊), Bi Yan Kang Tablet (鼻炎康片), Fengshi Gutong Capsule (風濕骨痛膠囊) and Zaoren Anshen Capsule (棗仁安神膠囊), are on the National Essential Drug List ("EDL"). The acquisition of Tianjiang Pharmaceutical allows the Group to enter into concentrated TCM granules segment and to integrate it with TCM decoction pieces business, so as to enlarge its business scale, enrich its product mix and become a pharmaceutical company which can provide both traditional and modern TCM products.

On this basis, the Group extends its business to downstream TCM healthcare service sector by establishing TCM healthcare complex and setting up joint venture specialist hospital to satisfy different needs of various stakeholders in the market. The Group is of the view that TCM healthcare products and services have a unique edge in specific medical areas. In particular, incorporating Chinese medicine with elderly care inherits traditional Chinese culture and is also in consistency with the government's industrial guidance. Upon gaining further experience, the Group will gradually increase its investment in the healthcare service sector and set up healthcare service network with characteristics of Chinese medicine, in order to improve health and quality of life for Chinese people.

As the flagship of CNPGC in Chinese medicine industry, the development strategy of the Company is, based on its solid existing businesses, to enter into different segments of Chinese medicine industry in accordance with market condition and the Company's own characteristics, with the target to cover the entire industrial value chain by upstream and downstream consolidation. To achieve the target, the Company will lay equal stress on organic growth and merger and acquisition by further exploring the potential of the current businesses, while seeking for new opportunities of co-operation and identifying targets for acquisition in the market. The Company will fully leverage on CNPGC's firm background and powerful brand to consolidate industrial resources.

2015 was a challenging year to pharmaceutical industry. Compared to previous years, there was an apparent slow-down in the growth of the industry. With the start of 2016, pharmaceutical companies, including the Group, still face many uncertainties. Tendering in many regions was delayed. The pressure to reduce drug price remained high. Cost control on medical insurance reimbursement became more stringent and regulation policies changed rapidly. In the medium to long run, however, with the economic development and an ageing population in China, the demand for healthcare product and service is bound to increase, and Chinese medicine will play an essential role. The government has always been supporting the development of Chinese medicine industry. At the end of 2015, the first Chinese Medicine Law (draft)（《中醫藥法（草案）》）was passed in the executive meeting of the State Council. Initiatives to promote Chinese medicine were also proposed in early 2016. The Company will seize opportunities to explore the market and strengthen its management. The Company will strive to maintain continuous growth in its revenue and profitability, turning into the leader in Chinese medicine industry and creating more values for all shareholders.

Wu Xian
Chairman

21 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group is a leading TCM manufacturer in China. Its products include TCM decoction pieces, concentrated TCM granules, TCM finished drugs and healthcare products. The Group has over 700 concentrated TCM granules products and over 500 finished drugs, including over 200 finished drugs being listed on National Drugs List for Basic Medical Insurance. The Group has over 100 finished drugs being listed on the EDL, 7 of which are exclusive products, namely Xianling Gubao Capsule/Tablet (仙靈骨葆膠囊／片), Yu Ping Feng Granules (玉屏風顆粒), Bi Yan Kang Tablet (鼻炎康片), Jingshu Granules (頸舒顆粒), Moisturising & Anti-Itching Capsule (潤燥止癢膠囊), Fengshi Gutong Capsule (風濕骨痛膠囊) and Zaoren Anshen Capsule (棗仁安神膠囊). The Group has accumulated extensive technical experience in extraction of Chinese medicinal herbs, preparation of traditional and modern Chinese medicine and sustained or controlled release preparation.

The Group has manufacturing facilities in Foshan of Guangdong Province, Guiyang of Guizhou Province, Jiangyin of Jiangsu Province, Xuancheng and Bozhou of Anhui Province, Jining and Linyi of Shandong Province, Longxi of Gansu Province, Mianyang of Sichuan Province and Xining of Qinghai Province. All production lines are certified with GMP as required by law. 68,000 tonnes of Chinese medicinal herbs can be preprocessed and extracted annually. The annual production capacity is 10.2 billion packs of granules, 5.65 billion tablets and 3.65 billion capsules.

Besides, the Group opened its first TCM healthcare complex in Foshan, Guangdong and will start rehabilitation hospital and geriatric hospital in the form of joint venture in the same region.

During the year under review, sales of TCM finished drugs accounted for appropriately 66.6% of the Group's revenue, sales of concentrated TCM granules made up approximately 26.4% of the revenue and sales of chemical medicine accounted for approximately 7.0% of the revenue.

INDUSTRY OVERVIEW

The Opportunity of Development for Chinese Medicine Industry

Chinese medicine is an essential part of Chinese culture. It plays an indispensible role in the thriving of Chinese people over several thousand years. Chinese medicine has unique efficacy in rebalancing body functions of human being, prevention against illness and treatment of chronic diseases. As the aging population in China has created growing demand for elderly care, healthcare and medical care, it is high time to continue the development of Chinese medicine.

The Chinese government has always supported and nurtured the development and growth of TCM industry. 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.

On 9 December 2015, Premier Li Keqiang chaired and convened an executive meeting of the State Council and approved Chinese Medicine Law (Draft) (《中醫藥法（草案）》). The draft proposed the policy of putting equal weight on TCM and western medicine and encouraging the combination of TCM and western medicine. It also requested government at different levels to provide corresponding protection policies by including eligible Chinese medical healthcare institutions in the designated institutions of urban medical insurance, employee medical insurance and New Rural Cooperative Medical Care System, and including eligible Chinese medical treatment, TCM decoction pieces, TCM finished drugs and TCM preparations of healthcare institution in the medical insurance reimbursement.

On 14 February 2016, an executive meeting of the State Council was convened and measures of promoting Chinese medicine were launched again, including promoting the protection, inheritance and excavation of TCM and ethnic medicine, training TCM talents, improving the function of TCM for emergency treatment, prevention and treatment; facilitating the combination of TCM and western medicine, strengthening the prevention and treatment against complicated diseases and chronic diseases by TCM and new product development of TCM, improving the standard system of TCM; relaxing the entry barrier of TCM service, improving TCM service network covering urban and rural area, ensuring equal right for private and public Chinese medical healthcare institutions in practice; developing TCM healthcare service, integrating TCM with elderly care and tourism; increasing investment and policy support in TCM and adding more TCM products to the EDL.

The Group is the TCM business platform of CNPGC. It focuses on Chinese medicine, with over 93% of its revenue generated from TCM products. After the acquisition of Tianjiang Pharmaceutical, the Group became one of the largest TCM manufacturers in China. In addition, the Group will enter into TCM healthcare service sector by establishing TCM healthcare complex and forming joint ventures of rehabilitation hospital and geriatric hospital. The support and nurturing to the industry from the government will create extra room for the Group’s continuous efforts in TCM industry. The Group will benefit from the development of TCM healthcare product and service market, taking the role of consolidator and leader in the industry.

