China Traditional Chinese Medicine Holdings Co. Limited

(Incorporated in Hong Kong with Limited Liability)

(Stock code: 00570)

INTERIM REPORT 2016

CONTENTS

CORPORATE INFORMATION

Board of Directors	*Executive Directors* Mr. WU Xian *(Chairman)* Mr. YANG Bin *(Managing Director)* Mr. WANG Xiaochun *Non-executive Directors* Mr. LIU Cunzhou Mr. DONG Zenghe Mr. ZHAO Dongji Ms. HUANG He *Independent Non-executive Directors* Mr. ZHOU Bajun Mr. XIE Rong Mr. YU Tze Shan Hailson Mr. LO Wing Yat
Company Secretary	Mr. HUEN Po Wah
Audit Committee	Mr. XIE Rong *(Chairman)* Mr. ZHOU Bajun Mr. LO Wing Yat
Remuneration Committee	Mr. ZHOU Bajun *(Chairman)* Mr. LIU Cunzhou Mr. XIE Rong Mr. LO Wing Yat
Nomination Committee	Mr. WU Xian *(Chairman)* Mr. YANG Bin Mr. ZHOU Bajun Mr. XIE Rong Mr. LO Wing Yat
Strategic Committee	Mr. LIU Cunzhou *(Chairman)* Mr. WU Xian Mr. YANG Bin Mr. WANG Xiaochun Mr. ZHOU Bajun Mr. YU Tze Shan Hailson
Registered Office	Room 1601, Emperor Group Centre 288 Hennessy Road, Wanchai Hong Kong
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* Hong Kong
Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shop 1712-16, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. Industrial and Commercial Bank of China Limited (Foshan Branch) China Merchants Bank Co., Ltd. (Foshan Branch) Guangdong Shunde Rural Commercial Bank Co., Ltd.
Stock Code	00570
Website	http://www.china-tcm.com.cn

INTRODUCTION

The Board of directors ("Directors" or the "Board") of China Traditional Chinese Medicine Holdings Co. Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") prepared under Hong Kong Financial Reporting Standards for the six months ended 30 June 2016, together with the comparative figures for the corresponding periods in 2015 and the relevant explanatory notes. The consolidated results are unaudited, but have been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, and the Audit Committee of the Company (the "Audit Committee").

OVERVIEW

During the reporting period, in light of the changes of the external economic conditions and the medicine market situations, the Group actively adjusted the product strategies and the industrial structure plans, focused on finished drugs and concentrated TCM granules sectors, deepened corporate integration and advanced marketing reform to consistently improve the operational efficiency based on the operation targets set at the beginning of the year. During the reporting period, the Group accelerated the integration of Jiangyin Tianjiang Pharmaceutical Co., Ltd. and its subsidiaries ("Tianjiang Pharmaceutical") and completed the acquisition of Huayi Pharmaceutical Co., Ltd. ("Huayi Pharmaceutical"). Various operation plans and targets have been advanced in an orderly way and initial results have been achieved.

For the reporting period, the Group's revenue from continuing operations amounted to approximately RMB3,199,290,000, representing an increase of 125.0% from approximately RMB1,422,067,000 for the same period of last year, which was mainly attributable to the newly acquired concentrated TCM granules business after the acquisition of Tianjiang Pharmaceutical. Of which, the concentrated TCM granules business contributed revenue of approximately RMB2,054,739,000, representing 64.2% of the total revenue. Revenue from the finished drug business was approximately RMB1,144,551,000, representing 35.8% of the total revenue.

Gross profit was RMB1,833,689,000, representing an increase of 114.0% from approximately RMB856,705,000 for the same period of last year. Gross profit margin was 57.3%, representing a decrease of 2.9 percentage points from 60.2% for the same period of last year, which was mainly due to that gross profit margin for the concentrated TCM granules business was less than that of the finished drug business for the same period of last year, and gross profit margin of the finished drug business for the reporting period also decreased as compared with the same period of last year.

Profit for the period and profit attributable to equity holders of the Company was approximately RMB545,076,000 and RMB490,776,000 respectively, representing an increase of 123.2% and 101.8% as compared with the same period of last year respectively.

Notwithstanding that the Company issued and placed a total of approximately 1,950,000,000 new shares in May and November 2015 respectively to finance the acquisition of Tianjiang Pharmaceutical, unaudited earnings per share of continuing operations for the period still increased by 36.1% to RMB10.98 cents from RMB8.07 cents for the first half of 2015. The Board proposed to pay an interim dividend per share of HK6.44 cents (approximately RMB5.54 cents) for the six months ended 30 June 2016.

BUSINESS REVIEW

Under the background of the "New Normal" of China's economy and the reform on the medical and healthcare system, the government is having more influence on the pharmaceutical industry and enterprises. More policies have been introduced since the second half of 2015, covering planning of the pharmaceutical system, pharmaceutical quality, comprehensive reform of public hospitals, bidding and purchasing of drugs (including "secondary price negotiation"), cost control on medical insurance reimbursement and the "two-invoice system" to be implemented in the pharmaceutical distribution process as well as other segments in the value chain. Such policies have created direct and long-term uncertainties on the future development of and competition in the pharmaceutical industry. Under the guidance of the healthcare reform policies, the policy on controlling drug sales at hospitals will be fully implemented. It requires the sales of medicine (excluding TCM decoction pieces) as a percentage of total hospital revenue being reduced to about 30% at public hospitals of pilot cities by the end of 2017. The overall size of the hospital drug market will be restricted then.

In a severe market environment where industry policies affecting the volume growth and drug tenders continue to lower prices, the sales growth of the finished drug business of the Group slowed down. Facing the changes in the market, the Group actively adjusted its product strategies and the industrial structure. While gradually digesting the business pressure of the finished drugs, the Group has accelerated the expansion of the concentrated TCM granules business.

1. Concentrated TCM granules: sales and profit saw strong growth as integration speeded up

Concentrated TCM granules carry forward the TCM theory of "treatment based on syndrome differentiation and modification based on symptoms", ensure the quality of TCM drugs and are convenient to use, aligning with the trend of Chinese medicine modernisation. Concentrated TCM granules have been favored by more and more doctors and patients, and maintained rapid growth in the industry in recent years. In China, concentrated TCM granules are currently classified as products on trial with 6 production licenses held by 5 enterprises, of which Tianjiang Pharmaceutical is the forerunner in the sector, with a history in concentrated TCM granules for over 30 years.

Table 1: Main Financial Indicators for the Concentrated TCM Granules Business (the comparative figures for the same period of 2015 were prepared based on the assumption that the Group had consolidated Tianjiang Pharmaceutical on 1 January 2015, which have not been audited by the auditors)

	Unaudited Six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Changes
Revenue	**2,054,739**	1,685,305	21.9%
Cost of sales	**(853,427)**	(795,940)	7.2%
Gross profit	**1,201,312**	889,365	35.1%
Profit before taxation	**469,075**	349,969	34.0%
Profit for the period	**381,101**	299,237	27.4%
Gross profit margin	**58.5%**	52.8%	5.7ppt
Net profit margin	**18.5%**	17.8%	0.7ppt

Note All figures in this table deducted the additional depreciation and amortisation arising from the fair value assessment of identifiable assets acquired as a result of the acquisition of Tianjiang Pharmaceutical.

During the reporting period, the concentrated TCM granules business recorded satisfactory results, with revenue posted rapid growth of 21.9% to approximately RMB2,054,739,000 from RMB1,685,305,000 for the same period of last year. Gross profit margin improved by 5.7 percentage points to 58.5% from 52.8% for the same period of last year. Such improvement was mainly attributable to that (1) prices increased as part of the sales shifted to direct invoicing to hospitals rather than agents; (2) the increase in sales volume promoted the expansion of output, and benefitted from the effect of economies of scale in production. During the reporting period, profit before taxation and profit for the period for the concentrated TCM granules business was approximately RMB469,075,000 and RMB381,101,000, representing an increase of 34.0% and 27.4% respectively.

Tianjiang Pharmaceutical has established a mature marketing system for the concentrated TCM granules. With two models of direct sales and agency sales progressing together, it rapidly expands market, effectively controls its sales terminals, and maintains the sales and marketing network and has formed extensive sales coverage in each province of China. During the reporting period, the sales of concentrated TCM granules saw significant growth in most regions in China, of which 17 provinces witnessed a year-on-year growth of over 30% in sales revenue. The sales amount in each of the 18 provinces, including Guangdong, Jiangxi, Shaanxi, Shandong, Henan and Hebei, reached over RMB50,000,000 in the first half of 2016, with combined revenue contributing 86.2% of the total sales of concentrated TCM granules.

2. Finished Drugs: reformed marketing and sales models, laying a solid foundation for sustainable development in the long-term

Table 2: Main Financial Indicators for continuing operations of Finished Drug Business

	Unaudited		
	Six months ended 30 June		
	2016	2015	
	RMB'000	RMB'000	Changes
Revenue	**1,144,551**	1,422,067	-19.5%
Cost of sales	**(512,174)**	(565,362)	-9.4%
Gross profit	**632,377**	856,705	-26.2%
Profit before taxation	**196,270**	291,202	-32.6%
Profit for the period	**163,975**	244,229	-32.9%
Gross profit margin	**55.3%**	60.2%	-4.9ppt
Net profit margin	**14.3%**	17.2%	-2.9ppt

During the reporting period, the continuing operations of finished drug business achieved sales revenue of approximately RMB1,144,551,000, representing a decrease of 19.5% from approximately RMB1,422,067,000 for the same period of last year, which was mainly due to (1) the impact of medical insurance payment and the "two-invoice system", which forced distributors reduced the inventory, so they purchase less from the Group; (2) the tender prices of some products declined slightly, and the implementation of "secondary price negotiation" in Anhui Province, Ningbo City, Zhejiang Province and Northern Jiangsu district during last year led to the cancellation of tenders in these regions, which affected the sales of this year. Gross profit margin was 55.3%, representing a decrease of 4.9 percentage points from 60.2% for the same period of last year. The decrease in gross profit margin was mainly due to the decrease in production volume resulted from changes in sales volume, the increase in fixed unit production cost, and the decrease in sales resulted from the adjustment of unit selling price for some products. Profit before taxation for the finished drug business was approximately RMB196,270,000, representing a decrease of 32.6% as compared with the same period of last year. Profit for the period from the finished drug business was approximately RMB163,975,000, representing a decrease of 32.9% as compared with the same period of last year. Apart from the above factors, a reduction in interest income was also one of the main reasons of the decrease in net profit from the finished drug business. Interest income for the same period of last year was mainly attributable to interest income from deposits of proceeds of placing of new shares of the Company of approximately RMB27,711,000, such interest income was non-recurring, and was discountinued at the end of last year.

