



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(Stock code: 874)

Interim Report

2015

# Important Notice

- I. The Board, the Supervisory Committee and directors, supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirm that there are no false information, misleading statements or material omissions in this interim report.
- II. The directors of the Company were present at the 14th meeting of the sixth session of the Board, among whom, Mr. Chen Mao, an executive director, Mr. Wong Lun Tak Patrick and Mr. Qiu Hongzhong, both being independent non-executive directors, attended the meeting by means of telephone. Mr. Ni Yidong, an executive director, was unable to attend the meeting due to business reason and had appointed Ms. Cheng Ning, an executive director, to attend the meeting and vote on his behalf.
- III. Mr. Li Chuyuan (chairman of the Board), Mr. Wu Changhai (an executive director) and Ms. Yao Zhizhi (head of the finance department) declared that they warranted the truthfulness, accuracy and completeness of the financial reports contained in this interim report.
- IV. After consideration, the Board did not recommend payment of interim dividends for the six months ended 30 June 2015 nor proposed any increase in share capital from the capitalization of capital reserve.
- V. The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategy described in this interim report do not constitute any actual commitment of the Company to investors. Investors are advised to pay attention to any investment risk.
- VII. There was no non-operational appropriation of funds of the Company by its connected parties.
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. This interim report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

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In the interim report, unless the context otherwise requires, the following terms have the meanings as follows:

The Company/Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2015
After the Reporting Period	As at the end of the Reporting Period up to the date of this interim report, being 1 July 2015 to 15 August 2015
the Group	the Company and its subsidiaries
Board	the board of directors of the Company
Supervisory Committee	the supervisory committee of the Company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
CSRC Guangdong Bureau	the Guangdong Bureau of CSRC
Depository Corporation	the Shanghai Office of China Securities Depository and Clearing Corporation Limited
Articles of Association	the Articles of Association of the Company
Listing Rules of HKEx	the Rules Governing the Listing of Securities on the HKEx
Listing Rules of SSE	the Listing Rules of the SSE
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEx
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)

# Definitions

Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Guangzhou Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
Guangzhou Bai Di	Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)
Guangxi Ying Kang	Guangxi Yingkang Pharmaceutical Company Limited (廣西盈康藥業有限責任公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited

Nuo Cheng	Guangzhou Promise Biological Products Co., Ltd. (廣州諾誠生物製品股份有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical General Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司廣州白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Chemical Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司廣州白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan He Ji Gong Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Baxter Qiaoguang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)
Pharmaceutical Technology	Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd. (廣州白雲山醫藥科技發展有限公司)
Medical and Healthcare Industry Company	Guangzhou Baiyunshan Medical and Healthcare Industry Investment Co., Ltd. (廣州白雲山醫療健康產業投資有限公司)
Baiyunshan Great Health Hotel	Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. (廣州廣藥白雲山大健康酒店有限公司)



# Definitions

Innovation Center	Guangzhou Baiyunshan Chemical Pharmaceutical Innovation Center (廣州白雲山化學藥創新中心)
Weiling Pharmaceutical	Baiyuanshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Wei Yi Co., Ltd.	Guangzhou Baiyunshan Wei Yi Medical Investment Management Co., Ltd. (廣州白雲山維醫醫療投資管理有限公司)
Baxter Healthcare	Baxter Healthcare (Guang Zhou) Co., Ltd. (廣州百特醫療用品有限公司)
Bozhou Baiyunshan	Bozhou Baiyunshan Pharmaceutical Co., Ltd. (亳州白雲山製藥有限公司)
General Institute	Guangzhou General Pharmaceutical Research Institute Co., Ltd. (廣州醫藥研究總院有限公司)
Golden Eagle Fund	Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司)

## (1) GENERAL INFORMATION

1. Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL  
HOLDINGS COMPANY LIMITED  
English Name Abbreviation: GYBYS
2. Legal Representative: Li Chuyuan
3. Secretary to the Board: Chen Jing  
Representative of securities affairs: Huang Xuezen  
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Guangzhou City, Guangdong Province, the PRC  
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4. Registered address and office: 45 Sha Mian North Street, Liwan District,  
Guangzhou City, Guangdong Province, the PRC  
Postal code: 510130  
Internet website: <http://www.gybys.com.cn>  
E-mail: [sec@gybys.com.cn](mailto:sec@gybys.com.cn)  
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center,  
89 Queensway, Hong Kong
5. Designated newspapers for information disclosure: Mainland China: Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報)  
Internet website designated by the CSRC for publishing this interim report: <http://www.sse.com.cn>  
Internet website of the HKEx for publishing this interim report: <http://www.hkex.com.hk>  
Place where this interim report is available for inspection: The Secretariat of the Board



# Company Profile

## (1) GENERAL INFORMATION *(Continued)*

- |    |   |                     |   |
|----|---|---------------------|---|
| 6. | Stock exchange and codes of the Company's shares: | A Shares:           | The Shanghai Stock Exchange   |
|    |   | Stock Code:         | 600332  |
|    |   | Stock Abbreviation: | BAIYUNSHAN  |
|    |   | H Shares:           | The Stock Exchange of Hong Kong Limited   |
|    |   | Stock Code:         | 0874  |
|    |   | Stock Abbreviation: | BAIYUNSHAN PH   |
| 7. | First registration date:                          |                     | 1 September 1997  |
|    | First place of registration:                      |                     | 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC |
|    | Date of alteration of registration:               |                     | 11 February 2015  |
|    | Place of alteration of registration:              |                     | 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC |

# Financial Data and Financial Highlights

## I. PRINCIPAL FINANCIAL DATA AND INDICATORS

<b>Principal Accounting Data</b>	<b>The Reporting Period (Unaudited)</b>	The corresponding period of 2014 (Unaudited)	Changes as compared with the corresponding period of 2014 (%)
Income from operations (RMB'000)	<b>10,472,156</b>	10,020,290	4.51
Net profit attributable to the shareholders of the Company (RMB'000)	<b>775,023</b>	673,659	15.05
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	<b>769,795</b>	659,693	16.69
Net cash flow from operating activities (RMB'000)	<b>1,273,322</b>	1,167,005	9.11
Net cash flow from operating activities per share (RMB)	<b>0.99</b>	0.90	9.13
Total profit (RMB'000)	<b>962,981</b>	855,972	12.50

<b>Principal Accounting Data</b>	<b>As at 30 June 2015 (Unaudited)</b>	As at 31 December 2014 (Audited)	Changes as compared with 31 December 2014 (%)
Net assets attributable to the shareholders of the Company (RMB'000)	<b>8,135,434</b>	7,739,301	5.12
Total assets (RMB'000)	<b>16,490,770</b>	14,210,784	16.04
Equity per share attributable to the shareholders of the Company (RMB)	<b>6.30</b>	5.99	5.14

<b>Principal Financial Indicators</b>	<b>The Reporting Period (Unaudited)</b>	The corresponding period of 2014 (Unaudited)	Changes as compared with the corresponding period of 2014 (%)
Basic earnings per share (RMB)	<b>0.600</b>	0.522	15.05
Diluted earnings per share (RMB)	<b>0.600</b>	0.522	15.05
Basic earnings per share after deducting non-recurring items (RMB)	<b>0.596</b>	0.511	16.69
Ratio of weighted average return on net assets (%)	<b>9.54</b>	9.73	A decrease of 0.19 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	<b>9.47</b>	9.53	A decrease of 0.06 percentage point

Note: The above financial data and indicators are computed based on the consolidated financial statements.

# Financial Data and Financial Highlights

## II. NON-RECURRING ITEMS INCLUDE:

Items	The Reporting Period		Explanation
	Amount		
	(RMB'000)		
Gain/(Loss) on disposal of non-current assets	(428)		
Government subsidies recognized as gain/(loss)	42,665		This is the amount of government subsidies received by the Company's subsidiaries which were transferred to non-operating income in the Reporting Period.
Gain/(Loss) on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company), as well as investment gains received from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	2,379		
Write-off of provision for impairment of accounts receivable undergoing independent impairment test	204		
Gain/(Loss) from entrusted loans	(816)		
Other non-operating income and expenses excluding the above items	(36,808)		
Income tax effect	(1,671)		
Effect on minority interest	(297)		
<b>Total</b>	<b>5,228</b>		

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS

The Group is principally engaged in: (1) the research and development, manufacturing and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail and import and export of western and Chinese pharmaceutical products and medical apparatus; (3) research and development, production and sales of great health products; and (4) investment in health industry with healthcare, health management and health nursing, etc..

### Overall Business Review

During the Reporting Period, based on the development concept of “Management Efficiency Year”, the Group developed in the four directions of reviving the Great Southern TCM, developing the Great Health, promoting the Great Commerce and exploring the Great Medical Care, enlarged marketing innovation, actively improved business structure, further deepened the integrated operation, strengthened the regulated management and the internal control. The Group actively coped with the influence of macro-economic environment changes, medical reform policies and fierce marketing competition, so as to maintain a stable growth momentum.

During the Reporting Period, the Group’s revenue amounted to RMB10,472,156,000, up by 4.51% period-over-period; the total profit was RMB962,981,000, up by approximately 12.50% period-over-period; and the net profit attributable to shareholders of the Company was RMB775,023,000, up by approximately 15.05% period-over-period.

During the Reporting Period, firstly, the Group accelerated the research and development of new drugs and the transformation of technological innovation and the innovation results, actively promoted the upgrading of the Great Southern TCM segment from marketing-oriented to innovation-driven. During the Reporting Period, the Group’s innovation-driven strategy started to produce return. The sales situation was good since the launch of the imitation of Baiyunshan Jin Ge (Sildenafil Citrate Tablets) in October last year, the sales in first half of 2015 of which exceeded RMB100 million, being the second largest category of Baiyunshan General Factory in less than a year since its launch. The sales of Zhong Yi An Gong Niu Huang pill increased by 56% as compared to the same period of last year. Chen Li Ji “Kunxian capsule” obtained European patent for invention. Its sales have increased by 83% in the first half of the year, as compared to the same period of last year.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### **Overall Business Review** *(Continued)*

Secondly, the Group continuously developed the Great Health segment, focused on the three factors of “fashion, technology and cultures”, and constantly reinforced the status of Wang Lao Ji in the herbal tea industry. (i) Strengthened the channel management, made thorough analysis of Wang Lao Ji herbal tea sales channels, through the three biggest sales volume channels, namely traditional, catering and gifts, developed the modern channel and special pass channel at the same time and achieved a good effect. There was a promotion in market foundation work, identity and product sales in the first half of 2015; (ii) established the Wang Lao Ji Northern head office to create the “south/north dual-core” strategic layout of Wang Lao Ji; taking advantage of the favorable qualities of Nansha’s location, the head office of Wang Lao Ji is located in Nansha, accelerating globalization of the brand; completed the entire capacity work of Wang Lao Ji Great Health Industry (Ya’an) Production Base Phase 1, and raised production capacity; (iii) accomplished the rights protection, safeguarded rights and interests, in order to safeguard the future development; (iv) there was active preparation for “Internet+” and the “Super Luck+” strategy for 2015 was announced. A super-platform based on mobile internet was created in collaboration with partners such as Tencent, WeChat, JD.com and Suning; (v) accomplished culture and charity marketing. The Group tapped into the advantage of the rich history of Wang Lao Ji as the herbal tea creator and built the Beijing Wang Lao Ji Herbal Tea Museum. It also initiated the “Chinese Time-honored Century-old Brands Alliance”, which gathered 50 time-honored companies to reinvigorate the Chinese brand. The Wang Lao Ji campus football club and the Wang Lao Ji Football Development Fund were established to support the development of youth football.

Thirdly, the Group continued promoting the Great Commerce segment, working on both online and offline. (i) In terms of offline sales, GP Corp., the Company’s joint venture, entered into the strategic co-operation regarding extended service project of the drug supply chain with Nanfang Hospital under the Nanfang Medical University, launched the smart pharmacy project in collaboration with Guangdong Provincial Hospital of Traditional Chinese Medicine, the largest hospital of traditional Chinese medicine in Southern China and entered into the modern pharmaceutical logistics extended service co-operation agreement with Panyu Hexian Memorial Hospital. Besides, the third Jian Min modern community pharmacy Guangming store, located in Panyu District in Southern Guangzhou, also began operation. (ii) In terms of the development of online e-business, the Group, Jointown Pharmaceutical Group Co., Ltd. and Saibolan Company, joined together to primarily building the upgraded version of “WeChat business” – Medical Cloud Business and also conducted the collaboration of the first cloud business project – creating the “Baiyunshan Tie Ma” innovative business model.

Fourthly, the Group vigorously explored the Great Medical Care segment and had made a breakthrough. During the Reporting Period, Medical and Healthcare Industry Company (a wholly-owned subsidiary of the Company), will inject RMB46.5 million into Guangzhou Baiyunshan Hospital Company Limited (“Baiyunshan Hospital”) as capital increase and became the largest shareholder of Baiyunshan Hospital holding 51% equity interest thereof. Meanwhile, the project of Tibet Linzhi Baiyunshan Tibet Style Health Preservation Castle was actively promoted.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### **Overall Business Review** *(Continued)*

Fifthly, resources integration of technological research and development of the Group was actively promoted and the input in scientific research was increased. (1) During the Reporting Period, 32 invention patents in China and 2 PCT international patents were applied for by the Group, 12 invention patents and 1 PCT international patent were granted. (2) During the Reporting Period, the Group received multiple awards in scientific research: the project of “Basic and Applied Research on Prevention and Treatment of Metabolic Disorders of Glycolipid by Eliminating Dampness Through Harmonised Liver and Smoothed Pivot” jointly submitted by four units including Guangdong Pharmaceutical University and HWBYS was granted the National Science & Technology Progress Award (Second Class); the “16th China Patent Award, Excellent Award” was granted to “Cefixime Tablet and Preparation Method” of Baiyunshan General Factory; “Technical innovation research and application for the excellent quality Chinese patent medicine Clearing Heat and Anti-inflammation series of products” conducted by Jing Xiu Tang obtained the 2014 ACFIC Science and Technology Award (Third Class); “A Lozenge with TCM Extract” of Pan Gao Shou obtained the Invention and Entrepreneurship Award (Silver) at the International Exhibition of Inventions; “Study and application of fritillaria cirrhosa new source fritillaria Taibaiensis listed in Pharmacopoeia of China” carried out by Pan Gao Shou and Guangzhou Han Fan obtained the 2015 Science and Technology Award of Guangdong Province (Second Class); “Xia Sang Ju Particle Quality standard research and its industrialized application” of Xing Qun was awarded the 2014 Hunan Provincial Administration of Traditional Chinese Medicine Science and Technology Progress Award (First Class) and the 2014 Hunan Province Science Technology Award (Third Class). “Study and overall application of the MES in the management and control for the production process of Chinese patent medicine” of Zhong Yi, “Technology Improvement and Application Research of Technique and Quality Control of TCM Sub-Melting Double Gastrointestinal Pill (BuPi YiChang Pills)” of Chen Li Ji and “the Research and Development of Key Technology of Manufacturing Sterile Powder and its Application in Cephalosporin Powder for Injection” of Tian Xin obtained second class, second class and third class in the 2014 Science and Technology Award of Guangzhou, respectively. “A TCM Main Cure for Fibroids and Preparation and Quality Control Method” of Pan Gao Shou was awarded the Guangzhou patent award (Second Class). (3) During the Reporting Period, on new significant scientific research projects, the project “Development and Application of New Tumor Vaccines” of Guangzhou Bai Di was established as a special pilot of Guangdong Province Strategic Emerging Industrial Region Cluster Development. It obtained a national government grant of RMB8 million and a provincial government grant of RMB19.9 million. The project “Guangzhou Pharmaceutical “Baiyunshan” Grand Southern TCM Main Domestic Clinically Urgent Drugs Industrialization” of Baiyunshan General Factory was established as a special pilot of Guangdong Province Strategic Emerging Industrial Region Cluster Development. It obtained a provincial government grant of RMB5.2 million. The construction project of Wang Lao Ji Guangdong Province Herbal Tea (Wang Lao Ji) Engineering Technology Research Centre was established; “Guangzhou Baiyunshan Han Fang Research Institute of Extraction and Separation Technology” of Guangzhou Han Fang was established by the construction project of 2015 Guangzhou Research Institute of Technological Planned Enterprise.



# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### **Overall Business Review** *(Continued)*

Sixthly, standardized management will be reinforced and resources integration will continue to be deepened to achieve integrated operation. During the Reporting Period, focus was put on improvement in various aspects such as quality of centralized procurement, price, delivery period, service, coordination, specification and efficiency and controllable risk. Centralized procurement will be further broadened and deepened. Meanwhile, other tasks such as marketing and technology in resources integration are actively promoted.

During the Reporting Period, the gross profit margin of the manufacturing operations of the Group was 44.67%, representing an increase of 0.74 percentage point as compared with the corresponding period of last year. The gross profit margin of the trading operations was 10.06%, representing an increase of 2.79 percentage points as compared with the corresponding period of last year.

As at 30 June 2015, the Group had 32 retail chain pharmacy outlets, including 31 “Cai Zhi Lin” pharmacy outlets which specialized in traditional Chinese medicines and one pharmacy named Ying Bang.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (1) Analysis of principal operations

#### A. Analysis of changes in the financial statement related subjects:

Items	The Reporting Period (RMB'000)	The corresponding period of 2014 (RMB'000)	Increase/(Decrease) over the corresponding period of 2014 (%)
Revenue	<b>10,472,156</b>	10,020,290	4.51
Include: income from principal operations	<b>10,401,305</b>	9,942,920	4.61
Cost of sales	<b>6,607,107</b>	6,453,610	2.38
Include: cost from principal operations	<b>6,590,425</b>	6,434,992	2.42
Selling and distribution expenses	<b>2,240,816</b>	2,159,618	3.76
General and administrative expenses	<b>675,134</b>	616,146	9.57
Financial expenses <sup>(note 1)</sup>	<b>(17,729)</b>	(3,043)	(482.59)
Net cash flow from operating activities	<b>1,273,322</b>	1,167,005	9.11
Net cash flow from investing activities <sup>(note 2)</sup>	<b>(291,748)</b>	(170,481)	(71.13)
Net cash flow from financing activities <sup>(note 3)</sup>	<b>36,115</b>	(108,807)	133.19
Research and development expenses	<b>157,628</b>	147,437	6.91

Note:

- (1) The finance expenses decreased as compared with the corresponding period of last year, which was mainly due to fact that the subsidiaries of the Company had a great increase in their interest income through allocated funds, and improved the efficiency of operating funds.
- (2) Net cash flow from investing activities decreased as compared with the corresponding period of last year, which was mainly due to the payment for acquisition of the General Institute.
- (3) Net cash flow from financing activities increased as compared with the corresponding period of last year, which was mainly due to the decrease in the payment of bank loans and dividends of the Group during the Reporting Period.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (1) Analysis of principal operations *(Continued)*

#### B. Others

- (a) Explanation on significant changes in structure or sources of the profit of the Company

Nil

- (b) Analysis and explanation on the progress of implementation of various types of financing and major asset reorganization by the Company in the previous period

The major asset reorganization the Company initiated in November 2011 comprising the merger and absorption of Baiyunshan by way of exchange of shares and acquisition of the assets of GPLH by way of issue of shares was completed in 2013.

The Proposed Placing of A Shares of the Company and the Employee Scheme Subscription have been considered and approved at 8th meeting of sixth session of the Board, the 1st extraordinary general meeting of the company in 2015, Class Meeting of A Shareholders and Class Meeting of H Shareholders of the Company. On 9 July 2015, the amendments to the Proposed Placing of A Shares and relevant matters were approved at the 13th meeting of the sixth session of the Board. On 10 July 2015, the Company submitted the reply and relevant information in respect of feedback on the application document of Proposed Placing of A Shares of the Company to CSRC. At present, the Company and each party are actively promoting work in respect of the Proposed Placing of A Shares and Employee Scheme Subscription.

- (c) Explanation on the progress in the operation plan

During the Reporting Period, the Company ordered to carry out various operational activities in accordance with the operating scheme which was developed in the early period of 2015, and basically achieved the scheduled progress. In the second half of 2015, the Company will continue to push forward the progress of various targets in order to achieve this year's operating goal.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (2) Industry, product and regional analysis of operation results

- A. Breakdown of the operation results of the principal operations of the Group during the Reporting Period is set out as follows:

Principal Operations	Income from principal operations Increase/(Decrease)		Cost of principal operations Increase/(Decrease)		Gross profit margin of principal operations Increase/(Decrease)	
	Income from principal operations (RMB'000)	over the corresponding period of 2014 (%)	Cost of principal operations (RMB'000)	over the corresponding period of 2014 (%)	Gross profit margin of principal operations (%)	over the corresponding period of 2014 (Percentage point)
Medicine and healthcare	10,401,305	4.61	6,590,425	2.42	36.64	An increase of 1.36 percentage points

- B. Analysis of sales of major products during the Reporting Period is as follows:

Types of products	Income from principal operations Increase/(Decrease)		Cost of principal operations Increase/(Decrease)		Gross profit margin of principal operations Increase/(Decrease)	
	Income from principal operations (RMB'000)	over the corresponding period of 2014 (%)	Cost of principal operations (RMB'000)	over the corresponding period of 2014 (%)	Gross profit margin of principal operations (%)	over the corresponding period of 2014 (Percentage point)
Manufacturing operations	7,987,222	5.13	4,419,266	3.74	44.67	An increase of 0.74 percentage point
Trading operations	2,414,083	2.92	2,171,159	(0.18)	10.06	An increase of 2.79 percentage points

- C. Analysis of regional sales of the Group for the first half of 2015 is set out as follows:

Regions	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)
Southern China	5,623,792	3.87
Eastern China	1,773,005	(4.44)
Northern China	1,310,327	27.90
North-Eastern China	177,930	20.75
South-Western China	1,043,337	10.74
North-Western China	309,264	4.34
Exports	163,650	(37.73)
<b>Total</b>	<b>10,401,305</b>	<b>4.61</b>

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (3) Analysis of financial conditions

#### A. Liquidity

As at 30 June 2015, the current ratio of the Group was 1.40 (31 December 2014: 1.47), and its quick ratio was 1.10 (31 December 2014: 1.04). Accounts receivable turnover rate was 18.78 times, representing a decrease of 11.90% as compared with the corresponding period of 2014. Inventory turnover rate was 5.21 times, representing a decrease of 6.31% as compared with the corresponding period of 2014.

#### B. Financial resources

As at 30 June 2015, cash and cash equivalents of the Group amounted to RMB4,046,969,000 (31 December 2014: RMB3,029,136,000), out of which approximately 99.34% and 0.66% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2015, the Group had bank borrowings of RMB670,273,000 (31 December 2014: RMB560,530,000), including short-term borrowings of RMB624,965,000 (31 December 2014: RMB560,530,000) and long-term borrowings of RMB45,308,000 (31 December 2014: nil).

#### C. Capital structure

As at 30 June 2015, the Group's current liabilities amounted to RMB7,895,950,000 (31 December 2014: RMB6,061,527,000), representing an increase of 30.26% as compared with the beginning of 2015, and its long-term liabilities was RMB245,390,000 (31 December 2014: RMB190,278,000), with an increase of 28.96% as compared with the beginning of 2015. The shareholders' equity attributable to the shareholders of the Company amounted to RMB8,135,434,000 (31 December 2014: RMB7,739,301,000), with an increase of 5.12% as compared with the beginning of 2015.

#### D. Capital expenditure

The Group expects the capital expenditure for 2015 to be approximately RMB1,393 million, among which the expenditure in the first half of 2015 amounted to RMB150 million (in the first half of 2014: RMB249 million), which would be mainly applied in the construction of factories and infrastructure, purchases of machines and equipment, upgrading the information system, etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (3) Analysis of financial conditions

#### E. Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

#### F. Contingent liabilities

As at 30 June 2015, the Group had no significant contingent liabilities.

#### G. Charge on the Group's assets

As at 30 June 2015, Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, had a general banking facility of HK\$300,000 and a letter of credit, a letter of trust with total limit of HK\$100,000,000 and drew up an unearned credit with US\$269,000, YEN132,692,000 granted by Bank of China (Hong Kong) Limited with a charge over its fixed assets, properties and buildings with original value of HK\$8,893,000 and net value of HK\$6,509,000 and investment properties with original value of HK\$6,843,000 and net value of HK\$4,051,000.

#### H. Bank loans, overdraft and other borrowings

As at 30 June 2015, the bank loans of the Group amounted to RMB670,273,000 (31 December 2014: RMB560,530,000), with an increase of RMB109,743,000 as compared with the beginning of 2015. The above bank loans included short-term loans of RMB624,965,000 and long-term loans of RMB45,308,000.

#### I. Gearing ratio

As at 30 June 2015, the Group's gearing ratio (total liabilities/total assets ×100%) was 49.37% (31 December 2014: 43.99%).

#### J. Material investment

As at 30 June 2015, the Group did not have any other material additional investment.



# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis

- (a) The Group possesses abundant products and brand resources.
- (i) Products: The Group has formed complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-infection, cooling and detox, parenteral nutrition, coughing, Tieda and pain relief, rheumatism and pain, nurturing and health. The Group has more than 25 forms and nearly 2,000 specifications and over 100 exclusive products.
- (ii) Brands: Currently, the Group has trademarks of 9 nationally famous brands, 22 famous brands of Guangdong Province and 31 famous brands in Guangzhou City. Among which, the brand awareness and reputation of “Baiyunshan” have a greater impact and appeal among consumers in the country and it is one of the most valuable pharmaceutical brands in the country. Upon completion of Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap and Asset Acquisition through Issuance of Shares, the Major Assets Reorganization, the Company promoted the Great Brand strategy on the basis of integrating brand resources, materializing the change in brand marketing model from scattered brands to a uniform group of brands with collective strategy. On the basis of reviving the Grand Southern TCM, the Group developed the Grand Health business, expanding the brand value from traditional pharmaceutical products to the new grand health products.
- (b) Long history in Chinese traditional medicine history and cultural soft power. The Group has more than 10 time-honoured brand enterprises in Chinese pharmaceutical industry, including Chen Li Ji, Pan Gao Shou, Jing Xiu Tang, Zhong Yi, Qi Xing, Xing Qun, He Ji Gong, Guang Hua, Cai Zhi Lin, Ming Xing, Wang Lao Ji. Among which, Chen Li Ji, Wang Lao Ji, Jing Xiu Tang, Zhong Yi, Pan Gao Shou and Ming Xing have been established for over a hundred years. Also, the Group has 6 items admitted as the nation’s Intangible Cultural Heritage, namely “Xia Sang Ju” (“夏桑菊”) of Xing Qun, “Dashen Kouyanqing” (“白雲山大神口焱清”) of Baiyunshan, Wang Lao Ji herbal tea, the traditional Chinese medicine culture of Chen Li Ji and Pan Gao Shou as well as the “Production Technology of Bao Zi Tang Bao Ying Dan” (“保滋堂保嬰丹製作技藝”) of Zhong Yi. The Group had established the Chen Li Ji Museum (“陳李濟博物館”), “Chen Li Ji Health Preservation Research Institute” (“陳李濟健康養生研究院”), “Lingnan Experience Centre of Chinese Medicine Culture” (“嶺南中醫藥文化體驗館”), Shen Nong Cottage (“神農草堂”) and Wang Lao Ji Herbal Tea Museum and had established a number of platforms for the promotion of the “Grand Southern TCM” culture and demonstration of the long history and splendid culture of Chinese medicine and rebuilding the famous brands of Chinese medicine.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis *(Continued)*

- (c) The Group possesses a relatively complete value chain system, including the existing major pharmaceutical assets. Through internal and external forward integration and backward integration, more comprehensive raw materials, research and development, production, circulation and terminal value chain are formed. In the aspect of Chinese herbs supply, the Company has more than 40 GAP herbs bases nationwide, established a unified purchasing platform of raw materials, which effectively safeguards the quality and supply of Chinese herbs and controls production costs. In the aspect of research and development of products, the Company continued building a comprehensive technological innovation system. It has built an extensive collaboration network with domestic and foreign institutions renowned for scientific research to create a synergy effect between the two. It allows the utilization of favorable resources from various parties in a highly efficient manner, promoting development with the support of technology.
- (d) The Group has a large sales network and a broad and stable customer base with 32 retail chain pharmacy outlets in Guangdong Province. The Company is one of the first pharmaceutical trading enterprises that obtained the GSP certificate. The Group has also established the largest pharmaceutical retail network and medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with hundred thousands of customers across the country, including medium to large-sized hospitals, pharmaceutical wholesalers, distributors and retailers.
- (e) The Group possesses an ever-improving technological innovation system. The Group continuously strengthened the platform construction for years and improved the science technology innovation system. There were 2 provincial corporate technical centres newly increased in the year (Pan Gao Shou, Jing Xiu Tang).

