2017 INTERIM REPORT

CHINA MEDICAL SYSTEM HOLDINGS LIMITED
(Stock Code: 867)

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Ms. WU Sanyan

Authorized Representatives

Ms. WU Sanyan
Mr. LAM Kong

Audit Committee Members

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

Remuneration Committee Members

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

Nomination Committee Members

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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

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

Registered Office

Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters

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No.11 Langshan Road
Hi-tech Industrial Park North
Nanshan District
Shenzhen 518057
PRC

Principal Place of Business in Hong Kong

Unit 2106, 21/F
Island Place Tower
510 King's Road
North Point
Hong Kong

Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code:

867

Company's Website:

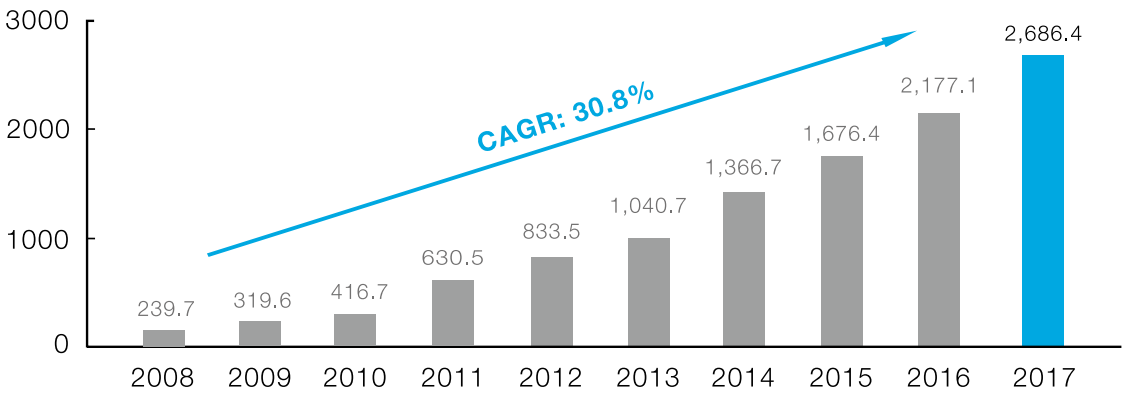
www.cms.net.cn

FINANCIAL HIGHLIGHTS

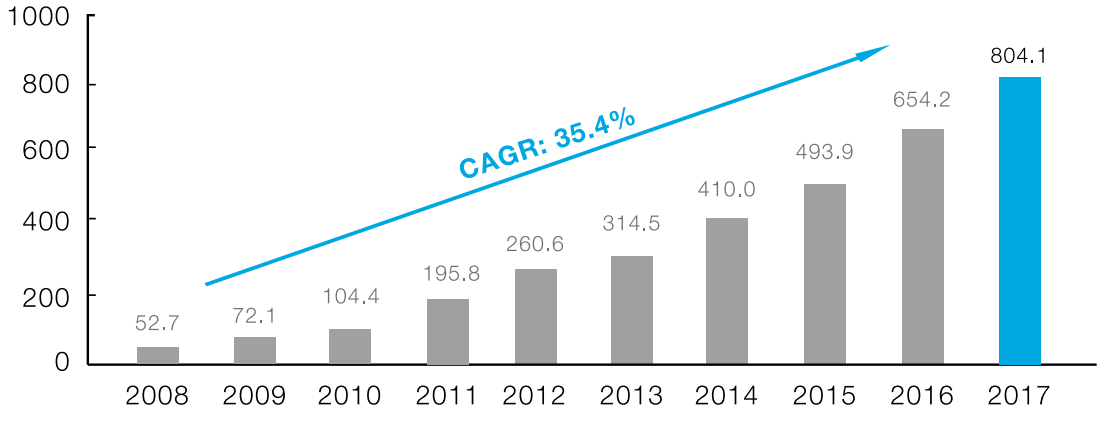
- Turnover up 23.4% to RMB2,686.4 million (H1 2016: RMB2,177.1 million); excluding the effect of the "two-invoice system", turnover up 34.0% to RMB2,695.8 million (H1 2016: RMB2,011.2 million)
- Gross profit up 30.9% to RMB1,662.0 million (H1 2016: RMB1,269.5 million); excluding the effect of the "two-invoice system", gross profit up 32.7% to RMB1,593.8 million (H1 2016: RMB1,201.2 million)
- Profit for the period up 22.9% to RMB804.1 million (H1 2016: RMB654.2 million)
- Basic earnings per share up 23.1% to RMB0.3236 (H1 2016: RMB0.2629)
- As at 30 June 2017, the Group's cash and bank deposits amounted to RMB649.0 million while readily realizable bank acceptance bills amounted to RMB341.5 million
- Declared interim dividend up 22.9% to RMB0.1293 per share (H1 2016: RMB0.1052)

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

Turnover(RMB million)



Profit for the period(RMB million)



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group") is pleased to announce that for the six months ended 30 June 2017 (the "Reporting Period"), the Group recorded turnover of RMB2,686.4 million (H1 2016: RMB2,177.1 million), representing an increase of 23.4% over the same period last year; excluding the effect of the "two-invoice system", turnover up 34.0% to RMB2,695.8 million (H1 2016: RMB2,011.2 million). Profit for the period reached RMB804.1 million (H1 2016: RMB654.2 million), up 22.9% from the corresponding period last year.

The first half of 2017 was a critical period for the implementation of China's reform policies for the healthcare and pharmaceutical industry. China's new healthcare and pharmaceutical reform policies have been strongly promoted, with the elimination of drugs' mark-up, adjustment of reimbursement drug list, medical insurance payment reform, two-invoice system, consistency in evaluations of generics, and other policies being promptly carried out. Meanwhile, China State Food and Drug Administration ("CFDA") has issued a series of proposals, related to adjustment of imported drug registration, drug review and approval, drug clinical supervision, and others, which are of great significance to synchronization with global standards, encouraging innovation, accelerating review and approval, and enhancing development of the industry. Amidst the background of deepening healthcare and pharmaceutical reform, the Group achieved satisfactory growth during the Reporting Period. This was attributable to the Group's competitive and diverse product portfolio, nationwide and professional promotional network, and steady internal operation system.

Product Introduction and Development

Product Introduction

The continuous introduction of new products serves as one of the Group's constant core development strategies. The Group has a strict selection criteria and professional evaluation system for drugs. Relying on diversified drugs introduction strategies, the Group searches and purchases products with high quality, good efficacy, and great academic value from the global market. During the Reporting Period, the Group continued to search, evaluate and study targeted products.

Existing Product Development

Main Products under the Direct Network

Academic promotion serves as the core development route which the Group adheres to. During the Reporting Period, the Group continued to explore and further refine the academic advantages of its products. The Group customized the differentiated promotional strategy for each product according to the features of the Chinese market. Meanwhile, the Group committed to maintain an increasingly sophisticated and authoritative expert network for its products. It also refined the market layout, continuously expanding its market coverage while enhancing the output from each of its covered market.

