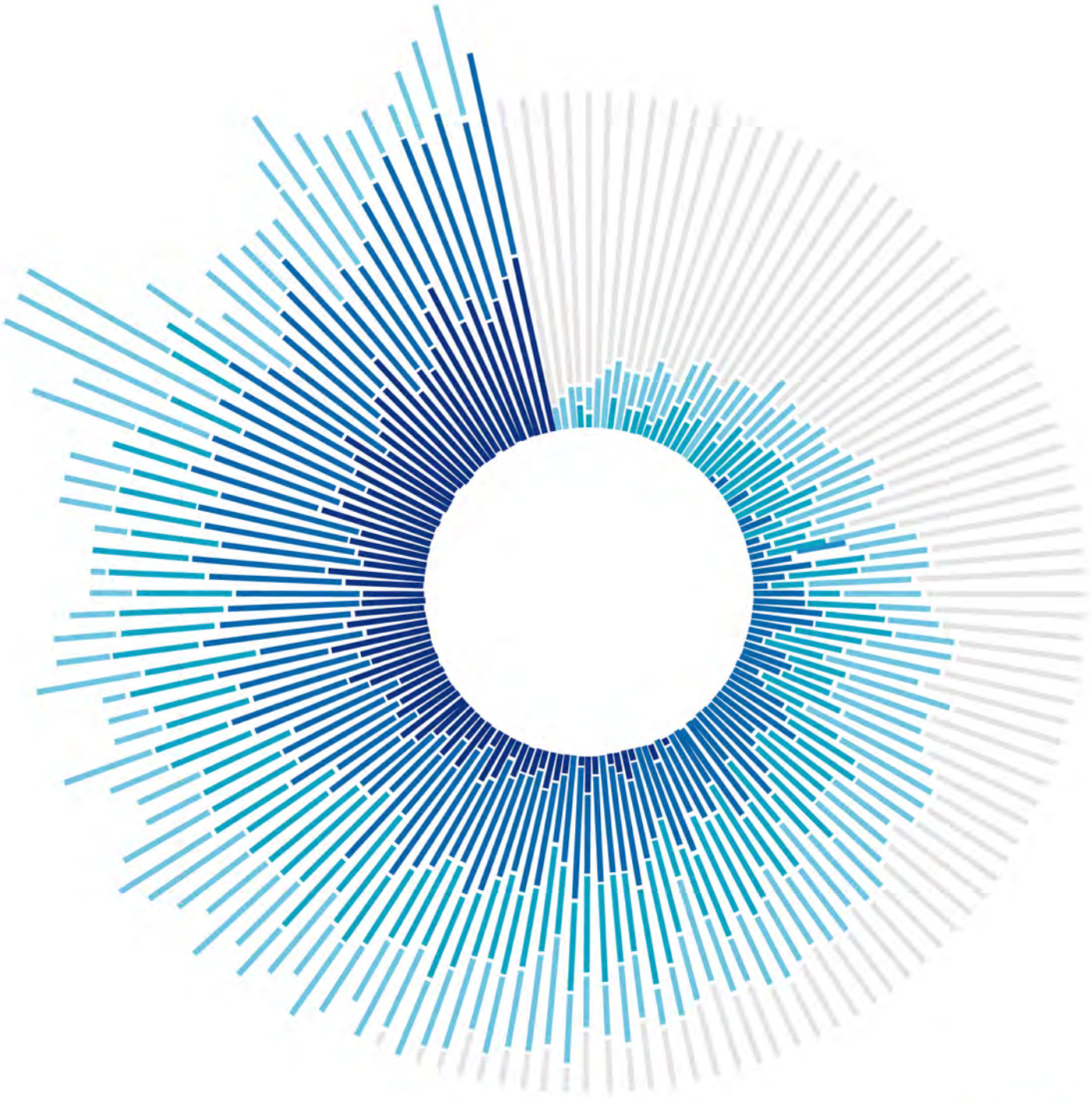
2016 INTERIM REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED

(Stock Code:867)



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LAM Kong
Mr. CHEN Hongbing
Ms. CHEN Yanling
Ms. SA Manlin

Independent Non-Executive Directors

Mr. CHEUNG Kam Shing, Terry
Mr. HUANG Ming
Mr. WU Chi Keung

Company Secretary

Ms. ZHANG Lingyan

Authorized Representatives

Ms. ZHANG Lingyan
Mr. LAM Kong

Audit Committee Members

Mr. WU Chi Keung (Chairman)
Mr. CHEUNG Kam Shing, Terry
Mr. HUANG Ming

Remuneration Committee Members

Mr. HUANG Ming (Chairman)
Mr. CHEUNG Kam Shing, Terry
Mr. WU Chi Keung

Nomination Committee Members

Mr. CHEUNG Kam Shing, Terry (Chairman)
Mr. LAM Kong
Mr. WU Chi Keung
Mr. HUANG Ming

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

China Merchants Bank, Shenzhen Branch
Industrial and Commercial Bank of China, ShenZhen Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Citibank (China) Co.,Ltd., Shenzhen Branch

Registered Office

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Grand Cayman, KY1-1104
Cayman Islands

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Nanshan District
Shenzhen 518057
PRC

Principal Place of Business in Hong Kong

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510 King's Road
North Point
Hong Kong

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Wanchai
Hong Kong

Stock Code:

867

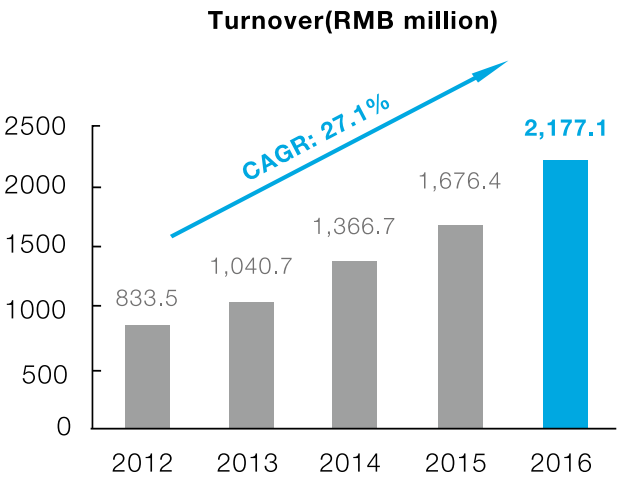
Company's Website:

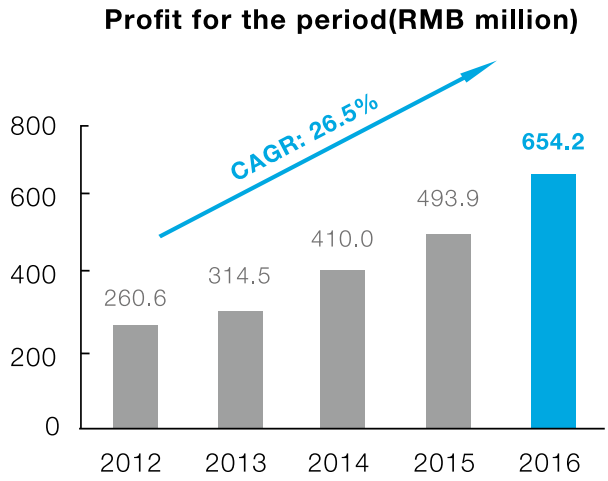
www.cms.net.cn

FINANCIAL HIGHLIGHTS

- Turnover up 29.9% to RMB2,177.1 million (H1 2015: RMB1,676.4 million)
- Profit for the period up 32.5% to RMB654.2 million (H1 2015: RMB493.9 million)
- Basic earnings per share up 29.9% to RMB0.2629 (H1 2015: RMB0.2024)
- As at 30 June 2016, the Group's cash and bank deposits amounted to RMB313.9 million while readily realizable bank acceptance bills amounted to RMB271.9 million
- Declared interim dividend up 32.5% to RMB0.1052 per share (H1 2015: RMB0.0794)

Turnover and profit of the Group for the six months ended 30 June of the latest five years are set out below:





MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce that for the six months ended 30 June 2016 (the "Reporting Period"), the Group recorded turnover of RMB2,177.1 million (2015: RMB1,676.4 million), representing an increase of 29.9% over the same period of last year, while profit for the period reached RMB654.2 million (2015: RMB493.9 million), up 32.5% from the corresponding period of last year.

In the first half of 2016, a string of Chinese healthcare and pharmaceutical reform policies were announced, with more stringent regulatory dynamics. The development of the Chinese healthcare and pharmaceutical industry became more uncertain as a result of price erosion caused by tendering, cost controls in medical insurance, second price negotiations, two-invoice system, bioequivalence evaluation of generic drugs, as well as self-examination and inspection of clinical trial data. Facing the healthcare and pharmaceutical industry's transition from an extensive phase of growth to one of greater quality and efficiency enhancements, the Group achieved relatively rapid growth during the Reporting Period. This was on account of the Group's continuous introduction of new products, diverse and outstanding product portfolios, well-cultivated promotional networks, professionally and academically-oriented promotional strategies, as well as its international vision and pragmatic operational approach.