So far, The Group has 6 state-recognized research institutions, one state-recognized engineering technical centre, 4 provincial corporate technical centres, 6 provincial engineering technical centres, 11 municipal corporate technical centres and 14 municipal research and development centres for engineering technology. The Group has research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology such as automatic control and online testing, Chinese preparation medicine, supercritical CO<sub>2</sub> extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs and core technology in national leading position such as sterile powder production technology and preparation agent technology.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis *(Continued)*

- (f) The Group has a forward-thinking, high quality, reasonably aged structured and extremely innovative team of talents. Currently, the Group has 4 national model labour, 2 national Special Allowance Experts, 12 state specialists, 4 outstanding specialists of Guangzhou City and more than 50 EMBA holders (高級管理人員工商管理碩士). In recent years, 54 Doctors and Post-doctoral fellows were employed to carry out scientific research for the Group. The Group also has nearly 500 master degree holders and nearly 5,000 bachelor degree holders engaged in research and development, including more than 1,500 technology personnel for common technology, key technology and prospective technology.

### (5) Issues and difficulties in operations and plans for the second half of 2015

In the year of 2015, the continuous downturn of the domestic macro economy, the possible slowing down of financial investments in the pharmaceutical industry and further implementation of pharmaceutical policies are expected to affect the development of pharmaceutical industry. However, the increasing expansion of population aging, cancellation of the maximum prices of drugs and the expected release of internet sale of drugs have brought us the opportunities for development.

In the second half of 2015, the Group will mainly focus on the following:

- A. Revitalizing the“Great Southern TCM”. The Group will accelerate the process of integration of resources of the companies under the Group; step up efforts to create star products and vigorously develop pharmaceuticals for children; further strengthen the implementation of famous brand strategy, fully enhance the recognition and reputation of the Group and its brands as well as customer loyalty; and actively carry out mergers and acquisitions and speed up the extensional growth.
- B. Developing “Great Health”. The Group will speed up the channel optimization, increase the rate of city spreading and increase the intensity of marketing; complete the direct selling license and the preparation of direct selling platform; attach great importance to research and development of health products and technological innovation and build large cluster health products.
- C. Boosting “Great Commerce”. The Group will build e-commerce platforms, pharmacy trusteeship service platform and third party logistics platforms; meanwhile, actively carry out expansion, mergers and acquisitions to achieve growth externally.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (5) Issues and difficulties in operations and plans for the second half of 2015 *(Continued)*

- D. Developing “Great Medicare”. The Group will rapidly enter into the medical field and occupy the high grounds of development and obtain the advantage of development resources. In addition, it will plan to build a comprehensive Guangzhou Baiyunshan Health Industry Valley by integrating medical, drug, health maintenance and rehabilitation, leveraging on the current advantages in land and buildings resources.
- E. Upgrading “Great Technology”. The Group will actively promote the integration of the edge of the Group in the resources in technological research and development and strengthen the core competitiveness in technological innovation; increase its investments in scientific research to carry out “Great Projects” in the key fields, centralize superior resources in the fields of antineoplastic drugs, cardiovascular drugs and the medicines for gynaecology to carry out independent research and development, seize the opportunity of patents expiration for foreign product to research and develop the chemical generics while strengthening the research and development in chemical drugs in Class One of new drug; explore the development potential of famous Chinese patent medicine and “Old Brand” varieties; promote the cooperation in the fields of medical apparatus and instruments, etc.; advocate the “Great Cooperation” on complementary of science and technology resources advantages.
- F. Optimizing “Great Capital”. The Group will steadily boost the Proposed Issue and Placing of A Shares related work and strive for the completion of the Proposed Placement and the implementation of the Employee Stock Ownership Scheme in 2015; promote the acquisition of every business sector.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (6) Analysis on investment

#### A. Overall analysis on foreign equity investment

At the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB2,002,818,000, with a growth of RMB52,053,000 as compared with the end of 2014, mainly due to the increase in the long-term equity investment by investment income calculated using the joint venture equity method as adopted by the Group, and no significant change had occurred.

Invested units	Principal business	Shares equity directly held by the Company (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Wang Lao Ji	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Nuo Cheng	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Production, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
Baxter Qiaoguang	Production of large capacity injection, imports and wholesales of medicine	50.00
Hangzhou Zhe Da Han Fang Chinese Medicine Information Engineering Company Limited	Development of technology and technology service	44.00
Golden Eagle Fund	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Wei Yi Co., Ltd.	Medical investment management	50.50

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (6) Analysis on investment (Continued)

#### A. Overall analysis on foreign equity investment (Continued)

##### (a) Stock investments

Number	Type of stock	Stock code	Stock name	Initial	Number	Book value	% of stock	Gain/(Loss)
				amount of	held during	as at the	investment	during the
				investment	the Reporting	end of the	as at the	Reporting
				(RMB'000)	Period	Reporting	end of the	Reporting
					(share)	Period	Reporting	Reporting
						(RMB'000)	Period	Period
							(%)	(RMB'000)
1	A Share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	57,810	3,582	50.69	1,407
2	A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	289,310	3,483	49.31	972
Other stock investments held as at the end of the Reporting Period				-				
Gain/(Loss) of stock investments sold during the Reporting Period				-				
<b>Total</b>				<b>5,511</b>		<b>7,065</b>	<b>100.00</b>	<b>2,379</b>

##### (b) Information on the Company's interests in the shares of other listed companies

Stock Code	Stock name	Initial	% of shareholding	Book value	Gain/(Loss)	Changes	Accounting item	Sources of shares
		investment amount		as at the end of the Reporting Period	during the Reporting Period	in equity during the Reporting Period		
		(RMB'000)		(RMB'000)	(RMB'000)	(RMB'000)		
601328	Bank of Communications	525	-	3,251	75	462	Available-for-sale financial assets	Acquisition
601818	Everbright Bank	10,725	Approximately 0.02	32,428	1,125	2,468	Available-for-sale financial assets	Acquisition



# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (6) Analysis on investment *(Continued)*

#### A. Overall analysis on foreign equity investment *(Continued)*

##### (c) Information on the Company's interests in non-listed financial institutions

Name	Initial investment amount <i>(RMB'000)</i>	Number of shares held <i>(share)</i>	% of shareholding	Book value	Gain/(Loss)	Changes	Accounting item	Sources of shares
				as at the end of the Reporting Period <i>(RMB'000)</i>	during the Reporting Period <i>(RMB'000)</i>	in equity during the Reporting Period <i>(RMB'000)</i>		
Golden Eagle Fund	50,000	—	20.00	31,541	2,735	—	Long-term equity investment	Acquisition
Bank of Guangzhou Co., Ltd.	100	—	—	100	—	—	Available-for-sale financial assets	Acquisition

#### B. During the Reporting Period, the Group did not have any entrusted investment activities.

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (6) Analysis on investment (Continued)

C. The Company's entrusted loans for the Reporting Period

Names of borrowers	Entrusted loan amount (RMB'000)	Term of the loan	Lending rates %	Purpose	Mortgaged property or guarantor	Whether overdue	Whether connected transactions	Relationship with the Company
Cai Zhi Lin	40,000	One year	5.10	Corporate operation	—	No	No	Wholly-owned subsidiary
Cai Zhi Lin	120,000	One year	5.35	Corporate operation	—	No	No	Wholly-owned subsidiary
Cai Zhi Lin	30,000	One year	5.60	Corporate operation	—	No	No	Wholly-owned subsidiary
Cai Zhi Lin	118,000	One year	6.00	Corporate operation	—	No	No	Wholly-owned subsidiary
Pharmaceutical Import & Export	5,000	One year	5.10	Corporate operation	—	No	No	Wholly-owned subsidiary
Pharmaceutical Import & Export	20,000	One year	5.60	Corporate operation	—	No	No	Wholly-owned subsidiary
Pharmaceutical Import & Export	90,000	One year	6.00	Corporate operation	—	No	No	Wholly-owned subsidiary
Guangzhou Bai Di	21,000	One year	5.35	Corporate operation	—	No	No	Subsidiary
Guangzhou Bai Di	29,000	One year	5.60	Corporate operation	—	No	No	Subsidiary
Guangzhou Bai Di	10,000	One year	6.00	Corporate operation	—	No	No	Subsidiary
Guangzhou Han Fang	8,000	One year	5.60	Corporate operation	—	No	No	Subsidiary
Xing Qun	8,000	One year	5.10	Corporate operation	—	No	No	Subsidiary
Xing Qun	36,200	One year	5.35	Corporate operation	—	No	No	Subsidiary
Xing Qun	13,000	One year	5.60	Corporate operation	—	No	No	Subsidiary
Total	<u>548,200</u>							

As at 30 June 2015, the Company provided entrusted loans totaling RMB548,200,000 to its subsidiaries.

D. Use of Proceeds from the issue of A shares

Applicable  Not applicable

# Report of the Board of Directors

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (6) Analysis on investment *(Continued)*

- E. The principal subsidiaries and companies in which the Company has shareholding interest during the Reporting Period

Name of enterprises			Shares equity				
Subsidiaries	Business nature	Major products or services	Registered capital (RMB'000)	directly held by the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
WLJ Great Health	Manufacturing	Production and sales of prepackaging food, dairy products, etc.	100,000	100.00	4,279,719	757,731	265,937

Except as mentioned in the above table, the Company did not derive any investment income from any single investee company amounting to 10% or more of the net profit of the Group during the Reporting Period.

During the Reporting Period, the Company did not engage in any other operations which had significant impact on the net profit of the Group.

# Report of the Board of Directors

## II. PLAN FOR PROFIT DISTRIBUTION AND INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE IN THE REPORTING PERIOD

- (1) Implementation of, or adjustment to, the profit distribution scheme in the Reporting Period
  - A. Pursuant to the resolutions on profit and dividend distribution passed at the 2014 annual general meeting held on 26 June 2015, a final dividend of RMB2.80 (including tax) for every 10 shares held was approved and would be paid, in cash, to all shareholders of the Company, based on the total share capital of 1,291,340,650 shares at the end of 2014;
  - B. The final dividend of RMB0.28 (including tax) per share for 2014 will be paid to the Company's H share shareholders whose names appeared on the register of the Company as at 10 August 2015, the cash dividend will be paid on or before 24 August 2015;
  - C. According to the announcement for 2014 final dividend published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) in the PRC on 31 July 2015, the registration date for A shares was 6 August 2015, the ex-dividend date was 7 August 2015 and the dividend payment date was 7 August 2015.
- (2) The Board did not recommend the payment of interim dividends for the six months ended 30 June 2015 nor proposed any increase in share capital from the capitalization of capital reserve.

## III. OTHER MATTERS

- (1) The caution and explanation in respect of cumulative profit being anticipated the change to possible loss from the beginning of 2015 to the end of the next reporting period or substantial change as compared with the corresponding period of last year of the cumulative net profit
  - Applicable     Not applicable
- (2) Explanation given by the Board and the Supervisory Committee on the "Non-Standard Auditor's Report" issued by the auditors
  - Applicable     Not applicable

# Major Events

## I. SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS SUBJECT TO DOUBT BY MEDIA

(1) **The Group did not have significant litigation, arbitration and matters subject to doubt by media during the Reporting Period.**

(2) **Litigation or arbitration of the Group and litigations and arbitrations of GPHL, the controlling shareholder of the Company, relating to the “Wang Lao Ji” trademark during the Reporting Period**

A. The Company received from Guangzhou Intermediate People’s Court (“Guangzhou Intermediate Court”) the Civil Case Judgment “(2014) Sui Zhong Fa Min Si Chu Zi No.57” which sets out that: the Company, as one of the shareholders of Wang Lao Ji, applied to South China International Economic and Trade Arbitration Commission (Shenzhen Court of International Arbitration) (the “Arbitration Commission”) for arbitration, asking Golden Force Pharmaceutical Co., Ltd. (“Golden Force Pharmaceutical”) to fulfil the obligation to transfer equity as agreed in the Shareholders’ Contract, i.e. to transfer all of Golden Force Pharmaceutical’s 48.0465% shares in Wang Lao Ji to the Company. The Arbitration Commission accepted the case (Case No.: SHEN T2014811). As whether Wang Lao Ji has to dissolve or can continue to exist depends on the award of the arbitration, Guangzhou Intermediate Court ruled that the case filed by Golden Force Pharmaceutical regarding the disputes over the dissolution of Wang Lao Ji be stayed.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 15 January 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 14 January 2015.

B. GPHL, the controlling shareholder of the Company, applied to Guangdong Higher People’s Court (“Guangdong Higher Court”) for modification of claim, requesting change of the claim for economic losses caused by the infringement of the “Wang Lao Ji” registered trademark of GPHL by the defendants including Guangdong Jiaduobao Co., Ltd. (“Guangdong Jiaduobao”) during the period from 2 May 2010 to 19 May 2012 of RMB1 billion to RMB2.93 billion, which was accepted by Guangdong Higher Court.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 28 February 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 27 February 2015.

## I. SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS SUBJECT TO DOUBT BY MEDIA *(Continued)*

(2) Litigation or arbitration of the Group and litigations and arbitrations of GPLH, the controlling shareholder of the Company, relating to the “Wang Lao Ji” trademark during the Reporting Period *(Continued)*

C. The Company received from China International Economic and Trade Arbitration Commission (“CIETAC”) a notice in relation to the Disputes over Shareholder’s Contract No. V20140834 ([2015] Zhong Guo Mao Zhong Jing Zi No. 006303), enclosing and forwarding therewith with a copy of the letter ((2014) Shen Zhong Fa She Wai Zhong Zi No. 291) from Shenzhen Intermediate People’s Court of Guangdong Province (“Shenzhen Intermediate Court”) to CIETAC and a letter from Golden Force Pharmaceutical requesting to increase the amount claimed, which set out that: (1) Shenzhen Intermediate Court notified CIETAC for suspension of arbitration of the arbitration case; and (2) Golden Force Pharmaceutical requested for modification of claim for economic losses from RMB130 million to RMB4 billion.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 1 April 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 31 March 2015.

D. The Company received from CIETAC the “Letter of Suspension of Procedures for the Arbitration Case in relation to Disputes over Shareholder’s Contract No. V20140834” ([2015] Zhong Guo Mao Zhong Jing Zi No. 012946), which notified the Company of the suspension of arbitration procedures.

For more details, please refer to the announcement published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 7 May 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 May 2015.

E. GPLH, the controlling shareholder of the Company, recently received from Guangdong Higher Court the Civil Case Judgment “(2014) Yue Gao Fa Min San Chu Zi No. 1-1”, according to which Guangdong Higher Court ruled that the counterclaim made by six companies including Guangdong Jiaduobao in relation to the civil action initiated by GPLH for economic losses caused by the infringement of the “Wang Lao Ji” registered trademark of GPLH by the defendants not be accepted.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 7 May 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 May 2015.

# Major Events

## I. SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS SUBJECT TO DOUBT BY MEDIA *(Continued)*

### (2) Litigation or arbitration of the Group during the Reporting Period *(Continued)*

- F. Wang Lao Ji, a joint venture of the Company, received the Civil Case Judgment “(2015) Sui Zhong Fa Min Qing Zi No. 3” from Guangzhou Intermediate Court, which ruled that the application made by Golden Force Pharmaceutical for compulsory liquidation of Wang Lao Ji not be accepted.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 7 May 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 May 2015.

### (3) Litigations and arbitrations of the Group and litigations and arbitrations of GPHL, the controlling shareholder of the Company, relating to the “Wang Lao Ji” trademark subsequent to the Reporting Period

- A. GPHL, the controlling shareholder of the Company, received a notice of case acceptance regarding the case filed by it against Fujian Jiaduobao Co., Ltd., Wuhan Jiaduobao Co., Ltd. and Jiaduobao (China) Co., Ltd. (加多寶(中國)飲料有限公司) in relation to the claim of RMB300 million each for economic losses caused by their infringement of the unique packaging and decorations of “Wang Lao Ji” Herbal Tea.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 3 July 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 2 July 2015.

- B. GPHL, the controlling shareholder of the Company, received a case filing notice regarding the claim of RMB300 million each made by it against Hangzhou Jiaduobao Co., Ltd. and Zhejiang Jiaduobao Co., Ltd. in relation to the economic losses caused by their infringement of the unique packaging and decorations of “Wang Lao Ji” Herbal Tea.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 7 July 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 July 2015.



## I. SIGNIFICANT LITIGATION, ARBITRATION AND MATTERS SUBJECT TO DOUBT BY MEDIA *(Continued)*

### (3) Litigations and arbitrations of the Group and litigations and arbitrations of GPHL, the controlling shareholder of the Company, relating to the “Wang Lao Ji” trademark subsequent to the Reporting Period *(Continued)*

- C. Wang Lao Ji, a joint venture of the Company, received the Civil Ruling “(2015) Yue Gao Fa Min Er Qing (Yu) Zhong Zi No. 1” from Guangdong Higher Court. Golden Force Pharmaceutical appealed to Guangdong Higher Court against the ruling of Guangzhou Intermediate Court that the application made by Golden Force Pharmaceutical for compulsory liquidation of Wang Lao Ji not be accepted. Upon trial Guangdong Higher Court ruled that: the appeal be dismissed and the original ruling be upheld.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 7 July 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 July 2015.

- D. GPHL, the controlling shareholder of the Company, and WLJ Great Health, a wholly-owned subsidiary of the Company, received a civil case judgment from Beijing Higher People’s Court (“Beijing Higher Court”). GPHL and WLJ Great Health sued Jiaduobao (China) Co., Ltd. (加多寶(中國)飲料有限公司) (“Jiaduobao China”) and Guangdong Jiaduobao before Beijing Third Intermediate People’s Court (“Beijing Third Court”) for false propaganda, and Beijing Third Court ordered Jiaduobao China and Guangdong Jiaduobao to stop false propaganda, to publish a statement in designated media to eliminate ill effects and to make a compensation of RMB3 million. Jiaduobao China and Guangdong Jiaduobao appealed to Beijing Higher Court against the ruling, which issued upon trial a judgment that the appeal be dismissed and the original ruling be upheld.

For more details, please refer to the announcement published by the Company in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 28 July 2015 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 6 July 2015.

# Major Events

## II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS, MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD

### (1) The Group's purchase and disposal of assets, merger, and other transactions during the Reporting Period

- A. As approved at the 23th meeting of the fifth session of the Board, WLJ Great Health, the wholly-owned subsidiary of the Company, proposed to establish WLJ herbal tea production base in Ya'an to offer more jobs opportunities. The total investment of the project is expected to be RMB298 million for the construction of two canning production lines. The project completed the trial production debugging on schedule on 20 April 2015 and put into operation. At present, the project completion settlement is in progress and it is expected to complete before end of October 2015.

For details, please refer to the announcement published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報) and on the website of the SSE on 17 July 2015, and on the website of the HKEx on 16 July 2015.

- B. As approved at the 4th meeting of the Strategic Development and Investment Committee in 2014, WLJ Great Health, the wholly-owned subsidiary of the Company and Murad Biotechnology Group Ltd. (穆拉德生物科技集團有限公司) established a joint venture, Guangzhou WLJ Murad Biotechnology Co., Ltd. (廣州王老吉穆拉德生物科技有限公司) with 50% equity interest each. WLJ Great Health would make a contribution of RMB5 million in cash. At present, the above transaction is in progress.

## II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS, MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

### (1) The Group's purchase and disposal of assets, merger, and other transactions during the Reporting Period *(Continued)*

- C. As approved at the 7th meeting of the Strategic Development and Investment Committee in 2014, according to the valuation report .as at 31 December 2013 issued by Zhong He Assets Appraisal Co., Ltd, the Company acquired 100% equity interest in Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (Guangyao Haima) for a consideration of RMB7 million. At present, the transaction mentioned above has been completed.
- D. As approved at the 1st meeting of the Strategic Development and Investment Committee in 2015, Guangyao Baiyunshan Hong Kong Company would acquire 25% equity interest of Qi Xing held by Guangyong Financial Co., Ltd. through transfer agreement. At present, the transaction mentioned above has been completed.
- E. As approved at the 1st meeting of the Strategic Development and Investment Committee in 2015, the Company made additional capital injection of RMB10 million to Medical and Healthcare Industry Company, the wholly-owned subsidiary of the Company. The registered capital of which was then increased from RMB10 million to RMB20 million. At present, the transaction mentioned above has been completed.
- F. At the 2nd meeting of the Strategic Development and Investment Committee in 2015, the resolution on the additional capital injection from the Company to WLJ Great Health and the establishment of Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. ("Nansha Subsidiary") was approved. According to the resolution, the registered capital of WLJ Great Health upon completion of capital injection would increase from RMB10 million to RMB100 million. The registered capital of the Nansha Subsidiary is RMB10 million. WLJ Great Health held 100% equity interest of that company. At present, the transactions mentioned above has been completed.
- G. As approved at the 3rd meeting of the Strategic Development and Investment Committee in 2015, Medical and Healthcare Industry Company, a wholly-owned subsidiary of the Company, would acquire equity interest in Baiyunshan Hospital by way of contributing registered capital. Medical and Healthcare Industry Company contributed RMB46.5 million in cash into Baiyunshan Hospital and would hold 51% equity interest thereafter. At present, the transaction mentioned above is currently in progress.

## II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS, MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

### (1) The Group's purchase and disposal of assets, merger, and other transactions during the Reporting Period *(Continued)*

- H. As approved at the 4th meeting of the Strategic Development and Investment Committee in 2015, the Company took part in the delisting acquisition of 100% equity interest of the General Institute held by GPLH. The Company acquired 100% equity interest of General Institute at the consideration of RMB160,197,900. On 7 July 2015, the Company entered into the Equity Trading Contract with GPLH, and became the transferee of the abovementioned equity transfer. At present, the transactions mentioned above has been completed.
- I. As approved at the 4th meeting of the Strategic Development and Investment Committee in 2015, the Company contributed RMB25 million in cash as registered capital to Medical and Healthcare Industry Company. Upon completion of the capital injection, the registered capital of Medical and Healthcare Industry Company increased from RMB20 million to RMB45 million. At present, the transaction mentioned above has been completed.
- J. According to the arrangements of the industrial structure adjustment, 11 enterprises under the Company plan to relocate to the Baiyun base in the Biological Medicine Town of Guangzhou Pharmaceutical Group ("Baiyun base"), which covers a gross area of about 2,460 mu (of which an area of about 2,000 mu meets land planning requirements). The government of Baiyun district will provide integrated land plots for industrial use in four phases within the Guangzhou Pharmaceutical Industry Zone. A total land area of 474.41 mu (of which an area of 303.09 mu can be used for construction) will be provided in the first phase.
- Ming Xing (98.8 mu), He Ji Gong (36 mu), HYBYS (99.7 mu) and GP Corp. (68.5 mu), which are under the Company, have obtained the land use rights of the land available for construction (303 mu) in the first phase, with a total land bidding price of about RMB221.29 million. At present, the relevant work mentioned above is currently in progress.

## II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS, MERGER AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD (Continued)

(2)

Transaction counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Consideration (RMB)	Contribution to the net profit of the Company from the date of acquisition to the end of the Reporting Period (RMB)	Contribution to the net profit of the Company from the beginning of the Year to the end of the Reporting Period (applicable to enterprises under the common control) (RMB)	Whether connected transactions (if yes, please state the pricing principle)	Pricing principle for the acquisition of assets	Whether the property rights of the assets involved has been transferred	Whether the claims and liabilities of the assets involved have been transferred	Contribution to the Company's net profit by the assets acquired to the total profit of the Company %	Connected relationship
The Labour Union Committee of Guangzhou Pharmaceutical Holdings Limited and the Labour Union Committee of the Headquarter of Guangzhou Pharmaceutical Holdings Limited	Guangyao Haima	January 2015	7,000,000.00	259,329.09	N/A	No	Negotiated price	Yes	Yes	0.03	N/A
Guangyong Finance Company Limited	25% equity interest in QiXing	April 2015	45,598,100.00	(7,881,365.00)	(11,035,370.20)	No	Negotiated price	Yes	Yes	-	N/A

### (3) The Group's purchase and disposal of assets, merger, and other transactions after the Reporting Period

As approved at the 5th meeting of the Strategic Development and Investment Committee in 2015, the Company participated in the subscription of private share placement of Chongqing Medicines (Group) Co., Ltd. ("Chongqing Medicines") as a strategic investor. The 10 million private placement shares of Chongqing Medicines will be subscribed at the price of RMB15 per share. The subscription amount is RMB150 million in total. Following the completion of this capital injection, the Company will hold 2.18% equity interest in Chongqing Medicines. At present, the transaction mentioned above is still in progress.

Save as disclosed above, the Group did not engage in any material acquisitions or disposals.

# Major Events

## III. EQUITY INCENTIVE AND THEIR IMPACT

Applicable  Not applicable

## IV. SIGNIFICANT CONNECTED TRANSACTIONS

### (1) Daily connected transactions

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of connected transactions	Amount of connected transactions (RMB'000)	% of similar transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	437,959	8.09	Cash
GP Corp.	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	180,324	3.33	Cash
Wang Lao Ji	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	215,093	3.97	Cash
<b>Subtotal</b>					<b>833,376</b>	<b>15.39</b>	
GPHL	Parent company	Sale of products	Medicine or Pharmaceutical products	Market price	8	0.00	Cash
General Institute	Fellow parent company	Sale of products	Medicine or Pharmaceutical products	Market price	2	0.00	Cash
HWBYS	Joint venture	Sale of products	Medicine or Pharmaceutical products	Market price	108,464	1.04	Cash
GP Corp.	Joint venture	Sale of products	Medicine or Pharmaceutical products	Market price	277,829	2.67	Cash
Wang Lao Ji	Joint venture	Sale of products	Medicine or Pharmaceutical products	Market price	200,913	1.93	Cash
Nuo Cheng	Joint venture	Sale of products	Medicine or Pharmaceutical products	Market price	1	0.00	Cash
Baxter Qiaoguang	Joint venture	Sale of products	Medicine or Pharmaceutical products	Market price	425	0.00	Cash
<b>Subtotal</b>					<b>587,642</b>	<b>5.64</b>	

## IV. SIGNIFICANT CONNECTED TRANSACTIONS (Continued)

### (1) Daily connected transactions (Continued)

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of connected transactions	Amount of connected transactions (RMB'000)	% of similar transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Provision of service	Advertising agency service	Market price	33,300	91.79	Cash
GP Corp.	Joint venture	Provision of service	Advertising agency service	Market price	161	0.44	Cash
Wang Lao Ji	Joint venture	Provision of service	Advertising agency service	Market price	1,592	4.39	Cash
Wang Lao Ji GPHL	Joint venture Parent company	Provision of service Acceptance of Patents, rights to use trademarks and others	Consigned processing Rights to use trademarks	Market price Agreement price	11,516 46,429	81.77 88.05	Cash Cash
Wang Lao Ji	Joint venture	Acceptance of Patents, rights to use trademarks and others	Rights to use trademarks	Agreement price	8,018	100.00	Cash
GPHL	Parent company	Others	Rental assets	Agreement price	4,183	14.02	Cash
GPHL	Parent company	Others	Leased assets	Agreement price	268	0.77	Cash
GP Corp.	Joint venture	Others	Leased assets	Agreement price	1,342	3.85	Cash
Baxter Qiaoguang	Joint venture	Others	Leased assets	Agreement price	1,250	3.58	Cash
Nuo Cheng	Joint venture	Others	Leased assets	Agreement price	941	2.70	Cash
HWBYS	Joint venture	Others	Leased assets	Agreement price	37	0.10	Cash
<b>Total</b>					<b>1,530,055</b>		

The above connected transactions were transactions carried out within the Group's ordinary operations, determined with reference to market prices, and were considered to have no negative impact on the Group's continuous operations.