Plendil (Felodipine Sustained Release Tablets)

The company owns the 20-year exclusive license for the commercialization of Plendil in the People's Republic of China ("PRC"), excluding the Hong Kong Special Administrative Region ("Hong Kong SAR"), the Macau Special Administrative Region ("Macau SAR") and Taiwan. Plendil is an original product manufactured by AstraZeneca Pharmaceutical Co., Ltd.（阿斯利康製藥有限公司）. Plendil is used to treat hypertension and stable angina pectoris, and is in the National Reimbursement Drug List ("NRDL"). Felodipine is a commonly used calcium channel blocker to treat hypertension, this class of medicine is recommended by the Chinese Guidelines for the Management of Hypertension. Plendil is the sustained release formulation of Felodipine, which controls the blood pressure smoothly with low occurrence rates of side effects. During the Reporting Period, the Group insisted on academic promotion, delivering Plendil's core academic promotion information, and strengthened its brand image by cooperating with academic platforms. While stabilizing the key market, the Group reinforced coverage and penetration of the market. During the Reporting Period, Plendil recorded revenue of RMB643.1 million, an increase of 134.2% compared with the same period last year. Excluding the effect of the "two-invoice system", Plendil's revenue increased by 138.9% to RMB656.1 million compared with the same period last year.

Deanxit (Flupentixol and Melitracen Tablets)

Deanxit, manufactured by H. Lundbeck A/S of Denmark, is used in the treatment of mild to moderate depression, anxiety and psychosomatic affections, and it is in the NRDL. Based on IMS data in 2016, Deanxit ranked the first in market share of antidepressant drugs in China. During the Reporting Period, the Group continued to enlarge the brand influence of Deanxit by enforcing its academics, increasing its evidence base, and actively participating and organizing various academic conferences and exchanges. During the Reporting Period, Deanxit recorded revenue of RMB483.1 million, an increase of 2.7% compared with the same period last year.

Ursofalk (Ursodeoxycholic Acid Capsules)

Ursofalk is manufactured by Losan Pharma GmbH, Germany, the entrusted manufacturer of Dr. Falk Pharma GmbH, Germany. The product is used for the treatment of cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis and is in the NRDL. Based on IMS data in 2016, Ursofalk is the best-selling ursodeoxycholic acid drug in China, and ranked first in sales among digestive products in the Chinese cholagogue market. During the Reporting Period, the Group continued to work on the differentiated academic promotion strategies, extensively expanded penetration strength by building an advanced academic platform and capturing the Group's opportunities of line-divided promotion. Meanwhile, under the further implementation of hierarchical medical system, the Group actively organized academic activities in the lower-tier market. During the Reporting Period, Ursofalk recorded revenue of RMB442.2 million, an increase of 24.6% compared with the same period last year.

XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection)

XinHuoSu, manufactured by Chengdu Rhodiola Biological Pharmaceutical Co., Ltd., a subsidiary of Tibet Rhodiola Pharmaceutical Holdings Co., Ltd. ("Tibet Pharmaceutical", an associate company of the Group) in which the Group holds 36.83% share, is a National Class One biological agent used to treat acute heart failure. It is also the only Recombinant Human Brain Natriuretic Peptide ("rhBNP") currently on the Chinese market. Recommended by the first "Acute Heart Failure Diagnosis and Treatment Guideline" in China, the product has gradually become the new standard medication for treating acute heart failure. During the Reporting Period, the Group continued to reinforce the academic differentiation, intensifying brand building and improving expert network. Meanwhile, the Group extended the coverage of the academic network by integrating products' resource of the Group's cardiovascular and cerebrovascular division. During the Reporting Period, XinHuoSu recorded revenue of RMB304.5 million, an increase of 18.3% compared with the same period last year. Excluding the effect of the "two-invoice system", XinHuoSu's revenue increased by 37.9% to RMB363.5 million compared with the same period last year.

In July 2017, XinHuoSu was newly included in the NRDL after negotiation with the State Ministry of Human Resources and Social Security. This NRDL inclusion will increase the market share of XinHuoSu, and extend market layout, thus lifting volume growth and encouraging long-term development of the Group.

Salofalk (Mesalazine)

Dosage forms of suppositories and enemas of Salofalk are manufactured by Vifor AG Zweigniederlassung Medichemie Ettingen, Switzerland, the entrusted manufacturer of Dr. Falk Pharma GmbH, Germany; while enteric-coated tablets of Salofalk are manufactured by Losan Pharma GmbH, Germany, the entrusted manufacturer of Dr. Falk Pharma GmbH, Germany. Salofalk is mainly used to treat Ulcerative Colitis and Crohn's disease. It is in the NRDL, and is the Mesalazine with the widest dosage forms in China, including enteric-coated tablets, suppositories and enemas. During the Reporting Period, the Group continued to strengthen the education work amongst doctors and patients, enhancing the quality of clinical diagnosis and treatment by doctors to expand the brand influence of Salofalk. During the Reporting Period, Salofalk recorded revenue of RMB138.5 million, an increase of 36.3% compared with the same period last year.

Bioflor (Saccharomyces Boulardii Sachets)

Manufactured by Biocodex of France, Bioflor is a probiotics agent used to treat diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance. Bioflor is the probiotics agent with the most adequate evidence base to treat acute gastroenteritis in children, and is also the only Saccharomyces Boulardii currently in the Chinese market. The newest publication of 2016 "The Clinical Practice Guidelines for Chinese Children with Acute Infectious Diarrhea" gave Bioflor the highest level of recommendations. During the Reporting Period, the Group cooperated with Biocodex to conduct large-scale academic summit forums, while intensifying and supplementing the domestic medical evidence base, consolidated the pediatric field while continuing promotion in the digestive field. During the Reporting Period, Bioflor recorded revenue of RMB121.8 million, an increase of 49.2% compared with the same period last year.

Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops)

The Group owns Augentropfen Stulln Mono Eye Drops' related assets for the China (including Hong Kong SAR and Macau SAR) market, and has entrusted the manufacture to Pharma Stulln GmbH of Germany. Augentropfen Stulln Mono Eye Drops is used to treat senile macula degeneration and all forms of asthenopia. It is the only eye drops product approved by CFDA for the treatment of macula degeneration, and is preservative-free. During the Reporting Period, the Group strengthened the academic re-education works by organizing domestic and overseas academic forums and conferences, reinforcing the product's application in the treatment of ocular fundus disease and professional asthenopia. During the Reporting Period, Augentropfen Stulln Mono Eye Drops recorded revenue of RMB105.1 million, an increase of 23.5% compared with the same period last year.

DanShenTong Capsules

DanShenTong Capsules is owned and manufactured by Hebei Xinglong Xili Pharmaceutical Co., Ltd. in which the Group holds more than 50% share, and is in the NRDL. DanShenTong Capsules is a plant-based and multi-functional antibiotic (broad spectrum) with explicit molecular structure. The product has good functions of antisepsis and anti-inflammation. The drug is mainly used for the treatment of acne, tonsillitis, otitis externa, boils, carbuncles, traumatic infection, burn infection, mastitis, cellulitis and osteomyelitis, etc. During the Reporting Period, the Group refined academic positions and explored academic value by carrying out a series of theoretical trainings and academic activities on academic key information. Meanwhile, the Group focused on its expert network and platform construction in the dermatology field. During the Reporting Period, DanShenTong Capsules recorded revenue of RMB75.5 million, an increase of 34.9% compared with the same period last year.

Hirudoid (Mucopolysaccharide Polysulfate Cream)

The Group owns Hirudoid's related assets for the China (excluding Hong Kong SAR, Macau SAR and Taiwan) market, and the product is manufactured by Mobilat Produktions GmbH (Germany). The active ingredient of Hirudoid is mucopolysaccharide polysulfate. The drug is used for the treatment of blunt traumata with or without hematomas, and superficial phlebitis insofar as it cannot be treated by compression. Hirudoid has broad effects with high quality and safety. During the Reporting Period, the Group processed further research to build evidence of evidence-based medicine, while reinforcing construction of the expert network, and improving market layout. During the Reporting Period, Hirudoid recorded revenue of RMB62.2 million, an increase of 30.9% compared with the same period last year.