Product Introduction and Development

1. Product Introduction

The continuous introduction of new products serves as the core of the Group's sustainable development. Having operated in the Chinese market for two decades, the Group has insisted on the high product selection criteria, and has gradually established a multilevel (the short-term, mid-term and long-term) new product introduction system. Short-term, directly-launched products refer to overseas products for which Import Drug Licenses("IDL")have been obtained in China, and domestic products which have been granted production license approvals. These products can be sold immediately after introduction. The mid-term pipeline products refer to the products that have launched in overseas markets but have yet to gain IDL in China. Long-term pipeline products refer to innovative drug candidates at late stages of development, building a solid foundation for the Group's long-term sustainable development. The multilevel product introduction strategy can ensure that the Group has a sufficient and constant supply of products to launch into the markets and support its sustained stable growth in the future.

The Group's preferred method of introducing product is to control the product's rights. For the rights control of domestic products, the Group introduces new products mainly through equity participation with domestic manufacturers; for the rights control of overseas products, the Group prefers to introduce new products through purchasing their assets related to the Chinese market or their long-term exclusive sales rights. This "rights control" introduction model ensures steady control over product rights while generating higher profit for the Group in the mid-term and long-term.

During the Reporting Period, the Group and a wholly-owned subsidiary of Tibet Rhodiola Pharmaceutical Holdings Co., Ltd. ("Tibet Pharmaceutical", an associate company of the Group) entered into important agreements with AstraZeneca AB, to acquire Plendil's exclusive sales rights in China for 20 years and Imdur's global market assets (US market excluded) respectively. Key information is listed below:

1.1 Added product that can be directly launched to the market via purchasing the twenty-years exclusive sales rights

On 26 February 2016 (London time), the Company entered into an exclusive license agreement with AstraZeneca AB, pursuant to which AstraZeneca AB grants an exclusive license to the Company for the commercialization of Plendil (Felodipine Sustained Release Tablet) in the People's Republic of China ("PRC"). The term of the exclusive license agreement is 20 years and it shall be automatically renewed for another 5 years. The current large market size of Plendil can strengthen the Group's capability in the field of cardiovascular and cerebral vascular and help the Group obtaining continued growth of its business.

1.2 Added product that can be directly launched to the market via acquiring the global market assets by the Group's associate company Tibet Pharmaceutical

On 26 February 2016 (London time), a wholly-owned subsidiary of Tibet Pharmaceutical entered into an asset purchase agreement with, among others, AstraZeneca AB ("Asset Purchase Agreement"). Pursuant to the agreement, Tibet Pharmaceutical acquires global assets (US market excluded) of Imdur (Isosorbide Mononitrate Sustained Release Tablet), including the trade marks, the know-how used exclusively for the manufacture of the product, the goodwill, the product records and the legal rights and interests in the relevant regulatory approvals ("Imdur Assets"). At the shareholders meeting of Tibet Pharmaceutical held on 27 April 2016, a resolution was passed to approve the transactions contemplated under the asset purchase agreement. Completion of the sale and purchase of the Imdur assets between a wholly-owned subsidiary of Tibet Pharmaceutical and AstraZeneca AB took place on 1 May 2016. The shareholders of Tibet Pharmaceutical have also approved the appointment of the Group to promote Imdur in the PRC on an exclusive basis.

Before the above mentioned two products were added to the Group's portfolio, they had gained a certain market scale and brand recognition in China, and can be directly launched into the market to contribute to the Group's revenue. The newly added products will also enrich the portfolio of the cardiovascular and cerebral vascular product line under the direct academic promotion network (the "direct network"), while further enhancing the promotional synergies.

2. Existing Product Development

2.1 Main Products under the Direct Network

During the Reporting Period, the Group continued to exploit the academic advantages of each product, and enhanced the evidence-based medical data for the products' indications via scientific research and clinical trials. The Group also comprehensively improved the national and regional expert network, refined the market strategy, and expanded therapeutic departments to lay a stable market foundation for the products, and for promoting a sustainable and healthy development.

Deanxit (Flupentixol and Melitracen)

Deanxit, manufactured by H. Lundbeck A/S of Denmark, is used for the treatment of mild to moderate depression and anxiety and is on the National Reimbursement Drug List ("NRDL"). Based on IMS data in 2015, Deanxit is the most prescribed antidepressant drug in China. During the Reporting Period, the Group further reinforced its brand image and consolidated advanced expert networks through strengthening the cooperation with experts and academics. High-level clinical research was also conducted to provide convincing evidence-based clinical theories for Deanxit. In addition, the Group enhanced the market coverage and continued to intensify market penetration. During the reporting period, Deanxit recorded sales of RMB470.6 million, an increase of 4.3% compared with the same period last year.

Ursofalk (Ursodeoxycholic Acid)

Ursofalk, manufactured by Dr. Falk Pharma GmbH of Germany, is used for the treatment of cholesterol gallstones, cholestatic liver disease and bile reflux gastritis and is on the NRDL. Based on IMS data in 2015, Ursofalk is the best-selling ursodeoxycholic acid drug in China, and ranked first in sales among digestive products in the Chinese cholagogue market. During the Reporting Period, the Group further enhanced the brand prestige through systematically hosting domestic and overseas academic conferences. During the Reporting Period, Ursofalk recorded sales of RMB354.8 million, an increase of 11.3% compared with the same period last year.

Plendil (Felodipine Sustained Release Tablet)

Plendil is a newly introduced product under the Direct Network via purchase of long-term exclusive sales rights. Plendil is an original product manufactured by AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康制药有限公司). Plendil is used to treat hypertension and stable angina pectoris, and is on the NRDL. Felodipine is a commonly used calcium channel blocker to treat hypertension, this class of medicine is recommended by the Chinese Guidelines for the Management of Hypertension. Plendil is the sustained release formulation of Felodipine, which controls the blood pressure smoothly with low rates of instances of side effects. During the Reporting Period, the Group completed the market handover of the product, established stable partnerships with related departments in various academic institutions, and endeavored to build its brand image by taking advantage of academic platforms. During the Reporting Period, Plendil recorded sales of RMB274.6 million.

XinHuoSu (Nesiritide, Lyophilized Recombinant Human Brain Natriuretic Peptide, "rhBNP")

XinHuoSu, a National Class One biological agent used to treat acute heart failure, manufactured by Chengdu Rhodiola Biological Pharmaceutical Co., Ltd, a subsidiary of Tibet Pharmaceutical in which the Group holds a 26.61% stake. XinHuoSu is the only Recombinant Human Brain Natriuretic Peptide (rhBNP) currently on the Chinese market. It is recommended by the first "Acute Heart Failure Diagnosis and Treatment Guideline" in China, and has gradually become the standard medication for treating acute heart failure. During the Reporting Period, the Group continued to establish its expert network at all levels and accelerated the core hospitals' development based on the academic promotion route. During the Reporting Period, XinHuoSu recorded sales of RMB257.3 million, an increase of 17.6% compared with the same period last year.

Salofalk (Mesalazine)

Salofalk, manufactured by Dr. Falk Pharma GmbH of Germany, is mainly used to treat Ulcerative Colitis and Crohn's disease. It is on the NRDL, and is the Mesalazine with the most completed formulations in China, including coated tablets, suppositories and enemas. During the Reporting Period, the Group deepened and refined the doctor re-education campaign through domestic and overseas multi-level academic conferences, and actively promoted the expert network towards the rural market, and expanded the brand perception of Salofalk. During the Reporting Period, Salofalk recorded sales of RMB101.6 million, an increase of 17.3% compared with the same period last year.

Augentropfen Stulln Mono Eye-drops (Escuilin and Digitalisglycosides Eye-drops)

The Group owns Augentropfen Stulln Mono Eye-drops' related assets for the China (including Hong Kong SAR and Macau SAR) market, and has entrusted the manufacture to Pharma Stulln GmbH of Germany. Augentropfen Stulln Mono Eye-drops is used to treat age-related macular degeneration and all forms of ocular asthenopia, and is the only eye-drops product approved by the China Food and Drug Administration (CFDA) for the treatment of macular degeneration, and it is preservative-free. During the Reporting Period, the Group implemented the doctor re-education through academic conferences and network platforms, in order to promote the brand image and application of Augentropfen Stulln Mono Eye-drops in the treatment area of ocular fundus disease and professional ocular asthenopia. During the Reporting Period, Augentropfen Stulln Mono Eye-drops recorded sales of RMB85.1 million, an increase of 21.5% compared with the same period last year.