The Group digested the pressure on the finished drug sector exerted by industry policies through adjusting the pace of the production and sales of finished drugs and reforming the marketing and sales models to lay a solid foundation for a long-term and sustainable development. The introduction of the "system of responsible persons/ partners" specified the rights and responsibilities of each responsible person. It gave full authorization to them in human, financial and material resources, which improved the team efficiency and fully motivated the front-line management and sales staff. Terminal sales have shown signs of growth.

3. Acceleration in Internal integration

Under the relatively weak market environment for the finished drug business, the Group accelerated the integration and market expansion of the concentrated TCM granules business. The Group has continued strengthening the management team of all subsidiaries to integrate resources and improve the utilization efficiency of labors, capital and production facilities. It has also established the TCM procurement center for centralized procurement of 105 medicinal herbs with large consumption for finished drugs and concentrated TCM granules to ensure the quality of the supply of raw materials, effectively reduced the procurement cost and improve the profit margin.

In order to meet the surging capacity demand for concentrated TCM granules, the Group has been preparing and coordinating with relevant regulatory authorities to integrate the pre-treatment and extraction processes of all TCM production facilities of the Group within Guangdong in Gaoming District, Foshan City. The centralized, energy-saving and environmental friendly development model will further enhance the production efficiency and quality management.

The Group strengthened market supporting and team building, established the expert database and enhanced the academic promotion of major finished products and concentrated TCM granules. Meanwhile, the Group continuously improved the sales mapping system for targeted medical institutes and enhanced the distributors and internal sales forces to expand coverage of grass-root medical institutes, preparing for the deregulation of pilot policies on concentrated TCM granules.

4. Research and Development ("R&D")

Concentrated TCM granules

During the reporting period, the scientific research departments of the Group continued to advance the research on various concentrated TCM granules. The Group conducted 21 research projects focusing on the production and quality control of concentrated TCM granules and 9 on the development of health products. It has obtained 4 utility model patents, 3 invention patents and made 57 new patent applications.

(1) Persistently focusing on the researches of key technical platforms and key varieties to improve the core competitiveness of concentrated TCM granules. Emphasis was put on the research of key technologies for improving product quality, improving production efficiency and reducing production cost, and has made significant progresses in extraction, separation of solids and liquids and granulation. It also conducted researches on key TCM medicinal herbs from the selection, processing, production technologies, quality standard and quality control.

(2) Study on improving the internal quality control standard of concentrated TCM granules. Based on the Chinese Pharmacopoeia (2015 edition) and the research results of Tianjiang Pharmaceutical on the quality of medicinal herbs, decoction pieces, extraction and finished products, the internal quality control standards of the Company were revised. Further studies were made to improve TLC (Thin-layer Chromatography) identification, content determination and other qualitative and quantitative methods. The verification on the HPLC (High Performance Liquid Chromatography) characteristics of medicinal herbs and finished products continued. So far, it has identified HPLC characteristics of over 150 concentrated TCM granules. The study is particularly important in improving the quality control of concentrated TCM granules.

(3) In order to maintain the competitiveness of concentrated TCM granules in the future, the Group formed a dedicated research team and initiated the study on unifying internal standards for concentrated TCM granules and has achieved unification for some of the key varieties in the following aspects: (1) unified place of origin and production base of medicinal herbs, achieving the unification of basic standards of raw materials; (2) unified preparation yield and specification yield, achieving the unification of key parameters in preparation standards; and (3) unified nominal equivalent weight, specification, content of the index ingredients, extract content and identification methods, achieving the unification of basic standards of finished products.

Finished drugs

The Group currently has 3 TCM new drugs and 5 chemical generic drugs under preclinical research and 4 TCM new drugs under clinical research. During the reporting period, the Group has been awarded 4 invention patents and 4 utility model patents. It also applied for 4 invention patents and 6 utility model patents. The Group has initiated the quality consistency evaluation for some of the generic drugs. It is conducting the overall pharmaceutical research on Nifedipine Sustained-release Tablets (I) (硝苯地平緩釋片(I)) and Nifedipine Sustained-release Tablets (III) (硝苯地平緩釋片(III)). The projects of TCM standardization for Yu Ping Feng Granules (玉屏風顆粒) and Xianling Gubao Capsule (仙靈骨葆膠囊) have been approved by the State Administration of Traditional Chinese Medicine, aiming to promote the establishment of a standard system for the industry, facilitate the development of "high quality with compatible price" and guarantee the sustainable development of the TCM industry through improving the overall product quality.

In order to accommodate the requirements on the administration of "clinical pathway" in public hospitals promoted by the regulatory authorities, the Group has been gradually conducting large evidence-based clinical researches to enhance the influence of the Company in the academic world since the end of last year. Large RCTs (Randomized Control Trials) were conducted on Yu Ping Feng Granules (玉屏風顆粒), Moisturising & Anti-Itching Capsule (潤燥止癢膠囊) and Jingshu Granules (頸舒顆粒). During the reporting period, clinical trials on Yu Ping Feng Granules for the treatment of COPD (chronic obstructive pulmonary disease) and RRTI (recurrent respiratory tract infection) entered the stage of data processing and follow-up visits. Currently, the initial results are encouraging. The trials on Jingshu Granules and Moisturising & Anti-Itching Capsule have been under the process of recruiting patients since March and are in steady and orderly progress. On such basis, we also initiated clinical researches on Zaoren Anshen Capsule (棗仁安神膠囊) and Fengshi Gutong Capsule (風濕骨痛膠囊) . So far, the clinical researches on all key products have been initiated.

In addition, as China attaches importance not only to the efficacy but also the economics of the EDL products, the Group also initiated the pharmacoeconomics researches on its major EDL products during the reporting period, which can prove the cost effectiveness of products. As at end-June, the researches on Xianling Gubao Capsule (仙靈骨葆膠囊) and Yu Ping Feng Granules (玉屏風顆粒) have obtained initial results; the researches on Jingshu Granules (頸舒顆粒), Moisturising & Anti-Itching Capsule (潤燥止癢膠囊) and Zaoren Anshen Capsule (棗仁安神膠囊) were also in progress. All projects under progress are conducted under the cooperation with top experts in the corresponding fields, which will help significantly improve the influence of the Group in the industry. It also demonstrates the Group's efforts in the academic promotion of pharmaceuticals. We will continue to focus on academic researches to improve the brand recognition of the products and support sales volume growth.

5. Investment Projects

Acquisition of Huayi Pharmaceutical

During the reporting period, Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interest in Huayi Pharmaceutical and related shareholder's loan through the tender with RMB83,500,000 (equivalent to approximately HK$100,200,000) on 6 April 2016. Huayi Pharmaceutical was a wholly-owned subsidiary of Sinopharm Group Hongkong Co., Limited ("Sinopharm Hongkong"), a substantial shareholder of the Group. Its exclusive product Qili Capsule (七厘膠囊) , a bone-setting prescription medicine, is listed on the National Essential Drug List (2012 edition).

For details of the transaction, please refer to the announcements of the Company dated 26 February 2016 and 6 April 2016.

PROSPECTS

The Group will follow the development strategies with equal efforts on organic and exogenous growth and on inheritance and innovation, so as to contribute to the development and upgrading of the TCM industry and strengthen the competitiveness, sustainability and the ability of the Group in eliminating risks. We will continue to focus on the concentrated TCM granules and finished drug businesses, promote the integration within the Group and improve the management system and workflow of the Company to ensure its sustainable and healthy development.

Speed up the pace of strategic planning on concentrated TCM granules

On 26 February 2016, the State Council issued the "TCM Development Strategy Plan Summary (2016-2030)" (《中醫藥發展戰略規劃綱要(2016-2030年)》), of which concentrated TCM granules were included in the national TCM development strategy plan. On 5 August 2016, the Chinese Pharmacopoeia Commission issued the "Technical Requirements on Quality Control and Standards Establishment for Concentrated TCM Granules (Draft for Comments)" (《中藥配方顆粒質量控制與標準制定技術要求(徵求意見稿)》) to solicit public opinions on the quality control and standards establishment for concentrated TCM granules. It also means that the legitimation of concentrated TCM granules and the gradual deregulation of the market in the near future, which will bring bright development prospects for the concentrated TCM granules industry.

The Group believes that the concentrated TCM granules market in China will experience rapid growth in the coming 5 to 10 years upon the liberalisation of the sector and the implementation of the various ancillary policies. In response to the challenges from new competitors and to seize the growth opportunities in the development of the industry, the Group will dedicate core resources to generate organic and exogenous growth and continue to consolidate the leading position and advantages of Tianjiang Pharmaceutical in the concentrated TCM granules sector.

The Group will actively advance the integration of Tianjiang Pharmaceutical and promote resources sharing in management, R&D, procurement, production and marketing to complement each other's advantages to achieve synergy, reduce cost and improve efficiency as well as its core competitiveness. The Group will fully seize the window period before the implementation of the market liberalization policy, and appropriately plan out production bases according to the distribution of the local Chinese medicinal herb resources and the existing production capacity of the Group.