NuoDiKang Capsules

NuoDiKang Capsules is manufactured by Sichuan NuoDiKangWeiGuang Pharmaceutical Co., Ltd. ("WeiGuang Pharma"), a subsidiary of Tibet Pharmaceutical, in which the Group holds 36.83% share. The product is included in the National Essential Drug List ("EDL") and NRDL, and is listed as a Traditional Chinese Medicinal Protection Product. The main functions of the product are boosting vital energy, activating blood circulation, freeing flow in blood vessels and alleviating pain. It is used for chest impediments caused by a deficiency in vital energy and blood stasis, manifested as tightness in the chest, tingling or pain, palpitations, shortness of breath, lassitude, asthenic breathing, disinclination to talk, dizziness, coronary heart disease and angina with the aforementioned symptoms. During the Reporting Period, the Group intensified its market development with the support of the Group's cardiovascular and cerebrovascular academic platform by exploring the product's academic value and strengthening the promotion of its features. During the Reporting Period, NuoDiKang Capsules recorded revenue of RMB57.0 million, an increase of 9.6% compared with the same period last year. Excluding the effect of "two-invoice system", NuoDiKang Capsules' revenue increased by 13.2% to RMB62.0 million compared with the same period last year.

Combizym (Oryz-Aspergillus Enzyme and Pancreatin Tablets)

The Group owns Combizym's related assets for the China (including Hong Kong SAR, Macau SAR and Taiwan) market and other designated countries or areas. Combizym is manufactured by Nordmark Arzneimittel GmbH & Co. KG (Germany). The main ingredients of Combizym are pancreatin and aspergillus oryzae enzymes. The product is used for the treatment of digestion caused by a decrease in digestive enzymes. It is included in the NRDL. During the Reporting Period, the Group continued to further promote digestive enzyme application concept supported by the adequate resources of digestive product line. Meanwhile, the Group improved regional market layout through refining therapeutic departments and the promotion of indications. During the Reporting Period, Combizym recorded revenue of RMB32.0 million, an increase of 49.8% compared with the same period last year.

GanFuLe Tablets

GanFuLe Tablets, the Group's self-owned product, is used for the treatment of primary liver cancer, cirrhosis and liver fibrosis. GanFuLe Tablets has been in clinical use for more than two decades, and is included in the NRDL. As the solid preparation workshop of Kangzhe (Hunan) Medical Co., Ltd. ("Kangzhe Hunan"), a wholly-owned subsidiary of the Group, was under application of China's new GMP, in 2016 the Group had entrusted the manufacture of the product to WeiGuang Pharma, a subsidiary of Tibet Pharmaceutical. During the Reporting Period, the Group continued to solidify brand image, and explored market potential by holding extensive academic promotion activities and enhancing its academic image in hepatobiliary surgical department. During the Reporting Period, GanFuLe Tablets recorded revenue of RMB23.8 million, an increase of 18.4% compared with the same period last year.

Imdur (Isosorbide Mononitrate Sustained Release Tablets)

The Group's associate company Tibet Pharmaceutical owns Imdur's global assets (US market excluded). The Group is responsible for Imdur's promotion in China (excluding Hong Kong SAR, Macau SAR and Taiwan) market. Imdur is a long-acting, oral nitrate preparation for the long-term treatment of coronary artery disease and prophylactic angina pectoris. It is temporarily manufactured by AstraZeneca Pharmaceutical Co., Ltd (阿斯利康製藥有限公司). Nitrates hold a very important position and key advantages in the treatment of cardiovascular diseases. This class of medicine is cited or recommended as a first-line anti ischemic agent by Chinese and international guidelines for cardiovascular diseases. Isosorbide mononitrate has the largest market share among nitrates. Imdur has the Durules sustained release technology of AstraZeneca and is suitable for long-term anti ischemic treatment. In China, Imdur has wide clinical usage and high recognition among doctors and patients. It is a NRDL product and listed in local EDL in some areas. It is one of the indispensable drugs for anti-ischemic treatment of coronary artery disease. During the Reporting Period, the Group highlighted the product's unique sustained release technique and myocardial ischemia concepts as the focus for its promotion. The Group rebuilt the leading-brand position among nitrates by fully utilizing the adequate resources of the Group's cardiovascular and cerebrovascular line and establishing advanced academic networks and platforms. During the Reporting Period, Imdur recorded promotional service revenue of RMB15.2 million, an increase of 621.8% compared with the same period last year.

Parlodel® (Bromocriptine Mesilate Tablets)

The Group owns Parlodel®'s related assets for the China (including Hong Kong SAR and Taiwan, excluding Macau SAR) market, and has entrusted the manufacture to Novartis Farma S.P.A. in Italy. The active ingredient of Parlodel® is bromocriptine mesilate. It is an original product, and is included in the NRDL. One of the product indications is for the treatment of hyperprolactinaemia (HPRL), and it is a standard first-line treatment product for HPRL as recommended by guidelines. During the Reporting Period, Parlodel® recorded revenue of RMB12.4 million, an increase of 43.3% compared with the same period last year.

Lamisil® (Terbinafine Hydrochloride Tablets)

The Group owns Lamisil®'s related assets for the China (excluding Hong Kong SAR, Macau SAR and Taiwan) market, and the product is manufactured by Beijing Novartis Pharma Ltd ("Novartis") temporarily. The active ingredient of Lamisil® is terbinafine hydrochloride. It is included in the NRDL. It is used to treat fungal infections on skin and hair caused by dermatophytes such as trichophyton, microsporumcanis and epidermophyton floccosum, as well as onychomycosis due to infection with dermatophyte (Hyphomycetes). Oral terbinafine is one of the systemic antifungal agents recommended by Chinese guidelines on tinea corporis and tinea cruris, tinea pedis, tinea capitis and onychomycosis. The Group has been processing the transfer of the Drug Production License for Lamisil®. The production of Lamisil® will be transferred to Kangzhe Hunan after the properties transfer is done. The sales work for Lamisil® has been handled by Novartis, and Novartis has settled profit to the Group based on an agreement during the license transformation period. During the Reporting Period, the Group received Lamisil®'s settled profits revenue of RMB1.9 million, an increase of 8.6% compared with the same period last year.

MOVICOL® (Macrogol Sodium Potassium Powder)

The Group owns MOVICOL®'s related assets for the China (including Hong Kong SAR and Macao SAR) market, and has entrusted the manufacture to Norgine Limited, UK. The active ingredients of MOVICOL® are macrogol 3350, sodium bicarbonate, sodium chloride and potassium chloride. The drug is used for the treatment of chronic constipation and fecal impaction. As a well-known brand for such indications, it has been sold in Europe for many years, and has a broad target market in China. The China Import Drug License ("IDL") for MOVICOL® is ready, but the product had yet to be sold in the China market before. The Group is carrying out the relevant promotional work for MOVICOL® in China market, including tendering and market development.