Rapid growth of the concentrated TCM granules market

Concentrated TCM granules is an important branch of TCM products and takes a significant role in the future development of TCM. Concentrated TCM granules carry forward the TCM theory of “treatment based on syndrome differentiation and modification based on symptoms”, and ensure the quality of TCM drugs, aligning with the trend of Chinese medicine modernisation. Concentrated TCM granules were introduced in 1970s and currently have leading position in the Chinese medicine market in Japan, Korea, and Taiwan. In China, concentrated TCM granules are currently classified as products on trial with 6 production licenses held by 5 companies, of which Tianjiang Pharmaceutical is the forerunner in the segment, working on concentrated TCM granules for over 30 years. Since it is classified as a product on trial, the prescription of concentrated TCM granules is restricted to TCM hospitals which have made filing to local healthcare authorities. Compared to TCM decoction pieces or TCM finished drugs, the market size of concentrated TCM granules is rather insignificant.

In recent years, concentrated TCM granules have been more accepted by doctors and patients. The regulators are considering to approve concentrated TCM granules as formal drugs and to liberalise the segment, allowing more eligible companies to manufacture and sell concentrated TCM granules. Furthermore, regulatory authorities also plan to allow the prescription of the products in all TCM hospitals and TCM clinics, and to include concentrated TCM granules in the National Drugs List for Basic Medical Insurance. On 24 December 2015, China Food and Drug Administration ("CFDA") issued the "Regulations on the Administration of Concentrated TCM Granules (Draft for Comments)" (《中藥配方顆粒管理辦法(徵求意見稿)》), inviting the industry's opinion on important aspects such as entry requirements for manufacturer, traceability of the source of medicinal herbs, quality standard of products, filing of production and technical procedures and the monitoring of product manufacturing and utilisation.

With reference to the history of the development of concentrated TCM granules in overseas markets, the Group believes that the concentrated TCM granules market in China will experience a rapid growth in the coming 5 to 10 years, upon the liberalisation of the segment and the implementation of the various ancillary policies. Concentrated TCM granules is going to enter into its golden age of development. The Group completed the acquisition of Tianjiang Pharmaceutical at the right time, taking the largest share in the concentrated TCM granules market in China and a decisive position in the segment. Despite the entry of new competitors, the Group will continue to take advantage of the leading position of Tianjiang Pharmaceutical in the segment, integrate industrial resources and make appropriate plans to prepare for the coming opportunities in the development of concentrated TCM granules.

Reform of Pricing System of Drugs

On 7 May 2015, 7 government departments including National Development and Reform Commission ("NDRC") jointly issued the "Notice Regarding Reforms to the Pricing of Drugs" (《關於印發推進藥品價格改革意見的通知》), pursuant to which government pricing for most drugs will be lifted and drug procurement mechanism will be improved. Medical insurance will play a more important role in controlling reimbursement expenses and drug price shall come about mainly through market competition. In connection therewith, the medical insurance department will establish the procedures, basis and methods, together with other relevant departments, in respect of the payment standard of those drugs covered by the medical healthcare insurance fund, so as to explore a reasonable mechanism for determining drug price. For patent drugs and exclusive drugs, price should be determined through the mechanism of open and transparent negotiation among multiple parties.

To suppress unreasonable price increase in drugs, in the "Notice Regarding Strengthening Focused Monitoring of Drug Price and Related Issues (Draft for Comments)" (《關於加強藥品價格重點監測及有關問題的通知(徵求意見稿)》) issued in July 2015, NDRC intended to monitor the price of 270 drugs which are substantially covered by medical insurance, including 141 patent and exclusive drugs, 60 drugs with large sales volume and high frequency of clinical use, and 69 drugs which draw attention of the public. Four of the main products of the Group, including Xianling Gubao Capsule,Yu Ping Feng Granules, Jingshu Granules and Moisturising & Anti-Itching Capsule, were in the monitoring list.

The reform of pricing system of drugs led to new opportunities and challenges for the Group. The Group has numerous drugs with long-lasting history, well-known brand and high popularity. However, due to increasing costs and the control of selling price, the Group is forced to supply such products in small volume or even suspend production. After the liberalisation of drug price, the Group will have the flexibility of pricing according to costs and market conditions to expand or resume the production of such drugs. Certain products, especially some OTC drugs, will benefit immensely. On the other hand, hospital prescription is the major sales channel for most of the main products of the Group and the process of bidding, price negotiation and payment by medical insurance fund is inevitable. As the government strengthens the control of medical insurance payment and drug expenses, such products will face more pressure on price reduction. However, the revenue of TCM finished drugs of the Group is mainly generated from 7 exclusive EDL products, which are widely accepted by doctors and patients and provide the sales team with certain bargaining power. Moreover, the Group has always been making efforts on maintaining the pricing system of its main products throughout the national market. The Group is confident in keeping relatively stable price of its major products in various provinces in China and the growth in sales volume of such products.

Approval and management of new drugs

On 22 July 2015, CFDA issued the "Notice Regarding Self-Review of Clinical Trial Data of Drugs" (《關於開展藥物臨床試驗資料自查核查的公告》), launching the review of clinical trial data of drugs pending approval for registration. As at January 2016, among the 1,622 applications included in the self-review, 1,184 were withdrawn or rejected. This is the most stringent review on clinical data by the regulator so far, which will have profound influence on the quality of clinical trials and in consequence, improve the quality and efficacy of new drugs. Meanwhile, the withdrawal or rejection of a large number of applications will have adverse impact on the launch of new drugs in the coming years.

Currently, the Group has over 10 new products at different stages of R&D, and will continue its dedication in R&D of new drugs to ensure all research data and clinical data are well-supported. However, as regulator becomes more cautious and stringent in approval of new drugs, new drug launch of the Group will be delayed. As the Group possesses production approval of over 500 drugs, this is sufficient to support the short to mid-term growth of its finished drug business.

BUSINESS REVIEW

Sales of Products

During the year under review, the Group's revenue from continuing operations increased by 40.0% from approximately RMB2,650,454,000 in last year to approximately RMB3,709,406,000. Upon the completion of acquiring 87.3% equity interest of Tianjiang Pharmaceutical, the Group began to consolidate its financial statements in October 2015. In addition, as the Group completed the disposal of the majority part of its equity holding in Guizhou Zhongtai Biological Technology Company Limited and its subsidiaries ("Guizhou Zhongtai"), its revenue was not included in the continuing operations in the consolidated financial statements in the year under review, which is different from the presentation of last year. The financial results of Guizhou Zhongtai was shown in the discontinued operation in the consolidated financial statements in the year under review.