Bioflor (Saccharomyces Boulardii)

Bioflor, manufactured by Biocodex of France, is a probiotics agent used to treat diarrhea for both adults and children, as well as diarrhea symptoms caused by the disturbance of intestinal flora. Bioflor is the probiotics agent with the most adequate evidence base to treat acute gastroenteritis for children, and is also the only Saccharomyces Boulardii currently in the Chinese market. During the Reporting Period, the Group carried out doctor re-education through a variety of academic conferences to strengthen the awareness among doctors, gradually expanding to more therapeutic departments, further enhancing its market coverage. During the Reporting Period, Bioflor recorded sales of RMB81.6 million, an increase of 4.5% compared with the same period last year.

DanShenTong Capsule

DanShenTong capsule is manufactured by Hebei Xinglong Xili Pharmaceutical Co., Ltd in which the Group holds more than 50% shares, and is on the NRDL. DanShenTong capsule is a plant-based antibiotic (broad spectrum) with multiple functions. The major functions of the product are antisepsis and anti-inflammation. The drug is mainly used for the treatment of acne, tonsillitis, otitis externa, boils, carbuncles, traumatic infection, burn infection, mastitis, cellulitis, osteomyelitis, etc. During the Reporting Period, the Group explored and refined its academic value, by identifying its pharmacological mechanisms and determining the promotion direction, the brand was enhanced, and dermatological academic status established through its expert network and platform. During the Reporting Period, DanShenTong capsule recorded sales of RMB55.9 million, an increase of 20.9% compared with the same period last year.

NuoDiKang Capsule

NuoDiKang capsule is manufactured by Sichuan NuodiKang WeiGuang Pharmaceutical Co., Ltd, a subsidiary of Tibet Pharmaceutical, in which the Group holds a 26.61% share. The product is included on the National Essential Drug List ("EDL") and NRDL, and is listed as a Traditional Chinese Medicinal Protection Product. The main functions of the product are boosting vital energy, activating blood circulation, freeing blood vessels and alleviating pain. It is used for chest impediments caused by a deficiency in vital energy and blood stasis, manifested as tightness in the chest, tingling or pain, palpitations, shortness of breath, lassitude, asthenic breathing, disinclination to talk, dizziness, coronary heart disease and angina with aforementioned symptoms. During the Reporting Period, the Group strengthened the network of core experts, further explored and refined its academic value, and re-built its academic brand image with the support of the Group's cardiovascular and cerebrovascular academic platform. During the Reporting Period, NuoDiKang capsule recorded sales of RMB52.1 million, an increase of 129.2% compared with the same period last year.

Hirudoid

The Group owns Hirudoid's related assets for the China market, and has entrusted the manufacture to Mobilat Produktions GmbH (Germany). The active ingredient of Hirudoid is mucopolysaccharide polysulfate. The drug is used for the treatment of various forms of phlebitis and soft tissue injuries, and is used as an adjuvant therapy for varicose veins surgery and postoperative sclerotherapy. It can also inhibit the formation of scars and soften existing scars. Hirudoid has broad indication with high quality, efficacy and safety. During the reporting period, the Group refined and enhanced market layout through establishing a national and regional expert network for dermatology. The Group enriched the evidence-based medical evidence for its core promotion indications via scientific research and further positioned the product's academic value. During the Reporting Period, Hirudoid recorded sales of RMB47.6 million, an increase of 298.2% compared with the same period last year.

Combizym (Oryz-Aspergillus Enzyme and Pancreatin Tablet)

The Group owns Combizym's related assets for the China market and other designated countries or areas, and has entrusted the manufacture to Nordmark Arzneimittel GmbH & Co. KG (Germany). The main ingredients of Combizym are pancreatin and aspergillus oryzae enzymes, which is used for the treatment of dyspepsia caused by decreases in digestive enzymes. Combizym is included on the NRDL. During the Reporting Period, the Group continuously promoted the concept of the clinical application of digestive enzymes, using the Group's well-established brand and resources, to accumulate clinical evidence, compiling medical guidelines, and exploring more applicable therapeutic departments. During the Reporting Period, Combizym recorded sales of RMB21.4 million, an increase of 366.9% compared with the same period last year.

Parlodel® Tablet (Bromocriptine Mesilate)

The Group owns Parlodel® Tablet's related assets for the China (including Hong Kong SAR and Taiwan) market, and has entrusted the manufacture to Novartis Farma S.P.A. in Italy. The active ingredient of Parlodel® tablet is bromocriptine mesilate. It is an original product, and is included on the NRDL. One of the product indications is for the treatment of hyperprolactinemia (HPRL), and is a standard first-line treatment product for HPRL as recommended by guidelines. Parlodel® tablet has obtained authorization of co-marketing, and the transfer of its IDL in China has been accomplished in January 2016. During the Reporting Period, Parlodel® tablet recorded sales of RMB8.7 million.

Imdur (Isosorbide Mononitrate Sustained Release Tablet)

Imdur, a newly introduced product that can be directly launched into the market under the Direct Network via acquiring its global assets (US market excluded) by the Group's associate company Tibet Pharmaceutical. The Group is responsible for Imdur's promotion and sale in the China market. Imdur is a long-acting, oral nitrate preparation for long-term treatment of coronary artery disease and prophylactic angina pectoris. It is an original product temporarily manufactured by AstraZeneca Pharmaceutical Co., Ltd. (阿斯利康制药有限公司). Nitrates hold a very important position and advantages in the treatment of cardiovascular diseases. This class of medicine is cited or recommended as first-line anti ischemic agent by some Chinese and international guidelines for cardiovascular diseases. Isosorbide mononitrate has the largest market share among nitrates. Imdur uses the Durules sustained release technology of AstraZeneca and is suitable for long-term anti ischemic treatment. In China, Imdur has wide clinical use and high recognition among both doctors and patients. It is a NRDL product and listed in local EDL in some areas. It is one of the indispensably important drugs for anti ischemic treatment of coronary artery disease. In May 2016, the Group started the handover of the China market from AstraZeneca, actively conducted the promotional activities, gradually establishing the expert network and rebuilding the first-brand position of the best-selling oral nitrate. During the Reporting Period, the Group received Imdur's promotional service revenues of RMB2.1 million.

Lamisil® Tablet (Terbinafine Hydrochloride)

The Group owns Lamisil® Tablet's related assets for the China market, and the product is manufactured by Beijing Novartis Pharma Ltd. The active ingredient of Lamisil® tablet is terbinafine hydrochloride. The drug is an original product, and is included on the NRDL. It is used to treat fungal infections on skin and hair caused by dermatophytes such as trichophyton, microsporumcanis and epidermophyton floccosum, as well as onychomycosis due to infection with dermatophyte (Hyphomycetes). Oral terbinafine is one of the systemic antifungal agents recommended by Chinese guidelines on tinea corporis and tinea cruris, tinea pedis, tinea capitis and onychomycosis. The Group is processing the transfer of the Drug Production License for Lamisil® tablet. The production of Lamisil® tablet will be transferred to Kangzhe (Hunan) Medical Co., Ltd. ("Kangzhe Hunan") after the properties transfer is done. The promotion and sales work for Lamisil® tablet has been handled by Novartis, and Novartis has settled profit to the Group based on an agreement during the license transformation period.

MOVICOL® (Macrogol Sodium Potassium Powder)

The Group owns MOVICOL®'s related assets for the China (including Hong Kong SAR and Macao SAR) market, and has entrusted the manufacture to British Norgine B.V. The active ingredients of MOVICOL® are macrogol 3350, sodium bicarbonate, sodium chloride and potassium chloride. The drug is used for the treatment of chronic constipation and faecal impaction. As a well-known brand for the indications, it has been sold in Europe for many years, and has a broad target market in China. The IDL for MOVICOL® is ready, but the product had yet to be sold in the China market before. During the Reporting Period, the Group started the relevant promotion work for MOVICOL® in the China market.

2.2 Products under the Agency Promotion Network ("Agency Network")

XiDaKang (Protein Hydrolysate Oral Solution/Oral Protein Hydrolysate)

XiDaKang, the Group's self-owned product, is the only protein hydrolysate enteral nutrition agent approved by CFDA, and is sold in the form of an oral solution and granules. XiDaKang is manufactured by Kangzhe Hunan, a 100% owned manufacturer of the Group. Since the Group made adjustments from the original agency model to the commission model for XiDaKang aimed at hospitals, and achieving mutually beneficial long-term partnerships with agents since the second half of 2014, the new model has been gradually enhanced. During the Reporting Period, the Group continued to expand XiDakang's market coverage in depth and breadth, via strengthening the integration of resources, taking advantage of XiDaKang's academic strength, paying high attention to the seamless cooperation with agencies. During the Reporting Period, XiDaKang recorded sales of RMB98.0 million, an increase of 42.5% compared with the same period last year.