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

XiDaKang (Protein Hydrolysate Oral Solution/Oral Protein Hydrolysate)

XiDaKang, the Group's self-owned product, is the only protein hydrolysate enteral nutrition agent approved by CFDA, and is sold in the form of an oral solution and granules. XiDaKang is manufactured by Kangzhe Hunan. Since the second half of 2014, the agency model of XiDaKang has been transferred to the promotional service model, which is hospital-based and to achieve long-term partnerships with agencies. The new model has been gradually enhanced. During the Reporting Period, the Group actively participated in academic conferences from all levels, improving product reputation and influence. Meanwhile, the Group concentrated on the cooperation between the Group and agencies, and assisted on improving the agency's team management. During the Reporting Period, XiDaKang recorded revenue of RMB71.8 million, a decrease of 26.7% compared with the same period last year. Excluding the effect of "two-invoice system", XiDaKang's revenue decreased by 26.6% to RMB21.8 million compared with the same period last year.

YiNuoShu (Ambroxol Hydrochloride Injection)

The Group owns YiNuoShu's product controlling rights. The Group mainly entrusted the manufacture to TIPR Pharmaceutical Responsible Co., Ltd. ("TIPR Pharmaceutical") and the production is partially subcontracted to Kangzhe Hunan by TIPR Pharmaceutical. YiNuoShu is the first generic version of an ambroxol hydrochloride injection in China, and it is an expectorant product used for respiratory diseases, and is included in the NRDL. During the Reporting Period, the Group continued to adjust promotion strategy, focusing on the differentiated features of product while continuously expanding market development. During the Reporting Period, YiNuoShu recorded revenue of RMB71.4 million, an increase of 9.7% compared with the same period last year. Excluding the effect of "two-invoice system", YiNuoShu's revenue decreased by 16.7% to RMB54.2 million compared with the same period last year.

YinLianQingGanKeLi

The Group owns the 20-year exclusive sales rights of YinLianQingGanKeLi in the China market. The product, manufactured by Beijing Yadong Biological Pharmaceutical Co., Ltd., is an exclusive TCM product that has been awarded a National New Drug Certificate. The main functions of the product are clearing away heat and toxic substances and regulating liver and spleen. It is used for acute hepatitis A and chronic hepatitis B. The product is included in the NRDL. During the Reporting Period, the Group continued to optimize merchandise choice, strengthening management efforts of the major markets and agencies. During the Reporting Period, YinLianQingGanKeLi recorded revenue of RMB3.5 million, an increase of 133.9% compared with the same period last year. Excluding the effect of "two-invoice system", YinLianQingGanKeLi's revenue increased by 13.5% to RMB1.7 million compared with the same period last year.

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

Introduction	**Products**	**As a Percentage of the Group's Revenue（%）**
Rights Control	Plendil	23.9
	XinHuoSu	11.3
	Stulln	3.9
	DanShenTong	2.8
	XiDaKang	2.7
	YiNuoShu	2.7
	Hirudoid	2.3
	NuoDiKang	2.1
	Combizym	1.2
	GanFuLe	0.9
	Imdur	0.6
	Parlodel	0.5
	Lamisil	0.1
	YinLianQingGan	0.1
	MOVICOL	0.0
	Subtotal	**55.1**
Exclusive Agency Contract	Deanxit	18.0
	Ursofalk	16.5
	Salofalk	5.2
	Bioflor	4.5
	Subtotal	**44.2**

Other Products

Apart from the products mentioned above, other products sold by the Group such as Cystistat, Exacin, XiangFuYiXueKouFuYe, recorded total revenue amounting to approximately RMB21.2 million, accounting for approximately 0.7% of the Group's turnover during the Reporting Period.

Pipeline Products

Products undergoing application process for Import Drug Registration

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

Products	Indications	Manufacturers	CFDA Pending Number	Registration Process
Budenofalk	Mainly used to treat ulcerative colitis and crohn's disease	Dr. Falk Pharma GmbH (Germany)	JXHL1100207 (Capsules)	Clinical Trial Approved
			JXHL1100106 (Foam Aerosol)	Clinical Trial Approved
Maltofer® (Iron Maltose)	Mainly used to treat iron deficiency without anemia ("ID") and iron deficiency with anemia ("IDA")	Vifor (International) Inc. (Switzerland)	JXHL1400152 (Syrup)	Clinical Trial Approved
			JXHL1400153 (Chewable Tablets)	Clinical Trial Approved
Ze 339	For the treatment of allergic rhinitis	Zeller Medical AG (Switzerland)	JXZL1500004	CDE Review
Succinylated Gelatin Injection (Two)	For initial management of hypovolaemic shock	Beacon Pharmaceuticals Limited (UK)	Material Preparation	Material Preparation

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

During the Reporting Period, due to the technical consideration of Ze440 (for the treatment of pre-menstrual syndrome and menstrual cycle disorder) and Ze450 (for the treatment of menopausal discomfort), the Group agreed to terminate their IDL registration.

Products with Independent Intellectual Property Rights

Tyroserleutide (CMS024)

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

Based on the positive results from the follow-up study and analysis of earlier clinical trials, the Group has decided to carry out a new extended phase III clinical trial for Tyroserleutide. During the Reporting Period, the phase III extended clinical trial of Tyroserleutide was still in the patient recruitment stage, which has progressed smoothly. The number of nationwide research centers has been increased from ten to twelve. The costs of the clinical trial will continue to be borne by Kangzhe Pharmaceutical Research and Development (Shenzhen) Limited ("Kangzhe R&D"), and the Group will pay 13% of product's revenue to Kangzhe R&D as royalty fees after the successful commercialization of the product. If Tyroserleutide is successfully launched into the market, it will not only have great market potential in China, but will also have a major overall impact on human health.

Traumakine®

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

Traumakine® is a Recombinant Human Interferon beta-1a intravenous lyophilized preparation for the treatment of acute respiratory distress syndrome ("ARDS"). ARDS is an acute respiratory failure caused by many different factors, with progressive respiratory distress, refractory hypoxemia and non-cardiogenic pulmonary edema as clinical symptoms, and it is one of the common acute and critical clinical syndromes. ARDS involves several clinical sections, and common causes of ARDS include systemic infection, trauma, shock, burns and acute severe pancreatitis, etc. Four use patents for and related to Traumakine® have been filed around the world. Among them, two have been directly filed in China via Patent Cooperation Treaty ("PCT"), with one having been granted, while the remaining two patents were granted in the EU, US and Japan, etc. Traumakine's formulation patent protecting the intravenous use of interferon-beta has been accepted by the Finnish patent office in October 2016. In addition, the product was designated as an orphan drug for acute lung injury by the EU on 29 November, 2007.

The Phase I/II clinical studies of Traumakine® was conducted in the UK with 28-day mortality as the endpoint for primary effectiveness. The results show that the product improved mortality significantly (mortality in treatment group was 8%, compared to 32% in the control group, demonstrating an 81% reduction in the odds of 28-day mortality, p=0.01). Related research result has been published on the famous Lancet Respir Med Journal (Lancet RespirMed.2014Feb; 2(2): 98-107). Based on the positive results from the phase I/II clinical trials, the Committee for Medicinal Products for Human Use ("CHMP") of the European Medicines Agency ("EMA") held a scientific advice working party ("SAWP") meeting for the project in November 2013 at which the SAWP agreed on the advice to be given to the applicant, and CHMP adopted the advice to be given to the applicant. Based on the advice, protocols for the phase III clinical trial have been finalized. The phase III clinical trial is divided into two separate studies conducted sequentially in time. Since the first patient enrolled in December 2015, the study has been ongoing. It is a randomized, double-blind, parallel-group comparison of efficacy and safety of interferon-beta and placebo in the treatment of moderate to severe ARDS patients to be recruited from multi-centers in Europe.