Continuing Operations

Analysis by TCM finished drugs, concentrated TCM granules and chemical medicine:

	For the year ended 31 December				
	2015	**Percentage**	2014	Percentage	Change
	RMB'000	**to revenue**	*RMB'000*	to revenue	
TCM finished drugs	**2,472,358**	**66.6%**	2,380,766	89.8%	3.8%
Concentrated TCM granules	**978,892**	**26.4%**	–	–	N/A
Chemical medicine	**258,156**	**7.0%**	269,688	10.2%	-4.3%
Total	**3,709,406**	**100.0%**	2,650,454	100.0%	40.0%

Finished Drug Business

Sales Analysis of Top Ten Products:

	For the year ended 31 December				
	2015	**Percentage**	2014	Percentage	Change
	RMB'000	**to revenue**	*RMB'000*	to revenue	
Xianling Gubao (仙靈骨葆)	**862,188**	**31.6%**	850,358	32.1%	1.4%
Yu Ping Feng Granules (玉屏風顆粒)	**271,139**	**9.9%**	250,049	9.4%	8.4%
Jingshu Granules (頸舒顆粒)	**224,912**	**8.2%**	200,534	7.6%	12.2%
Moisturising & Anti-Itching Capsule (潤燥止癢膠囊)	**202,503**	**7.4%**	158,455	6.0%	27.8%
Bi Yan Kang Tablet (鼻炎康片)	**168,706**	**6.2%**	255,841	9.7%	-34.1%
Sheng Tong Ping (聖通平)	**99,514**	**3.6%**	87,303	3.3%	14.0%
Fengshi Gutong Capsule (風濕骨痛膠囊)	**73,671**	**2.7%**	52,790	2.0%	39.6%
Zaoren Anshen Capsule (棗仁安神膠囊)	**71,183**	**2.6%**	57,909	2.2%	22.9%
Feng Liao Xing Medicinal Wine (馮了性藥酒)	**65,942**	**2.4%**	81,585	3.1%	-19.2%
Gao De (高德)	**59,325**	**2.2%**	87,113	3.3%	-31.9%
Other products	**631,431**	**23.2%**	568,517	21.3%	11.1%
Total	**2,730,514**	**100.0%**	2,650,454	100.0%	3.0%

Note: The revenue of other products for the year ended 31 December 2014 does not include the sales revenue of Guizhou Zhongtai for the same period.

Concentrated TCM Granules Business

Tianjiang Pharmaceutical, a subsidiary of the Group, produces more than 700 concentrated TCM granules products. It is the largest manufacturer of concentrated TCM granules in China. After the completion of acquiring 87.3% equity interest in Tianjiang Pharmaceutical, the Group started to consolidate its financial statements in October 2015. Tianjiang Pharmaceutical contributed sales approximately RMB978,892,000 for the year ended 31 December 2015.

Research and Development

In 2015, the Group obtained production approvals for Fexofenadine/Pseudophedrine Sustained-Release Capsule, a class 3.2 new chemical medicine, and Gong Yan Ping Capsule, a TCM finished drug. The Group also passed the on-site inspection by CFDA on Wuwei Huoxiang Tablet, a TCM new drug targeting mild depression. Pursuant to the guidelines of CFDA in the "Notice Regarding Self-Review of Clinical Trial Data of Drugs" (《關於開展藥物臨床試驗資料自查核查工作的公告》), the Group withdrew the registration application of Wuwei Huoxiang Tablet and intended to provide supplementary and updated data for the application. Currently, the Group has over 10 new products in different R&D stages, with the focus on drugs targeting diseases of the ageing population, such as neural degradation and cerebro-cardiovascular diseases.

During the year under review, the Group continued to push forward the project of "Yu Ping Feng Granules Re-evaluation" and substantially completed the pharmacological research on strengthening immunological effect in collaboration with Shanghai Institute of Pharmaceutical Industry ("SIPI"). Multi-centre clinical trials on using Yu Ping Feng Granules for the treatment against COPD, child repeated infection of upper respiratory tract and child asthma with high IgE and eosinophils increase and the study on molecular biology mechanism have achieved initial results. The Group also began further pharmacology and pharmacodynamics study on Jingshu Granules against cervical diseases and planned to initiate new clinical trials. In the future, the Group intend to conduct clinical trials and researches on multiple core TCM finished drugs in order to verify their medical theoretical foundation, ascertain applicable symptoms, strengthen academic promotion and facilitate product sales.

Progress of Investment Projects

Acquisition of Tianjiang Pharmaceutical

During the year under review, the Group entered into a series of agreement with various venders to conditionally acquire 87.3% equity interest of Tianjiang Pharmaceutical at the consideration of RMB8,736,223,527. In May 2015, the Company completed the placing of 1,752,098,682 new shares to raise approximately HKD8,200,000,000 (equivalent to approximately RMB6,566,686,000). In November 2015, the Company placed 197,749,762 new shares to two of the vendors, who are key management members of Tianjiang Pharmaceutical, to raise approximately HKD832,922,000 (equivalent to approximately RMB666,337,000). The balance of the consideration was paid by bank loans of approximately RMB1,000,000,000 and the Group's internal resources of RMB567,215,000. The transaction was completed in October 2015, and the consideration after fair value adjustment is approximately RMB8,758,337,000.

For details of the transaction, please refer to the circular of the Company dated 24 June 2015 and the announcements of the Company dated 13 July 2015, 29 September 2015, 14 October 2015 and 5 November 2015.

Disposal of Guizhou Zhongtai

In 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 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 allows the Group to allocate more resources to focus on the development of TCM business. As the controlling shareholder of China Biotechnology Co is CNPGC, this transaction constitutes a connected transaction.

The disposal transaction was completed in November 2015. As agreed by both parties, the consideration was adjusted to RMB139,148,000. After completion of the transaction, the Group still holds 20% equity interest in Guizhou Zhongtai and such 20% equity interest will be sold to China Biotechnology Co at an appropriate price under certain conditions.

For the first ten months of the year under review, loss of Guizhou Zhongtai was approximately RMB11,444,000.

For details of the transaction, please refer to the announcement of the Company dated 27 January 2015.

Construction of Headquarters Building

The Group is working with an independent third party to build its headquarter, R&D centre and ancillary facilities in Chan Cheng District, Foshan City. The allocation of the space of the building will be based on the amount of investment from the Group divided by cost per unit area. The construction work of this project has been commenced in the year under review. It is expected that the project will be completed in 2017 and put in use in 2018.

Manufacturing Facilities at Guiyang Economic & Technology Development Zone

During the year under review, the Group continued with the construction of the manufacturing base located at Guiyang Economic & Technology Development Zone, Guizhou Province (new factory of Sinopharm Group Tongjitang (Guizhou) Pharmaceutical Co., Ltd. The project is expected to be completed in 2016 and trial operation will be gradually started in 2017. The facilities will be in full compliance with new GMP requirements and will significantly enhance the production capacity to meet the need of business expansion of the Group.

Joint Venture Hospitals

In January 2016, the Group announced that it formed joint ventures with Foshan TCM Hospital and a subsidiary under Foshan State-Owned Assets Supervision and Administration Commission. The joint ventures are controlled by the Group and will invest RMB1,600,000,000 on establishing a rehabilitation hospital and a geriatric hospital equipped with 500 beds and 1,500 beds, respectively. Business registration of the joint ventures has been completed. The construction of the hospital project is expected to commence in mid-2016.

