【Press Release】

CHINA TRADITIONAL CHINESE MEDICINE CO. LIMITED

Net profit attributable to shareholders of the Company Increases 24.3% Year-on-Year to RMB235 million in 1H2015

Strives to Optimise Industry Chain and Expand Chinese Medicine Healthcare Services

Financial Highlights (Unaudited)

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<th>For the Six Months Ended 30 June (RMB'000)</th>
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<tbody>
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<td>2014</td>
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<td>Turnover</td>
<td>1,422,067</td>
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<td>Gross Profit</td>
<td>856,705</td>
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<td>Profit Attributable to Equity Shareholders of the Group</td>
<td>234,592</td>
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<td>Earnings per Share:</td>
<td><strong>RMB7.78 cents</strong></td>
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(Hong Kong, 20 August 2015) – China Traditional Chinese Medicine Co. Limited (“China Traditional Chinese Medicine” or the “Group;” stock code: 570), the traditional Chinese Medicines (TCM) arm of China National Pharmaceutical Group Corporation (“CNPGC”), has announced its unaudited interim results for the six months ended 30 June 2015.

During the review period, despite the slowdown of growth for the healthcare industry in China, the Group still achieved satisfactory results with a turnover of approximately RMB1.422 billion, representing a strong year-on-year rise of 14.7%. The growth of turnover was attributable to the successful expansion in the coverage of primary medical institutions and the formation of a partnership with a strategic distributor and a pharmacy chain. Various promotional activities were conducted at the points-of-sale at the pharmacy chains, thereby increasing the coverage and penetration in the OTC retail market. Gross profit was approximately RMB857 million, representing a solid year-on-year increase of 12.7%. During the period under review, the gross profit margin was 60.2%, representing a decrease of 1.1 percent points as compared to the corresponding period of last year. The decrease in gross profit margin is due to the enhancement of procurement standards of TCM medicinal herbs for further improvement of product quality and the adjustment of the sales model for some
non-core products, which switched from selling at distribution prices to ex-factory prices. As a result, the selling price was reduced together with the reduction of selling and distribution costs. Profit attributable to equity shareholders of the Group was RMB235 million, surging by 24.3% year-on-year. Due to the additional issue of approximately 1,752 million new shares in May 2015, the weighted average number of ordinary shares was increased to approximately 3,016 million shares from approximately 2,534 million shares as compared to the same period of last year. Basic earnings per share rose by 4.4% to RMB7.78 cents, equivalent to HK9.44 cents.

Mr Wu Xian, Chairman of China Traditional Chinese Medicine Co. Limited, said, “Competition in the industry has intensified as a result of the continuous rise in production costs and consolidation of China’s pharmaceutical industry. In the first half of 2015, the delay of tenders for medicines in various provinces has placed price reduction pressure on production enterprises. This plus the promotion of medical sector reform by the Chinese government to enhance the austerity measures on medicine production and price have contributed to a substantial slowdown in the growth of the country’s pharmaceutical industry. Despite the challenges in the operating environment, we have managed to record satisfactory growth in turnover and profit during the period. Also, supported by our parent company CNPGC, we have taken advantage of the abundant resources to implement business expansion and acquire the controlling interest in Jiangyin Tianjiang Pharmaceutical Co. Ltd. (“Tianjiang Pharmaceutical”), enabling the Group to enter the concentrated TCM granules market. We have also set up Chinese medicine healthcare complexes in Foshan and Chongqing in order to expand into the Chinese medicine healthcare sector.”

Sales analysis
By product type, sales of TCM were the Group’s major source of revenue. During the period under review, TCM sales amounted to approximately RMB1.29 billion, accounting for 90.6% of total turnover and a year-on-year increase of 17.0%. Sales of chemical medicines dropped by 3.6% year-on-year to RMB134 million, accounting for approximately 9.4% of turnover. The Group has more than 500 TCM and chemical medicines, including more than 60 national exclusive products. Moreover, the Group has more than 100 products listed on the National Essential Drugs List (“EDL”), of which seven are exclusive products namely: “Xianling Gubao” (仙靈骨葆), “Yu Ping Feng Granule” (玉屏風顆粒), “Bi Yan Kang Tablet” (鼻炎康片), “Jingshu Granule” (頸舒顆粒), “Moisturizing & Anti-Itching Capsule” (潤燥止癢膠囊), “Zaoren Anshen Capsule” (棗仁安神膠囊) and “Fengshi Gutong Capsule” (風濕骨痛膠囊).