YiNuoShu (Ambroxol Hydrochloride for Injection)

The Group owns YiNuoShu's product controlling rights, has entrusted the manufacture to TIPR Pharmaceutical Responsible Co., Ltd. YiNuoShu is the first generic version of an ambroxol hydrochloride injection in China, and it is an expectorant product used for respiratory diseases, and is included on the NRDL. During the Reporting Period, the Group continued to enhance the professional training for agencies and conducted all-round promotion on product's advantage nationwide. Affected by the overall healthcare and pharmaceutical policy environment, during the Reporting Period, YiNuoShu recorded sales of RMB65.1 million, a decrease of 19.4% compared with the same period last year.

YinLianQingGanKeLi

YinLianQingGanKeLi, manufactured by Beijing Yadong Biological Pharmaceutical Co., Ltd., is an exclusive TCM product that has been awarded a National New Drug Certificate. It is mainly used to treat various acute and chronic forms of hepatitis, alcoholic liver, and fatty liver. It is included on the NRDL. During the Reporting Period, the Group enhanced the training of sales staff on the professional knowledge of the product, improved agency communications and feedback mechanisms, and improved the efficacy of agent recruitment. However, as the market base of this product is relatively weak, and influenced by the overall healthcare and pharmaceutical policy environment, during the Reporting Period, YinLianQingGanKeLi recorded sales of RMB1.5 million, a decrease of 19.2% compared with the same period last year.

Methods of introduction and weight of sales for main products are as follows:

Introduction	**Products**	**As a Percentage of the Group's Revenue (%)**
Rights Control	Pendil	12.6
	XinHuoSu	11.8
	XiDaKang	4.5
	Augentropfen Stulln Mono Eye-drops	3.9
	YiNuoShu	3.0
	DanShenTong Capsule	2.6
	NuoDiKang Capsule	2.4
	Hirudoid	2.2
	Combizym	1.0
	Parlodel® Tablet	0.4
	YinLianQingGanKeLi	0.1
	Imdur	0.1
	Lamisil® Tablet	0
	MOVICOL®	0
	Subtotal	**44.6**
Exclusive Agency Contract	Deanxit	21.6
	Ursofalk	16.3
	Salofalk	4.7
	Bioflor	3.7
	Subtotal	**46.3**

2.3 Other Products

Apart from the products mentioned above, other products sold by the Group such as GanFuLe, Cystistat, Exacin, ShaDuoLiKa, KunNing Oral Solution, XiangFuYiXueKouFuYe and etc., recorded a total sales amounting to approximately RMB199.1 million, accounting for approximately 9.1% of the Group's turnover during the Reporting Period.

3. Pipeline Products

3.1 Products undergoing application process for Import Drug Registration

The Group had nine products undergoing the application process for Import Drug Registration during the Reporting Period, which will contribute to the Group's revenue after they are officially issued IDL by the CFDA. Key information of these products is listed below:

Products	Indications	Manufacturers	CFDA Pending Number	Report Process
Budenofalk	Mainly used to treat Inflammatory Bowel Disease (IBD) and Crohn's Disease	Dr. Falk Pharma GmbH (Germany)	JXHL1100207 國 (Capsule)	Clinical Trial Approved
			JXHL1100106 國 (Foam Aerosol)	Clinical Trial Approved
Maltofer® (Iron Maltose)	Mainly used to treat iron deficiency without anemia ("ID") and iron deficiency with anemia ("IDA")	Vifor Pharma (Switzerland)	JXHL1400152 國 (Syrup)	Clinical Trial Approved
			JXHL1400153 國 (Chewable Tablets)	Clinical Trial Approved
Uro-Vaxom®	For the treatment and prevention of recurrent urinary tract infections and to stimulate the immune systemand the body's natural defense against urinary pathogens		Material Preparation	Material Preparation
Stimol® (Citrulline Malate Effervescence Powder)	Mainly used for the treatment of weakness and fatigue induced by various diseases and long-term fatigue and over-exertion, etc.	Biocodex (France)	JXHL1300177 國	CDE Review
Ze 339	For the treatment of allergic rhinitis	Max Zeller Söhne AG (Switzerland)	JXZL1500004	CDE Review
Ze 440	For the treatment of pre-menstrual syndrome and menstrual cycle disorder		JXZL1500003	CDE Review
Ze 450	For the treatment of menopausal discomfort		JXZL1500002	CDE Review
Succinylated Gelatin Injection (Two)	For initial management of hypovolaemic shock	Beacon Pharmaceuticals Limited (UK)	Material Preparation	Material Preparation

For more information on imported drug registration of the Group`s products, please refer to the CFDA website (http://www.sfda.gov.cn).

3.2 Products with Independent Intellectual Property Rights

3.2.1 Tyroserleutide (CMS024)

Tyroserleutide (CMS024), used to treat primary liver cancer, is a National Class One New Drug researched and developed by the Group and features independent intellectual property rights. The phase III clinical trial, entitled "A Randomized, Double Blinded, Placebo Controlled, Multicenter Phase III Study to Evaluate the Safety and Efficacy of Tyroserleutide for Injection in the Patients with Hepatocellular Carcinoma", was unblinded on 28 February 2014, and the clinical trial failed to achieve the expected results. Because the subgroup with no tumor thrombosis in the hepatic portal vein branches demonstrated a favorable trend during the clinical trial, the Group conducted a six-month follow-up study on subjects in the treatment group with continuous administration of the drug to observe survival time. The follow-up study achieved significant results. According to statistical data from the study, a statistical significance in survival time between treatment group and placebo group has been observed, indicating that Tyroserleutide could prolong the survival time of liver cancer patients with no tumor thrombosis in the hepatic portal vein branches.

Based on the positive results from the follow-up study and analysis of earlier clinical trials, the Group has decided to carry out a new extended phase III clinical trial for Tyroserleutide. During the Reporting Period, the phase III extended clinical trial of Tyroserleutide was officially carried out in about ten research centers nationwide, with the first subject successfully enrolled in June 2016. Currently, everything has progressed smoothly in accordance with the research plan. The costs of the clinical trial will still be borne by Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited ("Kangzhe R&D"), and the Group will pay 13% of sales revenue to Kangzhe R&D as royalty fees after the successful launch of the product. If Tyroserleutide is successfully launched to the market, it will not only have great market potential in China, but will also have a major overall impact on human health.

3.2.2 Traumakine®

In May 2015, A&B (HK) Company Limited ("A&B"), wholly-owned by Dr. Lam Kong, a controlling shareholder of the Group acquired the assets related to Traumakine® for the China market and other designated regions as well as certain intellectual properties related to the product through equity corporation, and transferred the assets to the Group's wholly-owned subsidiary. A&B will continue to invest in the development of the product in China, and the Group will only be required to pay A&B a royalty fee in respect of a certain percentage of the sales revenue of the product in China after the successful commercialisation of the product.

Traumakine® is a Recombinant Human Interferon beta-1a intravenous lyophilized preparation for the treatment of acute respiratory distress syndrome (ARDS). ARDS is an acute respiratory failure caused by a number of different factors, with progressive respiratory distress, refractory hypoxemia and non-cardiogenic pulmonary edema as clinical symptoms, and it is a common acute and critical clinical disease. ARDS involves several clinical sections, and common causes of ARDS include systemic infection, trauma, shock, burns, acute severe pancreatitis, etc. A total of four new use patents for Traumakine® have been submitted around the world, with two of them entering into China via Patent Cooperation Treaty (PCT) application, among them, one patent has been authorized; the remaining two patents were authorized in the EU, US, Japan, etc. The product was designated as an orphan drug for acute lung injury by the EU on 29 November, 2007. In 2015, the product was also applied the orphan drug for acute lung injury in the US.

Traumakine® has finished phase I/II clinical studies in the UK with 28-day mortality as the endpoint for primary effectiveness. The results show that the product improved mortality significantly (mortality in treatment group was 8%, compared to 32% in the control group, demonstrating an 81% reduction in the odds of 28-day mortality, p=0.01). Based on the positive results from the phase I/II clinical trials, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) held a scientific advice working party (SAWP) meeting for the project in November 2013 at which the SAWP agreed on the advice to be given to the applicant, and CHMP adopted the advice to be given to the applicant. Based on the advice, protocols for the phase III clinical trial have been finalized. The phase III clinical trial is divided into two separate studies conducted sequentially in time. The first study to be carried out in seven European countries, was initiated in December 2015, and is progressing smoothly. Traumakine® has also obtained positive results from the Phase II Japanese study for the treatment of ARDS.

As there are currently no targeted drug treatments for ARDS, once the product is approved, it will become the first life-saving drug in the world for the treatment of ARDS. Morbidity of ARDS is 59/100,000 per year in China, and the mortality rate is high (around 50% in China, and around 35-45% in Europe and America). The product has great market potential once it is approved and launched into the market.