# Major Events

## IV. SIGNIFICANT CONNECTED TRANSACTIONS (Continued)

### (2) Debts of related parties

Related Party	Relationship to related parties	Funds provided to related parties			Funds provided by related parties to listed company		
		Balance at the beginning of the Reporting Period (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)	Balance at the beginning of the Reporting Period (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)
Bozhou Baiyunshan	Subsidiary of Joint venture	17,431	-	17,431	-	-	-
Total		17,431	-	17,431	-	-	-
Amount of funds provided by the Company to its controlling shareholder and its subsidiaries (RMB'000)				-			
Balance of funds provided by the Company to its controlling shareholder and its subsidiaries (RMB'000)				-			
Reasons for the funds provided to/from related parties		During the Reporting Period, the Company's other receivables from HWBYS included receivables of RMB17,431,000 from its subsidiary, namely Bozhou Baiyunshan. HWBYS was originally a joint venture with 50% equity interest held by Baiyunshan, and Bozhou Baiyunshan was originally 80% and 20% equity interest held by Baiyunshan and HWBYS respectively. On 30 March 2013, Baiyunshan and HWBYS entered into "Equity Transfer Agreement of Bozhou Baiyunshan Pharmaceutical Co., Ltd.", according to which Baiyunshan agreed to transfer its equity interest and all the associated rights and obligations in Bozhou Baiyunshan to HWBYS.					
Repayment of the funds provided to/from related parties		Because the absorption and merger of Baiyunshan by the Company was completed in May 2013, HWBYS is a joint venture as well as a related party of the Company. The receivables emerged after share transfer of Bozhou Baiyunshan was completed.					
		At the end of 2014, the Company and Bozhou Baiyunshan entered into an agreement on Liabilities Relief and Compensation. Both sides agreed to exempt and compensate the liabilities of Bozhou Baiyunshan amounted to RMB1,909,330 as at the completion date of equity transfer (30 April 2013) in accordance with the agreement.					
Commitment in relation to the funds provided to/from related parties		The company and Bozhou Baiyunshan entered into an agreement. Bozhou Baiyunshan should repay the loan principal before 31 December 2015.					
Impact of the funds provided to/from related parties on the Company's operating results and financial position		No significant impact					

## V. PROPERTIES UNDER DEVELOPMENT AND FOR SALE

During the Reporting Period, the Group did not have any investment properties the contribution of which accounted for more than 5% of the Group's operating profit before tax as provided under Rule 23 of Appendix 16 to the Listing Rules of HKEx.

## VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Group did not hold on trust or sub-contract the assets of other companies or vice versa, which generated profit that accounted for 10% more of the total profits for the period.

Save as the aforementioned, the Group was not involved in other major contracts during the Reporting Period.

## VII. GUARANTEES

### Guarantees provided to parties other than the Group's subsidiaries

Guaranteed parties	Date of signing of agreements	Amount involved (RMB'000)	Type of guarantees	Term of guarantees	Performance completed or not (yes or no)	Guarantees for connected parties (yes or no)
Nuo Cheng	24 November 2013	59,088	joint and several liability guarantee	One year	No	Yes
Accumulated amount of guarantees provided during the Reporting Period (RMB'000)						-
Balance of guarantees as at the end of the Reporting Period (RMB'000)						59,088

### The Company's guarantees provided to its subsidiaries

Accumulated amount of guarantees provided to the Company's holding subsidiaries during the Reporting Period (RMB'000)	-
Balance of guarantees provided to the Company's holding subsidiaries as at the end of the Reporting Period (RMB'000)	30,000

### The Group's guarantees (including those provided to its subsidiaries)

Total amount of guarantees provided (RMB'000)	89,088
Total amount of guarantees provided accounted for the proportion of the net assets of the Group (%)	1.07
Including:	
Amount of guarantees provided to the Company's shareholders, actual controller and its connected parties (RMB'000)	-
Direct or indirect guarantees provided to entities with a gearing ratio of over 70% (RMB'000)	30,000
Amount of guarantees provided which exceeds 50% of the total net assets of the Company (RMB'000)	-
Total amount of the above three types of guarantees (RMB'000)	30,000

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS

### (1) Equity incentive implemented by listed companies

Item	Content
Background of undertaking	Undertakings in connection with equity division reform
Party given the undertaking	Controlling shareholder
Details of undertaking	<ol style="list-style-type: none"><li>1. In order to improve the value of the listed company, after the reform, the controlling shareholder of the Company, GPLH will, to the extent permitted by laws and regulations and subject to the approval of the supervision authority, support the Company to set up an equity incentive mechanism as the prerequisite for management to fulfill their rights of options based on the performance growth of the listed company.</li><li>2. Upon the original undertakings, GPLH made further undertaking: In order to fully mobilize the initiative and creativity of the management team of the listed company, realize the sustainable development and improve the value of the listed company, GPLH undertakes that it will, to the extent permitted by laws and regulations and subject to the approvals of the supervisory authorities, urge and support the Company to set up incentive scheme for medium to long term within three years from the date of this undertaking letter, which scheme shall stipulate the growth in profits of the Company as a condition and link to market value.</li></ol>
Time and period of undertaking	The original undertaking was given in March 2006. On 25 June 2014, GPLH supplemented the original undertaking. The undertaking remains valid until it has been fully performed.
Performance period	Up to 25 June 2017
Whether strictly and timely performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (2) Independence of listed company

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. After completion of the Major Assets Reorganization, GPLH, the controlling shareholder of the Company, will comply with requirements of relevant laws and regulations, regulatory documents and the Articles of Association, and exercise shareholder's right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organisation and business.</li> <li>2. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in the Company.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Performance period	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (3) Avoiding competition

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>1. After completion of the Major Assets Reorganization, GPLH and its controlled subsidiaries should avoid engaging in business and operations which substantially compete with those of the subsisting the Company after completion of the Major Assets Reorganization ("new GPC"), and avoid increasing investment in companies and enterprises, other than new GPC and its subsidiaries, which engages in business and operations which substantially compete with those of new GPC. GPLH will not and will procure its subsidiaries not to engage in the same or similar business of new GPC to avoid direct or indirect competition with the operation and business of new GPC. In addition, GPLH will voluntarily and vigorously procure its subsidiaries to give up competition with new GPC if GPLH and its subsidiaries will bring unfair impact on new GPC in respect of market shares, business opportunities and allocation of resources.</li><li>2. GPLH is willing to bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by new GPC due to any breach of the above undertakings.</li><li>3. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in GPC.</li></ol>
Time and period of undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Performance period	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (4) Regulating connected transactions

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>After completion of the Major Assets Reorganization, GPHL and its subsidiaries should minimize and regulate connected transactions with new GPC. If there is any unavoidable connected transaction, GPHL and its controlled subsidiaries will sign agreement with new GPC in accordance with laws and perform legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of SSE and the Listing Rules of HKEx and the Articles of Association of Guangzhou Pharmaceutical Company Limited, and warrant that it will not harm the legitimate rights and interests of the subsisting GPC after completion of the Major Assets Reorganization and its other shareholders.</li> <li>The undertaking letter will remain effective so long as GPC legally and validly exists and GPHL owns controlling interest in GPC.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Performance period	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (5) Restricting the sale of shares

<b>Item</b>	<b>Content</b>
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	Within 36 months from the registration date of such shares, GPLH and its associated companies will not transfer the shares they acquired as a result of GPC's acquisition of assets from GPLH through issue of shares. After such period, any transfer of the shares will be made according to relevant requirements of CSRC and SSE.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and remains valid until it has been fully performed.
Performance period	The Company completed the registration of its newly issued shares on 5 July 2013 with its share registrar, and the performance period is up to 5 July 2016.
Whether timely and strictly performed	Being performed
Specification	Yes



## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (6) Undertakings related to trademark

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder, the Company
Undertakings	<p>GPHL and the Company mutually undertake as follows in relation to the transactions under the Trademark Custody Agreement between Guangzhou Pharmaceutical Company Limited and Guangzhou Pharmaceutical Holdings Limited (the "Agreement"):</p> <ol style="list-style-type: none"> <li>1. Both parties will enter into a supplemental agreement ("Supplemental Agreement") to the Agreement as soon as possible after the Agreement becoming effective and before they enter into the first new or renewal licensing agreement relating to the licensing of Wang Lao Ji trademarks in custody under the Agreement, with the specific arrangement for new/renewal trademark license to be negotiated by the parties separately. Both parties also agreed that the Supplemental Agreement shall               <ol style="list-style-type: none"> <li>(i) embody the requirement for GPHL to pay the Company a basic custody fee of RMB1 million per year as set out in the Agreement; and</li> <li>(ii) specify that 20% of the new licenses fees will be the custody income for the Company and the remaining 80% will be retained by GPHL.</li> </ol> </li> <li>2. Both parties further undertake that the Supplemental Agreement they entered into in the future under the above arrangement will comply with applicable provisions of the Listing Rules of HKEx and SSE (including but not limited to the requirements of Chapter 14A of the Listing Rules of HKEx and Chapter 10 of the Listing Rules of SSE relating to continuing connected transactions/connected transactions in the ordinary course of business, including that the Supplemental Agreement must specify its validity term, the estimated annual cap of custody income, other terms that must be set out, and etc.).</li> </ol>
Time and period of the undertaking	The undertaking was given on 26 March 2012 and remains valid until it has been fully performed.
Performance period	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (7) Undertakings related to properties with legal defects

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPHL will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised.</li> <li>2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost nor suffer any material adverse impact due to such issue.</li> <li>3. After completion of the merger, GPHL will fully compensate the Company within 2 months from the date of incurring of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted land use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any damage thereunder.</li> </ol>
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Performance period	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (8) Undertakings related to trademarks which did not complete the transfer procedures

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<p>As at 28 June 2013, the registration formalities for the transfer of 388 trademarks within the assets to be acquired to the Company were not yet completed. The consideration for these trademarks was RMB51.1416 million, mainly including two categories: GPLH's grant of use of 54 major trademarks under its six major series namely "Chen Li Ji", "Pan Gao Shou", "Xing Qun", "Zhong Yi", "Qi Xing" and "Jing Xiu Tang" to the Company and its subsidiaries, and GPLH's 334 trademarks which are registered domestically and overseas for joint or defensive purpose (including 277 domestic trademarks and 57 overseas trademarks).</p> <p>With respect to the trademarks being acquired under the Major Assets Reorganization but still pending for registration of transfer, GPLH undertook to:</p> <ol style="list-style-type: none"> <li>1. process the transfer of those trademarks to the Company as soon as possible;</li> <li>2. ensure that the Company can use these trademarks without having to pay consideration before the transfer of those assets;</li> <li>3. to fully indemnify the Company and other third parties (including but not limited to the share registrar and SSE) in cash in respect of the losses incurred by the Company and other third parties within two days from the date on which such losses actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.</li> </ol>

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (8) Undertakings related to trademarks which did not complete the transfer procedures *(Continued)*

Item	Content
	Upon the original undertakings, GPLH made further undertaking:
	<ol style="list-style-type: none"> <li>1. The transfer of all those trademarks to GYBYS will be completed within 3 years from the date of this undertaking letter was issued. The Company ensures that GYBYS can use these trademarks without having to pay consideration before the transfer of those trademarks;</li> <li>2. If the transfer of those trademarks has not been completed by the end of the above mentioned undertaking period, the Company will pay compensation to GYBYS in cash within 10 working days according to the valuation of the trademarks which has not been transferred (in accordance with the Asset valuation on the properties and trademarks held by GPLH intended to be acquired through private placement of additional shares by Guangzhou Pharmaceutical Company Limited (Zhong Tian Heng Ping Ping Zi [2012] No. 26) issued by China Valuer International Co., Ltd.).</li> <li>3. to fully indemnify the Company and other third parties in cash in respect of the losses incurred by the Company and other third parties within two days from the date on which such losses actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.</li> </ol>
Time and period of the undertaking	The original undertaking was given on 28 June 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 23 April 2014. The undertaking remains valid until it has been fully performed.
Performance period	Performance period is up to 23 April 2017
Whether timely and strictly performed	Basically fully performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (9) Undertakings related to trademarks

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPHL undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force:               <ol style="list-style-type: none"> <li>(i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or</li> <li>(ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption.</li> </ol> </li> <li>2. On the basis of the original undertaking letter, GPHL has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPHL shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by GPHL after the Execution Day (inclusive of today) for the “Supplementary Agreement to the Agreement of Trademark Custody”. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</li> </ol>

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (9) Undertakings related to trademarks *(Continued)*

Item	Content
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.
Performance period	No
Whether timely and strictly performed	<p>In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the commencing date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration.</p> <p>As approved at the 8th meeting of the sixth session of the Board of the Company, the resolution on the amendment to the performance period of injection of Wang Lao Ji trademark series was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 for consideration and was approved.</p>
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (10) Undertakings related to General Institute

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Undertakings	For resolving potential competition completely, GPLH undertakes that it will transfer 100% equity interest of General Institute (廣州醫藥研究總院) to GPC within two years from the date General Institute completes the ownership reform (公司改制) and its shares become transferable in accordance with the requirements of the laws and regulations then in force.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and remains valid until it has been fully performed.
Performance period	the General Institute was established on 27 June 2013 and the performance period was ended on 27 June 2015.
Whether timely and strictly performed	Fully performed
Specification	Yes

Save for the above, there is no outstanding undertaking that requires specific disclosure.

## IX. APPOINTMENT AND REMOVAL OF AUDITORS

- (1) BDO China Shu Lun Pan CPAs LLP had been re-appointed as the auditor of the Company for year 2015 as approved at the 1st meeting of the Audit Committee in 2015.
- (2) The 2nd meeting of the sixth session of the Board approved to re-appoint BDO China Shu Lun Pan CPAs LLP as the auditor of the Company for year 2015 and proposed the general meeting of shareholders to authorize the Board to determine their remuneration.
- (3) BDO China Shu Lun Pan CPAs LLP had been re-appointed as the auditor of the Company for year 2015 as approved at the 2014 annual general meeting and proposed the general meeting of shareholders to authorize the Board to determine their remuneration.



# Major Events

- X. DURING THE REPORTING PERIOD, NO COMMITMENT WAS MADE, OR HAD BEEN MADE IN THE PREVIOUS PERIODS AND SUBSISTED IN THE REPORTING PERIOD, BY THE COMPANY OR ANY OF ITS SHAREHOLDERS HOLDING SHARES OF 5% OR MORE, WHICH HAD SIGNIFICANT IMPACT ON THE OPERATION RESULTS AND THE STATE OF FINANCIAL AFFAIRS OF THE COMPANY, AND THERE WAS NO COMMITMENT ON ADDITIONAL SHARE SALE RESTRICTION.**
- XI. DURING THE REPORTING PERIOD, THERE WAS NO CONVERTIBLE BONDS OF THE COMPANY.**
- XII. CORPORATE GOVERNANCE**

The Company has been strictly complying with the Company Law of the PRC, the Securities Law of the PRC, related laws and regulations of the CSRC and the Listing Rules of the SSE and the HKEx to continuously improving the management structure and regulating the operations of the Company.

As at the end of the Reporting Period, the corporate governance of the Company was in compliance with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements of CSRC.

For the six months ended 30 June 2015 during the Reporting Period, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and the code provisions of the CG Code except that (i) Ms. Cheng Ning, an executive director of the Company, Mr. Chu Xiaoping and Mr. Jiang Wenqi, both independent non-executive directors of the Company, were unable to attend the 2014 annual general meeting due to business matters which constituted a deviation from code provision A.6.7, and (ii) an independent non-executive director of the Company, namely Mr. Wong Lun Tak Patrick, was unable to attend the first extraordinary general meeting in 2015 due to business matters which constituted a deviation from code provision A.6.7.

The Board kept monitoring and reviewing the Company’s corporate governance practices to ensure compliance with the provisions in the corporate governance code.

The Group is committed to: (1) the research and development, manufacturing and sales of pharmaceutical products and great health products; and (2) wholesale, retail, import and export of Western and Chinese pharmaceutical products and medical apparatus, and (3) investment, management and integration of health care industry, adopted relatively flexible business model and strategies and prudent risk and capital management structure; the Group is committed to strengthening the internal control publicity and guidance and the establishment of systems related to the internal control, and established a relatively standardized internal control management and risk prevention system; formulated the strategic objectives and detailed work plans and measures of the Group, so as to ensure the accomplishment of the strategic objectives.

The review of the business and financial position of the Company for the first half of 2015 is set out in the section headed “Report of the Board” in the interim report of this year.

## XII. CORPORATE GOVERNANCE *(Continued)*

The works related to corporate governance of the Company during the Reporting Period are as follows:

- (1) The Company performed review on its internal control and fulfillment of social obligations for the year 2014 pursuant to the requirements of the “Notice on Proper Preparation of the 2014 Annual Report by Listed Companies” issued by the SSE. Accordingly, the Company prepared the “Self-assessment Report of the board of directors of the Company on Internal Control for 2014” and the “Report on Performance of Social Responsibilities for 2014”, both of which were disclosed after being considered and duly passed at the Board meeting of the Company on 19 March 2015.
- (2) During the Reporting Period, the Company kept improving the internal control system and enhanced risk control, the work conducted by the Company included:
  - (i) The organizational structure and corporate governance structure had changed upon completion of the Major Assets Reorganization of the Company, so the former internal control system could not meet the demand of existing business. Therefore, the Company had retained a professional intermediary to provide consulting services for the improvement of the internal control system of the Company. At present, the improvement of the internal control system is in progress.
  - (ii) The Company formulated the Plan of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for semi-annual Review of Internal Control in 2015 to determine the key points of internal control review. The subsidiaries of the Company will conduct the semi-annual review of internal control from July through September 2015.
  - (iii) Rectifications were made on the problems found in the internal control evaluation in 2014 and special inspection was made on the establishment and implementation of internal control system of certain subsidiaries.
  - (iv) In order to prevent risks, the Company conducted special review on risk control of economic contracts of enterprises, checked and assessed the risks in material economic contracts, formulated risk strategies and solutions, and lowered the performance risks of contracts.
  - (v) In response to the changes in external environment, the Company conducted special audit and inspection on the risk control and the safety management of the funds of certain subsidiaries, and put forward feasible improvement measures in respect of the problems.
  - (vi) Strengthening the risk management of accounts receivable. The audit department of the Company took the lead to organize the subsidiaries to clear up the accounts receivables due for more than one-year and formulated the recovery or clean up measures to reduce the risk of accounts receivable.

# Major Events

## **XII. CORPORATE GOVERNANCE** *(Continued)*

- (3) In order to improve the corporate governance structure, the Company made amendments to the relevant provisions of the Articles of Association, which was approved at the Board meeting held on 12 January 2015 and the first extraordinary general meeting in 2015 held on 13 March 2015. For details of the amendments, please refer to the circular of the Company dated 26 February 2015.
- (4) In order to improve the corporate governance structure, the Company made amendments to the relevant provisions of the Articles of Association and the Provisions of Independent Directors, which was approved at the Board meeting held on 27 April 2015 and the 2014 annual general meeting held on 26 June 2015. For details of the amendments of the Articles of Association, please refer to the circular of the Company dated 19 May 2015.

## **XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company adopted Appendix 10 of the Listing Rules of HKEx entitled “Model Code for Securities Transactions by Directors of Listed Issuers” and “Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management” as stipulated by the Company as the code and criteria for securities transactions by directors and supervisors of the Company. After making specific inquiry to all the directors and supervisors, the Company confirmed that its directors and supervisors had fully complied with the standards relating to directors’ and supervisors’ dealing in securities as set out in the above code and criteria during the Reporting Period.

## **XIV. THE AUDIT COMMITTEE OF THE SIXTH SESSION OF THE BOARD COMPRISES FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM POSSESSED APPROPRIATE PROFESSIONAL QUALIFICATIONS. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP’S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARD AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, INTERNAL CONTROL AND FINANCIAL REPORT WITH THE MANAGEMENT, INCLUDING THE UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015.**

## **XV. DURING THE REPORTING PERIOD, NONE OF THE COMPANY, THE BOARD OR THE DIRECTORS WERE INVESTIGATED BY THE CSRC OR SUBJECT TO THE ADMINISTRATIVE PUNISHMENT OR REPRIMAND OF THE CSRC OR PUNISHMENT IMPOSED BY OTHER ADMINISTRATIVE AUTHORITIES OR PUBLIC REPRIMAND BY STOCK EXCHANGES.**

## XVI. OTHER MAJOR EVENTS

**(1) Analysis of the Board on the reasons of the changes of accounting policies, accounting estimates or accounting method**

Applicable  Not applicable

**(2) Analysis of the Board on the reasons of the corrections of the prior period's errors**

Applicable  Not applicable

**(3) Implementation of the Non-public Issue of Shares**

Trading in the shares of the Company was suspended from 3 December 2014 to 12 January 2015 for the preparation of non-public issue of shares. On 12 January 2015, the Board approved the proposed placing, at the 8th meeting of the sixth session of the Board, pursuant to which the Company proposed to issue not more than 419,463,087 new A Shares to 5 subscribers in total, being GPLH, Guangzhou State-owned Asset Development Holdings Limited\*(廣州國資發展控股有限公司), Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (Limited Partnership)\*(廣州國壽城市發展產業投資企業), Shanghai Yunfeng Xinchuang Investment Management Company Limited\* (上海雲峰創新投資管理有限公司) and China Universal Asset Management Company Limited\*(匯添富基金管理股份有限公司) (as trustee of the Employee Stock Trust) at the subscription price of RMB23.84 per new A Share, representing a maximum amount of gross proceeds of approximately RMB10,000 million (the "Proposed Placing").

The Proposed Placing was approved by the independent shareholders, the independent shareholders of A Shares and the independent shareholders of H Shares by poll at the first extraordinary general meeting, the general meeting of holders of A Shares and the general meeting of holders of H Shares held on 13 March 2015.

For details of the Proposed Placing, please refer to the announcement of the Company dated 12 January 2015 and 17 March 2015 and the circular of the Company dated 26 February 2015.

On 9 July 2015, the amendments to the Proposed Placing of A Shares and relevant matters were approved at the 8th meeting of the sixth session of the Board. For details, please refer to the announcement of the Company published in Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報), and on the website of the SSE on 10 July 2015, as well as the website of the HKEx on 9 July 2015.

On 10 July 2015, the Company submitted the reply on the feedback in relation to the application for the Proposed Placing of A Shares and relevant materials to CSRC.

# Changes in Share Capital and Shareholders

## I. CHANGES IN SHARE CAPITAL

### (1) Movement in share capital and its components

#### A. Changes were as set out in the table below:

	Before movement		Increase/Decrease (+, -)				After movement		
	Number of shares (share)	Percentage (%)	New issue (share)	Bonus issue (share)	Transfer of capital reserve (share)	Others (share)	Sub-total (share)	Number of shares (share)	Percentage (%)
<b>I. Shares subject to selling restrictions</b>									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal entities	34,839,645	2.70	-	-	-	-	-	34,839,645	2.70
3. Other domestic shares	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic non-state-owned legal entities	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign capital	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal entities	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to selling restrictions</b>									
1. Renminbi-denominated ordinary shares	1,036,601,005	80.27	-	-	-	(261,400)	(261,400)	1,036,339,605	80.27
2. Domestically listed foreign capital shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign capital shares	219,900,000	17.03	-	-	-	-	-	219,900,000	17.03
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total number of shares</b>	<b>1,291,340,650</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(261,400)</b>	<b>(261,400)</b>	<b>1,291,079,250</b>	<b>100.00</b>

#### B. Changes in shares

As a follow-up matter of the Major Assets Reorganization, GPLH performed its obligations under the “Profit Compensation Agreement”, the Company repurchased 261,400 A Shares (the “Repurchased Shares”) from GPLH at the consideration of RMB1 and cancelled them thereafter on 24 April 2015. The Repurchased Shares had been transferred to the security account of the Company on 27 April 2015. Meanwhile, the Company cancelled the Repurchased Shares at the Depository Corporation on 7 May 2015, cancelled the repurchase security account and dealt with the industry and commerce registration changes in a timely manner.

# Changes in Share Capital and Shareholders

## I. CHANGES IN SHARE CAPITAL *(Continued)*

### (2) Change in shares subject to selling restrictions

Name of holder	Number of shares subject to selling restrictions at the beginning of the Reporting Period <i>(share)</i>	Number of shares released from selling restrictions <i>(share)</i>	Number of additional shares subject to selling restrictions for the Reporting Period <i>(share)</i>	Number of shares subject to selling restrictions at the end of the Reporting Period <i>(share)</i>	Reasons for selling restrictions	The date on which share will be released from selling restrictions
GPHL	34,839,645	0	0	34,839,645	Note	5 July 2016

*Note:* According to "Agreement on Purchase of Assets by Issue of Shares" and the relevant supplementary agreements, the 34,839,645 shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed and circulated.

## II. INFORMATION ON SHAREHOLDERS

- (1) As at 30 June 2015, there were 59,859 shareholders in total, out of which 59,834 were holders of domestically listed Renminbi-denominated ordinary shares (A Shares) and 25 were holders of overseas listed foreign capital share (H Shares).

# Changes in Share Capital and Shareholders

## II. INFORMATION ON SHAREHOLDERS *(Continued)*

(2) The top ten shareholders of the Company as at 30 June 2015 are set out as follows:

Shareholders	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions held <i>(share)</i>	Number of shares pledged or locked <i>(share)</i>	Nature of shares
GPHL	(261,400)	583,966,636	45.23	34,839,645	Nil	Domestic shares
HKSCC Nominees Limited	64,000	219,611,479	17.01	Nil	Unknown	H shares
Agricultural Bank of China Co., Ltd. – Fu Guo Zhong Zheng State-owned Enterprises Reform Index Hierarchical Securities Investment Fund	17,330,011	17,330,011	1.34	Nil	Unknown	Domestic shares
The national social security fund-One Two Portfolio	5,466,510	10,466,179	0.81	Nil	Unknown	Domestic shares
New China Life Insurance Co., Ltd. – Dividend – Group Dividend – 018L – FH001 Hu	4,343,952	6,380,585	0.49	Nil	Unknown	Domestic shares
PICC Property and Casualty Company Limited – Traditional – Profit Portfolio	3,499,990	6,299,902	0.49	Nil	Unknown	Domestic shares
Zhao Xuguang	(468,380)	6,265,437	0.49	Nil	47,500	Domestic shares
The government of Kuwait investment authority-own funds	2,120,817	5,665,819	0.44	Nil	Unknown	Domestic shares
Agricultural bank of China Co., Ltd. – Guo Tai Guo Zheng Medicine and Healthcare Industry Index Hierarchical Securities Investment Fund	1,491,070	5,629,706	0.44	Nil	Unknown	Domestic shares
China Construction Bank – Yin Hua Core Value Preferred Stock Securities Investment Fund	5,174,660	5,174,660	0.40	Nil	Unknown	Domestic shares

*Note:* According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.