During the period under review, sales of the seven exclusive products accounted for 72.4% of the Group’s total turnover. Among them, “Xianling Gubao” (仙靈骨葆) recorded the highest sales and contributed RMB472 million to the Group during the year, accounting for 33.2% of total turnover. This was followed by “Yu Ping Feng Granule” (玉屏風顆粒), accounting for 11.5% of total turnover and contributing RMB164 million to the Group.
**Acquisition of Tianjiang Pharmaceutical**

In an attempt to consolidate its leadership position in the concentrated TCM granules market, the Group has entered into a series of agreements with various vendors to conditionally acquire 87.3% equity interest of Tianjiang Pharmaceutical at a consideration of RMB8.74 billion. The transaction is expected to be completed in the second half of 2015. Tianjiang Pharmaceutical is the biggest concentrated TCM granules manufacturer in China, with a market share exceeding 50% in terms of revenue in 2013. The transaction has aided the Group to enter the concentrated TCM granules sector. The new business is set to become an additional growth driver of the Group in the future and to inject new momentum to drive its income growth.

**Disposal of Guizhou Zhongtai**

On 27 January 2015, the Group and China Biotechnology Co., Ltd. (中國生物技術股份有限公司) (“China Biotechnology Co”) have entered into an agreement to conditionally sell 31% equity interest in Guizhou Zhongtai Biological Technology Company Limited (貴州中泰生物技術有限公司) and its subsidiaries (“Guizhou Zhongtai”) to China Biotechnology Co for a consideration of RMB140 million. The main business of Guizhou Zhongtai is R&D, production and sale of plasma-based biopharmaceutical products, which was not the core business of the Group. Upon completion of the transaction, the Group still holds 20% equity interest of Guizhou Zhongtai, which will subsequently be sold to China Biotechnology Co at an appropriate price under certain conditions. The disposal of Guizhou Zhongtai enables the Group to focus on the core business of TCM and integrate resources allocation, facilitating the long-term healthy development of the Group.

**Construction of Manufacturing Facilities and Headquarters Building**

The Group has continued with the construction of the manufacturing base located at Guiyang Economic & Technology Development Zone, Guizhou Province and the project is expected to be completed in 2016. The manufacturing base is to be the new factory of Sinopharm Group Tongjitang (貴州) Pharmaceutical Company Limited (國藥集團同濟堂（貴州）製藥有限公司). The facilities are in full compliance with 2010 GMP requirements and significantly improve the production capacity to meet the needs of the Group’s business expansion. To facilitate long-term development, the Group is working with an independent third party to build headquarters, R&D centre and ancillary facilities in Chan Cheng District, Foshan City with the project expected to be completed in 2016.

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**R&D projects for key products**

The Group believes that a strong R&D capability is an important factor in promoting the long-term development of the Group. Thus, the Group has invested substantial resources in product R&D and is committed to offer reliable and high quality TCM products to consumers. In the first half of 2015, the Group has successfully obtained production approval for two of its new products, namely “Fexofenadine/Pseudophedrine Sustained-Release Capsule” (非索僞麻緩釋膠囊) and “Gong Yan Ping Capsule” (宮炎平膠囊). In July 2015, the Group’s “Wuwei Huoxiang Tablet” (五味藿香片), a new TCM drug to treat mild depression, has passed the on-site inspection by the Chinese Food and Drug Administration (“CFDA”). Moreover, progress has been achieved on the re-evaluation of the key “Yu Ping Feng Granule” (玉屏風顆粒) project. The Group has further planned clinical trials for “Xianling Gubao” (仙靈骨葆), “Jingshu Granule” (頸舒顆粒) and “Moisturising and Anti-Itching Capsule” (潤燥止癢膠囊), with the aim to strengthen the evidence-based medical research on core products, to help promote those products to both TCM and western medicine doctors. Looking ahead, the Group continues to intensify research aimed at advancing the sustainable development of products and core technologies.

Mr Wu Xian, Chairman of China Traditional Chinese Medicine Co. Limited, concluded, “Looking ahead, we expect to see continuous demand in the pharmaceutical market against the backdrop of the changes in the population structure and spectrum of disease in Mainland China, as well as the government’s investment in the pharmaceutical industry. However, the uncertainties associated with the medical reforms also present challenges to the industry. We are poised to address all of these challenges and seize the opportunities in the market thanks to a firm SOE-background with CNPGC as our controlling shareholder and our years of operational experience in the Chinese medicine industry. We will continue to optimise the Chinese medicine industry chain, identify acquisition targets with unique products and considerable market share, and expand the Chinese medicine service complex and healthcare products sector. Through these means we can generate synergies among our different businesses and improve the Group’s profitability and competitive advantages, thereby building a solid foundation for our future development.”

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About China Traditional Chinese Medicine Co. Limited

China Traditional Chinese Medicine Co. Limited (“the Company”) is a large, consolidated and modern pharmaceutical corporation primarily engaged in R&D, manufacturing and distribution of Traditional Chinese Medicine (“TCM”) products. The Company is the TCM arm of China National Pharmaceutical Group Corporation (“CNPGC”). As of June 2015, CNPGC owns approximately 37% of the Company. Under the Company there are four famous Chinese brands, including “Xianling” (仙靈), “Tongjitang” (同濟堂), “Dezhong” (德眾), and “Feng Liao Xing” (馮了性). The Company owns production approvals for more than 500 specifications of medicine products.

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