For details of the project, please refer to the announcement of the Company dated 13 January 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2015
(Expressed in Renminbi)

	Note	2015 *RMB'000*	2014 *RMB'000* *(Restated)*
Continuing operations			
Revenue	*2(a)*	**3,709,406**	2,650,454
Cost of sales		**(1,515,453)**	(1,007,065)
Gross profit		**2,193,953**	1,643,389
Other revenue	*3*	**129,919**	36,759
Other net income/(expenses)	*3*	**12,426**	(3,474)
Selling and distribution costs		**(1,195,636)**	(903,418)
Administrative expenses		**(384,914)**	(221,560)
Profit from operations		**755,748**	551,696
Finance costs	*4(a)*	**(70,180)**	(62,577)
Share of loss of an associate		**(1,637)**	–
Gain on disposal of a subsidiary		**85,439**	–
Profit before taxation	*4*	**769,370**	489,119
Income tax	*5*	**(118,328)**	(70,386)
Profit from continuing operations for the year		**651,042**	418,733

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2015 (continued)
(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
			(Restated)
Discontinued operation			
Loss from discontinued operation (net of tax)		**(11,444)**	(7,187)
Profit for the year		**639,598**	411,546
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		**627,528**	416,755
– Discontinued operation		**(5,836)**	(3,665)
		621,692	413,090
Non-controlling interests			
– Continuing operations		**23,514**	1,978
– Discontinued operation		**(5,608)**	(3,522)
		17,906	(1,544)
Profit for the year		**639,598**	411,546
Earnings/(loss) per share			
Basic and diluted	*6*		
– Continuing operations		**17.02 cents**	16.45 cents
– Discontinued operation		**(0.16) cents**	(0.15) cents
		16.86 cents	16.30 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015
(Expressed in Renminbi)

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**639,598**	411,546
Other comprehensive income for the year (after tax)		
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")	**56,331**	(687)
Cash flow hedge:		
– Effective portion of changes in fair value of hedging instruments recognised during the period	**(122,887)**	–
– Amount transferred to initial carrying amount of hedged item	**122,887**	–
Other comprehensive income for the year	**56,331**	(687)
Total comprehensive income for the year	**695,929**	410,859
Attributable to:		
Equity shareholders of the Company	**678,023**	412,403
Non-controlling interests	**17,906**	(1,544)
Total comprehensive income for the year	**695,929**	410,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015

(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		**2,513**	2,651
Other property, plant and equipment		**1,490,168**	674,696
Interests in leasehold land held for own use under operating leases		**307,666**	282,893
Construction in progress		**179,086**	76,074
Other receivables	*9*	**135,678**	12,569
		2,115,111	1,048,883
Intangible assets	*7*	**3,638,341**	948,005
Goodwill	*8*	**5,389,508**	1,191,052
Interest in an associate		**88,136**	–
Other financial assets		**–**	1,010
Deferred tax assets		**125,546**	48,424
		11,356,642	3,237,374
Current assets			
Other financial assets		**100,594**	662
Inventories		**1,235,861**	417,695
Trade and other receivables	*9*	**3,398,227**	1,236,400
Deposits with banks		**36,030**	305
Cash and cash equivalents		**2,101,856**	439,416
		6,872,568	2,094,478

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2015 (continued)
(Expressed in Renminbi)

	Note	**2015**	2014
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*10*	**2,660,470**	540,113
Bank and other loans		**1,600,059**	501,648
Current taxation		**148,580**	47,743
Current portion of deferred government grants		**81,880**	44,337
		4,490,989	1,133,841
Net current assets		**2,381,579**	960,637
Total assets less current liabilities		**13,738,221**	4,198,011
Non-current liabilities			
Deferred tax liabilities		**901,497**	245,022
Deferred government grants		**148,663**	25,302
Bank loans		**850,300**	670,565
		1,900,460	940,889
NET ASSETS		**11,837,761**	3,257,122
CAPITAL AND RESERVES			
Share capital		**9,809,935**	2,542,246
Reserves		**1,319,533**	641,510
Total equity attributable to equity shareholders of the Company		**11,129,468**	3,183,756
Non-controlling interests		**708,293**	73,366
TOTAL EQUITY		**11,837,761**	3,257,122

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain financial instruments classified as available-for-sale and derivative financial instruments are stated at their fair value.

The functional currency of the Company is Hong Kong Dollars ("HKD"). These consolidated financial statements are presented in Renminbi ("RMB") as the functional currency of the Group's major operating subsidiaries is RMB. These consolidated financial statements presented in RMB have been rounded to the nearest thousand.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

2 Revenue and segment reporting

(a) *Revenue*

Continuing operations

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

	2015	2014
	RMB'000	*RMB'000*
Sales of pharmaceutical products		
– Pills and tablets	**1,912,282**	1,781,062
– TCM Granules	**978,892**	–
– Granules	**551,646**	494,005
– Injections	**104,813**	115,363
– Medicine wine	**65,942**	81,585
– Others	**95,831**	178,439
	3,709,406	2,650,454

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenues (2014: Nil).

Further details regarding the Group's principal activities are described below:

(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 purposes of resource allocation and performance assessment, the Group has presented the following twelve 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)

- Jiangyin Tianjiang Pharmaceutical Co., Ltd. and its subsidiaries (newly acquired in October 2015, "Jiangyin Tianjiang Group")

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade payables and accruals attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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 share of loss of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

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 years ended 31 December 2015 and 2014 is set out below.

Year ended 31 December 2015

	Continuing operations												Discontinued operation	
	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Tongjitang Pharmaceutical	Jingfang	Guizhou LLF	Pulante	Jiangyin Tianjiang Group	Subtotal	Guizhou Zhongtai	Total
	RMB'000	*RMB'000*	*RMB'000* (*note*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	11,168	5,801	31,993	19,343	51,468	1,055,504	1,188,348	310,149	56,740	–	978,892	3,709,406	19,772	3,729,178
Inter-segment revenue	275,824	215,637	391,998	48,973	53,383	232	643	6	39	29,173	–	1,015,908	–	1,015,908
Reportable segment revenue	286,992	221,438	423,991	68,316	104,851	1,055,736	1,188,991	310,155	56,779	29,173	978,892	4,725,314	19,772	4,745,086
Reportable segment profit/(loss) (adjusted EBITDA)	77,093	54,690	92,316	32,505	6,580	20,466	250,842	78,172	11,012	11,609	245,916	881,201	(9,403)	871,798
Interest income	1,770	21	86,791	5	9	78	726	2,693	511	35	3,659	96,298	103	96,401
Interest expenses	4,348	5,276	15,501	–	673	458	14,399	703	–	–	–	41,358	1,413	42,771
Depreciation and amortisation for the year	16,968	5,168	17,489	5,445	539	596	54,715	7,344	149	1,204	57,461	167,078	1,325	168,403
Reportable segment assets (including interest in an associate)	936,859	629,130	721,925	128,523	148,429	464,390	3,140,538	576,198	113,702	96,469	11,271,583	18,227,746	–	18,227,746
Additions to non-current assets during the year	1,016	9,262	124,444	670	3,379	166	112,858	5,934	248	6	3,866,643	4,124,626	1,179	4,125,805
Reportable segment liabilities	480,377	285,900	919,549	39,371	145,787	299,867	664,364	195,157	48,375	18,515	931,699	4,028,961	–	4,028,961