# Changes in Share Capital and Shareholders

## II. INFORMATION ON SHAREHOLDERS (Continued)

- (3) The top ten shareholders of the Company whose shares are subject to selling restrictions

Name of holders whose shares are subject to selling restrictions	Number of shares subject to selling restrictions (share)	Circumstances under which restricted shares can be traded		Selling restrictions undertaken
		Permissible trading time	New number of shares permitted to be traded (shares)	
GPHL	34,839,645	5 July 2016	0	Note

Note: According to "Agreement on Purchase of Assets by Issue of Shares" and the relevant supplementary agreements, the 34,839,645 shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed and circulated.

- (4) As at 30 June 2015, the interests and short positions held by the persons (not being the directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Class of shares	Long Positions		Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
		Number of shares held (share)	Capacity		
GPHL	Domestic shares	583,966,636	Beneficial owner	54.52	—

As far as the directors are aware, as at 30 June 2015, other than those listed above, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which were required to be notified to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register maintained by the Company under Section 336 of the SFO.

- (5) During the Reporting Period, there was no change in the controlling shareholder of the Company.
- (6) Subsequent to the Reporting Period, according to the top 100 A shares shareholders share register provided by Depository Corporation, as of 31 July 2015, China Securities Finance Corporation Limited was the second largest holder of the A Shares of the Company holding 42,531,022 shares A Shares of the Company, representing 3.29% of the total issued share capital of the Company.

# Changes in Share Capital and Shareholders

## III. PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this interim report.

## IV. PRE-EMPTIVE RIGHTS

According to the Articles of Association and the laws of the PRC, there is no pre-emptive right which would oblige the Company to issue new shares to existing shareholders on a pro-rata basis.

## V. PURCHASE, DISPOSAL AND REDEMPTION OR CANCELLATION OF THE LISTED SHARES OF THE COMPANY BY THE COMPANY OR ITS SUBSIDIARIES DURING THE REPORTING PERIOD.

As a follow-up matter of the Major Assets Reorganization, GPLH performed its obligations under the Profit Compensation Agreement, the Company repurchased the Repurchased Shares from GPLH at the consideration of RMB1 and cancelled them thereafter on 24 April 2015. The Repurchased Shares had been transferred to the security account of the Company on 27 April 2015. Meanwhile, the Company cancelled the Repurchased Shares at the Depository Corporation on 7 May 2015, cancelled the repurchase security account and dealt with the industry and commerce registration changes in a timely manner.

## Information on Preferred Shares

**DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY PREFERRED SHARES**

# Directors, Supervisors and Senior Management

## I. CHANGES IN SHAREHOLDINGS

### (1) As at the end of the Reporting Period, the interest of directors', supervisors' and senior managements in shares (A shares) of the Company were as follows.

Name	Position	Shares held	Shares held as	Reason for changes
		as at the beginning of the Reporting Period (share)	at the end of the Reporting Period (share)	
Li Chuyuan	Chairman	Nil	Nil	/
Chen Mao	Vice Chairman	Nil	Nil	/
Liu Juyan	Executive director	Nil	Nil	/
Cheng Ning	Executive director	Nil	Nil	/
Ni Yidong	Executive director	Nil	Nil	/
Wu Changhai	Executive director, deputy general manager	Nil	Nil	/
Wang Wenchu	Executive director, deputy general manager	Nil	Nil	/
Wong Lung Tak Patrick	Independent non-executive director	Nil	Nil	/
Qiu Hongzhong	Independent non-executive director	Nil	Nil	/
Chu Xiaoping	Independent non-executive director	Nil	Nil	/
Jiang Wenqi	Independent non-executive director (appointed on 17 March 2015)	Nil	Nil	/
Fang Shuting	Independent non-executive director (resigned on 17 March 2015)	Nil	Nil	/
Xian Jiaxiong	Chairman of the Supervisory Committee	Nil	Nil	/
Wu Quan	Supervisor	Nil	Nil	/
Wu Yan	Supervisor	Nil	Nil	/
Zhang Chunbo	Deputy general manager (appointed on 12 January 2015)	Nil	Nil	/
Chen Jing	Secretary to the Board	Nil	Nil	/

### (2) Situations in respect of the grant of equity incentive mechanism of the directors, supervisors and senior management

Applicable     Not applicable

### (3) Interests and short positions of directors, supervisors and senior management, underlying shares and debentures of the Company.

As at 30 June 2015, none of the directors, supervisors, senior management and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the HKEx.

# Directors, Supervisors and Senior Management

## II. THE APPOINTMENT OR RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING AND AFTER THE REPORTING PERIOD

- (1) As approved at the 8th meeting of the sixth session of the Board held on 12 January 2015, Mr. Wu Changhai, Mr. Wang Wenchu and Mr. Zhang Chunbo were appointed as the deputy general managers of the Company, each of them has a term of office commenced from 12 January 2015 up to the date on which members of the new session of the Board are elected.
- (2) As approved at the first extraordinary general meeting in 2015 held on 13 March 2015, Mr. Jiang Wenqi was appointed as an independent non-executive director of the Company. His term of office commenced from 17 March 2015 up to the date on which members of the new session of the Board are elected.

As approved at the 9th meeting of the sixth session of the Board, Mr. Jiang Wenqi was appointed as a member of each of the Audit Committee, Nomination and Remuneration Committee and Budget Committee, with a term of office commenced from 17 March 2015 up to the date on which members of the new session of the Board are elected.

Pursuant to Rule 13.51(B) of the Listing Rules of HKEx, the changes in information of the Company's directors subsequent to the publication of the annual report of the Company for the year ended 31 December 2014 are set out as follows:

Name	Details
Mr. Wong Lun Tak Patrick	Resigned as an independent non-executive director of Excel Development (Holdings) Limited on 10 August 2015
Mr. Wu Changhai	Appointed as a deputy general manager of the Company on 12 January 2015
Mr. Wang Wenchu	Appointed as a deputy general manager of the Company on 12 January 2015

## III. AT THE END OF THE REPORTING PERIOD, THE NUMBER OF EMPLOYEES ON THE PAYROLL REGISTER OF THE GROUP WAS 12,546. THE REMUNERATION OF THE EMPLOYEES HAD NO SIGNIFICANT CHANGE AS COMPARED WITH THE PREVIOUS REPORTING PERIOD. THE TOTAL SALARY PAYMENT FOR THE FIRST HALF OF 2015 WAS APPROXIMATELY RMB632 MILLION.

# Consolidated Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Current assets</b>			
Cash at bank and on hand	5(1)	4,300,874,391.29	3,180,887,532.85
Financial assets at fair value through profit or loss	5(2)	7,064,621.90	4,686,023.00
Notes receivable	5(3)	1,810,123,731.28	1,465,748,952.32
Accounts receivable	5(5)	1,495,785,370.52	1,005,958,251.13
Advances to suppliers	5(7)	593,182,291.83	326,857,283.13
Interest receivable		–	–
Dividends receivable	5(4)	–	–
Other receivables	5(6)	457,981,240.04	306,276,760.40
Inventories	5(8)	2,407,211,693.39	2,578,594,687.08
Current portion of non-current assets		–	–
Other current assets	5(9)	16,967,775.09	20,039,514.77
<b>Total current assets</b>		<b>11,089,191,115.34</b>	<b>8,889,049,004.68</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	5(10)	137,436,404.73	133,964,228.25
Held-to-maturity investments		–	–
Long-term receivables		–	–
Long-term equity investments	5(11)	2,002,817,866.30	1,950,765,099.35
Investment properties	5(12)	230,625,963.60	235,751,593.75
Fixed assets	5(13)	1,902,991,296.06	1,824,151,461.75
Construction in progress	5(14)	407,718,019.65	441,809,706.14
Construction materials		–	–
Fixed assets pending for disposal		–	–
Intangible assets	5(15)	390,737,753.44	395,201,774.39
Development costs	5(16)	4,405,323.53	4,252,391.49
Goodwill	5(17)	2,282,952.18	–
Long-term prepaid expenses	5(18)	6,189,441.27	6,119,153.03
Deferred tax assets	5(19)	316,373,574.16	329,719,136.32
Other non-current assets		–	–
<b>Total non-current assets</b>		<b>5,401,578,594.92</b>	<b>5,321,734,544.47</b>
<b>TOTAL ASSETS</b>		<b>16,490,769,710.26</b>	<b>14,210,783,549.15</b>

# Consolidated Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Current liabilities</b>			
Short-term borrowings	5(21)	624,964,892.32	560,530,090.45
Financial liabilities at fair value through profit or loss		–	–
Notes payable	5(22)	221,704,913.72	356,573,197.95
Accounts payable	5(23)	3,349,994,976.31	2,075,534,476.45
Advances from customers	5(24)	793,107,810.49	889,008,552.82
Employee benefits payable	5(25)	383,963,306.98	411,335,807.76
Taxes payable	5(26)	188,269,526.64	176,413,871.14
Interest payable	5(27)	389,780.91	236,666.66
Dividends payable	5(28)	399,426,035.61	46,931,687.19
Other payables	5(29)	1,934,129,183.34	1,544,962,787.77
Current portion of non-current liabilities		–	–
Other current liabilities		–	–
<b>Total current liabilities</b>		<b>7,895,950,426.32</b>	6,061,527,138.19
<b>Non-current liabilities</b>			
Long-term borrowings	5(30)	45,308,010.33	–
Debentures payable		–	–
Long-term payables	5(31)	22,217,657.40	22,361,807.40
Payables for specific projects	5(32)	19,058,160.00	19,058,160.00
Provisions	5(33)	500,191.19	500,191.19
Deferred income	5(34)	141,968,081.33	132,561,801.90
Deferred tax liabilities	5(19)	16,041,412.44	15,499,610.21
Long-term employee remuneration payable	5(35)	296,284.78	296,382.47
<b>Total non-current liabilities</b>		<b>245,389,797.47</b>	190,277,953.17
<b>Total liabilities</b>		<b>8,141,340,223.79</b>	6,251,805,091.36



# Consolidated Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Shareholders' equity</b>			
Share capital	5(36)	1,291,079,250.00	1,291,340,650.00
Capital surplus	5(37)	2,466,278,525.06	2,486,283,953.95
Less: Treasury share		—	—
Other comprehensive income	5(38)	14,830,245.11	11,878,304.70
Surplus reserve	5(39)	815,487,206.38	815,487,206.38
Undistributed profits	5(40)	3,547,758,530.95	3,134,310,417.34
<b>Total equity attributable to shareholders of the Company</b>		<b>8,135,433,757.50</b>	7,739,300,532.37
<b>Minority interest</b>	5(41)	<b>213,995,728.97</b>	219,677,925.42
<b>Total shareholders' equity</b>		<b>8,349,429,486.47</b>	7,958,978,457.79
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>16,490,769,710.26</b>	14,210,783,549.15

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Income Statement

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

ITEM	Notes	For the six months ended 30 June 2015 (unaudited)	For the six months ended 30 June 2014 (unaudited)
<b>1. Revenue</b>	5(42)	<b>10,472,156,458.03</b>	10,020,290,337.63
Less: Cost of sales	5(42)	<b>6,607,107,255.42</b>	6,453,609,857.96
Taxes and surcharges	5(43)	<b>99,957,931.05</b>	89,535,264.35
Selling and distribution expenses	5(44)	<b>2,240,815,641.63</b>	2,159,617,604.65
General and administrative expenses	5(45)	<b>675,133,764.91</b>	616,146,099.74
Financial expenses	5(46)	<b>(17,729,332.87)</b>	(3,043,187.21)
Asset impairment losses	5(47)	<b>12,110,561.98</b>	6,106,650.01
Add: Profit arising from the changes in fair value	5(48)	<b>2,378,598.90</b>	45,693.30
Investment income	5(49)	<b>100,411,767.69</b>	141,647,947.34
Including: Share of profit of associates and jointly controlled entities		<b>100,028,397.14</b>	142,114,609.80
<b>2. Operating profit</b>		<b>957,551,002.50</b>	840,011,688.77
Add: Non-operating income	5(50)	<b>56,627,579.61</b>	21,111,186.57
Including: Gain on disposal of non-current assets		<b>106,218.52</b>	99,184.42
Less: Non-operating expenses	5(51)	<b>51,198,036.73</b>	5,151,263.45
Including: Losses on disposal of non-current assets		<b>533,803.68</b>	796,820.20
<b>3. Total profit</b>		<b>962,980,545.38</b>	855,971,611.89
Less: Income tax expenses	5(52)	<b>170,512,932.11</b>	158,318,794.74
<b>4. Net profit</b>		<b>792,467,613.27</b>	697,652,817.15
– Attributable to owners of the parent company		<b>775,023,495.61</b>	673,659,153.85
– Minority interest		<b>17,444,117.66</b>	23,993,663.30

# Consolidated Income Statement

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Notes	For the six months ended 30 June 2015 (unaudited)	For the six months ended 30 June 2014 (unaudited)
<b>5. Other comprehensive net income after tax</b>	5(38)	<b>2,960,699.55</b>	(251,810.98)
Other comprehensive net income after tax attributable to shareholders' equity of the parent company		<b>2,951,940.41</b>	(252,089.66)
I. Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		-	-
(1).Portion of items will not be classified into profit or loss when under equity method		-	-
II. Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		<b>2,951,940.41</b>	(252,089.66)
(1).Portion of items will be classified into profit or loss when under equity method		<b>(60,983.96)</b>	-
(2).Profit or loss arising from changes in fair value of available for sale financial assets		<b>2,921,615.11</b>	(604,134.23)
(3).Differences arising from translation of foreign currency financial statements		<b>91,309.26</b>	352,044.57
Other comprehensive net income after tax attributable to minority shareholders' equity		<b>8,759.14</b>	278.68
<b>6. Total comprehensive income</b>		<b>795,428,312.82</b>	697,401,006.17
(1) Total comprehensive income attributable to shareholders' equity of parent company		<b>777,975,436.02</b>	673,407,064.19
(2) Total comprehensive income attributable to minority shareholders' equity		<b>17,452,876.80</b>	23,993,941.98
<b>7. Earnings per share</b>			
(1) Basic earnings per share	5(53)(a)	<b>0.600</b>	0.522
(2) Diluted earnings per share	5(53)(b)	<b>0.600</b>	0.522

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Cash Flow Statement

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

ITEM	Notes	<b>For the six months ended 30 June 2015 (unaudited)</b>	For the six months ended 30 June 2014 (unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>10,321,101,553.60</b>	9,122,928,526.50
Refund of taxes and surcharges		<b>32,968,968.27</b>	31,230,367.47
Cash received relating to other operating activities	5(54)(a)	<b>180,445,054.55</b>	145,387,628.34
<b>Sub-total of cash inflows</b>		<b>10,534,515,576.42</b>	9,299,546,522.31
Cash paid for goods and services		<b>5,481,050,138.99</b>	4,721,355,867.69
Cash paid to and on behalf of employees		<b>1,565,329,695.71</b>	1,397,933,301.81
Payments of taxes and surcharges		<b>1,042,569,418.46</b>	1,009,373,534.13
Cash paid relating to other operating activities	5(54)(b)	<b>1,172,244,579.59</b>	1,003,878,571.06
<b>Sub-total of cash outflows</b>		<b>9,261,193,832.75</b>	8,132,541,274.69
<b>Net cash flows from operating activities</b>	5(55)(a)	<b>1,273,321,743.67</b>	1,167,005,247.62
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		<b>49,699,814.24</b>	41,636,442.23
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>274,221.80</b>	249,377.76
Cash received relating to other investing activities	5(54)(c)	<b>6,022.90</b>	4,101.50
<b>Sub-total of cash inflows</b>		<b>49,980,058.94</b>	41,889,921.49
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>116,022,590.19</b>	211,209,894.56
Cash paid to acquire investments		<b>290,089.67</b>	–
Net cash paid to acquire subsidiaries		<b>(8,512,691.75)</b>	–
Cash paid relating to other investing activities	5(54)(d)	<b>233,927,754.15</b>	1,161,069.35
<b>Sub-total of cash outflows</b>		<b>341,727,742.26</b>	212,370,963.91
<b>Net cash flows from investing activities</b>		<b>(291,747,683.32)</b>	(170,481,042.42)

# Consolidated Cash Flow Statement

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Notes	For the six months ended 30 June 2015 (unaudited)	For the six months ended 30 June 2014 (unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		2,940,000.00	4,365,919.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		2,940,000.00	4,365,919.00
Cash received from borrowings		266,273,179.50	369,119,863.01
Cash received relating to other financing activities		-	-
<b>Sub-total of cash inflows</b>		<b>269,213,179.50</b>	373,485,782.01
Cash repayments of borrowings		201,838,377.63	385,434,859.57
Cash payments for interest expenses and distribution of dividends or profits		26,321,420.94	96,857,761.86
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		9,362,058.36	2,498,602.79
Cash payments relating to other financing activities	5(54)(e)	4,937,971.82	-
<b>Sub-total of cash outflows</b>		<b>233,097,770.39</b>	482,292,621.43
<b>Net cash flows from financing activities</b>		<b>36,115,409.11</b>	(108,806,839.42)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		143,250.12	167,025.70
<b>5. Net increase/(decrease) in cash and cash equivalents</b>			
Add: Cash and cash equivalents at beginning of year	5(55)(a)	1,017,832,719.58	887,884,391.48
	5(55)(b)	3,029,136,084.71	1,918,952,286.86
<b>6. Cash and cash equivalents at end of year</b>	5(55)(b)	<b>4,046,968,804.29</b>	2,806,836,678.34

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Current period												
	Attributable to shareholders of the Company											Minority shareholders' equity	Total shareholders' equity
	Other equity instruments				Less:		Other						
Share capital	Preferred shares	Sustainable debts	Others	Capital surplus	Treasury share	comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits			
<b>1. Balance at 31 December 2014(audited)</b>	1,291,340,650.00	-	-	-	2,466,283,953.95	-	11,678,304.70	-	815,467,206.38	-	3,134,310,417.34	219,677,925.42	7,958,978,457.79
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2015</b>	1,291,340,650.00	-	-	-	2,466,283,953.95	-	11,678,304.70	-	815,467,206.38	-	3,134,310,417.34	219,677,925.42	7,958,978,457.79
<b>3. Movements for the six months ended 30 June 2015(less: "-")</b>	(261,400.00)	-	-	-	(20,005,428.88)	-	2,951,940.41	-	-	-	413,446,113.61	(5,682,196.45)	390,451,028.68
(1) Total comprehensive income	-	-	-	-	-	-	2,951,940.41	-	-	-	775,023,495.61	17,452,676.80	795,428,312.82
(2) Capital contribution and withdrawal by shareholders	(261,400.00)	-	-	-	261,399.00	-	-	-	-	-	-	2,940,000.00	2,939,999.00
1. Common stock by shareholders	(261,400.00)	-	-	-	261,399.00	-	-	-	-	-	-	2,940,000.00	2,939,999.00
2. Capital contribution by owner of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment charged to equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	(361,575,382.00)	(280,394.73)	(361,855,776.73)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to general risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	(361,575,382.00)	(280,394.73)	(361,855,776.73)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current apply	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Other	-	-	-	-	(20,266,827.88)	-	-	-	-	-	-	(25,794,678.52)	(46,061,506.41)
<b>4. Balance at 30 June 2015(unaudited)</b>	1,291,079,250.00	-	-	-	2,466,278,525.06	-	14,630,245.11	-	815,467,206.38	-	3,547,756,530.95	213,995,728.97	8,349,429,466.47

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

Item	Prior period											Minority shareholders' equity	Total shareholders' equity
	Attributable to shareholders of the Company												
	Other equity instruments			Others	Capital surplus	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		
Share capital	Preferred shares	Sustainable debts											
<b>1. Balance at 31 December 2013(audited)</b>	1,291,340,650.00	-	-	-	2,466,910,770.01	-	(817,665.24)	-	723,819,753.76	-	2,330,514,583.35	190,468,803.06	7,022,236,694.94
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2014</b>	1,291,340,650.00	-	-	-	2,466,910,770.01	-	(817,665.24)	-	723,819,753.76	-	2,330,514,583.35	190,468,803.06	7,022,236,694.94
<b>3. Movements for the six months ended 30 June 2014(less: "-")</b>	-	-	-	-	(2,382,336.98)	-	(252,089.66)	-	-	-	376,650,804.35	36,749,655.38	412,786,233.09
(1) Total comprehensive income	-	-	-	-	-	-	(252,089.66)	-	-	-	673,658,153.65	23,993,941.98	697,401,006.17
(2) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-	-	-	-	-	-	21,620,000.00	21,620,000.00
1. Common stock by shareholders	-	-	-	-	-	-	-	-	-	-	-	21,620,000.00	21,620,000.00
2. Capital contribution by owner of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment charged to equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	-	(297,008,349.50)	(6,664,086.60)	(303,672,436.10)
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to general risk provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	-	(297,008,349.50)	(6,664,086.60)	(303,672,436.10)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Current appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Current apply	-	-	-	-	-	-	-	-	-	-	-	-	-
(6) Other	-	-	-	-	(2,382,336.98)	-	-	-	-	-	-	-	(2,382,336.98)
<b>4. Balance at 30 June 2014(unaudited)</b>	1,291,340,650.00	-	-	-	2,464,548,433.03	-	(1,069,954.90)	-	723,819,753.76	-	2,707,165,387.70	229,218,658.44	7,455,022,928.03

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi



# Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Current assets</b>			
Cash at bank and on hand		865,521,606.92	760,953,902.80
Financial assets at fair value through profit or loss		7,064,621.90	4,686,023.00
Notes receivable		714,221,615.10	531,692,907.91
Accounts receivable	18(1)	187,531,074.09	115,396,194.29
Advances to suppliers		5,198,329.25	11,902,638.10
Interest receivable		-	-
Dividends receivable		175,012,384.30	239,842,960.38
Other receivables	18(2)	1,523,795,000.17	1,286,251,744.18
Inventories		380,357,433.92	417,737,175.23
Current portion of non-current assets		-	-
Other current assets		78,400.40	1,428,990.13
<b>Total current assets</b>		<b>3,858,780,466.05</b>	<b>3,369,892,536.02</b>
<b>Non-current assets</b>			
Available-for-sale financial assets		132,956,753.51	130,052,753.51
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	18(3)	3,654,750,691.68	3,426,473,447.37
Investment properties		216,776,577.97	220,547,355.25
Fixed assets		494,129,571.45	509,020,867.81
Construction in progress		25,965,321.09	23,165,820.79
Construction materials		-	-
Fixed assets pending for disposal		-	-
Intangible assets		274,924,497.91	276,928,145.01
Development costs		2,893,271.84	2,740,339.80
Goodwill		-	-
Long-term prepaid expenses		749,635.63	801,622.85
Deferred tax assets		35,198,984.01	38,813,158.39
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>4,838,345,305.09</b>	<b>4,628,543,510.78</b>
<b>TOTAL ASSETS</b>		<b>8,697,125,771.14</b>	<b>7,998,436,046.80</b>

# Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
<b>Current liabilities</b>			
Short-term borrowings		<b>50,000,000.00</b>	130,000,000.00
Financial liabilities at fair value through profit or loss		-	-
Notes payable		-	-
Accounts payable		<b>184,486,253.95</b>	226,935,320.01
Advances from customers		<b>10,888,386.20</b>	72,210,762.74
Employee benefits payable		<b>102,350,371.78</b>	81,845,401.01
Taxes payable		<b>45,544,691.15</b>	39,296,377.46
Interest payable		<b>65,000.00</b>	236,666.66
Dividends payable		<b>361,666,205.07</b>	90,193.02
Other payables		<b>1,384,002,262.60</b>	917,490,082.52
Current portion of non-current liabilities		-	-
Other current liabilities		-	-
<b>Total current liabilities</b>		<b>2,139,003,170.75</b>	1,468,104,803.42
<b>Non-current liabilities</b>			
Long-term borrowings		-	-
Debentures payable		-	-
Long-term payables		<b>7,802,224.39</b>	7,802,224.39
Payables for specific projects		-	-
Provisions		<b>500,191.19</b>	500,191.19
Deferred income		<b>56,402,693.49</b>	39,602,337.13
Deferred tax liabilities		<b>5,602,049.94</b>	5,166,449.94
Long-term employee remuneration payable		-	-
<b>Total non-current liabilities</b>		<b>70,307,159.01</b>	53,071,202.65
<b>Total liabilities</b>		<b>2,209,310,329.76</b>	1,521,176,006.07

# Balance Sheet

As at 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Shareholders' equity</b>			
Share capital		<b>1,291,079,250.00</b>	1,291,340,650.00
Capital surplus		<b>2,451,636,312.43</b>	2,451,263,923.51
Less: Treasury share		–	–
Other comprehensive income		<b>18,709,588.45</b>	16,302,172.41
Surplus reserve		<b>442,878,771.78</b>	442,878,771.78
Undistributed profits		<b>2,283,511,518.72</b>	2,275,474,523.03
<b>Total shareholders' equity</b>		<b>6,487,815,441.38</b>	6,477,260,040.73
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>8,697,125,771.14</b>	7,998,436,046.80

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Income Statement

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Note	The six months ended 30 June 2015 (unaudited)	The six months ended 30 June 2014 (unaudited)
<b>1. Revenue</b>	18(4)	<b>1,652,978,901.52</b>	1,594,495,453.98
Less: Cost of sales	18(4)	<b>835,400,664.98</b>	929,450,248.28
Taxes and surcharges		<b>21,518,729.97</b>	18,095,942.62
Selling and distribution expenses		<b>317,025,990.32</b>	233,392,416.56
General and administrative expenses		<b>206,838,556.41</b>	172,203,390.56
Financial expenses		<b>10,940,322.51</b>	11,146,348.15
Asset impairment losses		<b>681,567.28</b>	1,276,338.08
Add: Profit arising from changes in fair value		<b>2,378,598.90</b>	45,693.30
Investment income	18(5)	<b>137,115,446.31</b>	388,327,584.92
Including: Share of profit of associates and jointly controlled entities	18(5)(c)	<b>122,227,238.35</b>	107,385,434.91
<b>2. Operating profit</b>		<b>400,067,115.26</b>	617,304,047.95
Add: Non-operating income		<b>8,039,629.21</b>	2,447,144.92
Including: Gain on disposal of non-current assets		<b>46,025.15</b>	6,153.85
Less: Non-operating expenses		<b>532,914.41</b>	2,093,389.80
Including: Losses on disposal of non-current assets		<b>208,336.65</b>	336,560.34
<b>3. Total profit</b>		<b>407,573,830.06</b>	617,657,803.07
Less: Income tax expenses		<b>37,961,452.37</b>	59,564,404.08
<b>4. Net Profit</b>		<b>369,612,377.69</b>	558,093,398.99
<b>5. Other comprehensive income</b>		<b>2,407,416.04</b>	(617,100.00)
– Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		–	–
– Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		<b>2,407,416.04</b>	(617,100.00)
(1) Portion of items will be classified into profit or loss when under equity method		<b>(60,983.96)</b>	–
(2) Profit or loss arising from changes in fair value of available for sale financial assets		<b>2,468,400.00</b>	(617,100.00)
<b>6. Total comprehensive income</b>		<b>372,019,793.73</b>	557,476,298.99
<b>7. Earnings per share</b>		–	–
(1) Basic earnings per share		–	–
(2) Diluted earnings per share		–	–