At the same time, the Group will actively implement industrial standards in accordance with the" Technical Requirements on Quality Control and Standards Establishment for Concentrated TCM Granules (Draft for Comments)" (《中藥配方顆粒質量控制與標準制定技術要求(徵求意見稿)》) , to adopt the highest quality standard, and strive to achieve the absolute advantage of number of varieties in the unified standard.

Nurture blockbusters to promote business growth of finished drugs

The Group will continue to advance the reform of the marketing system, improve the team efficiency and fully motivate the front-line managers and sales staff. Through the integration and focused investment of sales resources, we will build a solid foundation for the long-term and sustainable development of the Group. Meanwhile, we will conduct the revitalizing development plan for the key TCM finished drugs and nurturing the 8 exclusive EDL products of the Company to become blockbuster drugs. Focusing on the evidence-based studies, the Group will gradually improve academic promotion and discover new marketing highlights to achieve more precise product positioning. The Group expects these efforts will have positive impact on product sales in the upcoming years. Of which, the clinical research results of the evidence-based studies will significantly improve the effectiveness of the academic promotion, and hence, will help with market share expansion and sales volume growth.

Expanding TCM decoction pieces processing business

The Group will also strengthen the TCM decoction pieces processing business to more effectively form internal industry synergy, reduce procurement and production cost and improve product quality. As the TCM decoction pieces processing industry tends to be more regulated and that quality determines sales, enterprises with competitive advantages and reputable brands will enjoy excellent growth opportunities. The development of TCM decoction pieces business will also help the Group to further improve the business structure and achieve the strategic goal of the full coverage of the TCM industrial chains.

The development of the TCM decoction pieces processing business will be coordinated with the Group's development plan of concentrated TCM granules and finished drugs across China. The sales and production plan of the concentrated TCM granules will also be in harmony with the development strategies of the TCM decoction pieces business. We will strive to achieve the prosperity of the TCM decoction pieces alongside with the concentrated TCM granules.

FINANCIAL REVEIW

After the acquisition of 100% equity interest in Huayi Pharmaceutical, the Group began to consolidate financial statements of Huayi Pharmaceutical in May 2016, which has been classified into the finished drug business of the Group.

Continuing Operations

Revenue

For the six months ended 30 June 2016, the Group's revenue amounted to approximately RMB3,199,290,000, representing an increase of 125.0% from approximately RMB1,422,067,000 for the same period of last year, which was mainly attributable to the newly acquired concentrated TCM granules business after the acquisition of Tianjiang Pharmaceutical. Of which, revenue from the finished drug business was approximately RMB1,144,551,000, representing a decrease of 19.5% from approximately RMB1,422,067,000 for the same period of last year, which was mainly due to 1) adjustments of sales model and selling price for some products; 2) the decrease in inventory demand from the secondary distributors impacted by the business environment. The concentrated TCM granules business contributed revenue of approximately RMB2,054,739,000.

Cost of sales and gross profit margin

For the six months ended 30 June 2016, the Group's cost of sales was approximately RMB1,365,601,000, representing an increase of 141.5% from approximately RMB565,362,000 for the same period of last year. Gross profit for the preiod was approximately RMB1,833,689,000, representing an increase of 114.0% from approximately RMB856,705,000 for the same period of last year. Gross profit margin for the period dropped by 2.9 percentage points to 57.3% from 60.2% for the same period of last year, which was mainly due to the decrease in gross profit margin of the finished drug business for the period as compared with the same period of last year, and the decrease in gross profit margin of the concentrated TCM granules business for the period as compared with that of the finished drug business for the same period of last year.

Regarding the finished drug business, the cost of sales for the period was approximately RMB512,174,000, representing a decrease of 9.4% as compared with approximately RMB565,362,000 for the same period of last year. Gross profit amounted to approximately RMB632,377,000, representing a decrease of 26.2% from RMB856,705,000 for the same period of last year. The gross profit margin for the period was 55.3%, representing a fall of 4.9 percentage points as compared to 60.2% for the same period of last year, which was mainly due to the decrease in revenue resulted from adjustments of sales model and selling price for some products, the decrease in production volume resulted from changes in sales volume, and the reduced gross profit resulted from the increase in fixed unit production cost.

Regarding the concentrated TCM granules business, the cost of sales for the period was approximately RMB853,427,000, including the amount of approximately RMB50,934,000, resulted from the profit and loss effect of fair value adjustment 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 RMB1,201,312,000 and the gross profit margin was 58.5%.

Other income

For the six months ended 30 June 2016, the Group's other income was approximately RMB27,815,000, representing a decrease of 16.9% as compared to approximately RMB33,460,000 for the same period of last year.

Finished drug business:

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Interest income	**2,938**	27,747	-89.4%
Government grants	**7,123**	5,169	37.8%
Rental income	**1,570**	544	188.6%
Total	**11,631**	33,460	-65.2%

The decrease in interest income was due to interest income from deposits of proceeds of placing of new shares for the same period of last year was discontinued at the end of last year.

Concentrated TCM granules business

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Interest income	**10,203**	–	N/A
Government grants	**5,981**	–	N/A
Total	**16,184**	–	N/A

Other gains and losses

For the six months ended 30 June 2016, the Group's other gains was approximately RMB1,412,000 (for the six months ended 30 June 2015: other gains of approximately RMB7,689,000). Finished drug business had other gains of approximately RMB7,689,000 in the same period last year, but recorded other losses of approximately RMB150,000 in the period, which was mainly due to the gain from the foreign exchange forward contracts of approximately RMB9,842,000 for the same period of last year and the gain from such contracts was discontinued at the end of last year. Other gains of the concentrated TCM granules business was approximately RMB1,562,000 for the current period.

Selling and distribution costs

For the six months ended 30 June 2016, the Group's selling and distribution costs amounted to approximately RMB876,909,000 (for the six months ended 30 June 2015: RMB445,484,000).

Finished Drug Business:

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Advertising, promotion and traveling expenses	**158,275**	225,309	-29.8%
Salary expenses of sales and marketing staff	**140,312**	144,307	-2.8%
Distribution costs	**9,731**	14,464	-32.7%
Other selling and distribution costs	**39,807**	61,404	-35.2%
Total	**348,125**	445,484	-21.9%

Selling and distribution costs decreased by 21.9% as compared to that for the same period of last year, which was mainly attributable to the decrease in revenue. During the period under review, selling and distribution costs as a percentage of the revenue from the finished drug business was 30.4% as compared to 31.3% for the same period of last year, which was mainly due to the reduced selling and distribution costs resulted from the adjustment of sales model for some products.

Concentrated TCM granules business:

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Advertising, promotion and traveling expenses	**277,182**	–	N/A
Salary expenses of sales and marketing staff	**25,964**	–	N/A
Distribution costs	**30,179**	–	N/A
Other selling and distribution costs	**195,459**	–	N/A
Total	**528,784**	–	N/A

The amount of approximately RMB2,404,000, resulted from the profit and loss effect of fair value adjustment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical was allocated to the selling and distribution costs in the consolidated financial statements. The selling and distribution costs of concentrated TCM granules business in the consolidated financial statements accounted for 25.7% of its revenue. The selling and distribution costs were mainly marketing and promotion expenses.

Research and development costs and administrative expenses

For the six months ended 30 June 2016, the Group's research and development costs and administrative expenses amounted to approximately RMB287,355,000 (for the six months ended 30 June 2015: RMB123,274,000).

Finished drug business:

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Staff costs	**32,682**	32,361	1.0%
Depreciation and amortisation	**9,520**	9,282	2.6%
Office rental cost and other expenses	**16,497**	50,065	-67.0%
Subtotal	**58,699**	91,708	-36.0%
Research and development costs	**26,168**	31,566	-17.1%
Total	**84,867**	123,274	-31.2%

Research and development costs and administrative expenses decreased by 31.2% as compared to corresponding period of last year, which was mainly attributable to the effect of the decrease in revenue. At the same time, expenses such as professional service fee related to the acquisition of Tianjiang Pharmaceutical of RMB6,042,000 for the same period of last year, such expenses were periodic expenses, while such expenses did not occur at the period. During the period under review, the research and development costs and administrative expenses as a percentage to the revenue of finished drug business was 7.4% as compared to 8.7% for the same period of last year.

Concentrated TCM granules business:

	Six months ended 30 June		
	2016	2015	Changes
	RMB'000	RMB'000	
Staff costs	**36,846**	–	N/A
Depreciation and amortisation	**7,812**	–	N/A
Office rental cost and other expenses	**83,967**	–	N/A
Subtotal	**128,625**	–	N/A
Research and development costs	**73,863**	–	N/A
Total	**202,488**	–	N/A

The amount of approximately RMB1,240,000, resulted from the profit and loss effect of fair value adjustment of identifiable assets arising from the acquisition of Tianjiang Pharmaceutical was allocated to the administrative expenses in the consolidated financial statements. Research and development costs and administrative expenses of the concentrated TCM granules business accounted for 9.9% of its revenue in the consolidated financial statements.

Profit from continuing operations

For the six months ended 30 June 2016, the Group's profit from operations was approximately RMB698,652,000, representing an increase of 112.3% as compared to RMB329,096,000 for the same period of last year, while operating profit margin (defined as profit from operations divided by revenue) was 21.8%, representing a decrease of 1.3 percentage points from 23.1% for the same period of last year. The decrease in operating profit margin was mainly due to the reduced gross profit margin and the decrease in non-recurring income for the period.