Year ended 31 December 2014

	Continuing operations											Discontinued operation	
	Dezhong	Feng Liao Xing	Guangdong Medi-World	Luya	Feng Liao Xing Material & Slices	Winteam Sales	Tongjitang Pharmaceutical	Jingfang	Guizhou LLF	Pulante	Subtotal	Guizhou Zhongtai	Total
	RMB'000	RMB'000	RMB'000 (*note*)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	6,183	26,756	19,886	36,321	35,424	1,046,716	1,150,884	259,100	48,455	20,729	2,650,454	39,719	2,690,173
Inter-segment revenue	277,272	171,637	324,344	35,220	52,621	90	1,312	–	31	6,232	868,759	–	868,759
Reportable segment revenue	283,455	198,393	344,230	71,541	88,045	1,046,806	1,152,196	259,100	48,486	26,961	3,519,213	39,719	3,558,932
Reportable segment profit (adjusted EBITDA)	94,953	30,088	67,815	27,316	3,078	45,225	352,464	60,713	8,691	8,817	699,160	4,169	703,329
Interest income	143	151	34	10	15	149	251	387	164	76	1,380	314	1,694
Interest expenses	9,886	5,393	8,427	–	540	743	37,588	–	–	–	62,577	1,640	64,217
Depreciation and amortisation for the year	17,571	5,815	18,485	5,505	419	576	53,141	4,358	140	1,278	107,288	11,810	119,098
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
Additions to non-current assets during the year	9,068	841	19,104	999	1,723	457	60,711	6,656	69	303	99,931	683	100,614
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 31 December 2015 excluded RMB887,301,000 of investments in subsidiaries (31 December 2014: RMB503,086,000).

(ii) Reconciliations of reportable segment revenues, profit or loss

	2015			2014		
	Continuing operations	**Discontinued operation**	**Total**	Continuing operations	Discontinued operation	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
Reportable segment revenue	**4,725,314**	**19,772**	**4,745,086**	3,519,213	39,719	3,558,932
Elimination of inter-segment revenue	**(1,015,908)**	**–**	**(1,015,908)**	(868,759)	–	(868,759)
Consolidated revenue	**3,709,406**	**19,772**	**3,729,178**	2,650,454	39,719	2,690,173
Profit						
Reportable segment profit	**881,201**	**(9,403)**	**871,798**	699,160	4,169	703,329
Elimination of inter-segment profits	**(69,424)**	**–**	**(69,424)**	(23,694)	(277)	(23,971)
Reportable segment profit derived from the Group's external customers	**811,777**	**(9,403)**	**802,374**	675,466	3,892	679,358
Gain on disposal of a subsidiary	**85,439**	**–**	**85,439**	–	–	–
Share of loss of an associate	**(1,637)**	**–**	**(1,637)**	–	–	–
Other revenue and net income	**142,345**	**653**	**142,998**	33,285	1,612	34,897
Depreciation and amortisation	**(167,078)**	**(1,325)**	**(168,403)**	(107,288)	(11,810)	(119,098)
Finance costs	**(41,358)**	**(1,413)**	**(42,771)**	(62,577)	(1,640)	(64,217)
Unallocated head office and corporate expenses	**(60,118)**	**–**	**(60,118)**	(49,767)	–	(49,767)
Consolidated profit/(loss) before taxation	**769,370**	**(11,488)**	**757,882**	489,119	(7,946)	481,173

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as substantially all of the Group's assets are located in the PRC.

3 Other revenue and net income/(expenses)

Continuing operations

	2015	2014
	RMB'000	*RMB'000*
Other revenue		
Government grants		
– Unconditional subsidies	**28,166**	30,551
– Conditional subsidies	**4,589**	3,817
Interest income	**96,298**	1,380
Rental income	**866**	1,011
	129,919	36,759

	2015	2014
	RMB'000	*RMB'000*
Other net income/(expenses)		
Net loss on disposal of fixed assets	**(650)**	(559)
Gain on disposal of available-for-sale securities	**566**	–
Unrealised loss on equity securities (at fair value)	**(68)**	(502)
Net gain on forward exchange contracts	**9,842**	–
Exchange gain/(loss)	**7,433**	(1,688)
Others	**(4,697)**	(725)
	12,426	(3,474)

4 Profit before taxation

Continuing operations

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

	2015	2014
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank advances and other borrowings	**70,180**	62,577
(b) Staff costs:		
Salaries, wages and other benefits	**528,167**	385,905
Contributions to defined contribution retirement plans	**35,384**	19,773
	563,551	405,678
(c) Other items		
Auditors' remuneration	**8,591**	6,257
Depreciation		
– investment properties	**138**	162
– interests in leasehold land held for own use under operating leases	**5,015**	4,881
– other property, plant and equipment	**84,478**	55,970
Amortisation		
– intangible assets	**77,447**	46,275
Impairment losses		
– trade receivables	**56,039**	5,627
– other receivables	**6,155**	(1,327)
Operating lease charges: minimum lease payments	**2,604**	4,538
Research and development costs	**112,324**	67,727
Rentals receivable from investment properties	**(866)**	(1,011)
Cost of inventories#	**1,515,453**	1,007,065

Cost of inventories includes RMB255,473,000 (2014: RMB187,894,000) relating to staff cost, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax for the year	**163,872**	91,149
Under/(over) provision in respect of prior years	**697**	(2,331)
	164,569	88,818
Deferred tax		
Origination and reversal of temporary differences	**(46,285)**	(18,106)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(1,085)
Income tax expenses	**118,284**	69,627
Representing:		
Income tax expenses from continuing operations	**118,328**	70,386
Income tax benefits from discontinued operation	**(44)**	(759)
Income tax expenses	**118,284**	69,627

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 year (2014: Nil).

Pursuant to the Corporate Income Tax Law of the PRC, the statutory tax rate applicable to the Group's PRC subsidiaries is 25%, except for:

1) Jingfang and Luya 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. Feng Liao Xing, Dezhong, Guangdong Medi-World are applying for the extension of "Advanced and New Technology Enterprise" and the entitlement of the preferential income tax rate for the years of 2014 to 2016. In the opinion of directors, they do not foresee any difficulties to obtain the approval of the preferential income tax rate for 2014 to 2016. The PRC income tax rate applicable to Feng Liao Xing, Dezhong, Guangdong Medi-World, Jingfang and Luya was of 15% for the year ended 31 December 2015 (2014: 15%);

2) Guangdong Yifang Pharmaceutical Co., Ltd. ("GD Yifang") and Jiangyin Tianjiang Pharmaceutical Co., Ltd. ("JY Tiangjiang"), which were recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15% from 2015 to 2017 and the middle of 2015 to 2018 respectively pursuant to documents issued by local government authorities. The PRC income tax rate applicable to GD Yifang and JY Tiangjiang was of 15% for 2015 (GD Yifang and JY Tiangjiang were newly acquired in October 2015); and

3) Tongjitang Pharmaceutical, Guizhou LLF, Pulante, Guizhou Zhongtai Biological Technology Company Limited and Longxi Yifang Pharmaceutical Co., Ltd. ("Longxi Yifang"), being a qualified enterprise located in the western region of the PRC, enjoys a preferential income tax rate of 15% for the years ended 31 December 2015 and 2014, which will be effective 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.