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Cash Flow Statement

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

ITEM	Note	<b>The six months ended 30 June 2015 (unaudited)</b>	The six months ended 30 June 2014 (unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		<b>825,543,299.44</b>	890,642,790.00
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		<b>280,888,856.53</b>	65,058,960.64
<b>Sub-total of cash inflows</b>		<b>1,106,432,155.97</b>	955,701,750.64
Cash paid for goods and services		<b>191,231,624.21</b>	275,091,687.66
Cash paid to and on behalf of employees		<b>317,815,939.38</b>	288,136,362.83
Payments of taxes and surcharges		<b>181,748,094.29</b>	189,848,276.43
Cash paid relating to other operating activities		<b>124,059,853.74</b>	136,532,650.25
<b>Sub-total of cash outflows</b>		<b>814,855,511.62</b>	889,608,977.17
<b>Net cash flows from operating activities</b>	18(6)	<b>291,576,644.35</b>	66,092,773.47
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		<b>96,654,775.37</b>	203,076,790.41
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	1,452.99
Cash received relating to other investing activities		<b>360,880,364.31</b>	203,281,007.30
<b>Sub-total of cash inflows</b>		<b>457,535,139.68</b>	406,359,250.70
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>9,124,837.30</b>	24,764,644.09
Cash paid to acquire investments		<b>119,000,000.00</b>	64,860,000.00
Net cash paid to acquire subsidiaries		–	–
Cash paid relating to other investing activities		<b>537,816,754.15</b>	181,161,069.35
<b>Sub-total of cash outflows</b>		<b>665,941,591.45</b>	270,785,713.44
<b>Net cash flows from investing activities</b>		<b>(208,406,451.77)</b>	135,573,537.26

# Cash Flow Statement

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	<i>Note</i>	<b>The six months ended 30 June 2015 (unaudited)</b>	The six months ended 30 June 2014 (unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		–	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		–	–
Cash received from borrowings		<b>50,000,000.00</b>	220,000,000.00
Cash received relating to other financing activities		<b>115,000,000.00</b>	–
<b>Sub-total of cash inflows</b>		<b>165,000,000.00</b>	220,000,000.00
Cash repayments of borrowings		<b>130,000,000.00</b>	250,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		<b>3,216,953.27</b>	85,355,321.85
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		–	–
Cash payments relating to other financing activities		<b>10,680,516.30</b>	–
<b>Sub-total of cash outflows</b>		<b>143,897,469.57</b>	335,355,321.85
<b>Net cash flows from financing activities</b>		<b>21,102,530.43</b>	(115,355,321.85)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		–	–
<b>5. Net increase/(decrease) in cash and cash equivalents</b>			
	18(6)	<b>104,272,723.01</b>	86,310,988.88
Add: Cash and cash equivalents at beginning of year		<b>709,868,368.22</b>	462,902,261.84
<b>6. Cash and cash equivalents at end of year</b>		<b>814,141,091.23</b>	549,213,250.72

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Statement of Changes in Equity

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Current period										Total shareholders' equity
	Other equity instruments			Others	Capital surplus	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	
	Share capital	preferred shares	Sustainable debt								
<b>1. Balance at 31 December 2014 (audited)</b>	1,291,340,650.00	-	-	-	2,451,263,923.51	-	16,302,172.41	-	442,878,771.78	2,275,474,523.03	6,477,260,040.73
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2015</b>	1,291,340,650.00	-	-	-	2,451,263,923.51	-	16,302,172.41	-	442,878,771.78	2,275,474,523.03	6,477,260,040.73
<b>3. Movements for the six months ended 30 June 2015</b>	(261,400.00)	-	-	-	372,388.92	-	2,407,416.04	-	-	8,036,995.69	10,555,400.65
(1) Total comprehensive income	-	-	-	-	-	-	2,407,416.04	-	-	369,612,377.69	372,019,793.73
(2) Capital contribution and withdrawal by shareholders	(261,400.00)	-	-	-	261,399.00	-	-	-	-	-	(1.00)
1. Common stock by shareholders	(261,400.00)	-	-	-	261,399.00	-	-	-	-	-	(1.00)
2. Capital contribution by owner of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment charged to equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(361,575,382.00)	(361,575,382.00)
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(361,575,382.00)	(361,575,382.00)
Others	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-
Current appropriation	-	-	-	-	-	-	-	-	-	-	-
Current apply	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	110,989.92	-	-	-	-	-	110,989.92
<b>4. Balance at 30 June 2015 (unaudited)</b>	1,291,079,250.00	-	-	-	2,451,636,312.43	-	18,709,588.45	-	442,878,771.78	2,283,511,518.72	6,487,815,441.38

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi



# Statement of Changes in Equity

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

ITEM	Prior period										
	Other equity instruments			Others	Capital surplus	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
Share capital	preferred shares	Sustainable debt									
<b>1. Balance at 31 December 2013(audited)</b>	1,291,340,650.00	-	-	-	2,452,289,028.77	-	4,652,054.14	-	351,211,319.16	1,747,475,798.92	5,846,968,850.99
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2014</b>	1,291,340,650.00	-	-	-	2,452,289,028.77	-	4,652,054.14	-	351,211,319.16	1,747,475,798.92	5,846,968,850.99
<b>3. Movements for the six months ended 30 June 2014(less: "-")</b>	-	-	-	-	(2,362,336.98)	-	(617,100.00)	-	-	261,085,049.49	258,105,612.51
(1) Total comprehensive income	-	-	-	-	-	-	(617,100.00)	-	-	558,093,398.99	557,476,298.99
(2) Capital contribution and withdrawal	-	-	-	-	-	-	-	-	-	-	-
by shareholders	-	-	-	-	-	-	-	-	-	-	-
Common stock by shareholders	-	-	-	-	-	-	-	-	-	-	-
Capital contribution by owner of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
Share-based payment charged to equity	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
(3) Profit distribution	-	-	-	-	-	-	-	-	-	(297,008,349.50)	(297,008,349.50)
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	-	-	(297,008,349.50)	(297,008,349.50)
Others	-	-	-	-	-	-	-	-	-	-	-
(4) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
Transfer from capital surplus	-	-	-	-	-	-	-	-	-	-	-
to share capital	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus reserves	-	-	-	-	-	-	-	-	-	-	-
to share capital	-	-	-	-	-	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserves	-	-	-	-	-	-	-	-	-	-	-
Current appropriation	-	-	-	-	-	-	-	-	-	-	-
Current apply	-	-	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	(2,362,336.98)	-	-	-	-	-	(2,362,336.98)
<b>4. Balance at 30 June 2014 (unaudited)</b>	1,291,340,650.00	-	-	-	2,449,926,691.79	-	4,034,954.14	-	351,211,319.16	2,008,560,848.41	6,105,074,463.50

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 1. GENERAL INFORMATION

### (1) Summarization of the Company

Approved by the Circular Ti Gai Sheng [1997] No.139 issued by the State Commission for Restructuring the Economic Systems, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (the “Company”) was founded by Guangzhou Pharmaceutical Holdings Limited (“GPHL”). The 8 Chinese Patent Medicine (“CPM”) manufacturing companies and 3 pharmaceutical trading companies under GPHL were restructured and the stated-owned equity interest in the assets of these companies were injected in the Company. The Company obtained business license on 1 September 1997 and the registered number is 440101000005674.

Approved by the Circular Ti Gai Sheng [1997] No.145 issued by the State Commission for Restructuring the Economic Systems and Circular Zheng Wei Fa [1997] No.56 issued by the Securities Regulatory Commission of the State Council, the Company issued 219,900,000 shares listed in Hong Kong Stock Exchange (H shares) in October 1997. Approved by China Securities Regulatory Commission on 10 January 2001, 78,000,000 A shares of the Company were issued and became listed in Shanghai Stock Exchange on 6 February 2001. The stock abbreviation is GZ Phar., and stock code is 600332.

The Company executed and completed the material assets reorganization transaction, which includes:(1)The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan Co., Ltd. (Baiyunshan), a subsidiary of GPHL, in May 2013.(2)The Company issued an addition of 34,839,645 A shares to GPHL as consideration payment, to acquire the buildings and trademarks which are owned by GPHL or GPHL has the right to dispose of, and 100% equity interest of the subsidiary of GPHL, Guangyao Pharmaceutical Baiyunshan Hong Kong Company Limited (“Guangyao Baiyunshan Hong Kong Company”) (previously named “Polian Development Co., Ltd.”) and 12.5% equity interest of Baxter Healthcare Co., Ltd. (“Baxter Healthcare”) held by GPHL, The Company completed the registration of share on 5 July 2013. After the above-mentioned assets reorganization was completed, the Company’s total number of shares in issue was 1,291,340,650. The stock abbreviation is BYS.

Pursuant to <Indemnification Agreement in Respect of the Difference Between Actual Number of Net Income of Assets to be Purchased and Forecast of Net Income> entered into between the Company and GPHL, the Company directly repurchased 261,400 A shares held by GPHL for RMB1, and cancelled it on 27 April 2015. The procedure of repurchase and cancellation was completed on 7 May 2015. After the completion, general capital of the Company is 1,291,079,250 shares.

The parent company is GPHL, and the ultimate holding company is Guangzhou State-owned Assets Supervision and Administration Commission.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 1. GENERAL INFORMATION *(Continued)*

### (1) Summarization of the Company *(Continued)*

The Company and its consolidated subsidiaries (together, the “Group”) are principally engaged in the manufacture of (1) Western and Chinese patent drug, chemical raw material medicine, natural medicine, biological medicine, research and development for intermediate product of API, manufacturing and sales. (2) The wholesale, retail, import and export of western pharmaceutical products, CPM and medical apparatus and the wholesale. (3) Research, development, manufacturing and sales of Great Health products. (4) Investment of medical, health management and youth preservation.

The major CPM products of the Group include Xiao Ke Pill (“消渴丸”), Xia Sang Ju (“夏桑菊”), Wu Ji Bai Feng Pill (“烏雞白鳳丸”), Hua Tuo Zai Zao Pill (“華佗再造丸”) and Mi Lian Chuan Bei Pi Pa Jelly (“蜜煉川貝枇杷膏”), Qing Kai Ling Tonic (“清開靈口服液”), Xiao Chai Hu Chong Ji (“小柴胡沖劑”) etc. The major western medicine products of the Group include cefathiamidine, amoxicillin and ceftriaxone sodium. The major pre-packaged food of the Group are Wang Lao Ji Herbal Tea (“王老吉涼茶”), etc.

The Group’s current structure mainly include 11 CPM manufacturing companies, 2 western medicine manufacturing companies, 1 chemical raw materials manufacturing company, 1 pre-packaged food manufacturing company, 3 pharmaceutical research and development companies, 6 pharmaceutical trading companies and 1 advertising company.

These financial statements were approved for issue by the Board on 14 August 2015.

### (2) Scope of consolidated financial statements

As at 30 June 2015, subsidiaries in the scope of consolidated financial statements are as below:

Name of subsidiary	Control
Guangzhou Baiyunshan Xing Qun (Pharmaceutical) Holdings Co., Ltd. (Xing Qun)	Direct subsidiary
Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (Zhong Yi)	Direct subsidiary
Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (Chen Li Ji Pharmaceutical Factory)	Direct subsidiary
Guangzhou Baiyunshan Han Fang Modern Pharmaceutical Co., Ltd. (Han Fang Pharmaceutical)	Direct subsidiary
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Direct subsidiary
Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (Jing Xiu Tang)	Direct subsidiary
Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (Pan Gao Shou)	Direct subsidiary
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (Cai Zhi Lin)	Direct subsidiary

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 1. GENERAL INFORMATION *(Continued)*

### (2) Scope of consolidated financial statements *(Continued)*

Name of subsidiary	Control
Guangzhou Pharmaceutical Import & Export Co., Ltd. (Pharmaceutical Import & Export)	Direct subsidiary
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (Guangzhou Bai Di)	Direct subsidiary
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (WLJ Great Health)	Direct subsidiary
Guangxi Ying Kang Co., Ltd. (Guangxi Ying Kang)	Direct subsidiary
Guangzhou Guang Yao Yi Gan Biological Product Co., Ltd.	Direct subsidiary
Guangzhou Baiyunshan Xing Zhou Pharmaceutical Co., Ltd. (Xing Zhou)	Direct subsidiary
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (Baiyunshan Medical and Health)	Direct subsidiary
Guangzhou Baiyunshan Chemical Medicine Technology Co., Ltd.	Direct subsidiary
Guangzhou Haima Pharmaceutical Advertising Co., Ltd. (Guangyao Haima)	Direct subsidiary
Guangzhou Baiyunshan Pharmaceutical Sales Co., Ltd.	Direct subsidiary
Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (Qi Xing Pharmaceutical)	Indirect subsidiary
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd.	Indirect subsidiary
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd.	Indirect subsidiary
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Indirect subsidiary
Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory	Indirect subsidiary
Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd.	Indirect subsidiary
Guangzhou Ao Ma Medical Apparatus Co., Ltd.	Indirect subsidiary
Tibet Lin Zhi Guangyao Development Co., Ltd.	Indirect subsidiary
Guangzhou Pan Gao Shou Food Beverage Co., Ltd.	Indirect subsidiary
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary
Jingyu Guangyao Dong E Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary
Heilongjiang Sen Gong Guangyao Raw Medicine Development Co., Ltd.	Indirect subsidiary
Wang Lao Ji Great Health (Ya'an) Co., Ltd.	Indirect subsidiary
Guangzhou Baiyunshan Guang Hua Health Products Co., Ltd. (Guang Hua Health)	Indirect subsidiary
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary
Zhejiang Guang Kang Pharmaceutical Co., Ltd.	Indirect subsidiary
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Indirect subsidiary

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 1. GENERAL INFORMATION *(Continued)*

### (2) Scope of consolidated financial statements *(Continued)*

Name of subsidiary	Control
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Indirect subsidiary
Guangzhou Wang Lao Ji Industry Company	Indirect subsidiary
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Indirect subsidiary
Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (Tian Xin)	Direct subsidiary
Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (Guang Hua)	Direct subsidiary
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (Ming Xing)	Direct subsidiary
Baiyunshan Wei Ling Pharmaceutical Co., Ltd. (Wei Ling)	Direct subsidiary
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. (BYS Pharmaceutical Technological)	Direct subsidiary
Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. (Great Health Hotel)	Direct subsidiary
Guangyao Baiyunshan Hong Kong Company	Direct subsidiary

Changes on the scope of consolidated financial statements at current period refer to note 6 and note 7.

## 2. PREPARATION OF FOUNDATION OF THE FINANCIAL STATEMENTS

### (1) Basis of preparation

Based on going concern and actual transactions and events, the Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Business Enterprises, the Application Guidance for Accounting Standard for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS"), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

### (2) Going concern

The Company has the ability for continuous operation and there are no significant events which affect the ability for continuous operation since the end of reporting period within at least 12 months.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2015 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as at 30 June 2015 and the operating results, cash flows and other information for the six months ended 30 June 2015 of the Group and the Company.

### (2) Accounting period

Accounting year starts on 1 January and ends on 31 December. The financial statements cover the period from 1 January 2015 to 30 June 2015.

### (3) Business period

The business period of the Company is 12 months.

### (4) Recording currency

The recording currency is Renminbi ("RMB").

Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company operating overseas, uses Hong Kong Dollar as its recording currency.

### (5) Accounting treatments for business combinations involving entities under and not under common control

#### (a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognized amount of equity securities or debt securities.



# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (5) Accounting treatments for business combinations involving entities under and not under common control *(Continued)*

#### (b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current year.

Costs directly attributable to the combination are included in profit or loss in the period in which are incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognized amount of equity securities or debt securities.

### (6) Preparation of consolidated financial statements

#### (a) Scope of combination

The scope of consolidated financial statements shall be determined on the basis of control, all subsidiaries (including entities which controlled by the Company) are included in the consolidated financial statements.

#### (b) Procedure of combination

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information. When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the Group.



# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (6) Preparation of consolidated financial statements (Continued)

#### (b) Procedure of combination (Continued)

Accounting policies and accounting period adopted by the subsidiaries which included in the consolidated scope of financial statements are the same as that of the Company, if not, should make necessary adjustments to the when preparing consolidated financial statements. For the subsidiaries acquired from business combinations involving entities not under common control, its financial statements shall be adjusted based on fair value of identifiable net assets at the acquisition date. For the subsidiaries acquired from business combinations involving entities under common control, its financial statements shall be adjusted based on carrying amount of its assets, liabilities (including goodwill arising from when ultimate controlling party purchased the subsidiary) in the financial statements of ultimate controlling party.

Portion of owner's equity, current net profit or loss and current comprehensive income attributable to minority shareholders shall be solely presented in owner's equity of consolidated balance sheet, net profit of consolidated income statements and comprehensive income. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess shall be allocated against the minority interests.

#### (1) Acquisition of subsidiaries or business

Where the Company has acquired a subsidiary or business during the reporting period through a business combination involving enterprises under common control, the subsidiary's revenue, expenses and profit, from the beginning to end of the reporting period in which the combination take places, shall be included in consolidated income statement; cash flows of the subsidiaries or business from the beginning to end of the reporting period shall be included in consolidated cash flow statement, in addition, relevant items in the comparative statement shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control.

When an enterprise becomes capable of exercising control over an investee under common control due to additional investment or other reasons, it shall be adjusted as if each party involving combination has been in existence since the date the ultimate controlling party first obtained control. The equity investments held before obtaining control right to combined party, and the recognized relevant profit or loss, other comprehensive income as well as changes on other net assets at the later date between obtaining equity and combined party under common control allocated against the opening retained earnings in comparative statements or current profit or loss respectively.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (6) Preparation of consolidated financial statements *(Continued)*

#### (b) Procedure of combination *(Continued)*

##### (1) Acquisition of subsidiaries or business *(Continued)*

When a subsidiary or business has been acquired through a business combination not involving entities under common control, or by other means, the revenue, expenses and profit of that subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement, opening amount of consolidated balance sheet shall be not adjusted; the cash flows of that subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated cash flow statement.

When an enterprises becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall remeasure its previously held equity interest in the acquire to its fair value at the acquisition date. The differences between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place, When the previously-held equity investment is accounted for under the equity method, any other comprehensive income and the changes on owner's equity other than net profit or loss, other comprehensive income and distribution of profit previously recognized in relation to the acquiree's equity changes shall be transferred to investment income for the current period when the acquisition takes place, except for the other comprehensive income arising from the changes on net liabilities or net assets of defined benefits plan re-measured by investee.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (6) Preparation of consolidated financial statements (Continued)

#### (b) Procedure of combination (Continued)

##### (2) Disposing of subsidiaries or business

##### i) General treatment

When disposing of subsidiaries or business at reporting period, the revenue, expenses and profit of that subsidiary or business from the beginning of reporting period to disposal date shall be included in the consolidated income statement; the cash flows of that subsidiary or business from the beginning of reporting period to disposal date shall be included in the consolidated cash flow statement.

If an enterprise loses control of an investee due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment shall be re-measured at its fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost, and the goodwill related to the subsidiary shall be derecognized. The amount previously recognized in other comprehensive income in relation to the former subsidiary's equity investment should be transferred to investment income for the current period when control is lost. Any other comprehensive income and the changes on owner's equity other than net profit or loss, other comprehensive income and distribution of profit previously recognized in relation to the acquiree's equity changes shall be transferred to investment income for the current period when the acquisition takes place, except for the other comprehensive income arising from the changes on net liabilities or net assets of defined benefits plan re-measured by investee.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (6) Preparation of consolidated financial statements *(Continued)*

#### (b) Procedure of combination *(Continued)*

##### (2) *Disposing of subsidiaries or business (Continued)*

##### ii) *Disposal in stages for subsidiaries*

Where a parent loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages. In determining whether to account for the multiple transactions as a single transaction, a parent shall consider all of the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:

- i. Arrangements are entered into at the same time or in contemplation of each other;
- ii. Arrangements work together to achieve an overall commercial effect;
- iii. The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- iv. One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

If each of the multiple transactions does not form part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transaction before the loss of control; when lost control, account for as general treatment for disposal of subsidiaries.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (6) Preparation of consolidated financial statements (Continued)

#### (b) Procedure of combination (Continued)

##### (3) Purchasing minority equity of subsidiaries

The difference between the long-term equity investments from the purchasing of minority equity and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the capital reserve in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

##### (4) Disposal in stages for the long-term equity investment of subsidiaries without loss of control

Where the parent disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the share premium of capital reserve in the consolidated balance sheet, If the share premium of capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

The Group start to include it in the scope of combination from the date of acquiring actual control to subsidiaries; stop to include it in the scope of combination from the date of losing actual control to subsidiaries. For the subsidiaries acquired from business combination involving entities under common control, the Group includes it in the scope of combination from the date when controlled by the same ultimate controlling party with the Company, and presented the net profit achieved before combination date in the consolidated income statement.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (7) Classification of accounting method and the joint arrangements

A joint arrangement is classified as either a joint operation or a joint venture.

When the Company is a joint operator of joint arrangement, which means the Company have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The company recognizes the following items in relation to its interest in a joint operation, and method for them in accordance with relevant accounting standards:

- (1) The Company's solely-held assets, and the Company's share of any assets held jointly;
- (2) The Company's solely-assumed liabilities, and the Company's share of any liabilities incurred jointly;
- (3) The Company's revenue from the sale of its share of the output arising from the joint operation;
- (4) The Company's share of the revenue from the sale of the output by the joint operation and its solely-incurred expenses and the Company's share of any expenses incurred jointly.

As at 30 June 2015, there are no joint operations.

Accounting policies for joint venture investment refer to note 3(14) "Long-term equity investments."

### (8) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with bank and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.



# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (9) Foreign currency translation

#### (a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. The differences arising from the exchange of foreign currencies are recognized in the financial expenses.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot rate of the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into RMB at the balance sheet date using the spot rate at the date of the transactions. The effect of changes in exchange rate of cash and cash equivalent is separately disclosed in the cash flow statement. Non-monetary items denominated in foreign currency that are measured at fair value are translated into RMB using the spot rate on the date when fair value is determined and the exchange differences arising from which are recognized in profit or loss or capital surplus in the current year.

#### (b) Translation of foreign currency financial statements

The assets and liabilities items among the balance sheet of foreign operation shall be translated using the spot exchange rate at the balance sheet date. Other items other than the undistributed profits among shareholder's equity shall be translated using the spot exchange rate at the transaction date. The income and expenses among the income statement shall be translated using the average on translation of foreign currency financial statements exchange rate during the reporting period. Differences are individually listed in shareholder's equity. The cash flow items of overseas operation shall be translated using average exchange rate during the reporting period. The effect of exchange rate changes on cash is presented individually in the cash flow statement.



# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (10) Financial Instruments

#### (a) Financial assets

##### *(i) Classification*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

##### 1) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

##### 2) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### 3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated to be available for sale upon initial recognition and financial assets not classified in any other categories. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

##### 4) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months (including 12 months) at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months (including 12 months) when the investments were made are included in other current assets.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Financial Instruments (Continued)

#### (a) Financial assets (Continued)

##### (ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognized in profit or loss for the current year. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortized cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognized in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognized in profit or loss for the current year.

Gain or loss arising from a change in fair value of an available-for-sale financial asset is recognized directly in equity, except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognized, the cumulative gain or loss previously recognized directly in equity is reclassified to profit or loss for the current year. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognized as investment income, which is recognized in profit or loss for the period.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (10) Financial Instruments *(Continued)*

#### (a) Financial assets *(Continued)*

##### *(iii) Impairment of financial assets*

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial assets are impaired, the Group shall determine the amount of impairment loss.

At the end of the period, if the fair value of the available-for-sale financial assets declined dramatically, or it is expected the downturn is not temporary after considers all relevant factors, the impairment has occurred. Transfer the accumulated loss which is occurred by the fair value included in the owner equity decreased and verify that the impairment losses.

The standard of the fair value of the available-for-sale financial assets of the company decrease seriously: Closing fair value declines relative to the cost has reached or exceeded 50%.

The standard of fair value decrease is not temporary: 12 months in a row fell. Computing method of investment cost: consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost. Determination basis of: Falling or downturn continued during the rally up less than 20% margin. Rebound duration not more than six months are treated as continue decrease period.

For available-for-sale debt instruments which impairment losses is confirmed, in subsequent accounting periods, the fair value is arisen and it is objectively connected with the event after impairment loss previously recognized. This impairment loss previously recognized shall reverse through profit or loss. When impairment loss of available-for-sale equity instrument has occurred, this loss shall not reverse thought profit or loss.

Impairment of held to maturity investment: Measurement method of the impairment loss of held to maturity investments is according to the measurement method of the impairment loss of receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Financial Instruments (Continued)

#### (a) Financial assets (Continued)

##### (iv) *The basis and measurement for the transfer of financial assets and the derecognition of financial assets*

When the Group transfers financial assets, the financial assets should be derecognized when all the risks and rewards of ownership of the financial asset have been substantially transferred. The financial assets shall not be derecognized if the Group substantially retains all the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset, the financial asset shall be derecognized.

In addition to two circumstances of the derecognition mentioned above, a financial assets shall be derecognized when the contractual rights to receive the cash flows from the financial assets have ceased.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate consideration received and the accumulative amount of the changes of fair value originally recorded in the shareholders' equity is recognized in profit or loss.

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise other financial liabilities, including payables, borrowings and debentures payable.

Payables comprise accounts payable and other payables, etc, which are recorded initially at fair value and measured subsequently at amortized cost using the effective interest method.

Borrowings and debentures payable are recorded initially at fair value, net of transaction costs incurred, and subsequently carried at amortized costs using the effective interest method.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (10) Financial Instruments *(Continued)*

#### (b) Financial liabilities *(Continued)*

Other financial liabilities with maturities no more than one year (including one year) are classified as current liabilities. Other financial liabilities with maturities over one year (including one year) but are due within one year at balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability shall be derecognized or partly derecognized when the present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognized portion of the financial liability and the consideration paid shall be recognized in profit or loss.

#### (c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on specific inputs related to the Group.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (11) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recorded at fair value of the contractual payments from the buyer or service recipients.