Regarding the finished drug business, the profit from operations was approximately RMB210,866,000, representing a decrease of 35.9% as compared to RMB329,096,000 for the same period of last year. The operating profit margin decreased from 23.1% for the same period of last year to 18.4% for the period. Regarding the concentrated TCM granules business, the profit from operations was approximately RMB487,786,000 (after deducting depreciation and amortisation of approximately RMB54,578,000 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 23.7%.

Finance costs

For the six months ended 30 June 2016, the Group's finance costs amounted to approximately RMB34,161,000 (for the six months ended 30 June 2015: RMB37,894,000). Bank and other loans held by the Group as at 30 June 2016 amounted to approximately RMB2,739,649,000, higher than bank and other loans held by the Group amounted to approximately RMB1,397,965,000 as at 30 June 2015. However, the finance costs decreased, as the Group arranged timely new loan replacement at lower interest rate according to the changing market interest rates. During the period under review, the effective interest rate was 2.50% (the six months ended 30 June 2015: 4.77%). The Group will continue to pay attention to the changes in market interest rates and adjust the borrowings and fund raising mechanism on a timely basis. When an opportunity for price negotiation arises, the Group would refinance the existing loans or secure new bank loans.

Income from investment in associate

For the six months ended 30 June 2016, the Group shared income from associate, Guizhou Zhongtai Biological Technology Company Limited and its subsidiaries, Foshan Shunde Cili Biological Technology Company Limited and its subsidiaries of approximately RMB854,000, while there no such income for the same period of last year.

Earnings per share

For the six months ended 30 June 2016, basic earnings per share was RMB10.98 cents, representing an increase of 36.1% as compared to RMB8.07 cents for the same period of last year. Basic earnings per share increased because profit attributable to equity shareholders of the Company for the period under review increased by 101.8% to approximately RMB490,776,000 (for the six months ended 30 June 2015: RMB243,243,000). During the period, the Company repurchased and cancelled 52,242,000 ordinary shares, so that the number of issued ordinary shares was reduced to 4,431,505,630 shares. The weighted average number of issued ordinary shares for the period was 4,469,364,749 shares as compared with 3,015,543,308 shares for the same period of last year.

Liquidity and financial resources

As at 30 June 2016, the Group's current assets amounted to approximately RMB6,720,589,000 (31 December 2015: RMB6,872,568,000), which included cash, cash equivalents and deposits with banks of approximately RMB1,984,290,000 (31 December 2015: RMB2,137,886,000), among which the carrying amount of restricted deposits with banks amounted to approximately RMB49,620,000 (31 December 2015: RMB36,030,000). Those restricted deposits with banks were mainly pledged as securities for issuance of bank's acceptance bills to the Group and forward foreign exchange purchased by the Group. Trade and other receivables of RMB3,381,210,000 (31 December 2015: RMB3,398,227,000). Current liabilities amounted to RMB4,884,757,000 (31 December 2015: RMB4,485,029,000). Net current assets aggregated to approximately RMB1,835,832,000 (31 December 2015: RMB2,387,539,000). The Group's current ratio was 1.4 (31 December 2015: 1.5). The gearing ratio (defined as bank and other loans divided by equity attributable to equity shareholders of the Company) increased slightly to 23.9% from 22.0% as at 31 December 2015. Gearing ratio increased as the bank and other loans increased by approximately RMB289,290,000 (the growth rate is 11.8%), and the equity attributable to equity shareholders of the Company increased by approximately RMB314,182,000 as a result of the combining effect of repurchase of ordinary share issued and the increase in retained earnings (the growth rate is 2.8%), but the growth rate of bank and other loans were more than the growth rate of equity attributable to equity shareholders of the Company.

Bank and other loans and pledge of assets

As at 30 June 2016, the balance of the Group's bank and other loans was approximately RMB2,739,649,000 (31 December 2015: RMB2,450,359,000), of which RMB253,647,000 (31 December 2015: RMB462,080,000) was secured by the Group's assets with book value of approximately RMB133,377,000 (31 December 2015: RMB346,279,000) in total. The new bank loan was mainly for repurchasing issued ordinary shares. The balance of the Group's bank and other loans includes RMB2,739,649,000, which are required to be paid within 1 year (31 December 2015: approximately RMB1,600,059,000 and RMB850,300,000 to be paid within one year and 1 to 3 years respectively).

Capital source

The Group satisfies its operating capital needs mainly through operating business and external financing. During the period under review, the net cash inflow generated from the operating business of the Group was approximately RMB723,348,000, representing an increase of 241.9% as compared with that of approximately RMB211,548,000 for the same period of last year, mainly due to the increase in profit from operations of the period; the net cash outflow generated from the investing activities was RMB942,461,000, representing a decrease of 16.2% as compared with that of approximately RMB1,124,003,000 for the same period of last year, mainly due to the purchase of available-for-sale financial assets for the same period of last year with surplus fund of RMB500,000,000, while there was no such purchase for the period; the net cash inflow generated from financing activities was approximately RMB61,782,000, representing a significant decrease as compared with the same period of last year of RMB6,730,523,000, mainly due to the cash inflow generated from additional placing of new shares of RMB6,533,637,000. The outstanding bank facilities of the Group were approximately RMB394,091,000. The Group has sufficient working capital and its financial position is healthy.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2016 (31 December 2015: nil).

FINANCIAL RISKS

The Group mainly operates in mainland China with most of the transactions originally denominated and settled in RMB, of which foreign exchange risk is considered insignificant. However, as the Company and other investment holding subsidiaries incorporated in the Cayman Islands, British Virgin Islands and Hong Kong have their functional currencies in USD or HKD, any appreciation or depreciation of RMB against USD or HKD will expose the Group to foreign exchange risk. During the period, the Group executed a forward foreign exchange purchasing contract amounting to HK$1.0 billion to mitigate the impact of fluctuations in RMB exchange rate on repayment of the Company's borrowings in HK$. In future, the Group will continue to manage its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by taking appropriate measures on a timely basis.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2016, the Group had a total of 9,698 (31 December 2015: 9,420) 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 4,577, 3,533 and 1,588 respectively. Remuneration packages are mainly comprised of salary and discretionary bonus based on individual performance. The Group's total remuneration amount during the period was RMB330,400,000 (for the six months ended 30 June 2015: RMB228,952,000).

INTERIM DIVIDEND

The Board recommended an interim dividend of HK6.44 cents (approximately RMB5.54 cents) per share for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil). The interim dividend will be payable on 7 October 2016 to the shareholders on the register of members of the Company on 22 September 2016.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 20 September 2016 to Thursday, 22 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 19 September 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 30 June 2016, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions and short positions in shares and underlying shares of the Company as at 30 June 2016:

Name of Directors	Capacity	Number of Ordinary Shares	Approximate Percentage of Total Interests to Issued Shares
YANG Bin	Interest of controlled corporation	376,735,042 (long position) *(Note 1)*	8.50%
WANG Xiaochun	Interest of controlled corporation	376,735,042 (long position) *(Note 2)*	8.50%

Notes:

1. The 376,735,042 shares are held by Profit Channel Development Limited ("Profit Channel"), which is wholly owned by Mr. YANG Bin.

2. The 376,735,042 shares are held by Hanmax Investment Limited ("Hanmax") which is wholly owned by Mr. WANG Xiaochun.

Other than as disclosed above, none of the directors and chief executives of the Company had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers. None of directors or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the six months ended 30 June 2016.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2016, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under section 336 of the SFO were as follows:

Long positions and short positions in shares and underlying shares of the Company as at 30 June 2016:

Name of Substantial Shareholders	Capacity	Number of Ordinary Shares	Approximate Percentage of Total Interests to Issued Shares
Sinopharm Hongkong	Beneficial owner	1,614,313,642 (long position) *(Note 1)*	36.43%
CNPGC	Interest of controlled corporations	1,614,313,642 (long position) *(Note 1)*	36.43%
Profit Channel	Beneficial owner	376,735,042 (long position)	8.50%
Hanmax	Beneficial owner	376,735,042 (long position)	8.50%
GIC Private Limited	Investment Manager	100,532,000 (long position) *(Note 2)*	2.27%
	Interest of controlled corporations	213,674,000 (long position) *(Note 2)*	4.82%

Notes:

1. The 1,614,313,642 shares are held by Sinopharm Hongkong, which is indirectly wholly owned by China National Pharmaceutical Group Corporation ("CNPGC").

2. The number of shares held by GIC Private Limited is based on the information of Corporate Substantial Shareholder Notice (Form 2) dated 22 January 2016 which is available on the website of the Stock Exchange.

Save as disclosed above, the register which was required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the period were there any 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 children under 18 years of age, or were there any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

During the six months ended 30 June 2016, the Company bought back 52,242,000 shares on the Stock Exchange for an aggregate amount (excluding expenses) of HK$188,150,160. Details of the buy-backs are for the following:

Month of buy-back	**No. of shares bought back**	**Highest price paid per share HK$**	**Lowest price paid per share HK$**	**Aggregate amount paid (excluding expenses) HK$**
March 2016	15,206,000	3.80	3.44	53,692,760
April 2016	19,728,000	3.80	3.56	72,412,680
May 2016	17,308,000	3.65	3.50	62,044,720
	52,242,000			188,150,160

All 52,242,000 shares bought back were cancelled on delivery of the share certificates during the period. The aggregate amount of HK$188,150,160 was paid out from the Company's retained profits.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

Corporate Governance Code

To the knowledge of the Board, the Company has complied throughout the six months ended 30 June 2016 with the Code Provisions set out in the Code on Corporate Governance Code contained in Appendix 14 of the Listing Rules.

The Model Code for Securities Transactions

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

CHANGE IN DIRECTORS' INFORMATION

Subsequent to the date of the Annual Report 2015, change in information of directors of the Company required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rule is for the following:

– Mr. ZHANG Jianhui resigned as a non-executive director with effect from 18 July 2016.