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

Network development

Direct Network

During the Reporting Period, constant improvement of management mechanisms provided assurance for highly efficient operation of the direct academic network. The headquarters of the Group formulated the macro-policy, while the regional management directed management and supervised the provincial levels, and delegated powers, which ensured that the Group can confidently respond to the rapidly changing market environment. The Group further refined markets, continuously optimizing the district structure of the product lines, which rationalized resource allocation in district levels. The Group organized various trainings regarding to medical knowledge, pharmaceutical academic knowledge and legal compliance to ensure that the promotional staff deliver professional and effective medical information in compliance with the laws and regulations. The Group continued to optimize ERP system and the incentive system, making promotional representatives focusing more on market creation ability, which improved the efficiency of the Direct Network.

As at 30 June 2017, the Group's Direct Network had covered over 44,000 hospitals and medical institutions in China.

Agency Network

During the Reporting Period, the Group made active response and adjusted strategic deployment to face the increasingly fierce industry environment, while constantly improving and intensifying academic and market promotion capacity of products. The Group actively engaged in training-oriented business development, focusing on integrating training into multiple aspects of contact with agents. With regard to the management of agents, the Group preferred a flatter level of management by further enhancing efficiency of cooperation with agents through constant upgrading of the ERP Information System.

Since the second half of 2014, the Group successfully completed the transition from the traditional district agency model to the promotional service model by using XiDaKang as a pilot product. Learning from the successful experience of XiDaKang and responding to the national "two-invoice system" policy, the Group has successively adjusted other products in the Agency Network to the promotional service model during the Reporting Period.

As at 30 June of 2017, the Group's Agency Network had covered around 7,900 hospitals and medical institutions across the country.

Production Development

During the Reporting Period, the solid preparation workshop of Kangzhe Hunan of the Group was undergoing the application process of China's new GMP certification.

Outlook and Future Development

With the acceleration of healthcare and pharmaceutical industry reform, and the constant improvement of supporting policies, the industry is facing a major structural adjustment under the impetus of market and policies. The rectification of the industry has resulted in a reshuffle giving rise to new opportunities nurtured from the encouragements of innovation, integration of channels, volume growth of the premium market, and an upgrade of consumption. China's healthcare and pharmaceutical industry will enter an era of "the strong becoming stronger" (" 強者恒強 ") and "product is king" (" 品種為王 "). The Group will deliver sustainable performance growth by adhering to its two core development strategies, which are continuous product introduction and development, and promotional network expansion, and by constantly innovating and adjusting to enhance its core competiveness under the new industrial environment.

As for product introduction, the Group will apply its strict product selection criteria, and continue to search and acquire quality products that meet the demands of the China market and conform to the Group's development strategy. In terms of developing existing products, the Group will optimize the product positioning according to the product characteristics and market changes, and formulate the most effective product development strategy.

With respect to the promotional network expansion, the Group will increasingly extend and refine the Direct Network covering the entire China market, while developing new markets and increasing the output of the existing market. The Group will continue to optimize its Agency Network and enhance cooperation with agencies while conforming to national policies and endeavoring to maximize the advantage of the rapid development of its Agency Network.

The Group will continue to keep pace with the industry trends, comply with the policy reform, and adhere to its attitude of openness and innovation. Besides, the Group will continue to seize the opportunities proactively and calmly respond to challenges. Meanwhile, the Group will constantly optimize internal governance structure and continue implementing the principal of "improving efficiency with lower cost", further ensuring that the Group achieve solid sustainable development under standard operation. Furthermore, the Group will continue to serve Chinese doctors with professional academic knowledge, and Chinese patients with quality products, and to make unremitting efforts to promote human health development. At the same time, the Group will uphold the concept of "Green and Care", and remains committed to the fulfillment of its social responsibility, creating greater value for life and society. The Group will continue to offer an ideal career development platform to its staff, and to partner with its staff to create more value for shareholders and all segments of society.

Financial Review

Turnover

Turnover increased by 23.4% from RMB2,177.1 million for the six months ended 30 June 2016 to RMB2,686.4 million for the six months ended 30 June 2017, mainly due to an increase in sales of original products and the sales contributed by new products. Excluding the effect of the "two-invoice system", turnover increased by 34.0% to RMB2,695.8 million for the six months ended 30 June 2017 from RMB2,011.2 million for the six months ended 30 June 2016.

Gross Profit and Gross Profit Margin

Gross profit increased by 30.9% from RMB1,269.5 million for the six months ended 30 June 2016 to RMB1,662.0 million for the six months ended 30 June 2017; excluding the effect of the "two-invoice system", gross profit increased by 32.7% from RMB1,201.2 million for the six months ended 30 June 2016 to RMB1,593.8 million for the six months ended 30 June 2017, primarily reflecting growth in turnover. For the six months ended 30 June 2017, gross profit margin was 61.9%, representing an increase of 3.6 percentage points from 58.3% for the six months ended 30 June 2016; excluding the effect of the "two-invoice system", gross profit margin decreased by 0.6 percentage point to 59.1% for the six months ended 30 June 2017 from 59.7% for the six months ended 30 June 2016, mainly due to a decrease in selling price.

Selling Expenses

Selling expenses increased by 29.9% from RMB460.2 million for the six months ended 30 June 2016 to RMB597.7 million for the six months ended 30 June 2017. Selling expenses as a percentage of turnover was 22.2% for the six months ended 30 June 2017, representing an increase of 1.1 percentage points from 21.1% for the six months ended 30 June 2016. Excluding the effect of the "two-invoice system", selling expenses as a percentage of turnover increased by 0.1 percentage point to 19.6% for the six months ended 30 June 2017 from 19.5% for the six months ended 30 June 2016, primarily reflecting an increase in academic promotion activities and human costs.

Administrative Expenses

Administrative expenses decreased by 4.2% from RMB101.6 million for the six months ended 30 June 2016 to RMB97.3 million for the six months ended 30 June 2017. Administrative expenses as a percentage of turnover decreased by 1.1 percentage points from 4.7% for the six months ended 30 June 2016 to 3.6% for the six months ended 30 June 2017. Excluding the effect of the "two-invoice system", administrative expenses as a percentage of turnover decreased by 1.4 percentage points to 3.6% for the six months ended 30 June 2017 from 5.0% for the six months ended 30 June 2016, mainly due to the effective control over expenses and the benefit from economies of scale.

Other Gains and Losses

Other gains and losses decreased by 961.4% from a loss of RMB8.9 million for the six months ended 30 June 2016 to a loss of RMB94.3 million for the six months ended 30 June 2017, mainly due to an exchange loss on bank borrowings in foreign currencies.

Share of Result of Associates

Share of result of associates decreased by 15.8% from RMB16.9 million for the six months ended 30 June 2016 to RMB14.2 million for the six months ended 30 June 2017, mainly reflecting a decrease in profit of the associate Tibet Pharmaceutical.

Finance Costs

Finance costs increased by 73.5% from RMB17.3 million for the six months ended 30 June 2016 to RMB30.1 million for the six months ended 30 June 2017, mainly due to an increase in the use of bank borrowings.