#### (a) Receivables that are individually significant and subject to separate provision:

The criteria for individually significant receivables	The amount of accounts receivable are individually more than RMB1,000,000(including RMB1,000,000) and other receivables are individually more than RMB 100,000(including RMB100,000).
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Method of provision for bad debts of individually significant receivables.	Individually significant receivables are subject to separate impairment assessment, and the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount shall be accounted for as provision for bad debts and recognized in profit or loss. Accounts receivable and other receivables which are not impaired according to the separate impairment assessment, shall be combined into certain groups with similar credit risk characteristics and subject to impairment assessment by groups.
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# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### (11) Receivables (Continued)

#### (b) Receivables that are combined into certain groups and subject to provision by groups

Basis for determination of groups is as follow:

Group name	Criteria
Group 1	Except for the accounts receivable and other receivables that are subject to separate provision, the Group determines the ratios of provision for bad debts based on historical loss experience for the groups of receivables with similar credit risk characteristics by aging and taking into consideration of the current circumstances.
Group 2	Receivables with extremely low credit risk based on measurement of historical evidence
Group 3	Other receivables due from related parties
Group 4	Deposits and staff advances

Method for provision by groups are summarised as followed:

Group name	Method for provision
Group 1	Aging analysis method
Group 2	Percentage for bad-debt provision is 0%
Group 3	Percentage for bad-debt provision is 0%
Group 4	Percentage for bad-debt provision is 0%

Ratios of provision for bad debts used in the aging analysis method for groups are as follows:

Ageing	Ratios for provision for bad debts
Within 1 year	1%
1 to 2 years	10%
2 to 3 years	30%
3 to 4 years	50%
4 to 5 years	80%
Over 5 years	100%



# Notes to the Financial Statements

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (11) Receivables (Continued)

#### (c) Receivables which are individually insignificant but subject to separate provision

For individually insignificant receivables with specific credit risk characteristics, if there is objective evidence that the receivables are impaired and the provision for bad debts using aging analysis method cannot reflect the actual circumstances, such receivables shall be subject to separate impairment assessment. The impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the asset below the carrying amount.

### (12) Inventories

#### (a) Classification of inventories

Inventories include goods in transit, raw materials, work in progress, semi-finished goods, finished goods, low-value consumables, packaging materials, goods in processing contract, goods on consignment and commodity stocks.

#### (b) Cost of inventories

Inventories are measured at actual cost at the time of acquisition.

Cost is determined using the weighted average method. The cost of finished goods, commodity stocks and work in progress comprises raw material, direct labor and an allocation of all production overhead expenditures incurred that are systematically determined based on normal operating capacity.

#### (c) Basis for the determination of net realizable value and the method of provision for impairment of inventories.

Provisions for declines in the value of inventories are determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

#### (d) Inventory system

The Group adopts the perpetual inventory system.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (12) Inventories *(Continued)*

#### (e) Amortization of low-value consumables and packaging materials

Low-value consumables and packaging materials are expensed upon issuance.

### (13) Classified as assets held for sale

The Company recognizes component (or non-current assets) which meet the following conditions as assets held for sale:

- (a) The component must be under the current conditions only according to the usual terms of the sale of such part, then sell immediately;
- (b) The Company has been offered a resolution with disposition of the components (or non-current assets). If regulation needs to be approved by shareholders, it has approved by the general meeting of shareholders or relevant authority;
- (c) The Company has entered into agreement on irrevocable transfer with the transferee;
- (d) Transfer will be completed within 1 year.

### (14) Long-term equity investments

#### (a) Criteria for control, joint control and significant impact.

Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

Joint control is the contractually agreed sharing of control to an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company's joint venture is investee, which the Company and other joint operators implement joint control to investee and have rights to the net assets.

Significant impact is the right to participate the decisions of finance and operating policies of investee but is not able to control or jointly control those policies. Where the Company is able to exert significant impact to the investee, which is associates of the Company.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (14) Long-term equity investments (Continued)

#### (b) Initial recognition

##### (i) Long-term equity investment arising from business combination.

Business combination involving enterprises under common control: Consideration arising from paying cash, transfer of non-cash assets or assumption of liabilities, and issuance of non-equity investments is recognized as the initial cost for long-term equity investment in accordance with the portion of carrying amount presented in consolidated financial statements of ultimate control of owner's equity for absorbing party at combination date. As an increment of investment and other reasons, implement of control to a business combination involving investees under common control is recognized as the initial cost for long-term equity investment in accordance with the portion of carrying amount presented in consolidated financial statements of ultimate control of net assets for absorbing party at combination date. Differences between initial cost for long-term equity investment and the sum of carrying amount of long-term equity investment before combination plus carrying amount of further acquired consideration of new shares shall be adjusted to capital premium, if the balance of capital premium is not sufficient, any excess shall be written-down to retained earnings.

Business combination involving enterprises not under common control: The cost at combination date is recognized as the initial cost for long-term equity investments. As an increment of investment and other reasons, implement of control to a business combination involving investees not under common control is recognized as the initial cost for long-term equity investments in accordance with cost method by using carrying amount of equity investments plus cost of increased investments.

##### (ii) Long-term equity investments acquired through other method

For a long-term equity investment acquired by paying cash, initial cost shall be recognized by actual purchase price.

For a long-term equity investment acquired by the issuance of equity securities, initial cost shall be recognized by the fair value of equity securities issued.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (14) Long-term equity investments *(Continued)*

#### (b) Initial recognition *(Continued)*

##### (ii) Long-term equity investments acquired through other method *(Continued)*

The exchange of non-monetary assets with commercial nature and the fair value of the assets received or surrendered can be reliably measured, under the circumstance, for a long-term equity investment acquired through an exchange of non-monetary assets according to the fair value of the assets surrendered and shall pay the relevant taxes to determine its initial cost, unless there is convincing evidence that the fair value of the assets received is more reliable. Exchange of non-monetary assets that do not meet the above premise is recognized as initial cost for long-term equity investments by carrying amount of exchanged assets and taxes payable.

For a long-term equity investment acquired through a debt restructuring, initial cost shall be recognized by the basis of fair value.

#### (c) Subsequent measurement and recognition for profit or loss

##### (i) Long-term equity investments measured at cost method

Long-term equity investments to the subsidiaries shall be measured at cost method. In addition to the price for actually paid, or the cash dividends or profits that are included in the consideration which has been declared but not yet paid, the Company recognized current investment income in accordance with the cash dividends or profits that have been declared to issue.

##### (ii) Long-term equity investments measured at equity method

Long-term equity investments for associates and joint venture shall be measured at equity method. Where initial cost exceeds the balance of a investor's interest in the fair value of an investee's identifiable net assets at the acquisition date, no adjustment shall be made. Where initial cost less than the balance of the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, it shall be charged into profit or loss at current period.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (14) Long-term equity investments (Continued)

#### (c) Subsequent measurement and recognition for profit or loss (Continued)

##### (ii) Long-term equity investments measured at equity method (Continued)

The Company respectively recognizes investment income and other comprehensive income by the portion of investee's net profit or loss, as well as the portion of investee's other comprehensive income, and adjusts carrying amount of long-term equity investments accordingly. The carrying amount of the investments shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the Company. Movements on owner's equity of investees other than net profit or loss, other comprehensive income and distribution of profit shall be adjusted for carrying amount of the investments and charged into owner's equity.

The portion for net profit or loss of investees shall be adjusted based on the investees' fair value of identifiable net assets through investees' net profit and recognized in accordance with accounting policies and accounting period of the Company. During the period of holding investment, the invested entity of preparing consolidated financial statements, with net profit and other comprehensive income presented in the consolidated financial statements and other changes in the owner's equity attributable to the accounting on the basis of the amount of invested entity.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. Transactions of the assets casted and sold that are able to constitute an agreement between the Company and associates, joint venture shall be dealt with in accordance with Note 3(5) "Accounting method for business combination involving enterprises under common control and not under common control" and Note 3(6) "Preparation of consolidated financial statements".

Loss arising from the sharing with investees is dealt with the following orders: Firstly, to write down the carrying amount of long-term equity investments. Secondly, when the carrying amount of long-term equity investments is not enough to offset, loss on investments is continually recognized through the other carrying amount of long-term equity investments for investees' net investment, to write down the carrying amount of long-term receivables etc. Finally, through the above treatment, according to the investment contract or contracted obligations and additional ones in agreement, which shall be recognized into current loss on investments.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (14) Long-term equity investments *(Continued)*

#### (c) Subsequent measurement and recognition for profit or loss *(Continued)*

##### *(iii) Disposal for long-term equity investments*

When disposing of a long-term equity investment, differences between carrying amount and actual obtained price shall be recognized in profit or loss at current period.

For the disposal for long-term equity investments measured at equity method, it shall be dealt with by the basis of same relevant assets or liabilities directly disposed by investees and the part of other comprehensive income calculated through related portion. The recognized owner's equity as a result of changes other than net profit or loss, other comprehensive income and distribution of profit shall be transferred into current profit or loss in portion, except for the other comprehensive income arising from the changes on the re-measured net liabilities for defined benefit plans and net assets by investees.

The losing of joint control or significant impact to investees as a result from the disposal for the part of equity, the remaining equity after disposal shall be accounted at standard of financial instruments, which differences between fair value at the date of losing joint control or significant impact and carrying amount shall be charged into profit or loss at current period. The other comprehensive income measured at equity method of original equity investments shall be dealt with the same basis to the directly disposed assets or liabilities by investees when terminating to measure at equity method. Owner's equity recognized as a result of changes other than net profit or loss, other comprehensive income and distribution of profit by investees shall be transferred into current profit or loss when terminating to measure at equity method.

The losing of control power to investees as a result from the disposal for the part of equity, when preparing financial statements, the remaining equity after disposal that are able to implement joint control or significant impact to investees shall be measured at equity method, and adjusted through equity method when obtained: the remaining equity after disposal that are not able to implement joint control or significant impact to investees shall be dealt with in accordance with the recognition and measurement for financial instruments, which differences between fair value at the date of losing joint control or significant impact and carrying amount shall be charged into profit or loss at current period.



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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (14) Long-term equity investments (Continued)

#### (c) Subsequent measurement and recognition for profit or loss (Continued)

##### (iii) Disposal for long-term equity investments (Continued)

The remaining of disposed equity as a result of increasing investment through business combination shall be measured at cost method or equity method when preparing financial statements, the other comprehensive income and other owners' equity of equity investment held before purchasing date that are measured at equity method shall be carried forward in portion, the remaining of disposed equity shall be dealt with in accordance with the recognition and measurement for financial instruments, other comprehensive income and other owners' equity shall be carried forward.

### (15) Investment properties

Investment properties, which are properties held to earn rental or capital appreciation or both, including land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out and buildings that are in construction or developed for the purpose of being leased out in the future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings which are held for rental and measured at cost model are depreciated on a basis consistent with the depreciation policy which the Group adopts for fixed assets. Land use right which are held for rental and measured at cost model are amortized on a basis consistent with the amortization policy which the Group adopts for intangible assets.

When an investment property is transferred to an owner-occupied property, it is reclassified as a fixed asset or an intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as an investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortization) method applied are reviewed and adjusted as appropriate at each year-end.



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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (15) Investment properties *(Continued)*

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognized in profit or loss at current period.

### (16) Fixed assets

#### (a) Recognition, initial measurement and depreciation method of fixed assets

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year.

Fixed asset is recognized when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognized and all the other subsequent expenditures are recognized in profit or loss when they are incurred.

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives. Depreciation charge on decoration expenditure of fixed assets which meets the criteria for capitalisation is calculated using the straight-line method based on the shorter of the period between two decorations and the remaining useful lives of the fixed assets.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (16) Fixed assets (Continued)

#### (b) Depreciation method of different categories of fixed assets

Fixed assets are classified as buildings, machinery and equipment, motor vehicles, computer and electronic equipment, office equipment and fixed asset renovation. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Category	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-70 years	0%~10%	1.29%~10%
Machinery and equipment	4-18 years	0%~10%	5%~25%
Motor vehicles	5-10 years	0%~10%	9%~20%
Electronic equipment	5-10 years	0%~10%	9%~20%
Office equipment	4-8 years	0%~10%	11.25%~25%
Decoration and fixtures	5 years	0%	20%

#### (c) Basis for identification of fixed assets held under a finance lease and its measurement

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy which the Group adopts for self-owned fixed assets. If it can be reasonably determined that at the end of the lease term the ownership of the leased asset will be transferred, the leased asset is depreciated over the estimated useful lives; if not, the leased asset is depreciated over the shorter period of the lease term and the estimated useful lives.

#### (d) Other specification

##### *Disposal of fixed assets*

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (17) Construction in progress

Constructions in progress are accounted for by individual projects.

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When construction in progress is ready for its intended use but has not completed the final accounts, it is transferred to fixed assets using an estimated cost on the day when it is ready for intended use and depreciation is made accordingly pursuant to the Group's depreciation policy. The estimated cost can be based on project budget, project price or actual construction cost. The estimated cost is adjusted by the actual cost after the completion of the final accounts.

### (18) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowing during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

# Notes to the Financial Statements

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (19) Intangible assets

#### (a) Recognition and measurement of intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group, including land use rights, industrial property and patent technology, and non-patent technology etc. An intangible asset is recognized only if both of the following conditions are satisfied: (i) it is probable that future economic benefits attributable to the asset will flow to the enterprise; (ii) the amount of the intangible assets can be measured reliably.

The acquisition cost of intangible assets includes acquisition price, related taxes and other costs which are directly attributable to bringing the intangible assets ready for their intended use. The cost of the internally developed intangible assets includes: the costs of the material consumed for developing the intangible assets, labor costs, registration fees, amortization of other patents and licenses and capitalized interest expenses in the development phase, and other costs which are directly attributable to bringing the intangible assets ready for their intended use.

#### (b) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortization method are performed at each year-end.

#### (c) Intangible asset with an indefinite useful life

An intangible asset is regarded by the Group as having an indefinite useful life when based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The Company owns trademarks including Baiyunshan, Xing Qun, Zhong Yi, Pan Gao Shou, Chen Li Ji, Jing Xiu Tang, Qi Xing, which are identified as indefinite useful life due to expected economic interest in future. The Company reviews the indefinite useful life of intangible assets at every accounting period. The reviewed useful life of above intangible assets is indefinite.

# Notes to the Financial Statements

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (19) Intangible assets *(Continued)*

#### (d) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

The specific criteria for the classification of expenditure on the research phase and expenditure on the development phase is as follows:

Expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Expenditures on the development phase are all the expenditures incurred after the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalized only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset, and use or sell it;
- It can be demonstrated how the intangible asset will generate economic benefits;
- Adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (20) Impairment of long-term assets

Long-term equity investment, long-term assets such as investment properties measured at cost, fixed assets, construction in progress and intangible assets are tested for impairment at the balance sheet date. When the recoverable amount of an asset is less than its carrying amount, impairment loss shall be recognized accordingly. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group that is able to generate independent cash inflows.

Goodwill shall be tested for impairment at the end of each accounting period.

The Company tests goodwill for impairment, the carrying amount of goodwill which arising from business combination shall be legitimately apportioned to relevant group of assets, where it is difficult to, it shall be apportioned to the relevant group of assets. When doing those apportionments, the carrying amount is apportioned in a ratio of fair value for each group of assets and a set of group of assets of the total of fair value. For the fair value that are difficult to reliably calculated, it is apportioned in a ratio of carrying amount for each group of assets and a set of group of assets of the total of carrying amount.

When testing relevant group of assets or a set of group of assets which including goodwill for impairment, if there are any indications that the group of assets or a set of group of assets related to goodwill are impaired, the group of assets or a set of group of assets which excluding goodwill are tested for impairment firstly, then calculate its recoverable amount, loss of impairment shall be recognized by comparing with relevant carrying amount, furthermore, tests group of assets or a set of group of assets which including goodwill for impairment and compares the carrying amount of group of assets or a set of group of assets with its recoverable amount, loss of impairment on goodwill shall be recognized if its recoverable amount is lower than its carrying amount.

The loss of impairment is no longer carried forward at subsequent accounting period once recognized.



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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (21) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but shall be recognized as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization.

### (22) Employee benefits

#### (a) Method for short-term benefits

The actual occurred short-term benefits arising from the accounting period when personnel who have entered into an employment contract shall be recognized as liabilities and charged in profit or loss at current period or relevant cost of asset.

The Group recognized amount of employee benefits in accordance with regulated basis and ratio by the social insurance, housing funds, expenses of labor union and employee education at the accounting period when personnel who have entered into an employment contract.

Employee welfare shall be measured at fair value if it is non-monetary and can be measured reliably.

#### (b) Method for post-employee benefits

##### (i) *Defined contribution plans*

Basic retirement security and unemployment security that are paid according to related regulations for employees at accounting period when personnel who have entered into an employment contract shall be recognized as liabilities and charged in profit or loss at current period or relevant cost of asset.

Most domestic enterprises of the Group set up enterprise annuity plans as well as basic retirement security in accordance with relevant regulations and policies. The amount of annuity according to total remuneration shall be recognized as liabilities and charged in profit or loss at current period or relevant cost of asset.



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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (22) Employee benefits (Continued)

#### (b) Method for post-employee benefits (Continued)

##### (i) Defined contribution plans (Continued)

The Group provides contributions of mandatory provident fund for qualified employees of Guangyao Baiyunshan Hong Kong Company in accordance with Mandatory Provident Fund Schemes. The cost of schemes shall be deducted in statement of profit and loss in relevant period. Assets of schemes are held by the fund that is independent managed and separately managed from the Company's assets. Meanwhile, the Group shall also provide contributions for qualified employees when they obtained long service payment at termination date in accordance with Hong Kong <The Employment Ordinance>. Provision for long service payment is made by Guangyao Baiyunshan Hong Kong Company, which is optimum estimated by the service payment of employees as at settlement date.

##### (ii) Define benefits plans

Benefit obligation arising from defined benefits plans is attributable to the period when personnel who have entered into an employment contract is charged into current profit or loss or relevant cost of assets in accordance with formula of estimated accumulated method.

Deficit or surplus arising from the differences of current value of defined benefits plans obligation minus fair value of defined benefits plans assets is recognized as net liabilities or net assets. When a defined benefits plan has surplus, the Company shall measure the net defined benefits plans assets at the lower of the surplus in the defined benefits plans and the ceiling of assets.

All defined benefits plans obligation, including obligation that are expected to be paid before 12 months after the end of the annual reporting period in period when personnel who have entered into an employment contract shall be discounted by reference to market yields at the balance sheet date on government bonds or on high quality corporate bonds in an active market, of which the term and currency are consistent with the term and currency of the defined benefit obligation.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (22) Employee benefits *(Continued)*

#### (b) Method for post-employee benefits *(Continued)*

##### (ii) Define benefits plans *(Continued)*

Service costs arising from defined benefits plans and net interest on the net defined benefits plans liabilities or assets are correspond to the profit or loss at current period or the cost of relevant assets; changes as a result of re-measurements of the net defined benefit liabilities or assets shall be recognized in other comprehensive income and shall not reclassified to profit or loss at subsequent accounting period.

When the settlement occurs of defined benefits plans, it shall recognize the gain or loss on a settlement according to the differences between present value of the defined benefits plans obligation, as determined on the date of settlement and the settlement price.

As at 30 June 2015, there are no defined benefits plans in the Group.

#### (c) Accounting method for termination benefits

The company shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier dates between the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment and cost or expenses related to a restructuring that involves the payment of termination benefits.

### (23) Provisions

Provisions for product warranties, onerous contracts etc. are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (24) Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

#### (a) Revenue recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (b) Sales of goods

Sales of goods are recognized when a group entity has delivered products to the customer and the customer has accepted the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.

#### (c) Rendering of services

The revenue from rendering of services is recognized using the percentage of completion method.

#### (d) Transfer of asset use rights

Income from transfer of asset use rights include:

- Interest income is recognized on a time-portion basis using the effective interest method;
- License fee income is recognized when the right to receive payment is established;
- Income from an operating lease is recognized on a straight-line basis over the period of the lease.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (24) Revenue *(Continued)*

#### (e) Dividend income

Dividend income from long-term equity investment accounted for using cost method, financial assets at fair value through profit or loss and available-for-sale financial assets is recognized when the right to receive dividend is established.

### (25) Government grants

#### (a) Classification

Government grants are the obtained monetary assets and non-monetary assets from the government freely, which are divided into assets-related government grants and income-related government grants.

The assets-related government grants refer to the obtained long-term assets with purchase, construction or otherwise formed, which include financial appropriation of the purchase on fixed assets or intangible assets and the financial discounts of special borrowings on fixed assets, etc. The profit-related government grants refer to the government grants other than the assets-related grants.

The specific standard of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

The specific standard of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

Basis of the specific standard of grants when qualified objects are not defined: Unqualified Objects with sufficient evidence that the government grants related to long-term assets, recognized as asset-related government grants. The remaining shall be defined as income-related grants.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (25) Government grants (Continued)

#### (b) Accounting treatment

The assets-related government grants shall be recognized as deferred income in accordance with the useful life of the constructed and purchased assets by stages.

The income-related government grants for compensation to the related expenses or loss of enterprise at subsequent periods shall be recognized as deferred income and current revenue from non-operation during the recognition of related expenses; in addition, it shall be directly recognized as current revenue from non-operation to compensate the related expenses incurred.

#### (c) The point of recognition

Government grants shall be recognized and measured in accordance with the account when actual amount received. Only if there is sufficient evidence to show that grants is allocated in accordance with fixed quotas and comply with the conditions of financial policies and is expected to receive supporting funds, the grants shall be recognized and measured by certain amount.

### (26) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (26) Deferred tax assets and deferred tax liabilities *(Continued)*

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, jointly controlled entities and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognized.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same taxation authority;
- The tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

### (27) Operating leases and finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

#### (a) Operating leases

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current year.

#### (b) Finance leases

The leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognized finance charge.



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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (28) Changes in significant accounting policies and accounting estimates

#### (a) Changes in accounting policies

There are no changes in accounting policies in the current period.

#### (b) Changes in accounting estimates

There are no changes in accounting estimates in the current period.

### (29) Correction of prior period's accounting errors

There are no corrections of significant accounting errors in the current period.

### (30) Other significant accounting policies

#### (a) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions:(1) the component is able to earn revenues and incur expenses from its ordinary activities;(2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and(3) for which the information on financial position, operating results and cash flows is available to the Group.

An operating segment's revenue, expenses, operating result, assets and liabilities include those directly attributable to the operating segment, and those allocated to the segment on a reasonable basis. Revenue, expenses, assets and liabilities of the operating segment are determined at the amounts before the elimination of inter-group transactions and balances. Transfer price between operating segments is calculated on terms similar to those in arm's length transactions.

#### (b) Dividend distribution

Cash dividend distribution is recognized as a liability in the period in which it is approved by the shareholders' meeting.



# Notes to the Financial Statements

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (31) Critical accounting estimates and judgments

#### (a) Current and deferred income tax

The Group is subject to income taxes in the mainland of People's Republic of China and Hong Kong. Critical judgements required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that the future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact recognition of deferred tax assets in the period in which such estimate is changed.

# Notes to the Financial Statements

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## 4 TAXATION

### (1) Major turnover tax and tax rate

Taxable item	Type	Tax rate
Sales of goods	Value-added tax ("VAT")	13%,17%
Income from sales of materials	VAT	17%
Income from rendering of services	Business tax	5%
Rental income	VAT	6%
Rental income	Business tax	5%
Transferred Technology income	VAT	3%,6%
Balance of owner-occupied real estates	Real-estate tax	1.2%
Rental income	Real-estate tax	12%
Interest income	Business tax	5%
Sales of wine products	Consumption Tax	10%
Turnover tax	City maintenance & construction tax	7%
Turnover tax	Education surcharge	3%
Turnover tax	Local education surcharge	2%

### (2) Business income tax

The Group companies in the PRC pay the enterprise income tax in accordance with "PRC Enterprise Income Tax Law" and "Implementation Rules of PRC Enterprise Income Tax Law" and the applicable enterprise income tax rate of these entities is 25%.

Guangyao Baiyunshan Hong Kong Company of the Group, pays the corporation profits tax in accordance with "Hong Kong Inland Revenue Ordinance" at the corporate profit tax rate of 16.5%.

Pursuant to the relevant national preferential tax policies for High/New Technology Enterprise, The company which is recognized as a High/New Technology Enterprise could enjoy these preferential policies of enterprise income tax at the reduced rate of 15%.

The following subsidiaries of the Group enjoy preferential tax rate of 15% at current period. Including: the Company (No. GR201444000590), Zhong Yi (No. GR201444000836), Han Fang (No. GR201444000631), Jing Xiu Tang (No. GR201444001464), Qi Xing (No. GR201444001047), Chen Li Ji (No. GR201444001125), Tian Xin (No. GR201444000895), Ming Xing (No. GR201444001349).

Guang Hua, a subsidiary of the Group, obtained the certificate of High/New Technology Enterprise in the year of 2012, for which the validity period is 3 years. Guang Hua Pharmaceutical is applying for a renewal due to the certificate expiration in the year of 2014, and it temporarily uses preferential tax rate of 15% for declaration and prepayment of enterprise income tax.

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2015			31 December 2014		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash on hand -						
RMB			801,964.53			738,798.99
			<u>801,964.53</u>			<u>738,798.99</u>
Bank deposits -						
RMB			4,228,276,913.61			3,105,297,216.42
US Dollars ("USD")	2,084,951.74	6.1136	12,746,560.96	1,518,869.31	6.1190	9,293,961.31
HKD	11,399,206.86	0.7886	8,989,528.52	5,116,440.61	0.7889	4,036,206.51
Euro (EUR)	-	Not applicable	-	0.27	7.4556	2.00
Yen (JPY)	100,000,012.00	0.0501	5,005,200.60	93,323,482.51	0.0514	4,794,120.62
			<u>4,255,018,203.69</u>			<u>3,123,421,506.86</u>
Other deposits -						
RMB			45,018,891.05			56,692,510.81
HKD	44,802.91	0.7886	35,332.02	44,007.49	0.7889	34,716.19
			<u>45,054,223.07</u>			<u>56,727,227.00</u>
			<u>4,300,874,391.29</u>			<u>3,180,887,532.85</u>
Including: overseas account			<u>23,225,727.66</u>			<u>15,559,870.07</u>

Details of restricted cash are listed as follows:

	30 June 2015	31 December 2014
Cash deposit of notes payable	38,696,159.82	52,179,313.57
Blocked account	194,628,045.39	78,890,752.78
Cash deposit of construction	-	100,000.00
Housing fund	581,381.79	581,381.79
Deposit of direct commerce enterprise	20,000,000.00	20,000,000.00
	<u>253,905,587.00</u>	<u>151,751,448.14</u>

The blocked account refers to Note 14 (1), (2), (5).

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (2) Financial assets at fair value through profit or loss

	<b>30 June 2015</b>	31 December 2014
Financial assets held for trading	<b><u>7,064,621.90</u></b>	<u>4,686,023.00</u>
Including: Investments in equity instruments	<b><u>7,064,621.90</u></b>	<u>4,686,023.00</u>

The fair value of listed shares is determined at the closing price quoted in the SSE on the last trading day of the reporting period.

### (3) Notes receivable

#### (a) Classification of notes receivable

	<b>30 June 2015</b>	31 December 2014
Bank acceptance notes	<b>1,695,457,456.10</b>	1,407,931,163.22
Commercial acceptance notes	<b><u>114,666,275.18</u></b>	<u>57,817,789.10</u>
	<b><u>1,810,123,731.28</u></b>	<u>1,465,748,952.32</u>

(b) As at 30 June 2015 and 31 December 2014, there are no notes receivable that are being pledged of the Group.