Network Development

1. Direct Network

The Direct Network matured during the Reporting Period, as management mechanisms kept improving and upgrading. The Group formulates the macro-policy, while the regional management levels manage and supervise the provincial and district levels. The provincial and district levels implement the strategy accordingly and provide feedback to top line management. During the entire process, the headquarters delegate power to the regional levels and return the managing power to the markets, which ensures that the Group can respond to market changes more quickly, enhancing the operational efficiency. Under the regional framework, the Direct Network extends further into the rural markets, increases hospital coverage and hosts more products. With more quality products added to the portfolio, in an effort to optimize the energy and resources for sales staff, during the Reporting Period, the Group divided promotional teams from the provincial and district levels into different promotional lines, mainly into cardiovascular and cerebral vascular products line, digestive and dermatology products line and etc. Through the implementation of product promotional lines, the work force allocation became more efficient, and frontline sales staff became more focused and professional. This not only increased the integration of products resources within the same product promotional lines, but also enhanced the synergy of the products and efficiency of the sales team, as well as helping tap further market potential.

The Group began to recruit fresh graduates from medical and pharmaceutical schools nationwide since 1998 and developed a well-established campus recruiting and training system. The Group started the Twenty-first Campus Recruitment in September 2015 and continued to expand the sales team through the “Internship Program” and recruited medical and pharmaceutical graduates at a Master’s level or above through “Professional Growth Plans”, to supplement more professionals for the Group’s rapid growth. During the Reporting Period, the interns from the Twenty-first Campus Recruitment have completed their internship program in the regional markets, and started their products promotional lines divided and centralized training program at the “Kangzhe Academy” located in the Group’s Pingshan pharmaceutical factory in Shenzhen. The Group will commence a new round of campus recruitment in September 2016.

Based on the successful operation of the new framework and consistently expanding network and sales team, the Group is actively exploring a better compensation system during the Reporting Period. This system is oriented towards value creation and based on an individual's comprehensive capacity. The Group believes that this adequate and reasonable incentive will make sales representatives focus on performance growth, and stimulate representatives' potential in depth, in order to improve the efficiency of the Direct Network.

As of 30 June 2016, the Group's Direct Network had covered more than 22,000 hospitals in China.

2. Agency Network

During the Reporting Period, the Group further enhanced the efficiency of its agency management mechanism. With regard to the agency trainings, other than only promotion of products, the Group also focused on the changes in industry policies and invited well-known professionals to analyze the influence of these policies, in order to improve and add value and attraction to these training sessions. With regard to the agency communication, the Group continued to upgrade communication mechanisms, and enhanced the communications platform via new media. With regard to the management of marketing managers of the Agency Network, the Group optimized personnel structures and working content, while realizing the effective data gathering, analysis and cost management through the information technology management system.

Since the second half of 2014, the Group began to explore a hospital-based commission model to achieve a closer partnership with agencies. During the Reporting Period, the Group successfully completed the transition from the traditional district agency model to the commission model by using XiDaKang as a pilot product. This new agency model makes sure that the Group's promoting network can be better developed and extended.

As of 30 June 2016, the Group's Agency Network had covered around 5,500 hospitals across the country.

Production Development

During the Reporting Period, Kangzhe Hunan of the Group has been undergoing the restructuring of the workshop of solid preparation according to the requirement of the China's new GMP.

Outlook and Future Development

After many years of rapid growth, China's Healthcare and Pharmaceutical industry has achieved a slower but stable growth rate. With frequently released blockbuster reform policies in recent years, the industry has faced numerous challenges. With the accelerating ageing of the population, the implementation of two-child policy, and the improvement of per capita income, the market size of the healthcare and pharmaceutical industry will further expand in the future. The Group delivers sustainable and stable growth by improving its efficiency and sticking to its two core development strategies: continuous product introduction and development and promotional network expansion.

As for product introduction and development, the Group will continue to obtain quality products that meet both the needs of the China market and the criteria of the Group's strategic plan. On the other hand, the Group will further develop growth potential of existing products, continually stabilize academic platforms of existing products, and build out a product expert network that is more authoritative.

With respect to promotional network expansion, through its increasingly improved Direct Network, the Group will continuously expand the network coverage while intensively cultivating the existing network, and enhance the regional and inter-regional resource integration. The Group will continue to optimize its Agency Network. With the experience of successfully running the new commission model of XiDaKang, the Group will continuously improve the cooperation policies with agencies and strive to maximize the advantage of the rapid development of its Agency Network.

Looking ahead, the Group will continue to optimize the internal governance structure, enhance risk control, and ensure standardized operation, in order to promote the Group's healthy and sustainable growth. Furthermore, the Group will continue to provide Chinese doctors with professional academic service, and Chinese patients with premium products. Meanwhile, the Group will offer an ideal career development platform to its staff, and create more value for its partners and shareholders.

Financial Review

Turnover

Turnover increased by 29.9% from RMB1,676.4 million for the six months ended 30 June 2015 to RMB2,177.1 million for the six months ended 30 June 2016, mainly due to an increase in sales of original products and an increase in sales of new products.

Gross Profit and Gross Profit Margin

Gross profit increased by 32.5% from RMB957.9 million for the six months ended 30 June 2015 to RMB1,269.5 million for the six months ended 30 June 2016, primarily reflecting growth in turnover. For the six months ended 30 June 2016, gross profit margin was 58.3%, representing an increase of 1.2 percentage points from 57.1% for the six months ended 30 June 2015, mainly because the gross profit arising from the newly introduced product Plendil delivered and invoiced by AstraZeneca during the transitional period was returned to and recorded as turnover by the Group.

Selling Expenses

Selling expenses increased by 30.6% from RMB352.4 million for the six months ended 30 June 2015 to RMB460.2 million for the six months ended 30 June 2016, primarily reflecting an increase in sales and academic promotion activities. Selling expenses as a percentage of turnover was 21.1% for the six months ended 30 June 2016, representing a slight increase of 0.1 percentage point from 21.0% for the six months ended 30 June 2015.

Administrative Expenses

Administrative expenses increased by 9.2% from RMB93.0 million for the six months ended 30 June 2015 to RMB101.6 million for the six months ended 30 June 2016. Administrative expenses as a percentage of turnover decreased by 0.8 percentage point from 5.5% for the six months ended 30 June 2015 to 4.7% for the six months ended 30 June 2016, mainly due to the effective control of administrative expenses and the benefit from economies of scale.

Other Gains and Losses

Other gains and losses decreased by 129.6% from a gain of RMB30.0 million for the six months ended 30 June 2015 to a loss of RMB8.9 million for the six months ended 30 June 2016, mainly due to an exchange loss on bank borrowings in Euro resulting from an appreciation of EURO.

Share of Result of Associates

Share of result of associates increased by 237.1% from RMB5.0 million for the six months ended 30 June 2015 to RMB16.9 million for the six months ended 30 June 2016, mainly reflecting an increase in profit of the associate Tibet Pharmaceutical.

Finance Costs

Finance costs increased by 18.0% from RMB14.7 million for the six months ended 30 June 2015 to RMB17.3 million for the six months ended 30 June 2016, mainly due to an increase in the use of bank borrowings.

Profit for the Period

Net profit increased by 32.5% from RMB493.9 million for the six months ended 30 June 2015 to RMB654.2 million for the six months ended 30 June 2016, mainly due to the continuous growth in turnover and excellent control of cost and expense.

Inventories

Inventories increased by 2.8% from RMB385.2 million as at 31 December 2015 to RMB395.8 million as at 30 June 2016, primarily reflecting an increase in new products. Average inventory turnover days increased by 1 day from 78 days for the six months ended 30 June 2015 to 79 days for the six months ended 30 June 2016.

Trade Receivables

Trade receivables increased by 29.7% from RMB736.3 million as at 31 December 2015 to RMB954.8 million as at 30 June 2016, primarily reflecting an increase in turnover. Benefited from continually improving on sales collection, average trade receivables turnover days decreased from 76 days for the six months ended 30 June 2015 to 71 days for the six months ended 30 June 2016.

Trade Payables

Trade payables increased by 91.6% from RMB95.6 million as at 31 December 2015 to RMB183.1 million as at 30 June 2016, primarily reflecting an increase in inventories of newly introduced products. Average trade payables days increased from 26 days for the six months ended 30 June 2015 to 28 days for the six months ended 30 June 2016.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2016, the Group's cash and bank deposits amounted to RMB313.9 million while readily realizable bank acceptance bills amounted to RMB271.9 million. As at 31 December 2015, our cash and bank deposits amounted to RMB508.5 million while readily realizable bank acceptance bills amounted to RMB233.3 million.

The Group had bank borrowings of RMB1,705.8 million as at 30 June 2016 (31 December 2015: RMB463.9 million). During the period ended 30 June 2016, the Group obtained new bank loans amounting to RMB1,452.2 million, it is mainly used to grant a loan to TopRidge Pharma Limited (formerly known as Everest Future Limited, a wholly-owned subsidiary of Tibet Pharmaceutical, "TopRidge Pharma"), and to acquire the exclusive license for the commercialization of Plendil in China. The average cost of loans in EURO and RMB was 2.3% and 4.0% per annum respectively. All the loans are short-term and are repayable within one year.