As a part of the continuing evaluation of the funding needs of its subsidiaries, the directors have determined that certain of the undistributed profits of the Group's PRC subsidiaries (except for the Jiangyin Tianjiang Group) before 1 January 2013 will not be distributed in the foreseeable future. As such, the deferred tax liabilities as at 31 December 2012 in the amount of RMB12,000,000 were reversed during the year ended 31 December 2014. In addition, the directors have also determined that the undistributed profits of the Group's PRC subsidiaries (except for the Jiangyin Tianjiang Group) on or after 1 January 2013 will not be distributed in the foreseeable future. As such, no further deferred tax liabilities in this regard have been recognised on the undistributed profits earned by the Group's PRC subsidiaries (except for the Jiangyin Tianjiang Group) on or after 1 January 2013 as at 31 December 2015 and 2014.

As for the Jiangyin Tianjiang Group, the directors has declared that the retained profits of RMB60,000,000 was distributed according to the board resolution dated on 16 December 2015. The Company would receive the dividend of RMB49,080,000 from the Jiangyin Tianjiang Group according to its equity interest in the Jiangyin Tianjiang Group. Withholding tax of RMB4,908,000 was recognised in current taxation in respect of the actual dividend declared to the Company. The directors have determined that there is no further plan for dividend distribution of the Jiangyin Tianjiang Group in the foreseeable future since 31 December 2015.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**757,882**	481,173
Notional tax on profit before taxation, calculated at rates applicable to profits in the jurisdictions concerned	**194,366**	123,637
Tax effect on non-deductible expenses	**15,609**	10,534
Tax effect on non-taxable income	**(17,024)**	–
Income tax concessions	**(80,601)**	(50,836)
Under/(over) provision in respect of prior years	**697**	(2,331)
Tax effect of unused tax losses not recognised	**329**	2,241
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(1,085)
Effect of tax losses not recognised in prior years but utilised in current year	**–**	(533)
Provision/(reversal) of withholding tax on retained profits	**4,908**	(12,000)
Actual tax expense	**118,284**	69,627

6 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB621,692,000 (2014: RMB413,090,000) and the weighted average of 3,686,873,104 ordinary shares (2014: 2,533,899,186 ordinary shares) in issue during the year, calculated as follows:

	2015	2014
Profit attributable to the equity shareholders of the Company *(RMB'000)*	**621,692**	413,090
Number of ordinary shares in issue for the purpose of basic earnings per share *(thousands)*	**3,686,873**	2,533,899
Basic earnings per share *(RMB per share)*	**16.86 cents**	16.30 cents
Continuing operations		
Profit attributable to the equity shareholders of the Company *(RMB'000)*	**627,528**	416,755
Number of ordinary shares in issue for the purpose of basic earnings per share *(thousands)*	**3,686,873**	2,533,899
Basic earnings per share *(RMB per share)*	**17.02 cents**	16.45 cents
Discontinued operation		
Loss attributable to the equity shareholders of the Company *(RMB'000)*	**(5,836)**	(3,665)
Number of ordinary shares in issue for the purpose of basic loss per share *(thousands)*	**3,686,873**	2,533,899
Basic loss per share *(RMB per share)*	**(0.16) cents**	(0.15) cents

(i) **Weighted average number of ordinary shares**

	2015	2014
	'000	*'000*
Issued ordinary shares at 1 January	**2,533,899**	2,533,899
Effect of shares issued	**1,152,974**	–
Weighted average number of ordinary shares at 31 December	**3,686,873**	2,533,899

(b) Diluted earnings per share

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

7 Intangible assets

	Product protection rights RMB'000	Trademarks RMB'000	Distribution network RMB'000	Software RMB'000	Customer relationship RMB'000	Total RMB'000
Cost:						
At 1 January 2014	647,858	300,558	59,818	1,232	107,081	1,116,547
Additions	–	–	–	644	–	644
Disposals	–	–	–	(100)	–	(100)
At 31 December 2014	647,858	300,558	59,818	1,776	107,081	1,117,091
At 1 January 2015	647,858	300,558	59,818	1,776	107,081	1,117,091
Acquisition of subsidiaries	1,004,078	–	–	–	1,787,794	2,791,872
Disposal of a subsidiary	(30,009)	–	(818)	(634)	–	(31,461)
At 31 December 2015	1,621,927	300,558	59,000	1,142	1,894,875	3,877,502
Accumulated amortisation and impairment loss:						
At 1 January 2014	73,559	13,801	29,110	644	2,082	119,196
Amortisation for the year	31,178	1,729	6,002	298	10,783	49,990
Written back on disposals	–	–	–	(100)	–	(100)
At 31 December 2014	104,737	15,530	35,112	842	12,865	169,086
At 1 January 2015	104,737	15,530	35,112	842	12,865	169,086
Amortisation for the year	38,190	1,703	5,909	413	31,537	77,752
Disposal of a subsidiary	(7,110)	–	(213)	(354)	–	(7,677)
At 31 December 2015	135,817	17,233	40,808	901	44,402	239,161
Net book value:						
At 31 December 2015	1,486,110	283,325	18,192	241	1,850,473	3,638,341
At 31 December 2014	543,121	285,028	24,706	934	94,216	948,005

The amortisation charge for the year is mainly included in "cost of sales" in the consolidated income statement.

Trademark with the carrying amount of RMB251,863,000, acquired through the acquisition of Tongjitang Chinese Medicines Company and its subsidiaries (the "Tongjitang Group") in 2013, are assessed to have indefinite useful lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The recoverable amount of the trademark that has indefinite useful life is estimated annually whether or not there is any indication of impairment.

The amount is allocated to each CGU of the Tongjitang Group as follows:

	2015 *RMB'000*	2014 *RMB'000*
– Tongjitang Pharmaceutical	**198,972**	198,972
– Jingfang	**37,779**	37,779
– Guizhou LLF	**10,075**	10,075
– Pulante	**5,037**	5,037
	251,863	251,863

The recoverable amount of the trademark that has indefinite useful life is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering a five-year period. Cash flows for the five-year period are extrapolated to cover a period of five (2014: five) more years (the "Extrapolated Period") using an estimated increased rate of 3% (2014: 3%) in selling prices and costs with no growth in sales volume. Cash flows beyond the Extrapolated Period are forecasted using an estimated selling price and cost in the last year of the Extrapolated Period with no growth in sales volume. The pre-tax rate used to discount the forecast cash flows at 17.99% (2014: 17.64%). No impairment loss was recognised during the year ended 31 December 2015 (2014: Nil).

Certain product protection rights with carrying value of RMB3,776,000 were pledged as securities of bank loans of the Group as at 31 December 2015 (2014: RMB4,203,000).