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (3) Notes receivable *(Continued)*

- (c) As at 30 June 2015, notes receivable that are not matured at balance sheet date but have been discounted or endorsed are summarised as follows:

	Ending amount (confirmed)	Ending amount (not confirmed)
Notes receivable that are not matured at balance sheet date but have been endorsed		
Bank acceptance notes	1,027,591,047.71	–
Commercial acceptance notes	–	92,020,407.63
	<u>1,027,591,047.71</u>	<u>92,020,407.63</u>
Notes receivable that are not matured at balance sheet date but have been discounted		
Bank acceptance notes	99,679,119.48	–
Commercial acceptance notes	–	–
	<u>99,679,119.48</u>	<u>–</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable (Continued)

(c) As at 30 June 2015, notes receivable that are not matured at balance sheet date but have been discounted or endorsed are summarised as follows: (Continued)

(i) As at 30 June 2015, the bank acceptance notes receivable that are not matured but have been endorsed amounted to RMB1,027,591 thousand (As at 31 December 2014: RMB521,227 thousand), the top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2015-6-26	2015-12-26	15,000,000.00
Entity 2	2015-1-26	2015-7-26	12,000,000.00
Entity 3	2015-4-28	2015-10-28	10,700,000.00
Entity 4	2015-1-29	2015-7-29	8,000,000.00
Entity 5	2015-3-25	2015-9-25	6,800,000.00

(ii) As at 30 June 2015, the commercial acceptance notes that are not matured but have been endorsed amounted to RMB92,020 thousand (As at 31 December 2014: RMB5,746 thousand). The top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2015-6-29	2015-8-19	30,827,880.00
Entity 2	2015-6-29	2015-8-18	20,128,038.00
Entity 3	2015-6-26	2015-7-25	20,041,762.92
Entity 4	2015-3-9	2015-9-6	3,558,574.30
Entity 5	2015-4-20	2015-8-20	3,000,000.00

(iii) As at 30 June 2015, the bank acceptance notes that are not matured but have been discounted amounted to RMB99,679 thousand (As at 31 December 2014: RMB86,751 thousand), and the top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2015-3-17	2015-9-16	5,160,000.00
Entity 2	2015-1-6	2015-7-6	5,000,000.00
Entity 3	2015-4-27	2015-10-27	5,000,000.00
Entity 4	2015-5-12	2015-10-29	5,000,000.00
Entity 5	2015-5-12	2015-11-3	5,000,000.00

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (3) Notes receivable *(Continued)*

(c) As at 30 June 2015, notes receivable that are not matured at balance sheet date but have been discounted or endorsed are summarised as follows: *(Continued)*

(iv) As at 30 June 2015 and 31 December 2014, there are no commercial acceptance notes that are not matured but have been discounted.

(d) As at 30 June 2015 and 31 December 2014, there are no notes receivable that are reclassified to accounts receivable due to inability of the companies of issuance.

(e) As at 30 June 2015, balance of notes receivable will expire before 30 June 2016.

### (4) Dividends receivable

Item	31 December 2014	Current increase	Current decrease	30 June 2015
Dividends receivable within 1 year aging	-	50,000,000.00	50,000,000.00	-
Including: HWBYS	-	20,000,000.00	20,000,000.00	-
Nuo Cheng Biological	-	30,000,000.00	30,000,000.00	-



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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable

The majority of the Group's sales are transacted with credit terms of 3 to 6 months granted to customers. The remaining transactions are settled by cash upon delivery, advance from customers or bank acceptance notes.

(a) Accounts receivable by aging are analyzed as follows:

	<b>30 June 2015</b>	31 December 2014
Within 1 year	<b>1,443,021,755.19</b>	944,813,755.81
1 to 2 years	<b>75,106,224.70</b>	78,706,663.12
2 to 3 years	<b>6,101,310.19</b>	6,868,859.64
3 to 4 years	<b>5,796,586.91</b>	5,239,589.65
4 to 5 years	<b>1,589,938.37</b>	788,470.95
Over 5 years	<b>12,235,730.66</b>	12,098,245.12
	<b>1,543,851,546.02</b>	1,048,515,584.29
Less: provision for bad debts	<b>48,066,175.50</b>	42,557,333.16
	<b>1,495,785,370.52</b>	1,005,958,251.13

(b) Accounts receivable by categories are analyzed as follows:

	30 June 2015				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	18,225,754.05	1.18%	11,645,383.28	63.90%	6,580,370.77
Subject to provision by groups: Group 1	1,520,509,143.85	98.49%	31,304,144.10	2.06%	1,489,204,999.75
Individually insignificant but subject to separate provision	5,116,648.12	0.33%	5,116,648.12	100.00%	-
	<b>1,543,851,546.02</b>	100.00%	<b>48,066,175.50</b>	3.11%	<b>1,495,785,370.52</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (5) Accounts receivable *(Continued)*

(b) Accounts receivable by categories are analyzed as follows: *(Continued)*

	31 December 2014				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	17,523,256.11	1.67%	11,254,884.31	64.23%	6,268,371.80
Subject to provision by groups:					
Group 1	1,025,707,611.29	97.82%	26,017,731.96	2.54%	999,689,879.33
Individually insignificant but subject to separate provision	5,284,716.89	0.51%	5,284,716.89	100.00%	-
	<u>1,048,515,584.29</u>	100.00%	<u>42,557,333.16</u>	4.06%	<u>1,005,958,251.13</u>

Classification of accounts receivable: refer to Note 3(11).

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

(c) As at 30 June 2015, accounts receivable that are individually significant and subject to separate provision are analyzed as follows:

	Carrying amount	Provision for bad debts	Ratio	Reason
Customer 1	5,028,313.75	2,514,156.88	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 2	5,191,200.00	2,595,600.00	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 3	3,218,487.50	2,891,750.00	89.85%	It is expected the amount could not be recovered in full due to significant delinquency in repayment by this customer.
Customer 4	1,500,000.00	1,500,000.00	100.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 5	1,228,100.00	614,050.00	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 6	1,059,652.80	529,826.40	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 7	1,000,000.00	1,000,000.00	100.00%	The execution procedure has been accepted, there is a possibility that the amount could not be recoverable.
	<u>18,225,754.05</u>	<u>11,645,383.28</u>	63.90%	

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

- (d) The groups of accounts receivable in which provisions are made using aging analysis method are analyzed as follows:

	30 June 2015			31 December 2014		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	1,432,802,241.44	94.25%	14,328,022.47	935,370,920.02	91.20%	9,353,709.23
1 to 2 years	71,815,692.32	4.72%	7,181,569.23	74,963,980.21	7.31%	7,496,398.03
2 to 3 years	5,546,615.78	0.36%	1,663,984.73	6,597,373.23	0.64%	1,979,211.97
3 to 4 years	4,176,459.68	0.27%	2,088,229.85	3,013,591.41	0.29%	1,506,795.73
4 to 5 years	628,984.03	0.04%	503,187.22	400,647.10	0.04%	320,517.68
Over 5 years	5,539,150.60	0.36%	5,539,150.60	5,361,099.32	0.52%	5,361,099.32
	<b>1,520,509,143.85</b>	<b>100.00%</b>	<b>31,304,144.10</b>	<b>1,025,707,611.29</b>	<b>100.00%</b>	<b>26,017,731.96</b>

- (e) As at 30 June 2015, accounts receivable that are individually insignificant but subject to separate provision are analyzed as follows:

	Carrying amount	Provision for bad debts	Ratio	Reason
Customer 1	508,889.00	508,889.00	100.00%	Although the company has won the lawsuit, there is a possibility that the amount could not be recoverable.
Customer 2	470,000.00	470,000.00	100.00%	It is expected that the amount could not be recovered.
Customer 3	467,462.40	467,462.40	100.00%	It is expected that the amount could not be recovered.
Customer 4	400,000.00	400,000.00	100.00%	The notes have transferred to accounts receivables, it is expected that the amount could not be recovered
Customer 5	315,508.74	315,508.74	100.00%	It is expected that the amount could not be recovered
Others	2,954,787.98	2,954,787.98	100.00%	It is expected that the amount could not be recovered.
	<b>5,116,648.12</b>	<b>5,116,648.12</b>	<b>100.00%</b>	

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

- (f) As at 30 June 2015 and 31 December 2014, there is no material accounts receivable which have past due but not impaired.
- (g) Other receivables that are subject to full provision or in large portionate but have been reversed or collected in the current period are as below:

Receivable	Reason of transfer or recover	Basis of determination of original provision for bad debts	Amount of provision for bad debts that are transferred or recovered	Recovered amount	Amount of provision for bad debts that are transferred
Guangdong Jian Xiang Pharmaceutical Co., Ltd.	Strengthened the work of accounts receivable, recovered debts	It is expected that the amount could not be recovered	183,895.16	183,895.16	183,895.16
Yunnan Shang He Pharmaceutical Co., Ltd.	Strengthened the work of accounts receivable, recovered debts	It is expected that the amount could not be recovered	20,000.00	20,000.00	20,000.00

- (h) There are no accounts receivable that have been collected by restructuring or other manners at current period.
- (i) There are no accounts receivable that are written off at current period
- (j) As at 30 June 2015, accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is accounts receivable of RMB99 thousand from GPLL. (As at 31 December 2014: accounts receivable of RMB2 thousand from GPLL)

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

(k) As at 30 June 2015, the top five of accounts receivable are analyzed as follows:

	Relationship with the Group	Carrying amount	Aging	% of total balance	Ending balance of provision for bad debts
Customer 1	Related party	117,269,492.24	Within 1 year	7.60%	1,172,694.92
Customer 2	Related party	90,041,265.80	Within 1 year, 2-3 years	5.83%	1,042,850.22
Customer 3	Third Party	65,975,745.96	Within 1 year	4.27%	659,757.46
Customer 4	Related party	59,411,827.55	Within 1 year, 1-2 years	3.85%	598,613.22
Customer 5	Third Party	56,087,565.40	Within 1 year, 1-2 years	3.63%	716,499.31
		<b>388,785,896.95</b>		<b>25.18%</b>	<b>4,190,415.13</b>

(l) As at 30 June 2015, accounts receivable from related parties accounted for 17.30% of total accounts receivable balance (as at 31 December 2014: 3.29%), refer to Note 12 for details.

(m) There are no accounts receivables derecognized due to transfer of financial assets at current period.

(n) As at 30 June 2015, there are no securitizations that targeted at accounts receivable.

(o) Accounts receivable denominated in foreign currencies are summarised as follows:

	30 June 2015			31 December 2014		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	1,802,281.13	6.1136	11,018,425.92	1,823,742.94	6.1190	11,159,483.05
HKD	2,229,119.82	0.7886	1,757,906.18	677,977.66	0.7889	534,836.23
			<b>12,776,332.10</b>			<b>11,694,319.28</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables

	<b>30 June 2015</b>	31 December 2014
Petty cash	<b>10,260,800.68</b>	6,254,969.00
Deposits	<b>268,500,895.73</b>	126,228,677.34
Staff advances	<b>36,883,970.31</b>	35,141,181.23
Receivables due from external parties	<b>93,867,472.07</b>	102,930,989.29
Receivables due from related parties (Note 12)	<b>48,648,408.68</b>	39,885,630.08
Tax refund for exports	<b>10,364,570.29</b>	17,691,414.62
Others	<b>18,392,450.79</b>	6,987,227.43
	<b>486,918,568.55</b>	335,120,088.99
	<hr/>	<hr/>
Less: provision for bad debts	<b>28,937,328.51</b>	28,843,328.59
	<hr/>	<hr/>
	<b>457,981,240.04</b>	306,276,760.40
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# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

(a) Other receivables by aging are analyzed as follows:

	30 June 2015			31 December 2014		
	Carrying amount	% of total balance	Provision for bad debts	Carrying amount	% of total balance	Provision for bad debts
Within 1 year	430,581,122.40	88.43%	10,940,722.75	272,035,700.31	81.19%	10,544,658.84
1 to 2 years	11,543,534.42	2.37%	23,960.63	16,601,537.74	4.95%	94,218.88
2 to 3 years	3,738,076.25	0.77%	523,538.30	6,240,162.30	1.86%	851,166.74
3 to 4 years	4,989,790.35	1.02%	2,207,935.74	1,755,401.97	0.52%	436,154.10
4 to 5 years	1,512,895.63	0.31%	657,766.62	4,170,719.40	1.24%	2,217,862.98
Over 5 years	34,553,149.50	7.10%	14,583,404.47	34,316,567.27	10.24%	14,699,267.05
	<b>486,918,568.55</b>	<b>100.00%</b>	<b>28,937,328.51</b>	<b>335,120,088.99</b>	<b>100.00%</b>	<b>28,843,328.59</b>

(b) Other receivables by categories are analyzed as follows:

	30 June 2015				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	32,702,048.65	6.72%	22,273,282.65	68.11%	10,428,766.00
Subject to provision by groups:					
Group 1	16,271,453.38	3.34%	1,936,305.44	11.90%	14,335,147.94
Group 2	69,023,250.70	14.18%	-	-	69,023,250.70
Group 3	48,648,408.68	9.99%	100,000.00	0.21%	48,548,408.68
Group 4	315,645,666.72	64.82%	-	-	305,645,666.72
Individually insignificant but subject to separate provision	4,627,740.42	0.95%	4,627,740.42	100.00%	-
	<b>486,918,568.55</b>	<b>100.00%</b>	<b>28,937,328.51</b>	<b>5.94%</b>	<b>457,981,240.04</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

(b) Other receivables by categories are analyzed as follows: (Continued)

	31 December 2014				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	32,702,048.65	9.76%	22,273,282.65	68.11%	10,428,766.00
Subject to provision by groups:					
Group 1	16,048,953.54	4.79%	2,347,092.52	14.62%	13,701,861.02
Group 2	74,735,675.71	22.30%	-	-	74,735,675.71
Group 3	39,885,630.10	11.90%	100,000.00	0.25%	39,785,630.10
Group 4	167,624,827.57	50.02%	-	-	167,624,827.57
Individually insignificant but subject to separate provision	4,122,953.42	1.23%	4,122,953.42	100.00%	-
	<u>335,120,088.99</u>	100.00%	<u>28,843,328.59</u>	8.61%	<u>306,276,760.40</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (c) Other receivables that are individually significant and subject to separate provision are analyzed as follows:

	Carrying amount	Provision for bad debts	Ratio	Reason
Other receivables 1	10,541,832.00	5,270,916.00	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Other receivables 2	10,315,700.00	5,157,850.00	50.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Other receivables 3	2,868,759.75	2,868,759.75	100.00%	As this company was ceased, it is expected that the amount could not be recovered
Other receivables 4	2,000,000.00	2,000,000.00	100.00%	The aging is too large and the project did not meet expected progress.
Other receivables 5	1,800,957.60	1,800,957.60	100.00%	As this company was ceased, it is expected that the amount could not be recovered
Others	5,174,799.30	5,174,799.30	100.00%	It is expected that the amount could not be recovered
	<u>32,702,048.65</u>	<u>22,273,282.65</u>	68.11%	

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (d) The groups of other receivables in which provisions are made using aging analysis method are analyzed as follows:

	30 June 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	13,836,976.31	85.04%	138,369.75	11,589,282.67	72.21%	115,892.83
1 to 2 years	239,606.32	1.47%	23,960.63	942,188.79	5.87%	94,218.88
2 to 3 years	181,844.50	1.12%	54,553.35	1,711,272.62	10.66%	513,381.79
3 to 4 years	442,026.87	2.72%	221,013.44	287,166.11	1.79%	143,583.06
4 to 5 years	362,955.59	2.23%	290,364.48	195,136.97	1.22%	156,109.58
Over 5 years	1,208,043.79	7.42%	1,208,043.79	1,323,906.38	8.25%	1,323,906.38
	<b>16,271,453.38</b>	<b>100.00%</b>	<b>1,936,305.44</b>	<b>16,048,953.54</b>	<b>100.00%</b>	<b>2,347,092.52</b>

- (e) Other receivables that are individually insignificant but subject to separate provision are analyzed as follows

	Carrying amount	Provision for bad debts	Ratio	Reason
Other receivables 1	85,500.00	85,500.00	100.00%	It is expected that the amount could not be recovered
Other receivables 2	80,000.00	80,000.00	100.00%	It is expected that the amount could not be recovered
Other receivables 3	78,580.00	78,580.00	100.00%	It is expected that the amount could not be recovered
Other receivables 4	71,739.00	71,739.00	100.00%	It is expected that the amount could not be recovered
Other receivables 5	65,846.20	65,846.20	100.00%	It is expected that the amount could not be recovered
Others	4,246,075.22	4,246,075.22	100.00%	It is expected that the amount could not be recovered
	<b>4,627,740.42</b>	<b>4,627,740.42</b>	<b>100.00%</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (f) There are other receivables that are subject to full provision or in large portionate but have been reversed or collected at current period.
- (g) There are no other receivables that have been collected by restructuring or other manners at current period.
- (h) There are no other receivables that are written off at current period.
- (i) As at 30 June 2015, other receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is RMB6,784 thousand from GPLH (as at 31 December 2014: RMB4,757 thousand).
- (j) As at 30 June 2015, the top five of the debt form the balance of other receivables is analyzed as follows:

	Relationship with the company	Amount	Aging	% of total balance	Ending balance of provision for bad debts
Other receivables 1	Third party	230,000,000.00	Within 1 year	47.24%	-
Other receivables 2	Related party	19,667,954.13	Within 1 year	4.04%	-
Other receivables 3	Related party	19,522,217.62	Within 1 year, 1-2 years, over 5 years	4.01%	-
Other receivables 4	Third party	19,194,966.58	Within 1 year	3.94%	-
Other receivables 5	Third party	10,541,832.00	Within 1 year	2.17%	-
		298,926,970.33		61.40%	-

- (k) As at 30 June 2015, accounts receivable from related parties accounted for 9.99% of total other accounts receivable balance (as at 31 December 2014: 11.90%): refer to Note 12 for details.
- (l) There are no other receivables derecognized due to transfer of financial assets at current period.
- (m) As at 30 June 2015, there are no securitizations that targeted at other receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (n) As at 30 June 2015, the other receivables denominated in foreign currencies are summarised as follows:

	30 June 2015			31 December 2014		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
HKD	26,240.38	0.7886	20,693.43	1,647,250.27	0.7889	1,299,466.33

### (7) Advances to suppliers

- (a) The aging of advances to suppliers is analyzed as follows:

	30 June 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	551,232,758.87	92.93%	306,802,187.19	93.87%
1 to 2 years	29,055,568.46	4.90%	12,334,087.16	3.77%
2 to 3 years	11,695,334.80	1.97%	6,024,768.33	1.84%
Over 3 years	1,198,629.70	0.20%	1,696,240.45	0.52%
	<b>593,182,291.83</b>	<b>100.00%</b>	<b>326,857,283.13</b>	<b>100.00%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (7) Advances to suppliers (Continued)

(b) The top five of advances to suppliers are analyzed as follows:

	Relationship with the Group	Amount	Aging	Reason of unsettlement
Supplier 1	Third party	62,810,517.21	Within 1 year	Normal purchases
Supplier 2	Third party	58,221,269.15	Within 1 year	Normal purchases
Supplier 3	Third party	36,880,000.00	Within 1 year	Normal purchases
Supplier 4	Third party	20,793,600.00	Within 1 year	Normal purchases
Supplier 5	Third party	16,018,240.00	Within 1 year	Normal purchases
		194,723,626.36		

(c) As at 30 June 2015 and 31 December 2014, there are no advances to shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(d) As at 30 June 2015, the advances to related parties accounted for 2.27% of the total balance of advances to suppliers (as at 31 December 2014: 1.80%): refer to Note 12 for details.

(e) The advances to suppliers denominated in foreign currencies are summarised as follows:

	30 June 2015			31 December 2014		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
JPY	13,540,800.00	0.0501	687,643.88	-	Not applicable	-

(f) As at 30 June 2015 and 31 December 2014, there is no significant advance to suppliers with aging over one year.



# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Inventories

#### (a) Classification of inventories:

	30 June 2015			31 December 2014		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	603,748,682.55	1,349,603.05	602,399,079.50	591,029,018.87	1,422,529.11	589,606,489.76
Work in progress	133,841,149.34	-	133,841,149.34	128,122,286.28	-	128,122,286.28
Semi-finished goods	169,540,603.02	981,315.46	168,559,287.56	220,180,848.04	981,315.46	219,199,532.58
Finished goods	692,104,665.65	22,181,280.49	669,923,385.16	852,337,125.06	27,386,044.58	824,951,080.48
Low-value consumables	6,601,120.20	-	6,601,120.20	6,277,123.36	-	6,277,123.36
Packaging materials	114,046,461.95	-	114,046,461.95	110,227,829.84	89,844.93	110,137,984.91
Goods In processing contract	11,756,422.17	-	11,756,422.17	15,719,934.37	-	15,719,934.37
Commodity Stocks	709,908,088.92	10,178,496.59	699,729,592.33	693,374,087.14	9,398,536.19	683,975,550.95
Others	355,195.18	-	355,195.18	604,704.39	-	604,704.39
	<b>2,441,902,388.98</b>	<b>34,690,695.59</b>	<b>2,407,211,693.39</b>	<b>2,617,872,957.35</b>	<b>39,278,270.27</b>	<b>2,578,594,687.08</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Inventories (Continued)

#### (b) Provision for declines in the value of inventories

Item	31 December 2014	Current additions	Current reductions			30 June 2015
			Reversal	Write-off	Other reductions	
Raw materials	1,422,529.11	-	72,926.06	-	-	1,349,603.05
Work in progress	981,315.46	-	-	-	-	981,315.46
Finished goods	27,386,044.58	4,094,737.92	2,059,476.09	7,240,025.92	-	22,181,280.49
Packaging materials	89,844.93	-	89,844.93	-	-	-
Commodity stocks	9,398,536.19	4,635,228.88	-	3,855,268.48	-	10,178,496.59
	<u>39,278,270.27</u>	<u>8,729,966.80</u>	<u>2,222,247.08</u>	<u>11,095,294.40</u>	<u>-</u>	<u>34,690,695.59</u>

#### (c) Provision for declines in the value of inventories are analyzed as follows:

Item	Basis for provision	Reason for reversal	% of amount of reversal to the relevant inventory balance
Raw materials	Carrying amount over net realisable value	Net realizable increased	0.01%
Finished goods	Carrying amount over net realisable value	Increase in market price	0.30%
Commodity stocks	Carrying amount over net realisable value	No reversal	-
Packaging materials	Carrying amount over net realisable value	Net realizable increased	0.08%

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Other current assets

	<b>30 June 2015</b>	31 December 2014
Deductible Input VAT	<b>13,343,568.22</b>	16,754,059.56
Provisional Income Tax paid	<b>3,624,206.87</b>	3,285,455.21
	<b>16,967,775.09</b>	20,039,514.77

### (10) Available-for-sale financial assets

#### (a) Details are as follows:

Item	30 June 2015			31 December 2014		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instruments						
Including:						
Measured at fair value	35,679,232.08	-	35,679,232.08	32,207,055.60	-	32,207,055.60
Measured at cost	106,310,723.88	4,553,551.23	101,757,172.65	106,310,723.88	4,553,551.23	101,757,172.65
Total	<b>141,989,955.96</b>	<b>4,553,551.23</b>	<b>137,436,404.73</b>	<b>138,517,779.48</b>	<b>4,553,551.23</b>	<b>133,964,228.25</b>

#### (b) Available-for-sale financial assets measured at fair value at the end of period.

Item	Available-for-sale equity instruments
Cost of equity instruments/amortized cost of liabilities	11,249,958.40
Fair value	35,679,232.08
Accumulated movement of fair value charged as other comprehensive income (written down related deferred income tax liabilities)	20,663,310.61
Accumulated movement of fair value charged as deferred tax liabilities	3,765,963.07
Impairment	-

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Available-for-sale financial assets (Continued)

Available-for-sale financial assets measured at fair value at the end of period are shares of listed companies, which fair value is recognized in accordance with the closing price at last transaction day.

### (c) Available-for-sale financial assets measured at cost at the end of period.

Investee	Book balance			Provision for impairment			% of Equity interest held	Current cash dividends		
	Opening amount	Current increase	Current decrease	Ending amount	Opening amount	Current increase			Current decrease	Ending amount
Shanghai Junfeng Chinese Medicine Co., Ltd.	547,193.71	-	-	547,193.71	-	-	-	-	9.53%	-
Beijing Imperial Court Cultural Development Company Ltd.	200,000.00	-	-	200,000.00	-	-	-	-	10.00%	-
Qi Xing Ma Zhong Pharmaceutical Co., Ltd. (Note 1)	362,826.38	-	-	362,826.38	-	-	-	-	40.00%	-
Indonesia San You Development Co., Ltd. (Note 1)	1,078,551.23	-	-	1,078,551.23	1,078,551.23	-	-	1,078,551.23	50.00%	-
Sales Store of Peking Road of Guangzhou Medicine Co., Ltd. (Note 1)	218,399.05	-	-	218,399.05	-	-	-	-	20.00%	-
South China Innovative Pharmaceutical Co., Ltd. of Guangzhou	10,000,000.00	-	-	10,000,000.00	-	-	-	-	11.12%	-
Shenzhen Zhong Lian Guang Shen Pharmaceutical Group Co., Ltd.	312,077.00	-	-	312,077.00	-	-	-	-	-	-
Guangzhou Zhong Ying Cambridge Technology Co., Ltd.	300,000.00	-	-	300,000.00	300,000.00	-	-	300,000.00	9.97%	-
Dongbiao Pharmaceutical Factory	750,000.00	-	-	750,000.00	750,000.00	-	-	750,000.00	-	-
Wuhan Pharmaceutical Co., Ltd.	2,000,000.00	-	-	2,000,000.00	2,000,000.00	-	-	2,000,000.00	2.80%	-
Securities of Enterprises Activities Center	50,000.00	-	-	50,000.00	50,000.00	-	-	50,000.00	-	-
Guangzhou Dong Ning Pharmaceutical Co., Ltd.	275,000.00	-	-	275,000.00	275,000.00	-	-	275,000.00	5.00%	-
Guangzhou Nan Xin Pharmaceutical Co., Ltd.	7,677,876.51	-	-	7,677,876.51	-	-	-	-	13.00%	-
Guangzhou Yu Fa Medical Instrument Co., Ltd.	100,000.00	-	-	100,000.00	100,000.00	-	-	100,000.00	10.00%	-
Baxter Healthcare	82,338,800.00	-	-	82,338,800.00	-	-	-	-	12.50%	-
Guangzhou Bank of Commerce	100,000.00	-	-	100,000.00	-	-	-	-	-	-
<b>Total</b>	<b>106,310,723.88</b>	<b>-</b>	<b>-</b>	<b>106,310,723.88</b>	<b>4,553,551.23</b>	<b>-</b>	<b>-</b>	<b>4,553,551.23</b>	<b>-</b>	<b>-</b>

Note: 1) The Group has not participated in the operation of Qi Xing Ma Zhong and Indonesia San You Development Co., Ltd. and Sales Store of Peking Road of Guangzhou Medicine Co., Ltd. Not exercised significant influence on them, in which the investments were measured using the cost method.