– Ms. HUANG He was appointed as a non-executive director with effect from 23 August 2016.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016, including the accounting principles, treatments and practices adopted by the Group and the Interim Report 2016. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

By Order of the Board

WU Xian
Chairman

Hong Kong, 23 August 2016

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHINA TRADITIONAL CHINESE MEDICINE HOLDINGS CO. LIMITED
(FORMERLY KNOWN AS CHINA TRADITIONAL CHINESE MEDICINE CO. LIMITED)
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Traditional Chinese Medicine Holdings Co. Limited (formerly known as China Traditional Chinese Medicine Co. Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTERS

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were reviewed by another auditor who expressed an unmodified conclusion to those statements on 20 August 2015. The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by the same auditor who expressed an unmodified opinion on those statements on 21 March 2016.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*4*	**3,199,290**	1,422,067
Cost of sales		**(1,365,601)**	(565,362)
Gross profit		**1,833,689**	856,705
Other income	*5*	**27,815**	33,460
Other gains and losses	*5*	**1,412**	7,689
Selling and distribution costs		**(876,909)**	(445,484)
Administrative expenses		**(187,324)**	(91,708)
Research and development costs		**(100,031)**	(31,566)
Finance costs	*6*	**(34,161)**	(37,894)
Share of results of associates		**854**	–
Profit before taxation	*7*	**665,345**	291,202
Taxation	*8*	**(120,269)**	(46,973)
Profit for the period from continuing operations		**545,076**	244,229
Discontinued operation			
Loss for the period from discontinued operation (net of tax)	*10*	**–**	(16,963)
Profit for the period		**545,076**	227,266
Attributable to:			
Owners of the Company			
– Continuing operations		**490,776**	243,243
– Discontinued operation		**–**	(8,651)
		490,776	234,592
Non-controlling interests			
– Continuing operations		**54,300**	986
– Discontinued operation		**–**	(8,312)
		54,300	(7,326)
Profit for the period		**545,076**	227,266

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June **2016** **RMB'000** **(Unaudited)**	 2015 RMB'000 (Unaudited)
Profit for the period		**545,076**	227,266
Other comprehensive expense for the period			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of functional currency to presentation currency		**(15,873)**	(11,256)
Total comprehensive income for the period		**529,203**	216,010
Attributable to:			
– Owners of the Company		**474,903**	223,336
– Non-controlling interests		**54,300**	(7,326)
		529,203	216,010
Earnings per share	*11*		
Basic and diluted			
– Continuing operations (RMB)		**10.98 cents**	8.07 cents
– Discontinued operation (RMB)		**–**	(0.29) cent
		10.98 cents	7.78 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited and restated)
Non-current assets			
Investment properties		**2,446**	2,513
Property, plant and equipment	12	**1,798,152**	1,669,254
Prepaid lease payments	12	**340,624**	307,666
Deposits paid for acquisition of property, plant and equipment		**142,372**	135,678
Other intangible assets	13	**6,621,310**	6,680,449
Goodwill	13	**3,317,176**	3,341,045
Interests in associates		**89,188**	88,136
Deferred tax assets		**113,951**	111,367
		12,425,219	12,336,108
Current assets			
Available-for-sale financial assets		**620**	100,594
Inventories	14	**1,352,907**	1,235,861
Trade and other receivables	15	**3,381,210**	3,398,227
Derivative financial instruments		**1,562**	–
Pledged bank deposits	16	**49,620**	36,030
Bank balances and cash		**1,934,670**	2,101,856
		6,720,589	6,872,568
Current liabilities			
Trade and other payables	17	**1,913,177**	2,660,470
Bank borrowings	18	**2,739,649**	1,600,059
Tax payables		**143,134**	148,580
Deferred government grants		**88,797**	75,920
		4,884,757	4,485,029
Net current assets		**1,835,832**	2,387,539
Total assets less current liabilities		**14,261,051**	14,723,647

	NOTES	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited and restated)
Non-current liabilities			
Deferred tax liabilities		**1,669,483**	1,668,745
Deferred government grants		**82,383**	64,389
Bank borrowings	18	**–**	850,300
		1,751,866	2,583,434
Net assets		**12,509,185**	12,140,213
Capital and reserves			
Share capital	19	**9,809,935**	9,809,935
Reserves		**1,637,619**	1,323,437
Equity attributable to owners of the Company		**11,447,554**	11,133,372
Non-controlling interests		**1,061,631**	1,006,841
Total equity		**12,509,185**	12,140,213

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							
	Share capital RMB'000	Exchange reserve RMB'000	Reserve fund RMB'000 (note a)	Other reserve RMB'000 (note b)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016 (as previously stated)	**9,809,935**	**(60,578)**	**190,170**	**(53,039)**	**1,242,980**	**11,129,468**	**708,293**	**11,837,761**
Effect of adjustments to provisional values for business combination in 2015 (note 3)	**–**	**–**	**–**	**–**	**3,904**	**3,904**	**298,548**	**302,452**
At 1 January 2016 (restated)	**9,809,935**	**(60,578)**	**190,170**	**(53,039)**	**1,246,884**	**11,133,372**	**1,006,841**	**12,140,213**
Profit for the period	**–**	**–**	**–**	**–**	**490,776**	**490,776**	**54,300**	**545,076**
Other comprehensive expense for the period	**–**	**(15,873)**	**–**	**–**	**–**	**(15,873)**	**–**	**(15,873)**
Total comprehensive (expense) income for the period	**–**	**(15,873)**	**–**	**–**	**490,776**	**474,903**	**54,300**	**529,203**
Acquisition of subsidiaries (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**41,198**	**41,198**
Shares repurchased during the period (note 19)	**–**	**–**	**–**	**–**	**(160,721)**	**(160,721)**	**–**	**(160,721)**
Dividend paid to non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(40,708)**	**(40,708)**
At 30 June 2016 (unaudited)	**9,809,935**	**(76,451)**	**190,170**	**(53,039)**	**1,576,939**	**11,447,554**	**1,061,631**	**12,509,185**
At 1 January 2015	2,542,246	(116,909)	157,946	(53,039)	653,512	3,183,756	73,366	3,257,122
Profit (loss) for the period	–	–	–	–	234,592	234,592	(7,326)	227,266
Other comprehensive expense for the period	–	(11,256)	–	–	–	(11,256)	–	(11,256)
Total comprehensive (expense) income for the period	–	(11,256)	–	–	234,592	223,336	(7,326)	216,010
New shares issued during the period	6,533,637	–	–	–	–	6,533,637	–	6,533,637
At 30 June 2015 (unaudited)	9,075,883	(128,165)	157,946	(53,039)	888,104	9,940,729	66,040	10,006,769

Notes:

(a) In accordance with the accounting principles and financial regulations applicable in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to transfer part of their profit after taxation to the reserve fund. The transfer amounts are determined by the subsidiary's board of directors in accordance with the articles of association and the transfers are made before profit distribution to the equity holders of the subsidiary. Reserve fund can only be used to make good losses, if any, and for increasing paid-in-capital.

(b) Other reserve represented premium paid for acquisition of non-controlling interests in Sinopharm Group Dezhong (Foshan) Pharmaceutical Co., Ltd. ("Dezhong") and Sinopharm Group Feng Liao Xing (Foshan) Pharmaceutical Co., Ltd. ("Feng Liao Xing") and related reserves in previous years.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		**723,348**	211,548
Investing activities			
Settlement of payables on acquisition of subsidiaries	*17*	**(870,779)**	–
Purchase of property, plant and equipment		**(175,194)**	(87,582)
Purchase of prepaid lease payments		**(16,891)**	–
Cash received in available-for-sale financial assets in maturity		**100,594**	–
Cash inflow from acquisition of subsidiaries, net of bank balances and cash acquired of	*13*	**3,601**	–
Investment in available-for-sale financial assets		**(620)**	(500,000)
Deposits paid for acquisition of subsidiaries		**–**	(576,497)
Other investing cash flows		**16,828**	40,076
Net cash used in investing activities		**(942,461)**	(1,124,003)
Financing activities			
New bank borrowings raised		**1,466,726**	866,277
Repayment of bank borrowings		**(1,196,472)**	(630,385)
Payment of repurchase of shares	*19*	**(160,721)**	–
Proceeds from issue of shares		**–**	6,533,637
Other financing cash flows		**(47,751)**	(39,006)
Net cash from financing activities		**61,782**	6,730,523
Net (decrease) increase in cash and cash equivalents		**(157,331)**	5,818,068
Cash and cash equivalents at 1 January		**2,101,856**	439,416
Effect of foreign exchange rate changes		**(9,855)**	1,031
Cash and cash equivalents at 30 June, represented by bank balances and cash		**1,934,670**	6,258,515

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

The Company is a listed company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. Pursuant to a special resolution in the annual general meeting held on 28 June 2016 which approved by the shareholders of the Company, the name of the Company has been changed from China Traditional Chinese Medicine Co. Limited to China Traditional Chinese Medicine Holdings Co. Limited with effect from 22 July 2016.

In the opinion of directors of the Company, the Company's ultimate controlling shareholder is China National Pharmaceutical Group Corporation ("CNPGC"), a company established in the PRC which is owned by the PRC government.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 (the "Listing Rules").