As at 30 June 2016 and 31 December 2015, the Group had a gearing ratio (being the bank borrowings of the Group divided by the total assets of the Group) of approximately 18.5% and 7.3% respectively. The Group recorded net current liabilities of RMB319.4 million as at 30 June 2016 (31 December 2015: net current assets of RMB1,211.3 million), mainly due to the use of cheaper short-term bank borrowings to acquire the exclusive license for the commercialization of Plendil in China.

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from operating activities, bank loans and other financing means which the Company may from time to time consider appropriate.

Intangible Assets

The intangible assets of the Group as at 30 June 2016 were RMB2,988.3 million (31 December 2015: RMB1,026.2 million), the increase was principally due to the acquisition of Plendil's exclusive license for the commercialization in China for 20 years.

Exposure to Fluctuations in Exchange Rates

The Group is mainly exposed to currency risk of the US$, EURO and HK$. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have financial impact to the Group. As disclosed in the section headed "Other Gains and Losses" above, the Group recorded a loss of RMB8.9 million for the six months ended 30 June 2016, mainly due to an exchange loss on bank borrowings in Euro resulting from an appreciation of Euro.

The Group will closely monitor the interest rate movements and regularly review its other banking facilities so as to mitigate the expected interest rate risk.

Advance to Entity

Pursuant to Rule 13.13 of the Listing Rules, a general disclosure obligation arises where an advance to an entity from the Group exceeds 8% of the total assets of the Group. Pursuant to Rule 13.20 of the Listing Rules, details as required under Rule 13.15 of the Listing Rules in respect of the advance which remained outstanding as at 30 June 2016 are set out below.

As disclosed in the section headed "Business Review" of this interim report, on 26 February 2016 (London time), TopRidge Pharma, a wholly-owned subsidiary of Tibet Pharmaceutical (as purchaser), entered into an agreement with, among others, AstraZeneca AB (as seller) for the sale and purchase of the Imdur Assets. Completion of the sale and purchase of the Imdur Assets took place on 1 May 2016. The Group granted a shareholder loan to TopRidge Pharma to finance part of the purchase price for the acquisition. As at 30 June 2016, total of the amount advanced to TopRidge Pharma which remained outstanding and its interest receivable was RMB703.9 million. The loan is for a term of one year expiring on 30 April 2017 and is unsecured and bears an interest rate of 2.2% or 2.4% per annum. Further details about the acquisition of the Imdur Assets by TopRidge Pharma and the background of the loan are set out in the announcements of the Company dated 29 February 2016, 15 March 2016 and 3 May 2016 respectively.

Advance to Entity was grouped under Amount Due from an Associate in the condensed consolidated statement of financial position.

Key Employee Benefit Scheme

On 21 March 2016, as approved by the board of directors of the Company (the "Board"), there were 5 employees of the Company participating in the Key Employee Benefit Scheme.

Share Option Scheme

The Company has not implemented a share option scheme. As at 30 June 2016, there were no outstanding share options of the Company.

Interim dividend

The Board has resolved to pay an interim dividend of RMB 0.1052 (equivalent to HK$ 0.122) per ordinary share of the Company for the six months ended 30 June 2016 to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 8 September 2016 (the "Record Date"). Payment of such interim dividend is expected to be made to the shareholders on Thursday, 15 September 2016.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016 (both days inclusive), during which the registration of transfer of Shares will be suspended. To qualify for the interim dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 September 2016.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2016, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "HKEx"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules") were as follows:

Name of Director	Name of Corporation	Nature of Interest	Class of Shares and Total Number of Shares Held (note 1)	Approximate Percentage of Interest in the Corporation
Mr. Lam Kong	The Company	Interest in controlled corporation	1,142,719,000 (L) (note2)	45.94%
		Interest in controlled corporation	2,406,500(L) (note3)	0.10%
		Interest in controlled corporation	11,114,162 (L) (note4)	0.45%
Mr. Chen Hongbing	The Company	Beneficial owner	20,038,225 (L)	0.81%
		Interest in controlled corporation	75,000,000(L) (note5)	3.02%
		Beneficiary of a trust	11,114,162 (L) (note6)	0.45%
Ms. Chen Yanling	The Company	Beneficial owner	7,246,250 (L)	0.29%
		Beneficiary of a trust	11,114,162 (L) (note6)	0.45%
Ms. Sa Manlin	The Company	Beneficial owner	6,074,237 (L)	0.24%
		Family interest	750,000(L) (note7)	0.03%
		Beneficiary of a trust	11,114,162 (L) (note6)	0.45%

Notes:

1. The letter "L" denotes long positions in the Shares.

2. These Shares are held by Mr. Lam Kong through Treasure Sea Limited, a company wholly owned by him.

3. These interests in respect of warrants are held by Mr. Lam Kong through Treasure Sea Limited, a company wholly owned by him.

4. These Shares are held by Fully Profit Management (PTC) Limited, a company wholly owned by Mr. Lam Kong. Fully Profit Management (PTC) Limited is the trustee of the Key Employee Benefit Trust (a discretionary trust established by the Company on 31 July 2009 for the Key Employee Benefits Scheme). Please refer to note 6 below for further details.

5. These Shares are held by Mr. Chen Hongbing through Viewell Limited, a company wholly owned by him.

6. These Shares are held by Fully Profit Management (PTC) Limited acting as the trustee of the Key Employee Benefit Trust. The objects of the discretionary trust include Mr. Chen Hongbing, Ms. Chen Yanling and Ms. Sa Manlin and they are deemed to be interested in these 11,114,162 Shares. The references to these 11,114,162 Shares in respect of which Mr. Lam Kong is deemed to be interested in (as disclosed above) relate to the same block of Shares.

7. These Shares are held by Mr. Zhang Ziqiang, the spouse of Ms. Sa Manlin, in respect of which Ms. Sa Manlin is deemed to be interested in.

Directors' Right to Acquire Shares or Debentures

At no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or minor children to acquire such rights in any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2016, the Directors were not aware of any other person (other than the Directors of the Company) who held interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

For the six months ended 30 June 2016, the Company has not purchased, sold or redeemed any of its listed securities.

Employees

As at 30 June 2016, the Group had 3185 employees. There have been no changes to the information disclosed in the Annual Report 2015 of the Company in respect of the director's emoluments and remuneration policies.

Audit Committee

The Company established an Audit Committee in 2007. The Audit Committee currently comprises three independent non-executive directors, and is chaired by Mr. Wu Chi Keung, with Mr. Cheung Kam Shing, Terry and Mr. Huang Ming as Committee members.

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee also oversees the Company's appointment of external auditors.

The Company's interim result announcement and interim report for the six months ended 30 June 2016 have been reviewed by the Audit Committee of the Company.

Changes in Director's Information

During the Reporting Period, on 23 March 2016, Mr. Wu Chi Keung, an independent non-executive director of the Company, was appointed as the independent non-executive director of Huajin International Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code 2738). Mr. Cheung Kam Shing, an independent non-executive director of the Company, stopped acting as the executive director of Greens Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code 1318) since 2 November 2015, and was appointed as the CEO of a private company engaging in investment of technology since November 2015. Save as disclosed above, there are no other issues required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

Corporate Governance Practices

During the Reporting Period, the Company has complied with the applicable principles and code provisions of the revised Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("CG Code"), except for a deviation from the Code provision A.2.1 in respect of the roles of Chairman and CEO which shall not be performed by the same individual.

Mr. Lam Kong has been both the Chairman and CEO of the Company and his responsibilities are clearly set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and CEO in the same person facilitates the execution of the Group's business strategies and maximizes the effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider any appropriate adjustments, should new circumstances arise.

The Company makes available to Directors monthly updates, in order to keep the Directors informed of the Company's performance and operations. In addition, the Directors also receive regular updates from time to time on changes to and developments in the legislative and regulatory environments in which the Company operates.

All Directors participate in continuous professional development to develop and refresh their knowledge and skills and to ensure that their contribution to the Board remains informed and relevant. The Company keeps records of the trainings received by Directors.

Directors' Securities Transactions

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (amended from time to time) as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct for Directors' securities transactions. Having made specific inquiries in relation to the compliance with Model Code for securities transactions by Directors, the Company confirmed that all the Directors have complied with the relevant standards for securities transactions by Directors set out in the Model Code during the Reporting Period. The Model Code also applies to other specified senior management of the Company.

Employees who are likely to be in possession of unpublished price-sensitive information about the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance of the guidelines by such employees was noted by the Company in the Reporting Period.