Profit for the Period

Profit for the period increased by 22.9% from RMB654.2 million for the six months ended 30 June 2016 to RMB804.1 million for the six months ended 30 June 2017; excluding exchange loss net of income tax effect, profit for the period would have increased by 33.5% to RMB925.6 million for the six months ended 30 June 2017 from RMB693.4 million for the six months ended 30 June 2016, mainly due to the continuous growth in turnover and excellent control over cost and expense.

Inventories

Inventories decreased by 9.9% from RMB509.0 million as at 31 December 2016 to RMB458.5 million as at 30 June 2017, average inventory turnover days increased by 7 days from 79 days for the six months ended 30 June 2016 to 86 days for the six months ended 30 June 2017, mainly due to a bigger balance of inventories at end of year 2016.

Trade Receivables

Trade receivables decreased by 2.5% from RMB1,068.5 million as at 31 December 2016 to RMB1,041.7 million as at 30 June 2017, primarily benefiting from continuous improvement on sales collection. Average trade receivables turnover days increased by 1 day from 71 days for the six months ended 30 June 2016 to 72 days for the six months ended 30 June 2017.

Trade Payables

Trade payables increased by 120.4% from RMB137.6 million as at 31 December 2016 to RMB303.3 million as at 30 June 2017, mainly due to an increase in payment term from suppliers. Average trade payables days increased by 11 days from 28 days for the six months ended 30 June 2016 to 39 days for the six months ended 30 June 2017.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2017, the Group's cash and bank deposits amounted to RMB649.0 million while readily realizable bank acceptance bills amounted to RMB341.5 million. As at 31 December 2016, our cash and bank deposits amounted to RMB482.5 million while readily realizable bank acceptance bills amounted to RMB423.6 million.

The Group had bank borrowings of RMB3,165.9 million as at 30 June 2017 (31 December 2016: RMB1,612.4 million). During the period ended 30 June 2017, the Group's bank loans increased by a net amount of RMB1,553.5 million, it was mainly used to pay the remaining consideration for acquisition of the exclusive license for the commercialization of Plendil in China, and to finance an additional capital injection to the associate Tibet Pharmaceutical. The average cost of loans was 2.6% per annum. Except for loans amounting to RMB1,048.4 million, all the remaining loans are current liabilities and due within one year.

As at 30 June 2017, the Group had an unused term loan facility amounting to US$160 million. For details, please refer to the Company's announcement dated 20 June 2017. The Group expects to utilize the loan facility for repayment of existing loans due within one year.

As at 30 June 2017 and 31 December 2016, the Group had a gearing ratio (being the bank borrowings of the Group divided by the total assets of the Group) of approximately 29.6% and 16.5% respectively.

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

Interest in Associates

Interest in associates of the Group as at 30 June 2017 was RMB2,376.1 million (31 December 2016: RMB1,363.4 million), the increase was mainly due to an additional capital injection to the associate Tibet Pharmaceutical.

Exposure to Fluctuations in Exchange Rates and Interest Rates

The Group is mainly exposed to currency risk of the US$, Euro and HK$. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time, the management will consider hedging foreign currency exposure as appropriate. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk.

The Group will closely monitor the interest rate movements so as to mitigate the expected interest rate risk.

Pledge of Assets

As at 30 June 2017, the Group has pledged property, plant and equipment and leasehold land with net book values of approximately RMB83,661,000 and RMB26,951,000, respectively to secure certain bank borrowings and general banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2017, the Group had no any material contingent liabilities.

Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholder

On 20 June 2017, Sky United Trading Limited, a wholly-owned subsidiary of the Company (as borrower)(the "Borrower") and the Company (as guarantor) entered into a facility agreement (the "Facility Agreement") with Standard Chartered Bank (Hong Kong) Limited (as original lender, mandated lead arranger and bookrunner and agent) in respect of a US$300,000,000 term loan facility (the "Facility") as been made available to the Borrower for a term of 36 months from the first utilisation date under the Facility Agreement.

Pursuant to the Facility Agreement, if, among other things, Mr. Lam Kong, the chairman of the Board, an executive director and a controlling shareholder (as defined in the Listing Rules) of the Company (i) ceases to directly or indirectly own more than 30% of the total issued shares (of each class) in the Company; or (ii)ceases to directly or indirectly be the single largest shareholder in the issued shares (of each class) in the Company, the agent (acting on the instructions of the majority lenders under the Facility) may, by not less than 30 days' notice in advance to the Borrower, cancel all commitments under the Facility and declare that all outstanding loans together with accrued interest and all other amounts accrued under the Facility will become immediately due and payable. As at 30 June 2017, Mr. Lam Kong (directly and indirectly) holds approximately 45.94% of the total issued ordinary share capital of the Company.

Employee Benefit Scheme

On 12 January 2017, as approved by Benefit Scheme Executive Committee of the Company, there were 7 employees of the Company participating in the CMS Key Employee Benefit Scheme.

Share Option Scheme

The Company has not implemented a share option scheme. As at 30 June 2017, there were no outstanding share options of the Company.

Interim Dividend

The board of directors of the Company (the "Board") has resolved to pay an interim dividend of RMB 0.1293 (equivalent to HK$0.152) per ordinary share of the Company for the six months ended 30 June 2017 to the shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 6 September 2017 (the "Record Date"). Payment of such interim dividend is expected to be made to the shareholders on Wednesday, 13 September 2017.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 6 September 2017, on which the registration of transfer of Shares will be suspended. To qualify for the interim dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 5 September 2017.

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

As at 30 June 2017, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "HKEX"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the HKEX (the "Listing Rules") were as follows:

Name of Director	Name of Corporation	Nature of Interest	Class of Shares and Total Number of Shares Held (note 1)	Approximate Percentage of Interest in the Company
Mr. Lam Kong	The Company	Interest in controlled corporation	1,142,719,000 (L) (note 2)	45.94%
		Interest in controlled corporation	2,406,500 (L) (note 3)	0.10%
Mr. Chen Hongbing	The Company	Beneficial owner	20,038,225 (L)	0.81%
		Interest in controlled corporation	75,000,000 (L) (note 4)	3.02%
Ms. Chen Yanling	The Company	Beneficial owner	7,246,250 (L)	0.29%
Ms. Sa Manlin	The Company	Beneficial owner	6,074,237 (L)	0.24%
		Family interest	750,000 (L) (note 5)	0.03%

Notes:

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

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

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

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

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

Directors' Right to Acquire Shares or Debentures

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

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

As at 30 June 2017, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who held interests and short positions in the shares or underlying shares or debentures of the Company which would have to be disclosed to the Company and the HKEX pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

None of the Company or its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company for the six months ended 30 June 2017.

Employees

As at 30 June 2017, the Group had nearly 3600 employees. The Group has initiated organizational reform and speeded up the cultivation and recruitment of talents through optimizing the current human resources and innovating the way of management to enhance the development of the Group. The Group has adopted a series of measures to facilitate employees' work efficiency, regularly assesses their performance and adjusts their salaries and bonuses accordingly. Additionally, the Group has offered training programs to employees from different business units.

Audit Committee

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

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

The Company's interim result announcement and interim report for the six months ended 30 June 2017 have been reviewed by the Audit Committee of the Company.