8 Goodwill

	2015 *RMB'000*	2014 *RMB'000*
Cost and carrying amount:		
At 1 January	**1,191,052**	1,191,052
Addition acquired through business combination	**4,292,443**	–
Disposal of a subsidiary	**(93,987)**	–
At 31 December	**5,389,508**	1,191,052

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combination is allocated to the Group's CGU identified as follows:

	2015	2014
	RMB'000	*RMB'000*
Manufacture and sale of pharmaceutical products		
– Dezhong	**100,391**	100,391
Manufacture and sale of pharmaceutical products		
– Feng Liao Xing	**23,664**	23,664
Manufacture and sale of pharmaceutical products		
– Guangdong Medi-World	**26,055**	26,055
Manufacture and sale of pharmaceutical products		
– Luya	**11,221**	11,221
Sale of pharmaceutical products		
– Feng Liao Xing Material & Slices	**2,449**	2,449
Sale of pharmaceutical products		
– Winteam Sales	**5,390**	5,390
Manufacture and sale of pharmaceutical products		
– TongjitangGroup		
– Tongjitang Pharmaceutical	**733,037**	733,037
– Jingfang	**139,184**	139,184
– Guizhou LLF	**37,116**	37,116
– Pulante	**18,558**	18,558
Manufacture and sale of pharmaceutical products		
– Guizhou Zhongtai	**–**	93,987
Manufacture and sale of pharmaceutical products		
– Jiangyin Tianjing Group	**4,292,443**	–
	5,389,508	1,191,052

The recoverable amount of the CGU is determined based on value-in-use calculations. The key assumptions used in the valuations are those regarding the expected changes to selling prices and costs, and discount rates. The changes in selling prices and costs are based on historical operating records and expectation of future changes in the market. Discount rates applied are able to reflect the current market assessments of the time value of money and the risks specific to the CGU.

The Group determined the value-in-use by preparing cash flow projections of each of the CGU derived from the most recent financial forecast approved by the management covering a four-year period (2014: four). Cash flows beyond the fifth year to the sixth year period are extrapolated using an estimated increased rate of 3% (2014: 3%) in selling prices and costs with no growth in sales volume (2014: Nil). Cash flows beyond the six-year period are extrapolated using an estimated selling prices and costs in the sixth year with no growth in sales volume. The pre-tax rates used to discount the forecast cash flows range from 15.75% to 19.92% (2014: 15.59% to 21.50%). The discount rates reflect specific risks relating to the relevant CGUs.

9 Trade and other receivables

	2015	2014
	RMB'000	*RMB'000*
Current		
Trade receivables	**2,275,939**	565,218
Bills receivable	**1,126,175**	608,653
Less: allowance for doubtful debts	**(184,488)**	(20,728)
	3,217,626	1,153,143
Other receivables	**180,601**	83,257
	3,398,227	1,236,400
Non-current		
Other receivables	**135,678**	12,569
	3,533,905	1,248,969

Non-current other receivables mainly represent the prepayments for construction works and equipment amounted to RMB39,080,000 (2014: RMB11,086,000), prepayment for arrangement fees relating to a long-term loan amounted to RMB2,598,000 (2014: RMB1,483,000) and payment for the interests in leasehold land held for own use under operating leases amounted to RMB94,000,000 (2014: Nil).

Bills receivable with carrying value of RMB269,004,000 (2014: RMB166,547,000) were pledged as securities of bank loan of the Group as at 31 December 2015.

(a) Ageing analysis

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months of invoice date	**2,378,541**	1,029,755
3 to 6 months after invoice date	**403,268**	84,433
More than 6 months less than 12 months after invoice date	**433,311**	29,453
More than 12 months after invoice date	**2,506**	9,502
	3,217,626	1,153,143

Trade and bills receivables are due within 30 to 180 days from the date of billing. All of the trade and bills receivables are expected to be recovered within one year.

10 Trade and other payables

	2015	2014
	RMB'000	*RMB'000*
Trade creditors	**508,688**	133,143
Other creditors and accrued charges	**1,976,222**	333,940
Advances received from customers	**175,560**	73,030
	2,660,470	540,113

As of the end of the financial year, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Due within 1 month or on demand	**508,688**	133,143

Other creditors and accrued charges mainly include the payables for outstanding consideration, accrued staff costs and benefits, accrued sales rebates to customers and other tax payables.

All of the trade and other payables are expected to be settled within one year or payable on demand.

11 Dividends

No final dividend has been proposed by the Company for the year ended 31 December 2015 (2014: Nil).

FINANCIAL REVIEW

After the acquisition of 87.3% equity interest in Tianjiang Pharmaceutical, the Group began to consolidate financial statements of Tianjiang Pharmaceutical in October 2015.

Continuing Operations

Revenue

During the year under review, the Group's revenue amounted to approximately RMB3,709,406,000, representing an increase of 40.0% from approximately RMB2,650,454,000 of last year. The growth of revenue was mainly attributable to the newly acquired concentrated TCM granules business after the acquisition of Tianjiang Pharmaceutical. Of which, the revenue of finished drug business was approximately RMB2,730,514,000, representing an increase of 3.0% compared to approximately RMB2,650,454,000 of last year. The revenue contributed by the concentrated TCM granules business was approximately RMB978,892,000.

Cost of sales and gross profit margin

During the year under review, the Group's cost of sales was approximately RMB1,515,453,000, representing an increase of 50.5% as compared to approximately RMB1,007,065,000 for last year. Gross profit for the year was approximately RMB2,193,953,000, representing an increase of RMB550,564,000 as compared with RMB1,643,389,000 of last year. Gross profit margin dropped to 59.1% from 62.0% of last year. The decrease in gross profit margin was mainly attributable to the lower gross profit margin of concentrated TCM granules business than that of finished drug business.

Regarding the finished drug business, the cost of sales for the year was approximately RMB1,079,016,000, representing an increase of 7.1% as compared with RMB1,007,065,000 of last year. Gross profit amounted to approximately RMB1,651,498,000, representing an increase of RMB8,109,000 from RMB1,643,389,000 of last year. The gross profit margin was 60.5%, representing a fall of 1.5% as compared to 62.0% 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.

Regarding the concentrated TCM granules business, the cost of sales for the year was approximately RMB436,437,000, including the amount of approximately RMB32,590,000 resulted from the fair value assessment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical, which was allocated to the cost of sales in the consolidated financial statements. Gross profit amounted to approximately RMB542,455,000 and the gross profit margin was 55.4%.

Other revenue

During the year under review, the Group's other revenue was RMB129,919,000, representing an increase of 253.4% compared to approximately RMB36,759,000 for last year.

Finished drug business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Interest income	**92,640**	1,380	6,613.0%
Government grants	**31,012**	34,368	-9.8%
Rental income	**866**	1,011	-14.3%
Total	**124,518**	36,759	238.7%

Interest income increased as the fund raised from new share placement in the year under review was deposited in banks, which generated income of approximately RMB84,210,000.

Concentrated TCM granules business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Interest income	3,658	–	N/A
Government grants	1,743	–	N/A
Total	5,401	–	N/A

Other net income/(expenses)

During the year under review, the Group's other net income was approximately RMB12,426,000 (2014: other net expenses RMB3,474,000). For finished drug business, approximately RMB3,474,000 of other net expenses was changed to approximately RMB13,369,000 of other net income, which was mainly attributable to a net gain on forward exchange contracts of approximately RMB9,842,000 and foreign exchange gain of approximately RMB7,193,000 due to changes in exchange rate. Other net expenses of the concentrated TCM granules business was approximately RMB943,000.

Selling and distribution costs

During the year under review, the Group's sales and distribution costs amounted to approximately RMB1,195,636,000 (2014: RMB903,418,000).