Disclosure of Information

The interim report for the Reporting Period will be duly dispatched to shareholders of the Company and published on websites of the HKEx (www.hkex.com.hk) and the Company (www.cms.net.cn).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Turnover	3	**2,177,099**	1,676,404
Cost of goods sold		**(907,584)**	(718,473)
Gross profit		**1,269,515**	957,931
Other gains and losses		**(8,888)**	30,049
Selling expenses		**(460,178)**	(352,368)
Administrative expenses		**(101,550)**	(93,016)
Finance costs		**(17,324)**	(14,681)
Share of results of associates		**16,870**	5,004
Profit before taxation		**698,445**	532,919
Taxation	4	**(44,236)**	(39,028)
Profit for the period	5	**654,209**	493,891
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(62)**	486
Share of other comprehensive (expense) income of an associate		**(1)**	64
Total comprehensive income for the period		**654,146**	494,441
Profit (loss) for the period attributable to:			
Owners of the Company		**653,794**	495,049
Non-controlling interests		**415**	(1,158)
		654,209	493,891
Total comprehensive income (expense) attributable to:			
Owners of the Company		**653,731**	495,599
Non-controlling interests		**415**	(1,158)
		654,146	494,441
		RMB	RMB
Earnings per share	7		
Basic		**0.2629**	0.2024

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	NOTES	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**327,567**	325,936
Prepaid lease payments		**61,377**	61,379
Interest in associates	9	**1,331,301**	1,321,793
Intangible assets	10	**2,988,313**	1,026,242
Goodwill		**1,384,535**	1,384,535
Deposit paid for acquisition of property, plant and equipment and intangible assets		**127,423**	127,650
Interest-bearing and secured loan receivable		**11,063**	10,642
Deferred tax assets		**25,893**	24,903
		6,257,472	4,283,080
Current assets			
Inventories		**395,820**	385,177
Trade and other receivables	11	**1,467,764**	1,164,013
Tax recoverable		**21,852**	21,701
Amount due from an associate	12	**752,432**	35,096
Bank balances and cash and deposits		**313,882**	508,516
		2,951,750	2,114,503
Current liabilities			
Trade and other payables	13	**1,501,021**	392,717
Bank borrowings	14	**1,705,787**	463,903
Deferred consideration payables		**18,121**	13,595
Tax payable		**46,240**	33,009
		3,271,169	903,224
Net current (liabilities) assets		**(319,419)**	1,211,279
Total assets less current liabilities		**5,938,053**	5,494,359

	NOTE	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Capital and reserves			
Share capital	15	**85,200**	85,200
Reserves		**5,663,320**	5,210,807
Equity attributable to owners of the Company		**5,748,520**	5,296,007
Non-controlling interests		**56,876**	56,461
		5,805,396	5,352,468
Non-current liabilities			
Deferred tax liabilities		**107,088**	108,613
Deferred consideration payables		**25,569**	33,278
		132,657	141,891
		5,938,053	5,494,359

The condensed consolidated financial statements on pages 23 to 40 were approved and authorised for issue by the Board of Directors on 22 August 2016 and are signed on its behalf by:

LAM Kong
DIRECTOR

CHEN Yanling
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Surplus reserve fund	Translation reserve	Accumulated profits	Dividend reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 (audited)	82,974	1,767,684	19,545	137,844	(9,204)	1,824,895	167,101	3,990,839	-	3,990,839
Profit for the year	-	-	-	-	-	995,935	-	995,935	531	996,466
Exchange differences arising on translation of foreign operations	-	-	-	-	(432)	-	-	(432)	-	(432)
Share of other comprehensive income of an associate	-	-	-	-	431	-	-	431	-	431
Total comprehensive income for the year	-	-	-	-	(1)	995,935	-	995,934	531	996,465
Issue of shares	2,226	676,612	-	-	-	-	-	678,838	-	678,838
Acquisition of a subsidiary (note 17)	-	-	-	-	-	-	-	-	55,930	55,930
Dividends paid	-	-	-	-	-	(202,503)	(167,101)	(369,604)	-	(369,604)
Dividends proposed	-	-	-	-	-	(201,218)	201,218	-	-	-
Transfer of reserves	-	-	-	11,905	-	(11,905)	-	-	-	-
Balance at 31 December 2015 (audited)	85,200	2,444,296	19,545	149,749	(9,205)	2,405,204	201,218	5,296,007	56,461	5,352,468
Profit for the period	-	-	-	-	-	653,794	-	653,794	415	654,209
Other comprehensive expense for the period	-	-	-	-	(63)	-	-	(63)	-	(63)
Total comprehensive income for the period	-	-	-	-	(63)	653,794	-	653,731	415	654,146
Dividends paid (note 6)	-	-	-	-	-	-	(201,218)	(201,218)	-	(201,218)
Dividends proposed (note 6)	-	-	-	-	-	(261,658)	261,658	-	-	-
Transfer of reserves	-	-	-	4,837	-	(4,837)	-	-	-	-
Balance at 30 June 2016 (unaudited)	85,200	2,444,296	19,545	154,586	(9,268)	2,792,503	261,658	5,748,520	56,876	5,805,396

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Surplus reserve fund	Translation reserve	Accumulated profits	Dividend reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015 (audited)	82,974	1,767,684	19,545	137,844	(9,204)	1,824,895	167,101	3,990,839	-	3,990,839
Profit for the period	-	-	-	-	-	495,049	-	495,049	(1,158)	493,891
Other comprehensive income for the period	-	-	-	-	550	-	-	550	-	550
Total comprehensive income for the period	-	-	-	-	550	495,049	-	495,599	(1,158)	494,441
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	65,630	65,630
Issue of shares	2,226	676,612	-	-	-	-	-	678,838	-	678,838
Dividends paid	-	-	-	-	-	(5,017)	(167,101)	(172,118)	-	(172,118)
Dividends proposed	-	-	-	-	-	(197,487)	197,487	-	-	-
Transfer of reserves	-	-	-	4,548	-	(4,548)	-	-	-	-
Balance at 30 June 2015 (unaudited)	85,200	2,444,296	19,545	142,392	(8,654)	2,112,892	197,487	4,993,158	64,472	5,057,630

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTE	Six months ended 30 June 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash from operating activities		**543,433**	52,603
Net cash used in investing activities			
Purchase of property, plant and equipment		**(23,473)**	(22,513)
Purchase of intangible assets		**(1,017,916)**	(300,100)
Acquisition of a subsidiary	17	**-**	(240,833)
Withdrawal of structured deposits		**279,180**	-
Release of pledged bank deposit		**-**	185,490
Interest received		**5,153**	5,924
Dividend received from an associate		**7,361**	2,971
		(749,695)	(369,061)
Net cash from financing activities			
Interest paid		**(15,483)**	(9,730)
Dividends paid		**(201,218)**	(172,118)
Payment of deferred consideration payables		**(5,129)**	(3,009)
New bank borrowings raised		**1,452,213**	449,612
Repayment of bank borrowings		**(250,002)**	(459,267)
Loan advanced to an associate		**(690,213)**	-
Proceeds from issue of shares		**-**	678,838
		290,168	484,326
Net increase in cash and cash equivalents		**83,906**	167,868
Cash and cash equivalent at beginning of the period		**229,336**	243,515
Effect of exchange rate changes on the balance of cash held in foreign currencies		**640**	(183)
Cash and cash equivalent at end of the period, represented by bank balances and cash		**313,882**	411,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are mandatorily effective for the current interim period. The application of the new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable for goods sold during the Reporting Period.

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker, the Executive Directors of the Company that are used for resources allocation and assessment of segment performance.

The Group only has one reportable operating segment that is marketing, promotion, sales and manufacturing of pharmaceutical products.

The Group primarily operates in the PRC. All revenue for external customers are attributed to the PRC and a majority of non-current assets of the Group are located in the PRC.

4. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**46,735**	40,200
Hong Kong Profits Tax	**-**	1,776
Other jurisdictions	**16**	19
	46,751	41,995
Deferred taxation:		
Current period	**(2,515)**	(2,967)
Taxation charge for the period	**44,236**	39,028

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**11,688**	7,708
Amortisation of intangible assets (included in cost of goods sold)	**65,513**	26,691
Cost of inventories recognised as an expense	**838,654**	688,066
Interest income	**(11,390)**	(5,924)
Net exchange loss (gain)	**39,192**	(4,178)

6. DIVIDENDS

During the Reporting Period, a final dividend of RMB0.0809 per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: RMB0.0692 per share in respect of the year ended 31 December 2014) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the Reporting Period amounted to RMB201,218,000 (six months ended 30 June 2015: RMB172,118,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of RMB0.1052 per share (six months ended 30 June 2015: RMB0.0794) will be paid to the owners of the Company whose names appear in the Register of Members on 8 September 2016.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**653,794**	495,049

	Number of ordinary shares As at 30 June	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,487,247,512**	2,445,990,606

The Group has no outstanding potential ordinary shares as at 30 June 2016 and 2015 and during the periods ended 30 June 2016 and 2015. Therefore, no diluted earnings per share is presented.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent RMB1,047,000 on the acquisition of property, plant and equipment (six months ended 30 June 2015: RMB884,000) and RMB22,426,000 on construction costs for manufacturing plants in the PRC in order to upgrade its manufacturing and promotion capabilities (six months ended 30 June 2015: RMB21,629,000).