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

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

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new amendments to Hong Kong Financial Reporting Standard ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of these amendments to the HKFRSs in the current interim period has had no material impact on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. ADJUSTMENTS TO PROVISIONAL VALUES FOR BUSINESS COMBINATION IN 2015

As further disclosed in note 13(a), the Group acquired 87.3% of the equity interest in Jiangyin Tianjiang Pharmaceutical Co., Ltd. and its subsidiaries ("Jiangyin Tianjiang Group") in October 2015. The Group recognised in its consolidated financial statements for the year ended 31 December 2015 provisional amounts of purchase considerations, fair value of identifiable assets acquired and liabilities assumed and goodwill. The identification and determination of fair value of the net identifiable assets of Jiangyin Tianjiang Group have been updated during the measurement period and as a result the Group retrospectively adjusted the 2015 comparative information on the consolidated statement of financial position as at 31 December 2015 as follows:

	As previously reported RMB'000	Adjustments RMB'000	Restated RMB'000
Goodwill	5,389,508	(2,048,463)	3,341,045
Other intangible assets	3,638,341	3,042,108	6,680,449
Deferred tax assets	125,546	(14,179)	111,367
Deferred government grants (current)	(81,880)	5,960	(75,920)
Deferred government grants (non-current)	(148,663)	84,274	(64,389)
Deferred tax liabilities	(901,497)	(767,248)	(1,668,745)
		302,452	
Equity attributable to owners of the Company	11,129,468	3,904	11,133,372
Non-controlling interests	708,293	298,548	1,006,841
		302,452	

4. REVENUE AND SEGMENT INFORMATION

Revenue

Continuing operations

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of pharmaceutical products		
– Finished drugs	**1,144,551**	1,422,067
– Concentrated Traditional Chinese Medicine ("TCM") granules	**2,054,739**	–
	3,199,290	1,422,067

The Group's customer base is diversified and none of the customers with whom transactions had exceeded 10% of the Group's revenue (six months ended 30 June 2015: Nil).

Segment reporting

The Group's operating and reporting segments have been identified on the basis of internal management reports that are regularly reviewed by the Executive Directors, being the chief operating decision maker ("CODM") of the Group, in order to allocate resources to segments and to assess their performances.

The Group presented the following twelve subsidiaries as reportable segments for the year ended 31 December 2015 consolidated financial statements:

Dezhong
Feng Liao Xing
Sinopharm Group Guangdong Medi-World Pharmaceutical Co., Ltd. ("Guangdong Medi-World")
Sinopharm Group Luya (Shandong) Pharmaceutical Co., Ltd. ("Luya")
Sinopharm Group Feng Liao Xing (Foshan) 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. ("Tongjitang Pharmaceutical")
Sinopharm Group Jingfang (Anhui) Pharmaceutical Co., Ltd. ("Jingfang")
Sinopharm Group Longlife (Guizhou) Pharmaceutical Co., Ltd. ("Guizhou LLF")
Qinghai Pulante Pharmaceutical Co., Ltd. ("Pulante")
Guizhou Zhongtai Biological Technological Company Limited and its subsidiaries ("Guizhou Zhongtai")
Jiangyin Tianjiang Group

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment reporting (continued)

During the current period, the Group changed the format of internal financial reporting to the CODM and the reportable segments from the above mentioned "by twelve subsidiaries" basis for the year 2015 consolidated financial statements to only two segments: by finished drugs and concentrated TCM granules. The above mentioned twelve subsidiaries which engaged in manufacturing and sales of finished drugs were aggregated and presented as a single segment. Management considered such a change provides more useful information about the impact of acquisition of Jiangyin Tianjiang Group, which engaged in manufacturing and sales of concentrated TCM granules.

The operating results of Guizhou Zhongtai for the six months ended 30 June 2015 are presented as discontinued operation in the condensed consolidated financial statements. Further details of the discontinued operation are set out in note 10.

(i) Segment results, assets and liabilities

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.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2016 and 2015 is set out below.

	Continuing operations			Discontinued operation	
	Finished drugs RMB'000	Concentrated TCM granules RMB'000	Subtotal RMB'000	Finished drugs RMB'000	Total RMB'000
For the six months ended 30 June 2016 (unaudited)					
Reportable segment revenue	1,144,551	2,054,739	3,199,290	–	3,199,290
Reportable segment profit (adjusted EBITDA)	256,380	580,552	836,932	–	836,932
Interest income	2,938	10,203	13,141	–	13,141
Interest expenses	15,450	18,711	34,161	–	34,161
Depreciation and amortisation for the period	56,995	110,512	167,507	–	167,507
As at 30 June 2016 (unaudited)					
Reportable segment assets	9,467,611	13,132,751	22,600,362	–	22,600,362
Reportable segment liabilities	5,290,738	3,103,955	8,394,693	–	8,394,693

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Continuing operations			Discontinued operation	
	Finished drugs RMB'000	Concentrated TCM granules RMB'000	Subtotal RMB'000	Finished drugs RMB'000	Total RMB'000
For the six months ended 30 June 2015 (unaudited)					
Reportable segment revenue	1,422,067	–	1,422,067	3,444	1,425,511
Reportable segment profit (loss) (adjusted EBITDA)	343,984	–	343,984	(10,278)	333,706
Interest income	27,747	–	27,747	82	27,829
Interest expenses	37,894	–	37,894	849	38,743
Depreciation and amortisation for the period	56,037	–	56,037	6,590	62,627
As at 31 December 2015 (audited)					
Reportable segment assets	7,915,089	13,177,149	21,092,238	–	21,092,238
Reportable segment liabilities	3,996,393	3,350,268	7,346,661	–	7,346,661

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June					
	2016			2015		
	Continuing operations RMB'000	**Discontinued operation RMB'000**	**Total RMB'000**	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
Consolidated revenue	**3,199,290**	**–**	**3,199,290**	1,422,067	3,444	1,425,511
Reportable segment profit (loss) derived from the Group's external customers	**836,932**	**–**	**836,932**	343,984	(10,278)	333,706
Other income and other gains and losses	**29,227**	**–**	**29,227**	41,149	488	41,637
Share of results in associates	**854**	**–**	**854**	–	–	–
Depreciation and amortisation	**(167,507)**	**–**	**(167,507)**	(56,037)	(6,590)	(62,627)
Finance costs	**(34,161)**	**–**	**(34,161)**	(37,894)	(849)	(38,743)
Consolidated profit (loss) before taxation	**665,345**	**–**	**665,345**	291,202	(17,229)	273,973

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment reporting (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (continued)

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited and restated)
Assets		
Reportable segment assets	**22,600,362**	21,092,238
Elimination of inter-segment receivables	**(3,570,687)**	(2,095,523)
	19,029,675	18,996,715
Available-for-sale financial assets	**620**	100,594
Derivative financial instruments	**1,562**	–
Deferred tax assets	**113,951**	111,367
Consolidated total assets	**19,145,808**	19,208,676
Liabilities		
Reportable segment liabilities	**8,394,693**	7,346,661
Elimination of inter-segment payables	**(3,570,687)**	(2,095,523)
	4,824,006	5,251,138
Tax payables	**143,134**	148,580
Deferred tax liabilities	**1,669,483**	1,668,745
Consolidated total liabilities	**6,636,623**	7,068,463

(iii) Geographical 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.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
The Group's other income comprises:		
Government grants		
– Unconditional subsidies	**6,610**	2,542
– Conditional subsidies	**6,494**	2,627
Rental income	**1,570**	544
Interest income	**13,141**	27,747
	27,815	33,460
The Group's other gains and losses comprise:		
Net exchange gain (loss)	**3,061**	(1,816)
Net gain in fair value changes on foreign currency forward contracts	**1,562**	9,842
Loss on disposal of property, plant and equipment	**(888)**	(67)
Others	**(2,323)**	(270)
	1,412	7,689

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank borrowings	**34,161**	37,894

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Profit before taxation has been arrived at after charging:		
Write down of inventories (included in cost of sales)	**10,029**	3,949
Depreciation		
– investment properties	**67**	68
– property, plant and equipment	**90,216**	29,808
Amortisation of prepaid lease payments	**4,158**	3,062
Amortisation of intangible assets	**73,066**	23,099
Impairment losses recognised in trade and other receivables	**52,727**	6,051
Minimum lease payments under operating leases in respect of land and buildings	**4,620**	1,396
Research and development costs	**100,031**	31,566

8. TAXATION

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**119,570**	59,746
Underprovision in respect of prior years	**2,508**	697
	122,078	60,443
Deferred tax credit	**(1,809)**	(13,736)
Income tax charge	**120,269**	46,707
Representing		
Income tax charge from continuing operations	**120,269**	46,973
Income tax credit from discontinued operation (note 10)	**–**	(266)
Income tax charge	**120,269**	46,707

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group did not derive assessable profits from Hong Kong for both periods.

8. TAXATION (continued)

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

(1) Feng Liao Xing, Dezhong, Guangdong Medi-World, Jingfang, Jiangyin Tianjang Pharmaceutical Co., Ltd. ("Jiangyin Tianjang") and Guangdong Yifang Pharmaceutical Co., Ltd. ("GD Yifang"), which were recognised as advanced and new technology enterprises to enjoy a preferential enterprise income tax rate of 15% pursuant to documents issued by local government authorities. The PRC Enterprise Income Tax rate applicable to Feng Liao Xing, Dezhong, Guangdong Medi-World, Jingfang, Jiangyin Tianjiang and GD Yifang was of 15% for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%); and

(2) Tongjitang Pharmaceutical, Guizhou LLF, Pulante, Guizhou Zhongtai and Longxi Yifang Pharmaceutical Co., Ltd., being qualified enterprises located in the western region of the PRC, enjoy a preferential income tax rate of 15% effective retrospectively from 1 January 2011 to 31 December 2020 pursuant to CaiShui [2011] No. 58 dated 27 July 2011.

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

During the current period, deferred taxation of RMB13,108,000 (six months ended 30 June 2015: Nil) has been provided in respect of temporary differences attributable to those undistributed profits of the PRC subsidiaries. Deferred taxation has not been provided for in the current period condensed consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries amount to RMB 103,441,000 (six months ended 30 June 2015: RMB60,763,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probably that the temporary differences will not reverse in the foreseeable future.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK6.44 cents(approximately RMB5.54 cents) (six months ended 30 June 2015: Nil) per share, amounting to HK$285,389,000 in aggregate, will be paid to the owners of the Company whose name appear in the Registry of Members on 22 September 2016.