Changes in Director's Information

During the Reporting Period, there are no changes in the information of the Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Practices

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

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

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

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

Directors' Securities Transactions

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

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

Significant Events of the Group after Reporting Period

The Inclusion of XinHuoSu in the Medical Insurance Catalogue

XinHuoSu is one of the key products of the Group. According to a notice issued by the Ministry of Human Resources and Social Security of the People's Republic of China (MOHRSS) on 19 July 2017, XinHuoSu has been included in Class B（乙 類）of the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance Catalogue (2017), which shall become effective in accordance with the relevant regulations of the MOHRSS. For details, please refer to the section titled "XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection)" under the Management Discussion and Analysis of this interim report.

Successfully Renewed an Exclusive Agency and Distribution Consolidated Agreement of Salofalk, Ursofalk and Budenofalk for China with Dr. Falk Pharma GmbH of Germany

The Group through its wholly-owned subsidiary, renewed an Exclusive Agency and Distribution Consolidated Agreement (the "Agreement") with Dr. Falk Pharma GmbH ("FALK") for its products Salofalk, Ursofalk and Budenofalk on 25 July 2017 ("Effective Date"). After the Agreement became effective, the Marketing, Sales and Distribution Agreement of the product Salofalk the Group through its wholly-owned subsidiary signed with FALK on 30 September 2008 and the Exclusive Agency and Distribution Agreement of the product Ursofalk signed on 16 August 2010 became invalid automatically. According to the Agreement, the Group continues to be entitled to exclusive marketing and distribution rights of the product Salofalk and Ursofalk in the People's Republic of China (excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan) ("China") through its wholly-owned subsidiary, the initial term is from the Effective Date to 31 December 2023(both dates included); the Group gains exclusive marketing and distribution rights of the product Budenofalk in China through its wholly-owned subsidiary and the initial term shall be 10 years from the date of first commercialization of Budenofalk in China. The initial term of aforementioned products shall be automatically extended for a further 5 years if the wholly-owned subsidiary of the Group achieves the minimum sales target defined in the Agreement.

Disclosure of Information

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	NOTES	Six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Turnover	3	**2,686,364**	2,177,099
Cost of goods sold		**(1,024,394)**	(907,584)
Gross profit		**1,661,970**	1,269,515
Other gains and losses		**(94,339)**	(8,888)
Selling expenses		**(597,671)**	(460,178)
Administrative expenses		**(97,253)**	(101,550)
Finance costs		**(30,057)**	(17,324)
Share of results of associates		**14,198**	16,870
Profit before taxation		**856,848**	698,445
Taxation	4	**(52,767)**	(44,236)
Profit for the period	5	**804,081**	654,209
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**-**	(62)
Share of other comprehensive income (expense) of an associate		**68**	(1)
Total comprehensive income for the period		**804,149**	654,146
Profit (loss) for the period attributable to:			
Owners of the Company		**804,953**	653,794
Non-controlling interests		**(872)**	415
		804,081	654,209
Total comprehensive income (expense) attributable to:			
Owners of the Company		**805,021**	653,731
Non-controlling interests		**(872)**	415
		804,149	654,146
		RMB	RMB
Earnings per share	7		
Basic		**0.3236**	0.2629

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	**383,315**	361,724
Prepaid lease payments		**59,718**	60,541
Interest in associates	9	**2,376,074**	1,363,361
Intangible assets		**2,802,962**	2,885,597
Goodwill		**1,384,535**	1,384,535
Deposit paid for acquisition of property, plant and equipment and intangible assets		**148,569**	143,413
Interest-bearing and secured loan receivable		**-**	10,960
Deferred tax assets		**28,634**	30,544
		7,183,807	6,240,675
Current assets			
Inventories		**458,540**	509,004
Trade and other receivables	10	**1,614,239**	1,682,420
Tax recoverable		**7,816**	14,240
Amount due from an associate	11	**785,743**	862,803
Bank balances and cash and deposits		**648,967**	482,451
		3,515,305	3,550,918
Current liabilities			
Trade and other payables	12	**575,933**	579,122
Bank borrowings	13	**2,117,504**	1,612,398
Deferred consideration payables	14	**13,937**	1,096,424
Tax payable		**40,228**	108,223
		2,747,602	3,396,167
Net current assets		**767,703**	154,751
Total assets less current liabilities		**7,951,510**	6,395,426

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Capital and reserves			
Share capital	15	**85,200**	85,200
Reserves		**6,639,687**	6,124,182
Equity attributable to owners of the Company		**6,724,887**	6,209,382
Non-controlling interests		**57,570**	58,442
		6,782,457	6,267,824
Non-current liabilities			
Bank borrowings	13	**1,048,416**	-
Deferred tax liabilities		**104,039**	105,563
Deferred consideration payables		**16,598**	22,039
		1,169,053	127,602
		7,951,510	6,395,426

The condensed consolidated financial statements on pages 22 to 36 were approved and authorised for issue by the Board of Directors on 21 August 2017 and are signed on its behalf by:

LAM Kong
DIRECTOR

CHEN Yanling
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve fund RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016 (audited)	85,200	2,444,296	19,545	149,749	(9,205)	2,405,204	201,218	5,296,007	56,461	5,352,468
Profit for the year	-	-	-	-	-	1,375,936	-	1,375,936	1,981	1,377,917
Share of other comprehensive income of an associate	-	-	-	-	315	-	-	315	-	315
Total comprehensive income for the year	-	-	-	-	315	1,375,936	-	1,376,251	1,981	1,378,232
Dividends paid	-	-	-	-	-	(261,658)	(201,218)	(462,876)	-	(462,876)
Dividends proposed	-	-	-	-	-	(289,516)	289,516	-	-	-
Transfer of reserves	-	-	-	26,688	-	(26,688)	-	-	-	-
Balance at 31 December 2016 (audited)	85,200	2,444,296	19,545	176,437	(8,890)	3,203,278	289,516	6,209,382	58,442	6,267,824
Profit for the period	-	-	-	-	-	804,953	-	804,953	(872)	804,081
Other comprehensive income for the period	-	-	-	-	68	-	-	68	-	68
Total comprehensive income for the period	-	-	-	-	68	804,953	-	805,021	(872)	804,149
Dividends paid (note 6)	-	-	-	-	-	-	(289,516)	(289,516)	-	(289,516)
Dividends proposed (note 6)	-	-	-	-	-	(321,601)	321,601	-	-	-
Transfer of reserves	-	-	-	34,134	-	(34,134)	-	-	-	-
Balance at 30 June 2017 (unaudited)	85,200	2,444,296	19,545	210,571	(8,822)	3,652,496	321,601	6,724,887	57,570	6,782,457

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Surplus reserve fund RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Dividend reserve RMB'000	Total RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016 (audited)	85,200	2,444,296	19,545	149,749	(9,205)	2,405,204	201,218	5,296,007	56,461	5,352,468
Profit for the period	-	-	-	-	-	653,794	-	653,794	415	654,209
Other comprehensive expense for the period	-	-	-	-	(63)	-	-	(63)	-	(63)
Total comprehensive income for the period	-	-	-	-	(63)	653,794	-	653,731	415	654,146
Dividends paid	-	-	-	-	-	-	(201,218)	(201,218)	-	(201,218)
Dividends proposed	-	-	-	-	-	(261,658)	261,658	-	-	-
Transfer of reserves	-	-	-	4,837	-	(4,837)	-	-	-	-
Balance at 30 June 2016 (unaudited)	85,200	2,444,296	19,545	154,586	(9,268)	2,792,503	261,658	5,748,520	56,876	5,805,396