9. INTEREST IN ASSOCIATES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cost of investments in associates		
Listed outside Hong Kong	**1,304,356**	1,304,356
Unlisted	**11,536**	11,536
Share of post-acquisition profits and other comprehensive income, net of dividends received	**15,409**	5,901
	1,331,301	1,321,793
Fair value of listed investment (Note)	**1,718,676**	1,696,205

Note: The fair value of the Group's interest in Tibet Pharmaceutical, of which its shares are listed on the Shanghai Stock Exchange, was determined on the basis of the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input in terms of IFRS 13.

As at 30 June 2016 and 31 December 2015, details of the associate are as follows:

Name of associates	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest held by the Group	Principal activities
Ophol Limited ("Ophol")	Hong Kong	Hong Kong	24.49%	Investment holding and provision of agency service
Tibet Pharmaceutical	Tibet	Tibet	26.61%	Production of medicines and sale of drugs

10. INTANGIBLE ASSETS

During the Reporting Period, the Group acquired the exclusive license for the commercialisation of Plendil in the PRC from an independent third party AstraZeneca AB, at a consideration of US$310,000,000 (equivalent to approximately RMB2,029,012,000). The expected useful life of the license is 20 years.

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	**959,733**	740,208
Less: Allowance for bad and doubtful debts	**(4,962)**	(3,914)
	954,771	736,294
Bills receivables	**271,861**	233,269
Purchase prepayment	**47,828**	23,756
Value added tax receivable	**100,479**	121,325
Other receivables and deposits	**92,825**	49,369
Total trade and other receivables	**1,467,764**	1,164,013

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

An aging analysis of the trade receivables (net of allowance for bad and doubtful debts) presented based on the invoice date at the respective reporting dates, which approximated the respective revenue recognition date, is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
0 - 90 days	**876,780**	671,069
91 - 365 days	**76,050**	63,618
Over 365 days	**1,941**	1,607
	954,771	736,294

The bills receivables of the Group are of the age within six months at the end of the Reporting Period.

12. AMOUNT DUE FROM AN ASSOCIATE

During the Reporting Period, the Group granted a loan of RMB696,939,000 to Tibet Pharmaceutical. At 30 June 2016, the aggregate amount of the loan and its interest receivable was RMB 703,881,000. The loan is for a term of one year expiring on 30 April 2017 and is unsecured and bears an interest rate of 2.2% or 2.4% per annum. The remaining balance as at 30 June 2016 represented prepayments made to Tibet Pharmaceutical for purchases of inventories, it is non-interest bearing and expected to be utilised within one year.

13. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the Reporting Period is as follows:

	30 June 2016	31 December 2015
	RMB'000	RMB'000
0 - 90 days	**179,321**	92,496
91 - 365 days	**3,739**	3,025
Over 365 days	**60**	74
	183,120	95,595
Payroll and welfare payables	**52,917**	58,003
Other tax payables	**40,130**	36,594
Deferred promotion income	**40,255**	60,542
Payables for acquisition of property, plant and equipment and intangible assets (Note)	**1,045,853**	29,138
Other payables and accruals	**138,746**	112,845
	1,501,021	392,717

Note: Balance as at 30 June 2016 included consideration payable of US$155,000,000 (equivalent to approximately RMB1,027,836,000) arising for acquisition of the exclusive license of Plendil (see note 10), which will be due in February 2017.

The credit period on purchases of goods ranges from 0 to 120 days.

14. BANK BORROWINGS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Repayable within one year:		
Secured	**25,000**	25,000
Unsecured	**1,680,787**	438,903
	1,705,787	463,903

During the Reporting Period, the Group obtained new bank loans amounting to RMB1,452,213,000 (six months ended 30 June 2015: RMB449,612,000). The average cost of loans in EURO and RMB was 2.3% and 4.0% per annum respectively. All the loans are short-term and are repayable within one year. The proceeds were used to finance a loan provided to an associate, and to acquire the exclusive license for the commercialization of Plendil in China.

15. SHARE CAPITAL

	Number of shares RMB'000	Amount RMB'000
Authorised share capital:		
At 31 December 2015 and 30 June 2016	20,000,000	765,218
Issued and fully paid:		
At 31 December 2015 and 30 June 2016	2,487,247	85,200

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information on how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There were no transfers between level 1 and 2 during the period/year ended 30 June 2016 and 31 December 2015.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

17. ACQUISITION OF A SUBSIDIARY

On 16 February 2015, the Group acquired an 52.01% interest in Hebei Xinglong Xili Pharmaceutical Co., Ltd. ("Xili Pharmaceutical") from an independent third party. Xili Pharmaceutical is engaged in manufacture of DanShenTong capsule, a traditional Chinese medicine product. The purpose of the acquisition was to acquire the product rights of DanShenTong capsule and take full advantage of the Group's existing promotion network.

Consideration transferred

	RMB'000
Cash	258,705

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	16,835
Prepaid lease payments	11,657
Intangible asset	114,489
Deferred tax assets	1,199
Inventories	11,812
Amount due from related parties	8,186
Amount due from shareholder of non-controlling interests	580
Amount due from the Group	267
Trade and other receivables	46,741
Tax recoverable	2,977
Bank balances and cash	2,872
Bank borrowings	(40,000)
Trade and other payables	(30,529)
Deferred tax liabilities	(30,541)
	116,545

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised of trade and other receivables) approximated to the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables expected to be collected.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	258,705
Plus: non-controlling interests	55,930
Less: fair value of identifiable net assets acquired	(116,545)
Goodwill arising on acquisition	198,090

Goodwill arose in the acquisition of Xili Pharmaceutical was attributable to the synergistic effect of the promotion network generated from the combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development and cost control of Xili Pharmaceutical. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash during the period ended 30 June 2015	243,705
Less: cash and cash equivalent balances acquired	(2,872)
	240,833
Consideration paid in cash before the period ended 30 June 215	15,000
	255,833

Impact of acquisition on the results of the Group

Included in the profit for the period ended 30 June 2015 was loss of RMB681,000 attributable to Xili Pharmaceutical. Revenue for the period ended 30 June 2015 included was RMB28,000 generated from Xili Pharmaceutical.

Had the acquisition of Xili Pharmaceutical been completed at 1 January 2015, the revenue of the Group for the six months ended 30 June 2015 would have been RMB1,697 million, and the profit for the period would have been RMB496 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2015, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Xili Pharmaceutical been acquired at the beginning of the current period, the directors have calculated depreciation and amortisation of plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

18. CAPITAL COMMITMENTS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the condensed consolidated financial statements	**37,617**	33,676
Other commitment in respect of subscription for new shares issued by Tibet Pharmaceutical	**1,000,000**	-
	1,037,617	33,676

19. CONTIGENT LIABILITIES

On 26 February 2016, the Group and Tibet Pharmaceutical entered into an asset purchase agreement with AstraZeneca AB (the "Transaction"), pursuant to which Tibet Pharmaceutical agrees to purchase, and AstraZeneca AB agrees to sell i) the trademarks of Imdur; ii) the know-how used exclusively for the manufacture of Imdur for the entire world excluding the United State of America ("Territory"); iii) the goodwill associated with the use of the trademarks in the Territory; iv) the product records necessary to exploit Imdur in the Territory; and v) the legal rights and interests to or in the relevant regulatory approvals exclusively relating to the Imdur.

Pursuant to the agreement, the Group agrees to guarantee the obligations of Tibet Pharmaceutical under this Transaction. As at 30 June 2016, Tibet Pharmaceutical has a payment obligation amounted to US$90,000,000 (equivalent to approximately RMB596,808,000), representing the balancing payment under this Transaction. The directors of the Company consider that the default risk of such financial guarantee is minimal and nil amount is recognized in the respect of the financial guarantee on the condensed consolidated statement of financial position.

20. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following transactions with related parties during the period:

Name of related company	**Relationship**	**Nature of transactions**	**Six months ended 30 June**	
			2016	2015
			RMB'000	RMB'000
Ophol	Associate	Interest expense	**344**	421
Tibet Pharmaceutical	Associate	Promotion income	**103,321**	95,623
Tibet Pharmaceutical	Associate	Purchase of goods	**156,608**	148,650
Tibet Pharmaceutical	Associate	Loan advanced	**696,939**	-
Tibet Pharmaceutical	Associate	Interest income	**6,941**	-

(b) The remuneration of key management personnel during the period amounted to RMB1,746,000 (six months ended 30 June 2015: RMB1,681,000).