10. DISCONTINUED OPERATION

On 27 January 2015, the Group agreed with a fellow subsidiary, China Biotechnology Co., Ltd. (中國生物技術股份有限公司), which is a wholly-owned subsidiary of CNPGC, that the Group conditionally sold 31% of equity interest in Guizhou Zhongtai at a consideration of RMB139,500,000. On 27 January 2015, the directors of the Company approved to dispose of 31% equity interest in Guizhou Zhongtai. On 1 December 2015, the Group further agreed with China Biotechnology Co., Ltd. on the adjustment of consideration, which was finally agreed to be RMB139,148,000. The transaction was completed on 4 November 2015. Upon the completion of transaction, the Group retains 20% of equity interest in Guizhou Zhongtai, which becomes the associate to the Group.

Guizhou Zhongtai is principally engaged in research and development, production and sales of Blood Products in the PRC, and represented a separate major line of business or a geographical area of operations.

Accordingly, the operating results of Guizhou Zhongtai for the six months ended 30 June 2015 are presented as discontinued operation in the condensed consolidated financial statements.

Result of the discontinued operation

	Six months ended 30 June 2015 RMB'000
Revenue (note 4)	3,444
Cost of sales	(2,179)
Gross profit	1,265
Other income	488
Selling and distribution costs	(11)
Administrative expenses	(18,122)
Finance costs	(849)
Loss before taxation	(17,229)
Taxation (note 8)	266
Loss for the period	(16,963)

10. DISCONTINUED OPERATION (continued)

Result of the discontinued operation is arrived at after (crediting) charging

	Six months ended 30 June 2015 RMB'000
Other income:	
Government grants	(406)
Interest income	(82)
	(488)
Finance costs:	
Interest expense	849
Staff costs:	
Salaries, wages and other benefits	5,126
Contributions to defined contribution retirement plan	967
	6,093
Other items:	
Depreciation of property, plant and equipment	4,635
Amortisation of prepaid lease payments	111
Amortisation of intangible assets	1,844
Minimum lease payments under operating leases in respect of land and buildings	27
Research and development costs	738

Cash flows of the discontinued operation

	Six months ended 30 June 2015 RMB'000
Net cash used in operating activities	(10,740)
Net cash used in investing activities	(821)
Net cash used in financing activities	(849)
Net cash outflow for the period	(12,410)

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

(a) Basic earnings per share

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing and discontinued operations		
Profit attributable to the owners of the Company	**490,776**	234,592
Basic earnings per share (RMB per share)	**10.98 cents**	7.78 cents
Continuing operations		
Profit attributable to the owners of the Company	**490,776**	243,243
Basic earnings per share (RMB per share)	**10.98 cents**	8.07 cents
Discontinued operation		
Loss attributable to the owners of the Company	**–**	(8,651)
Basic earnings per share (RMB per share)	**–**	(0.29) cent

(b) Weighted average number of ordinary shares

	Six months ended 30 June	
	2016	2015
	'000	'000
Issued ordinary shares at 1 January	**4,483,747**	2,533,899
Effect of shares issued	**–**	481,644
Effect of shares repurchased	**(14,382)**	–
Weighted average number of ordinary shares at 30 June	**4,469,365**	3,015,543

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

12. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

During the six months ended 30 June 2016, the Group incurred approximately RMB175,194,000 (six months ended 30 June 2015: RMB79,649,000) on acquisition of property, plant and equipment.

Certain prepaid lease payments and buildings with carrying value of RMB39,730,000 were pledged as securities of bank borrowings of the Group as at 30 June 2016 (31 December 2015: RMB41,449,000) (see note 18(i)).

13. OTHER INTANGIBLE ASSETS/GOODWILL

	Goodwill RMB'000	Other intangible assets RMB'000
Cost and carrying amount:		
At the beginning of the period (as previously stated)	5,389,508	3,638,341
Adjustments to provisional values for business combinations in 2015	(2,048,463)	3,042,108
At the beginning of the period (restated)	3,341,045	6,680,449
Addition acquired through business combination (note b)	11,131	13,235
Additions	–	692
Adjustment for provisional consideration	(35,000)	–
Amortisation for the period	–	(73,066)
At the end of the period	3,317,176	6,621,310

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

Goodwill acquired through business combination is allocated to the Group's cash generating units ("CGU") identified as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited and restated)
Manufacture and sale of pharmaceutical products		
– Dezhong	**100,391**	100,391
– Feng Liao Xing	**23,664**	23,664
– Guangdong Medi-World	**26,055**	26,055
– Luya	**11,221**	11,221
– Tongjitang Group		
– Tongjitang Pharmaceutical	**733,037**	733,037
– Jingfang	**139,184**	139,184
– Guizhou LLF	**37,116**	37,116
– Pulante	**18,558**	18,558
– Jiangyin Tianjiang Group (note a)	**2,208,980**	2,243,980
– Huayi Pharmaceutical Co., Ltd. ("Huayi") (note b)	**11,131**	–
Sale of pharmaceutical products		
– Feng Liao Xing Material & Slices	**2,449**	2,449
– Winteam Sales	**5,390**	5,390
	3,317,176	3,341,045

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

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 (31 December 2015: four). Cash flows beyond the fourth year are extrapolated using an estimated increase rate of 3% (31 December 2015: 3%) in selling prices and costs with no growth in sales volume (2015: Nil). The pre-tax rates used to discount the forecast cash flows range from 15.75% to 19.92% (31 December 2015: 15.75% to 19.92%). The discount rates reflect specific risks relating to the relevant CGUs.

Notes:

(a) Acquisition of Jiangyin Tianjiang Group

In October 2015, the Group acquired 87.3% of the equity interest in Jiangyin Tianjiang Group for a provisional consideration of RMB8,758,337,000. On 30 November 2015, the Company delivered a notice to all of the ex-shareholders of the Jiangyin Tianjiang Group. Pursuant to the notice, the Company declared that it was entitled to claim a total compensation of RMB145,599,000 from all of the ex-shareholders for potential loss of future revenue of the Jiangyin Tianjiang Group due to a litigation against three distributors of the Jiangyin Tianjiang Group incurred before the acquisition. Certain ex-shareholders agreed with the Group a total compensation amount of RMB45,601,000, which has been deducted from the total consideration as at 31 December 2015. However, the remaining ex-shareholders were still negotiating the remaining compensation of RMB99,998,000 when the Group presented its annual report for the year ended 31 December 2015, and such amount has not been deducted from the provisional consideration in the consolidated financial statements.

The management of the Group considered that the consideration of RMB8,758,337,000 represented a provisional amount. The identification and determination of fair value of the net identifiable assets of Jiangyin Tianjiang Group have not been completed during the current period.

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

Notes: (continued)

(a) Acquisition of Jiangyin Tianjiang Group (continued)

The net identifiable assets of Jiangyin Tianjiang Group at the acquisition date are as follows:

	Amount recognised at the date of acquisition RMB'000 (Previously stated)	Adjustments RMB'000	Amount recognised at the date of acquisition RMB'000 (Restated)
Property, plant and equipment	863,116	–	863,116
Prepaid lease payments	120,450	–	120,450
Deposits paid for acquisition of property, plant and equipment	39,899	–	39,899
Other intangible assets	2,791,872	3,035,388	5,827,260
Inventories	783,252	–	783,252
Trade and other receivables	1,575,091	–	1,575,091
Bank balances and cash	227,827	–	227,827
Available-for-sale financial assets	448,134	–	448,134
Deferred tax assets	44,321	(14,409)	29,912
Trade and other payables	(874,928)	91,724	(783,204)
Tax liabilities	(83,553)	–	(83,553)
Deferred tax liabilities	(675,973)	(766,240)	(1,442,213)
	5,259,508	2,346,463	7,605,971

Up to the date of this report, the management is still in the process of assessing the fair value of certain assets acquired and liabilities assumed of the Jiangyin Tianjiang Group.

	RMB'000 (Restated)
Consideration transferred	8,758,337
Plus: Non-controlling interests	968,727
Transferred from hedging reserve	122,887
Less: Fair value of identical net assets acquired	(7,605,971)
Goodwill arising on acquisition	2,243,980

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

Notes: (continued)

(a) Acquisition of Jiangyin Tianjiang Group (continued)

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges in respect of the forecasted acquisition of Jiangyin Tianjiang Group. RMB122,887,000 was transferred from hedging reserve to goodwill upon the business combination occurred.

On 31 May 2016, the Company further agreed a compensation of RMB35,000,000 with two of the remaining ex-shareholders. The compensation was deducted against the goodwill in the current period interim consolidated financial statements.

Goodwill arose on the acquisition of Jiangyin Tianjiang Group because Jiangyin Tianjiang Group specialises in the research and development and production of concentrated TCM granules. The directors are of the view that through the acquisition, the Group could realise synergies through the sharing of resources in overall management, research and development, raw materials and production, marketing, sales and distribution, the cross-selling benefits derived from the customer base of the Group and Jiangyin Tianjiang Group, expanded management expertise and additional negotiation power relative to both customer and suppliers relationships.

Goodwill arising from the acquisition of the Jiangyin Tianjiang Group:

	RMB'000
Goodwill as at 31 December 2015	2,243,980
Less: Compensation from ex-shareholders	(35,000)
As at 30 June 2016	2,208,980

(b) Acquisition of Huayi

During the six months ended 30 June 2016, the Group acquired 100% equity interest in Huayi at a consideration of RMB34,000,000 from China National Traditional Chinese Medicine Corporation ("CNTCM"). CNTCM is the Company's intermediate holding company. This transaction has been accounted for using the acquisition method.

Goodwill arose on the acquisition of Huayi because Huayi manufactures and markets two exclusive TCM products and the Directors are of the view that these two products are of high growth potential and the acquisition of Huayi will expand the Group's mix of exclusive TCM products.