Finished Drug Business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Advertising, promotion and traveling expenses	**483,529**	499,424	-3.2%
Salary expenses of sales and marketing staff	**335,095**	244,008	37.3%
Distribution costs	**26,930**	27,747	-2.9%
Other sales and distribution costs	**115,183**	132,239	-12.9%
Total	**960,737**	903,418	6.3%

Selling and distribution costs increased by 6.3% as compared to that of last year, which was mainly attributable to the adjustment of remuneration policy of the Group. During the year under review, selling and distribution costs as a percentage to the revenue of finished drugs was 35.2%, as compared to 34.1% for last year.

Concentrated TCM granules business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Advertising, promotion and traveling expenses	**137,826**	-	N/A
Salary expenses of sales and marketing staff	**14,395**	-	N/A
Distribution costs	**9,018**	-	N/A
Other sales and distribution costs	**73,660**	-	N/A
Total	**234,899**	-	N/A

The amount of approximately RMB682,000 resulted from the fair value assessment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical was allocated to the selling and distribution costs in the consolidated financial statements. The sales and distribution costs of concentrated TCM granules business in the consolidated financial statements accounted for 24.0% of its revenue. The sales and distribution costs were mainly marketing and promotional expenses.

Administrative Expenses

During the year under review, the Group's administrative expenses amounted to approximately RMB384,914,000 (2014: RMB221,560,000).

Finished drug business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Staff salary	**68,893**	59,646	15.5%
Depreciation and amortisation	**15,600**	16,623	-6.2%
Expenses for product research and development	**79,985**	67,727	18.1%
Office rental cost and other expenses	**101,335**	77,564	30.6%
Total	**265,813**	221,560	20.0%

Administrative expenses increased by 20.0% as compared to RMB221,560,000 for last year. The increase was attributable to the professional service fee of RMB10,849,000 related to the acquisition of Tianjiang Pharmaceutical in the year and the increase in R&D expenses of approximately RMB12,258,000. The administrative expenses as a percentage to the revenue of finished drugs was 9.7%, as compared to 8.4% for last year.

Concentrated TCM granules business:

	2015	2014	Change
	RMB'000	*RMB'000*	
Staff salary	22,549	–	N/A
Depreciation and amortisation	3,843	–	N/A
Expenses for product research and development	32,339	–	N/A
Office rental cost and other expenses	60,370	–	N/A
Total	119,101	–	N/A

The amount of approximately RMB738,000 resulted from the fair value assessment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical was allocated to the administrative expenses in the consolidated financial statements. Administrative expenses of the concentrated TCM granules business accounted for 12.2% of its revenue in the consolidated financial statements.

Profit from Continuing Operations

During the year under review, the Group's profit from operations was RMB755,748,000, representing an increase of 37.0% as compared to RMB551,696,000 for last year, while operating profit margin (defined as profit from operations divided by revenue) slightly decreased to 20.4% from 20.8% for last year.

Regarding the finished drug business, the profit from operations was approximately RMB562,834,000, representing an increase of 2.0% as compared to RMB551,696,000 for last year. The operating profit margin slightly decreased from 20.8% for last year to 20.6% for the year. Regarding the concentrated TCM granules business, the profit from operations was approximately RMB192,914,000 (after deducting depreciation and amortisation of approximately RMB34,010,000 resulted from the fair value assessment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical in the consolidated financial statements). The operating profit margin was 19.7%.

Finance Costs

During the year under review, the Group's finance costs amounted to approximately RMB70,180,000 (2014: RMB62,577,000). The increase as compared to last year was due to the increase in bank loans for the acquisition transaction in 2015. Bank loans held by the Group as at 31 December 2015 amounted to approximately RMB2,450,359,000. During the year under review, the effective interest rate was 3.91% (2014: 4.98%).

Gain from disposal of equity interest in a subsidiary and share of loss from an associate

During the year under review, the Group sold 31% equity interest of Guizhou Zhongtai and incurred an investment gain of approximately RMB85,439,000. Upon the completion of the transaction, the Group still holds 20% equity interest in Guizhou Zhongtai, which became an associate to the Group. The Group incurred an investment loss in an associate of approximately RMB1,637,000 from Guizhou Zhongtai.

Earnings per share

For the year under review, basic earnings per share of continuing and discontinuing operations was RMB16.86 cents, representing an increase of 3.4% as compared to RMB16.30 cents for last year. Profit attributable to equity shareholders of the Company for the year increased by 50.5% to approximately RMB621,692,000 (2014: RMB413,090,000). For the same year, the Company issued and placed new shares for its acquisition transaction. The number of issued shares increased substantially to 4,483,747,630 shares. The weighted average number of issued ordinary shares for the year was 3,686,873,104 shares.

Liquidity and Financial Resources

As at 31 December 2015, the Group's current assets amounted to RMB6,872,568,000 (31 December 2014: RMB2,094,478,000), which included cash, cash equivalents and deposits with banks of RMB2,137,886,000 (31 December 2014: RMB439,721,000), as well as trade and other receivables of RMB3,398,227,000 (31 December 2014: RMB1,236,400,000). Current liabilities amounted to RMB4,490,989,000 (31 December 2014: RMB1,133,841,000). Net current assets aggregated to approximately RMB2,381,579,000 (31 December 2014: RMB960,637,000). The Group's current ratio was 1.5 (31 December 2014: 1.8). The gearing ratio (defined as bank and other loans divided by equity attributable to equity shareholders of the Company) decreased to 0.22 from 0.37 as at 31 December 2014. Gearing ratio decreased as the equity attributable to equity shareholders of the Company increased from RMB3,183,756,000 for the year ended 31 December 2014 to RMB11,129,468,000 due to the increase in retained earnings and the issuance of new shares.

Bank and other Loans and Pledge of Assets

As at 31 December 2015, the balance of the Group's bank and other loans was approximately RMB2,450,359,000 (31 December 2014: RMB1,172,213,000), of which RMB462,080,000 (31 December 2014: RMB406,547,000) was secured by the Group's assets with book value of approximately RMB346,279,000 (31 December 2014: RMB302,526,000) in total. The new bank loan was mainly for paying the consideration for acquiring Tianjiang Pharmaceutical.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31 December 2015 (31 December 2014: nil).

Employee and Remuneration Policies

As at 31 December 2015, the Group had a total of 9,420 (31 December 2014: 6,579, excluding 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 4,529, 3,418 and 1,473 respectively. Remuneration packages are mainly comprised of salary and discretionary bonus based on individual performance. The Group's total remuneration amount during the year was RMB563,551,000 (2014: RMB405,678,000, excluding the remuneration of the employees of discontinued operation).

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance. The Company has complied with the Code on Corporate Governance Practices as set out in the Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2015 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 Rule 3.21 of the Listing Rules and 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.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board. The Audit Committee comprises three members who are all independent non-executive directors, namely Mr. Xie Rong, Mr. Zhou Bajun and Mr. Lo Wing Yat. Mr. Xie Rong, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The Company's audit committee has met with the Group's senior management and the auditors to review the annual results and the financial statements for the year ended 31 December 2015.

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

Hong Kong, 21 March 2016

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 independent non-executive directors.