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	NOTES	**2017**	2016
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Net cash from operating activities		**1,060,816**	543,433
Net cash used in investing activities			
Purchase of property, plant and equipment		**(33,787)**	(23,473)
Purchase of intangible assets		**-**	(1,017,916)
Capital injection to an associate	9	**(1,000,000)**	-
Withdrawal of structured deposits		**-**	279,180
Interest received		**8,913**	5,153
Dividend received from an associate		**1,551**	7,361
		(1,023,323)	(749,695)
Net cash from financing activities			
Interest paid		**(55,059)**	(15,483)
Dividends paid	6	**(289,516)**	(201,218)
Payment of deferred consideration payables		**(1,079,592)**	(5,129)
New bank borrowings raised		**3,340,220**	1,452,213
Repayment of bank borrowings		**(1,786,700)**	(250,002)
Loan advanced to an associate		**-**	(690,213)
		129,353	290,168
Net increase in cash and cash equivalents		**166,846**	83,906
Cash and cash equivalent at beginning of the period		**482,451**	229,336
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(330)**	640
Cash and cash equivalent at end of the period, represented by bank balances and cash		**648,967**	313,882

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

4. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**50,063**	46,735
Hong Kong Profits Tax	**2,300**	-
Other jurisdictions	**18**	16
	52,381	46,751
Deferred taxation:		
Current period	**386**	(2,515)
Taxation charge for the period	**52,767**	44,236

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**14,483**	11,688
Amortisation of intangible assets (included in cost of goods sold)	**82,635**	65,513
Cost of inventories recognised as an expense	**937,455**	838,654
Interest income	**(8,915)**	(11,390)
Net exchange loss	**125,664**	39,192

6. DIVIDENDS

During the Reporting Period, a final dividend of RMB0.1164 per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: RMB0.0809 per share in respect of the year ended 31 December 2015) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid during the Reporting Period amounted to RMB289,516,000 (six months ended 30 June 2016: RMB201,218,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of RMB0.1293 per share (six months ended 30 June 2016: RMB0.1052) will be paid to the owners of the Company whose names appear in the Register of Members on 6 September 2017.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**804,953**	653,794

	Number of ordinary shares As at 30 June	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,487,247,512**	2,487,247,512

The Group has no outstanding potential ordinary shares as at 30 June 2017 and 2016 and during the periods ended 30 June 2017 and 2016. Therefore, no diluted earnings per share is presented.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group spent RMB1,154,000 on the acquisition of property, plant and equipment (six months ended 30 June 2016: RMB1,047,000) and RMB32,633,000 on construction costs for manufacturing plants in the PRC in order to upgrade its manufacturing and promotion capabilities (six months ended 30 June 2016: RMB22,426,000).

9. INTEREST IN ASSOCIATES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Cost of investments in associates		
Listed outside Hong Kong (Note 1)	2,304,356	1,304,356
Unlisted	11,536	11,536
Share of post-acquisition profits and other comprehensive income, net of dividends received	60,182	47,469
	2,376,074	1,363,361
Fair value of listed investment (Note 2)	2,928,731	2,097,591

Note 1: On 3 May 2017, the Group subscribed additional 27,412,280 ordinary shares issued by Tibet Pharmaceutical at a price of RMB36.48 per share with the total amount of RMB1,000,000,000. The percentage of interest in Tibet Pharmaceutical held by the Group increased to 36.83% from 26.61% after this subscription, and it is still an associate of the Group.

Note 2: The fair value of the Group's interest in Tibet Pharmaceutical, of which its shares are listed on the Shanghai Stock Exchange, was determined on the basis of the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input in terms of IFRS 13.

As at 30 June 2017 and 31 December 2016, details of the associates are as follows:

Name of associates	Place of establishment/ incorporation	Principal place of business	Proportion of ownership interest held by the Group		Principal activities
			30 June 2017	31 December 2016	
Ophol Limited ("Ophol")	Hong Kong	Hong Kong	24.49%	24.49%	Investment holding and provision of agency service
Tibet Pharmaceutical	Tibet	Tibet	36.83%	26.61%	Production of medicines and sale of drugs

10. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	**1,049,016**	1,074,577
Less: Allowance for bad and doubtful debts	**(7,354)**	(6,096)
	1,041,662	1,068,481
Bills receivables	**341,472**	423,624
Purchase prepayment	**45,771**	35,947
Value added tax receivable	**62,823**	88,479
Other receivables and deposits	**122,511**	65,889
Total trade and other receivables	**1,614,239**	1,682,420

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

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
0 - 90 days	**946,429**	976,052
91 - 365 days	**91,087**	91,820
Over 365 days	**4,146**	609
	1,041,662	1,068,481

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

11. AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2016, the Group granted a loan to Tibet Pharmaceutical. At 30 June 2017, the aggregate amount of the loan and its interest receivable was RMB707,028,000. The loan is expiring on 30 April 2018 and is unsecured and bears an interest rate of 2.2% or 2.4% per annum. The remaining balance as at 30 June 2017 represented promotion income receivable from Tibet Pharmaceutical, it is non-interest bearing and expected to be collected back within one year.

12. TRADE AND OTHER PAYABLES

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

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
0 - 90 days	**298,333**	106,681
91 - 365 days	**2,296**	29,624
Over 365 days	**2,679**	1,285
	303,308	137,590
Payroll and welfare payables	**58,767**	123,517
Other tax payables	**3,728**	28,424
Deferred promotion income	**50,114**	78,310
Payables for acquisition of property, plant and equipment	**17,540**	14,474
Other payables	**62,091**	78,378
Accruals	**80,385**	118,429
	575,933	579,122

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

13. BANK BORROWINGS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Secured	632,565	288,801
Unsecured	2,533,355	1,323,597
	3,165,920	1,612,398
Classified as:		
Current liabilities	2,117,504	1,612,398
Non-current liabilities	1,048,416	-
	3,165,920	1,612,398

During the Reporting Period, the Group obtained new bank loans amounting to RMB3,340,220,000 (six months ended 30 June 2016: RMB1,452,213,000). The average cost of loans was 2.6% per annum. The proceeds were mainly used to pay the remaining consideration for acquisition of the exclusive license for the commercialization of Plendil in China, and to finance an additional capital injection to the associate Tibet Pharmaceutical.

14. DEFERRED CONSIDERATION PAYABLES

During the Reporting Period, the Group paid the remaining consideration of US$155,000,000 (equivalent to approximately RMB1,075,235,000) for acquisition of the exclusive license for the commercialization of Plendil in China, which was classified as current liabilities at 31 December 2016.

15. SHARE CAPITAL

	Number of shares	Amount
	'000	RMB'000
Authorised share capital:		
At 31 December 2016 and 30 June 2017	20,000,000	765,218
Issued and fully paid:		
At 31 December 2016 and 30 June 2017	2,487,247	85,200

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There were no transfers between level 1 and 2 during the period/year ended 30 June 2017 and 31 December 2016.

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

17. CAPITAL COMMITMENTS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the condensed consolidated financial statements	**40,872**	42,906

18. RELATED PARTY TRANSACTIONS

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

Name of related company	Relationship	Nature of transactions	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Ophol	Associate	Interest expense	**211**	344
Tibet Pharmaceutical	Associate	Promotion income	**153,514**	103,321
Tibet Pharmaceutical	Associate	Purchase of goods	**158,944**	156,608
Tibet Pharmaceutical	Associate	Interest income	**7,057**	6,941

(b) The remuneration of key management personnel during the period amounted to RMB1,788,000 (six months ended 30 June 2016: RMB1,746,000).