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

Notes: (continued)

(b) Acquisition of Huayi (continued)

The net identifiable assets of Huayi at the acquisition date are as follows:

	Amount recognised at the date of acquisition RMB'000 (Provisional basis)
Property, plant and equipment	49,392
Prepaid lease payments	20,871
Other intangible assets	13,235
Inventories	16,094
Trade and other receivables	4,700
Bank balances and cash	37,601
Trade and other payables	(28,326)
Amount due to a related party	(49,500)
	64,067
Consideration transferred	34,000
Plus: Non-controlling interests in Huayi	41,198
Less: Fair value of identifiable net assets acquired	(64,067)
Provisional goodwill arising on acquisition	11,131

Net cash inflow arising on acquisition

	RMB'000
Consideration paid in cash	(34,000)
Less: Bank balances and cash acquired	37,601
	3,601

13. OTHER INTANGIBLE ASSETS/GOODWILL (continued)

Notes: (continued)

(b) Acquisition of Huayi (continued)

The directors of the Company are in process of assessing fair value of the identifiable net assets of Huayi at the date of the acquisition. Goodwill was determined provisionally based on the carrying amount of consolidated net assets of Huayi.

Impact of acquisition on the results of the Group

During the six months ended 30 June 2016, Huayi contributed approximately RMB10,440,000 to the Group's revenue and loss of approximately RMB236,000 to the Group's results.

Had the acquisition of Huayi been effected at 1 January 2016, the total amount of revenue of the Group from continuing operations for the six months ended 30 June 2016 would have been RMB3,220,680,000 and the amount of the profit of the Group for the interim period from continuing operations would have been RMB543,110,000.

14. INVENTORIES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Inventories comprise:		
Raw materials	**311,844**	332,248
Work in progress	**408,477**	497,737
Finished goods	**599,903**	362,534
	1,320,224	1,192,519
Packaging materials	**26,032**	30,420
Low value consumables	**6,651**	12,922
	1,352,907	1,235,861

15. TRADE AND OTHER RECEIVABLES

The Group normally allows a credit period ranging from 30 to 180 days to its customers from the date of billing.

The following is an analysis of trade and other receivables and an aged analysis of trade and bills receivables presented based on the invoice date, or otherwise, delivery date which approximated the respective revenue recognition dates, and net of allowance for doubtful debts at the end of the reporting period:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Trade and bills receivables, aged		
0-90 days	**2,006,280**	2,378,541
91-180 days	**641,358**	403,268
181-365 days	**452,033**	433,311
Over 365 days	**47,968**	2,506
	3,147,639	3,217,626
Deposits, prepayment and other receivables	**233,571**	180,601
	3,381,210	3,398,227

As at 30 June 2016, bills receivables with carrying amount of RMB93,647,000 were pledged as securities of bank borrowings of the Group (31 December 2015: RMB269,004,000) (see note 18(i)).

16. PLEDGED BANK DEPOSITS

As at 30 June 2016, deposits with banks of nil (31 December 2015: RMB32,050,000) were pledged as securities of bank borrowings of the Group (see note 18(i)) and deposits with banks of RMB49,620,000 were pledged as securities for foreign currency forward contracts and notes (31 December 2015: RMB3,980,000 were pledged as securities for letter of credit).

17. TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Trade payables	**746,767**	508,688
Other creditors and accrued charges	**1,064,091**	1,976,222
Advances received from customers	**102,319**	175,560
	1,913,177	2,660,470

Other creditors included RMB105,448,000 (31 December 2015: RMB1,011,227,000) payables for outstanding consideration as a result of the acquisition of Jiangyin Tianjiang Group.

An aged analysis of the Group's trade payables based on the invoice date is as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
0-90 days	**517,873**	380,548
91-180 days	**166,897**	72,767
181-365 days	**45,013**	23,778
Over 365 days	**16,984**	31,595
	746,767	508,688

18. BANK BORROWINGS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Bank borrowings		
– Secured	**253,647**	462,080
– Unsecured	**2,486,002**	1,988,279
	2,739,649	2,450,359

18. BANK BORROWINGS (continued)

At 30 June 2016, the Group's bank borrowings are repayable as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Within 1 year or on demand	**2,739,649**	1,600,059
After 1 year but within 3 years	**–**	850,300
	2,739,649	2,450,359

Notes:

(i) The following assets were pledged as securities for bank borrowings:

	Carrying value	
	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Prepaid lease payments and buildings (note 12)	**39,730**	41,449
Intangible assets	**–**	3,776
Bills receivables (note 15)	**93,647**	269,004
Pledged bank deposits (note 16)	**–**	32,050
	133,377	346,279

(ii) Parts of the Group's banking facilities, amounted to RMB2,279,391,000 (31 December 2015: RMB1,718,025,000) are subject to the fulfillment of covenants relating to certain of the balance sheet ratios of the subsidiaries of the Group, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2016, none of the covenants relating to drawn down facilities had been breached (31 December 2015: Nil).

19. SHARE CAPITAL

	Number of shares '000	Amount RMB'000
Issued and fully paid:		
At 1 January 2015	2,533,899	2,542,246
Issue of shares (note a)	1,949,848	7,267,689
At 31 December 2015 and 1 January 2016	4,483,747	9,809,935
Repurchase of shares (note b)	(52,242)	–
At 30 June 2016 (unaudited)	4,431,505	9,809,935

Notes:

(a) The Company allotted and issued 1,538,425,000 and 213,674,000 ordinary shares at HK$4.68 (approximately RMB3.75) per share on 12 May 2015 and 14 May 2015 respectively. In addition, the Company allotted and issued 197,749,000 ordinary shares at HK$4.212 (approximately RMB3.370) per share on 5 November 2015 to Mr. Tan Dengping and Ms. Zhou Jialin. The total net proceeds from the share issues amounted to RMB7,199,974,000.

(b) During the current period, 52,242,000 shares were repurchased at a consideration of approximately HK$188,716,000 (approximately RMB160,721,000). All of the shares repurchased during the period were cancelled and the nominal value of such cancelled shares were debited to accumulated profits.

During the period, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	 Lowest HK$	Aggregate consideration paid HK$'000
2016				
March	**15,206,000**	**3.80**	**3.44**	**53,885**
April	**19,728,000**	**3.80**	**3.56**	**72,641**
May	**17,308,000**	**3.65**	**3.50**	**62,190**

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current period.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) 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 is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in 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 asset or liability that are not based on observable market data (unobservable inputs).

Financial assets

	Fair value at		
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	**Fair value hierarchy**
Recurring fair value measurement			
Available-for-sale financial assets:			
– Equity securities listed in Hong Kong	**620**	594	Level 1
– Unlisted securities	**–**	100,000	Level 2
	620	100,594	
Derivative financial instruments:			
– Foreign currency forward contracts	**1,562**	–	Level 2

There were no transfers between Level 1, 2 and 3 in both periods.

The fair value of unlisted available-for-sale financial assets was the estimated amount that the Group would receive or pays to terminate the financial assets at the end of the reporting period, taking into account current interest rates and the credit worthiness of the counterparty.

21. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Within one year	**13,339**	1,954
In the second to fifth years inclusive	**36,723**	3,240
After five years	**3,956**	5,990
	54,018	11,184

The leases are negotiated for an average term of 2 to 15 years at fixed monthly rental.

22. CAPITAL COMMITMENTS

	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**240,169**	237,225
– investments in PRC entities (note)	**1,280,000**	–
	1,520,169	237,225

Note: Pursuant to the Cooperation Agreements entered into by the Group, Foshan TCM Hospital and a subsidiary of Foshan Municipal State-owned Assets Supervision and Administration Commission on 13 January 2016, the parties agreed to form two companies which are principally engaged in the provision of general hospital services, investments in medical industry and provision of hospital management consultancy services. The registered capital of these companies has not yet been paid up to the date of issue of the condensed consolidated financial statements.

23. RELATED PARTY TRANSACTIONS

Save as disclosed in note 13 in the condensed consolidated financial statements, the Group entered into the following transactions with its related parties during the current period:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sale of finished goods to CNPGC's subsidiaries other than the Group		
– Continuing operations	**118,532**	214,304
– Discontinued operation	**–**	4
	118,532	214,308
Purchase of raw materials from CNPGC's subsidiaries other than the Group		
– Continuing operations	**2,900**	5,970
Research and development services provided by CNPGC's subsidiaries other than the Group		
– Continuing operations	**940**	6,344

The following balances were outstanding at the end of the reporting period:

	At 30 June 2016	At 31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade and other receivables due from CNPGC's subsidiaries other than the Group	**160,574**	238,579
Trade and other payables due to CNPGC's subsidiaries other than the Group	**49,356**	52,903

23. RELATED PARTY TRANSACTIONS (continued)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key management remuneration		
Remuneration for key management personnel is as follows:		
Salaries and short-term employee benefits	**4,463**	3,669
Post-employment benefits	**135**	148
	4,598	3,817

Transactions/balances with other state-controlled entities

The Group itself is part of a larger group of companies under CNPGC, which is controlled by the government of the Chinese Mainland. Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the condensed consolidated financial statements, the Group also conducts businesses with entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the Chinese Mainland government ("stated-controlled entities") in the ordinary course of business. The directors consider those entities other than the CNPGC group are independent third parties as far as the Group's business transactions with them are concerned. In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not. The Group is of the opinion that it has provided, in the best of its knowledge, adequate and appropriate disclosure of related party transactions in the condensed consolidated financial statements.

The Group has bank balances deposited in and entered into various transactions, including sales, purchases, borrowings and other operating expenses, with other state-controlled entities during the current period in which the directors are of the opinion that it is impracticable to ascertain the identity of the controlling parties of these counterparties and accordingly whether the counterparties are state-controlled entities.