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Available-for-sale financial assets (Continued)

#### (d) Movement for impairment of available-for-sale financial assets at current period:

Classification	Available-for-sale equity instruments
Opening amount of impairment	4,553,551.23
Current provision	–
Including: Reclassified from other comprehensive income	–
Current decrease	–
Including: Reclassified from increment of fair value at subsequent periods	–
Ending amount of impairment	4,553,551.23

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Long-term equity investments

(a) Details of long-term equity investments:

Entity	Investment cost	31 December 2014	Movement of investment	Profit or loss of investment recognized by equity method	Adjustment for other comprehensive income	Movement of other equity	Distributed cash dividends	Others	30 June 2015	Provision for impairment	Current provision for impairment	Current cash dividends
1. Jointly controlled entities												
GP Corp. Guangzhou	396,589,139.78	1,048,166,368.16	-	62,671,163.49	(60,983.96)	110,999.92	-	-	1,110,887,543.61	-	-	-
Wang Lao Ji Pharmaceutical Co., Ltd. ("Wang Lao Ji")	102,035,124.44	380,638,675.72	-	588,089.58	-	-	-	-	381,226,765.30	-	-	-
Nuo Cheng	42,000,000.00	146,820,073.53	-	(21,103,079.35)	-	-	(30,000,000.00)	-	95,716,994.18	-	-	30,000,000.00
HMBYS Guangzhou	100,000,000.00	318,428,519.21	-	60,583,691.92	-	-	(20,000,000.00)	-	358,992,211.13	-	-	20,000,000.00
Baxter Qiao Guang Pharmaceutical Co., Ltd. (Baxter Qiao Guang)	37,000,000.00	25,946,163.42	-	(3,462,282.75)	-	-	-	-	22,483,870.67	-	-	-
2. Associates												
Guangzhou Jinshen Medical Co., Ltd. Hangzhou	765,000.00	-	-	-	-	-	-	-	-	-	-	-
Zheda Han Fang Chinese Medical Info. Engineering Co., Ltd. Golden Eagle Fund Management Co., Ltd. Wei Yi Co., Ltd.	50,000,000.00	28,806,601.98	-	2,734,741.88	-	-	-	-	31,541,343.86	-	-	-
	2,020,000.00	1,958,707.33	-	10,430.22	-	-	-	-	1,969,137.55	-	-	-
<b>Subtotal</b>	<b>730,849,264.22</b>	<b>1,950,766,099.35</b>	<b>-</b>	<b>102,002,760.99</b>	<b>(60,983.96)</b>	<b>110,999.92</b>	<b>(60,000,000.00)</b>	<b>-</b>	<b>2,002,817,866.30</b>	<b>-</b>	<b>-</b>	<b>50,000,000.00</b>

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (11) Long-term equity investments *(Continued)*

(a) Details of long-term equity investments: *(Continued)*

Wang Lao Ji's period of joint venture is for 10 years and expired on 25 January 2015. The Company applied for arbitration to Committee of South China International Economic and Trade Arbitration (Shenzhen International Court of Arbitration) ("Arbitration Committee"), required Tongxing Pharmaceutical Co., Ltd. to transfer 48.0465% equity interest in Wang Lao Ji to the Company. Arbitration Committee has accepted it (case No. SHENT2014811). Pursuant to <Notice from Guangzhou Administration Bureau for Industry and Commerce in respect of Guangzhou Wang Lao Ji Pharmaceutical Holdings Co., Ltd.>(SGSF[2015]No.49) issued by Guangzhou Administration Bureau for Industry and Commerce on 27 February 2015, Wang Lao Ji should be in normal operation. As at the reporting date, Wang Lao Ji is still in continuous and normal operation.

(b) There are no limitation on transfer of funds between the Group and its investee.



# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (12) Investment properties

#### (a) Investment properties measured at cost method:

	Buildings	Land use right	Total
1. Cost			
(1) Opening balance	365,713,209.04	18,344,900.69	384,058,109.73
(2) Current increase	(2,096.28)	–	(2,096.28)
(i) Outsourcing	–	–	–
(ii) Changes in exchange rate	(2,096.28)	–	(2,096.28)
(3) Current decrease	7,544,675.73	–	7,544,675.73
(i) Disposal	7,544,675.73	–	7,544,675.73
(4) Ending balance	358,166,437.03	18,344,900.69	376,511,337.72
2. Accumulated depreciation and amortization			
(1) Opening balance	140,320,376.34	7,986,139.64	148,306,515.98
(2) Current increase	4,857,452.56	187,589.03	5,045,041.59
(i) Provision or amortization	4,858,208.33	187,589.03	5,045,797.36
(ii) Changes in exchange rate	(755.77)	–	(755.77)
(3) Current decrease	7,466,183.45	–	7,466,183.45
(i) Disposal	7,466,183.45	–	7,466,183.45
(4) Ending balance	137,711,645.45	8,173,728.67	145,885,374.12
3. Provision for impairment			
(1) Opening balance	–	–	–
(2) Current increase	–	–	–
(3) Current decrease	–	–	–
(4) Ending balance	–	–	–
4. Book value			
(1) Ending book value	220,454,791.58	10,171,172.02	230,625,963.60
(2) Opening book value	225,392,832.70	10,358,761.05	235,751,593.75

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (12) Investment properties *(Continued)*

#### (a) Investment properties measured at cost method: *(Continued)*

- (i) Depreciation charges for the six months ended 30 June 2015 amounted to RMB4,858 thousand (for the six months ended 30 June 2014: RMB5,243 thousand); Amortization charges for the six months ended 30 June 2015 amounted to RMB188 thousand (for the six months ended 30 June 2014: RMB186 thousand).
- (ii) As for the six months ended 30 June 2015, the decrease of original cost and accumulated depreciation of the investment properties arising from the fluctuations in exchange rate is RMB2 thousand and RMB1 thousand respectively (as for six months ended 30 June 2014: RMB61 thousand and RMB21 thousand respectively).
- (iii) The land use right among the investment properties is located in Mainland China, and the useful life is 10-50 years.

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Fixed assets and accumulated depreciation

#### (a) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Office equipment	Decoration of fixed assets	Total
1. Cost:							
(1) Opening balance	1,836,139,560.79	1,583,366,340.62	91,514,541.45	128,159,917.82	108,996,338.92	62,976,188.39	3,821,092,887.99
(2) Current increase	76,247,200.56	83,591,150.11	1,817,069.34	4,411,936.38	3,889,045.97	5,282,730.05	175,239,132.41
(i) Purchase	11,960.00	10,570,102.29	972,541.26	2,189,178.64	1,774,870.13	28,720.00	15,547,372.32
(ii) Reclassified from constructions in progress	76,237,552.71	73,021,047.82	-	2,222,757.74	1,759,095.05	5,254,010.05	158,494,463.37
(iii) Changes in exchange rate	(2,312.15)	-	-	-	(231.04)	-	(2,543.19)
(iv) Addition of business combination	-	-	844,528.08	-	355,311.83	-	1,199,839.91
(3) Current decrease	1,377,906.00	11,210,221.05	1,967,122.54	490,378.00	1,413,701.27	54,462.00	16,513,790.86
(i) Disposal or scrap	1,377,906.00	11,210,221.05	1,967,122.54	490,378.00	1,413,701.27	-	16,459,328.86
(ii) Others	-	-	-	-	-	54,462.00	54,462.00
(4) Ending balance	1,911,008,855.35	1,665,747,269.68	91,364,488.25	132,081,476.20	111,411,683.62	68,204,456.44	3,979,818,229.54
2. Accumulated depreciation							
(1) Opening balance	727,689,462.20	976,134,294.92	62,898,453.78	82,762,196.48	70,965,877.83	52,156,947.24	1,972,607,232.45
(2) Current increase	31,006,260.03	50,764,987.32	2,717,093.47	4,242,926.61	5,146,178.29	1,518,131.59	95,385,577.31
(i) Provision	31,006,870.59	50,764,987.32	2,207,328.95	4,242,926.61	4,945,399.05	1,518,131.59	94,686,644.11
(ii) Changes in exchange rate	(610.56)	-	-	-	(168.59)	-	(779.15)
(iii) Addition of business combination	-	-	509,764.52	-	200,947.83	-	710,712.35
(3) Current decrease	1,147,602.02	10,755,533.93	1,908,108.86	334,212.46	1,343,067.10	3,018.12	15,496,542.49
(i) Disposal or scrap	1,147,602.02	10,755,533.93	1,908,108.86	334,212.46	1,343,067.10	-	15,493,524.37
(ii) Others	-	-	-	-	-	3,018.12	3,018.12
(4) Ending balance	757,548,120.21	1,016,143,748.31	63,707,438.39	86,670,910.63	74,763,989.02	53,672,060.71	2,052,506,267.27
3. Provision for impairment							
(1) Opening balance	9,818,341.35	12,714,922.83	158,224.47	1,639,668.76	2,846.38	-	24,334,133.79
(2) Current increase	-	-	-	-	-	-	-
(3) Current decrease	-	11,280.46	-	1,983.12	264.00	-	13,527.58
(i) Disposal or scrap	-	11,280.46	-	1,983.12	264.00	-	13,527.58
(4) Ending balance	9,818,341.35	12,703,642.37	158,224.47	1,637,875.64	2,582.38	-	24,320,666.21
4. Book value							
(1) Ending book value	1,143,642,393.79	636,899,879.00	27,498,825.39	43,772,689.93	36,645,112.22	14,532,395.73	1,902,991,296.06
(2) Opening book value	1,098,631,757.24	604,517,122.87	28,457,863.20	43,757,862.58	37,967,614.71	10,819,241.15	1,824,151,461.75

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Fixed assets and accumulated depreciation (Continued)

#### (a) Fixed assets (Continued)

- (i) As for the six months ended 30 June 2015, the fixed assets transferred from construction in progress amounted to RMB158,494 thousand (for the six months ended 30 June 2014: RMB108,527 thousand).
- (ii) As for the six months ended 30 June 2015, the decrease of original cost and accumulated depreciation of fixed assets is due to fluctuations in exchange rate amounted to RMB3 thousand and RMB1 thousand respectively (for the six months ended 30 June 2014: RMB80 thousand and RMB29 thousand respectively).
- (iii) Depreciation expenses for the six months ended 30 June 2015 amounted to RMB94,686 thousand in total (for the six months ended 30 June 2014: RMB83,520 thousand), of which RMB61,896 thousand, RMB1,561 thousand and RMB31,229 thousand were charged to cost of sales, selling and distribution expenses and general and administrative expenses, respectively (for the six months ended 30 June 2014: RMB52,223 thousand, RMB1,363 thousand and RMB29,934 thousand respectively).

- (b) As at 30 June 2015, fixed assets are temporarily idle, which are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Buildings	6,478,874.98	1,623,142.33	4,618,987.46	236,745.19
Machinery	41,417,993.13	29,685,998.81	11,286,311.75	445,682.57
Electrical equipment	147,897.48	69,184.00	78,713.48	-

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Fixed assets and accumulated depreciation (Continued)

- (c) As at 30 June 2015, fixed assets which were lack of ownership certificate are summarised as follows:

	Carrying amount	Reason	Estimated date of obtaining the ownership certificate
Buildings	35,326,297.62	Procedures are not completed, certificates are not handled	Uncertain
Motor vehicles	83,062.50	Procedures are not completed, ownership cannot be transferred	Uncertain
	<u>35,409,360.12</u>		

- (d) Fixed assets held under operating leases are summarised as follows:

	30 June 2015 Carrying amount	31 December 2014 Carrying amount
Buildings	<u>20,018,071.14</u>	<u>9,242,531.56</u>

- (e) As at 30 June 2015, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the comprehensive credit loan amounted to HKD300 thousand, letter of credit and the total amount of trust letter amounted to HKD100,000 thousand from Bank of China (Hong Kong) Co., Ltd., by the original value amounted to HKD8,893 thousand, the net value HKD6,509 thousand of the buildings of fixed assets and the original value amounted to HKD6,843 thousand, the net value amounted to HKD4,051 thousand of investment properties as a pledge, and the issued undue L/C amounted to USD269 thousand, and JPY132,692 thousand.

### (14) Construction in progress

	30 June 2015			31 December 2014		
	Book balance	Provision for impairment	Carrying amount	Provision for impairment	Carrying amount	Book balance
Construction in progress	<u>408,839,072.53</u>	<u>1,121,052.88</u>	<u>407,718,019.65</u>	<u>442,930,759.02</u>	<u>1,121,052.88</u>	<u>441,809,706.14</u>

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Construction in progress (Continued)

#### (a) Movement of construction in progress

	31 December		Current decrease		Source of funds	% contribution in budget	
	Budget	2014	Current increase	Transferred to fixed assets			Other decrease
Yunpu New Equipment Project	8,500,000.00	92,133.93	-	47,948.72	5,128.21	Self-funded	117.00%
Pill Line	2,500,000.00	1,060,000.00	-	-	-	Self-funded	42.00%
Road works dormitory surrounding	1,630,000.00	1,631,083.37	225,006.93	-	-	Self-funded	113.87%
HMP-004 special production line	3,000,000.00	25,470.09	19,560.94	-	-	Self-funded	1.50%
Office building	11,500,000.00	10,363,228.36	1,028,143.74	-	-	Self-funded	99.06%
Elevator Engineering of Sabakou office	11,500,000.00	6,132,810.57	1,972,286.29	-	-	Self-funded	70.48%
Research of Bio Vaccine & Industrialisation Platform	29,300,000.00	22,673,515.77	3,253,033.22	-	-	Self-funded	88.49%
Wadejoi anti-channel conflict equipment	4,650,000.00	815,384.60	-	-	-	Self-funded	20.52%
Wangjiaoji herbal tea museum decoration	5,500,000.00	3,865,159.00	-	-	-	Self-funded	70.28%
Wangjiaoji Ya'an manufacturing project	298,000,000.00	119,336,669.17	37,424,519.09	90,392,097.36	-	Self-funded	60.08%
Removal of reconstruction(power supply room)/ boiler room/sewage station/cool warehouse of Zhongqun/No.4 addition building)	5,530,000.00	2,471,342.21	989,574.11	41,488.00	9,743.69	Government grants	62.22%
GMP improvement project of 4 workshops	6,920,000.00	3,762,985.68	163,499.89	3,887,871.13	-	Self-funded	73.79%
Chinese medicine treatment before extraction of the modernization of products	94,954,500.00	57,582,101.79	12,745,404.70	739,964.52	282,194.85	Self-funded	74.06%
GMP improvement of solid preparation workshop of No.1 manufacturing depart.	6,440,000.00	168,113.21	325,560.80	-	-	Self-funded	54.45%
Other installation equipments	5,110,000.00	2,612,135.29	-	-	-	Self-funded	51.12%
Chemical Factory Oral API GMP Improvement	11,695,100.00	5,485,216.48	835,718.00	-	-	Self-funded	54.05%
Chemical Factory Sterile APIs No.204 Workshop Technology Improvement	3,260,000.00	806,092.36	-	-	-	Self-funded	24.73%
CFO Item	6,840,000.00	701.00	101,500.52	-	-	Self-funded	1.49%
FOX Item Sui Jiao Ji Han[2012]No.17	48,380,000.00	-	324.97	-	-	Self-funded	0.00%
Zhongqian Wulonggang AB0807088-1book	169,750,000.00	2,948,549.00	-	-	-	Self-funded	15.21%

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Construction in progress (Continued)

#### (a) Movement of construction in progress (Continued)

	31 December 2014	Budget	Current increase			Current decrease		30 June 2015	Source of funds	% contribution in budget
			Current increase	Transferred to fixed assets	Other decrease	Transferred to fixed assets	Other decrease			
Eye drops workshop improvement	1,063,354.38	6,550,000.00	673,613.29	7,150.00	-	-	1,729,817.67	Self-funded	26.52%	
Adhesive plaster workshop improvement	625,127.19	2,121,000.00	411,459.39	1,066,586.58	-	-	-	Self-funded	103.66%	
Tonghe cream improvement	1,203,467.87	5,450,000.00	-	-	154,252.00	-	1,049,215.87	Self-funded	22.08%	
GM180 automatic packing machine	2,005,982.90	2,347,000.00	37,938.00	-	-	-	2,043,920.90	Self-funded	87.09%	
FM160 sealing machine	2,615,384.60	3,060,000.00	50,584.95	-	-	-	2,665,969.55	Self-funded	87.12%	
Tian Xin Powder Inj. Project	2,472,396.19	14,000,000.00	1,476,377.23	1,726,286.24	-	-	2,222,487.18	Self-funded	75.72%	
Tian Xin Chemical Institute Project	3,078,367.00	25,500,000.00	2,432,852.44	1,008,364.70	-	-	4,502,854.74	Self-funded	132.56%	
Tian Xin Wei D 2 Tartaric Acid Inj.	200,000.00	15,000,000.00	-	-	-	-	200,000.00	Self-funded	1.33%	
Tian Xin Sepsis Water Inj Workshop	4,381,440.78	20,000,000.00	-	4,381,440.78	-	-	-	Self-funded	66.22%	
Tian Xin Waste Water Recycling	329,845.00	1,200,000.00	-	329,845.00	-	-	-	Self-funded	27.49%	
Tian Xin Powder Injector & Screw Arbor Line	614,102.56	19,800,000.00	-	14,102.56	-	-	600,000.00	Self-funded	8.87%	
Tian Xin Cephaosporins Workshop Improvement	748,627.17	12,000,000.00	-	748,627.17	-	-	-	Self-funded	99.47%	
Tian Xin Water Inj Workshop	4,587,077.00	15,900,000.00	567,740.28	1,682,589.00	-	-	3,522,228.28	Self-funded	143.58%	
Penicillin GMP Improvement	6,334,621.27	12,900,000.00	-	6,334,621.27	-	-	-	Self-funded	82.87%	
GMP improvement of injection and water reedle	15,817,404.51	18,460,000.00	1,544,164.13	17,361,568.64	-	-	-	Self-funded (can	141.25%	
Improvement for central chemical laboratory that accord with new pharmacopeia	-	2,000,000.00	1,162,375.65	-	-	-	1,162,375.65	Self-funded	58.12%	
Third Manufacturing Department	-	7,000,000.00	15,213.68	15,213.68	-	-	-	Self-funded	0.22%	
Ming Xing Equipment Improvement	732,406.01	67,430,000.00	3,526,508.40	1,880,749.24	28,301.89	-	2,339,863.28	Self-funded	44.63%	
Ming Xing Decoration	8,126,434.69	17,200,000.00	802,827.26	8,862,068.60	-	-	67,193.35	Self-funded	82.17%	
Ming Xing relocation improvement	80,314,015.94	340,000,000.00	66,226.42	-	-	-	80,380,242.36	Self-funded	23.64%	
Lyothesized powder	9,553,253.67	30,000,000.00	2,011,434.28	11,564,687.95	-	-	-	Self-funded	89.95%	
Wei Ling new factory	39,649,316.62	89,887,236.69	15,525,282.81	-	-	-	55,174,599.43	Self-funded	61.38%	



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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Construction in progress (Continued)

#### (a) Movement of construction in progress (Continued)

	Budget	31 December 2014	Current increase		Current decrease		30 June 2015	Source of funds	% contribution in budget
			Current increase	Transferred to fixed assets	Other decrease				
New factory equipment	11,581,000.00	3,474,300.00	2,546,752.00	-	-	6,021,052.00	Self-funded	51.99%	
2 sets of automatic bottling production line	3,200,000.00	960,000.00	1,014,000.00	-	-	1,974,000.00	Self-funded	61.69%	
Air conditioning terminal equipment & water storage system	8,994,279.30	-	2,100,000.00	-	-	2,100,000.00	Self-funded	23.35%	
Swift cabinet	3,480,000.00	-	1,566,000.00	-	-	1,566,000.00	Self-funded	45.00%	
Production line of asepsis material	54,000,000.00	12,667.00	2,954,386.24	-	-	2,967,053.24	Self-funded	5.49%	
Tibetan Health Castle Project	46,554,900.00	-	12,289,966.89	-	-	12,289,966.89	Self-funded	26.42%	
Others	67,897,362.44	12,218,474.79	14,122,723.37	6,471,192.23	1,090,161.79	18,779,844.14	Self-funded		
		442,930,759.02	125,972,559.31	158,494,463.37	1,565,782.43	408,839,072.53			

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Construction in progress (Continued)

(b) Borrowing costs eligible for capitalization in current period are summarized as follows:

Name of construction	31 December 2014	Current increase	Transferred to fixed assets	Other decrease	30 June 2015	Ratio of capitalization of interests (%)
GMP improvement of injection and water needle	1,156,981.42	-	1,156,981.42	-	-	-

(c) Provision for impairment of construction in progress

Name of construction	31 December 2014	Current increase	Current decrease	30 June 2015	Reason
General factory veterinary drugs workshop GMP improvement	869,318.50	-	-	869,318.50	Project stopped
Guanghua sewage Mexpansion project	251,734.38	-	-	251,734.38	Project stopped
Total	1,121,052.88	-	-	1,121,052.88	

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (14) Construction in progress *(Continued)*

(d) Schedule of significant constructions in progress are as below:

	<b>Progress</b>
Office building	Construction completed, pending for acceptance
Research of Bio Vaccine & Industrialisation Platform	Construction phase
Wang Lao Ji Ya'an manufacturing project	Construction completed, pending for acceptance
Chinese medicine treatment before extraction of the modernization of production GMP the first stage project of technical transfer project	Construction phase
Ming Xing relocation improvement	Construction phase
Wei Ling new factory	Construction phase
Tibetan Health Castle Project	Preparation phase

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Intangible assets

#### (a) Details of intangible assets:

	Land use right	Industrial property & proprietary technology	Non-Patents	Trademark	Others	Total
1. Cost						
(1) Opening balance	326,646,077.77	15,620,091.28	27,194,201.20	159,355,952.74	13,537,061.82	542,253,384.81
(2) Current increase	-	-	1,381,067.96	-	716,576.35	2,097,644.31
(i) Purchase	-	-	750,000.00	-	673,463.38	1,423,463.38
(ii) Internal research and development	-	-	631,067.96	-	-	631,067.96
(iii) Addition of business combination	-	-	-	-	43,112.97	43,112.97
(3) Current decrease	-	-	-	-	34,337.40	34,337.40
(i) Disposal	-	-	-	-	34,337.40	34,337.40
(4) Ending balance	326,646,077.77	15,620,091.28	28,575,269.16	159,355,952.74	14,219,300.77	544,316,691.72
2. Accumulated amortization						
(1) Opening balance	86,236,539.85	7,670,327.70	9,964,312.08	32,690,623.36	8,972,191.15	145,533,994.14
(2) Current increase	3,572,569.06	264,602.77	1,379,479.63	5,733.60	1,339,280.20	6,561,665.26
(i) Provision	3,572,569.06	264,602.77	1,379,479.63	5,733.60	1,317,443.64	6,359,828.70
(ii) Addition of business combination	-	-	-	-	21,836.56	21,836.56
(3) Current decrease	-	-	-	-	34,337.40	34,337.40
(i) Disposal	-	-	-	-	34,337.40	34,337.40
(4) Ending balance	89,809,108.91	7,934,930.47	11,343,791.71	32,696,356.96	10,277,133.95	152,061,322.00
3. Provision for impairment						
(1) Opening balance	480,700.24	453,343.04	-	583,573.00	-	1,517,616.28
(2) Current increase	-	-	-	-	-	-
(3) Current decrease	-	-	-	-	-	-
(4) Ending balance	480,700.24	453,343.04	-	583,573.00	-	1,517,616.28
4. Book value						
(1) Ending book value	236,356,268.62	7,131,817.77	17,231,477.45	126,076,022.78	3,942,166.82	390,737,753.44
(2) Opening book value	239,928,837.68	7,396,420.54	17,229,889.12	126,081,766.38	4,564,870.67	395,201,774.39

At current period, the amortization of intangible assets amounted to RMB6,540 thousand (for the six months ended 30 June 2014: RMB5,691 thousand), which were recognized in profit or loss for the current period. The land use right of the intangible assets is located in Mainland China, and the useful life is 10-50 years.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (16) Development costs

	31 December 2014	Current increase		Current transferred-out		30 June 2015
		Internal research expenses	Others	Recognized in current profit or loss	Recognized as intangible assets	
Capitalized expenditures	4,252,391.49	-	784,000.00	-	631,067.96	4,405,323.53
Expensed expenditures	-	156,843,801.86	-	156,843,801.86	-	-
	4,252,391.49	156,843,801.86	784,000.00	156,843,801.86	631,067.96	4,405,323.53

### (17) Goodwill

#### (a) Original book value of goodwill

Investee or events of goodwill	Opening balance	Current increase		Current decrease		Ending balance
		Amount of business combination	Others	Disposal	Others	
Guangyao Haima	-	2,282,952.18	-	-	-	2,282,952.18
Ying Kang	475,756.92	-	-	-	-	475,756.92
Total	475,756.92	2,282,952.18	-	-	-	2,758,709.10

The Company purchased 100% equity interest of Guangyao Haima by merging cost amounted to RMB7,000 thousand in 2015, which exceeded the difference amounted to RMB2,282,952.18 between identifiable assets of Guangyao Haima and its fair value of liabilities, was recognized as goodwill of Guangyao Haima.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (17) Goodwill (Continued)

#### (b) Provision for impairment of goodwill

Investee or events of goodwill	Current increase			Current decrease		Ending balance
	Opening balance	Provision	Others	Disposal	Others	
Ying Kang	475,756.92	-	-	-	-	475,756.92

The Company calculated Guangyao Haima, a subsidiary of the Company, as a group of assets by profit method for its recoverable amount. There are no impairment for goodwill.

### (18) Long-term prepaid expenses

	31 December 2014	Current increase	Current amortization	30 June 2015
Building decoration and fixtures	2,363,144.53	772,761.07	1,067,075.54	<b>2,068,830.06</b>
Basketball field construction	12,082.13	-	12,082.13	-
GMP improvement fee	513,714.25	972,941.99	144,377.37	<b>1,342,278.87</b>
Rain sewage diversion improvement	215,856.45	-	80,946.24	<b>134,910.21</b>
Zhong Xin warehouse iron canopy improvement	211,398.69	-	61,877.73	<b>149,520.96</b>
Maintaining and decoration for outer wall of warehouse	550,666.67	-	55,999.98	<b>494,666.69</b>
Installation for electric wire of warehouse	364,868.24	-	63,453.18	<b>301,415.06</b>
Others	1,887,422.07	392,900.84	582,503.49	<b>1,697,819.42</b>
	<u>6,119,153.03</u>	<u>2,138,603.90</u>	<u>2,068,315.66</u>	<b><u>6,189,441.27</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred income tax assets and deferred income tax liabilities

#### (a) Deferred income tax assets that are not offset

	30 June 2015	31 December 2014
Provision for impairment of construction in progress	<b>168,157.94</b>	168,157.94
Provision for declines in values of inventories	<b>6,146,699.73</b>	6,221,553.70
Provision for bad debts	<b>16,901,227.43</b>	15,580,139.77
Provision for impairment of fixed assets	<b>3,065,502.47</b>	3,065,502.47
Difference arising from accounting and tax depreciations of fixed assets	<b>2,138,477.79</b>	2,138,477.79
Changes in fair value of financial assets held for trading	<b>123,802.85</b>	123,802.85
Available for sale financial assets	<b>472,500.00</b>	587,551.22
Employee benefits payable	<b>18,990,110.63</b>	41,132,141.46
Estimated debts	<b>75,028.68</b>	75,028.68
Other payables	<b>222,935,544.69</b>	217,199,370.75
Deferred income	<b>12,882,620.85</b>	12,882,620.85
Deductible tax losses	<b>7,893,254.86</b>	2,743,465.26
Provision for impairment of intangible assets	<b>120,175.06</b>	120,175.06
Difference arising from accounting and tax amortizations of intangible assets	<b>330,275.68</b>	330,275.68
Elimination of unrealized profits arising from the inter-company transaction	<b>20,346,265.80</b>	26,206,826.61
Others	<b>3,783,929.70</b>	1,144,046.23
	<b><u>316,373,574.16</u></b>	<b><u>329,719,136.32</u></b>



# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred income tax assets and deferred income tax liabilities (Continued)

#### (b) Deferred income tax liabilities that are not offset

	<b>30 June 2015</b>	31 December 2014
Other receivables – rental	<b>698,611.14</b>	698,611.14
Changes in fair value of available-for-sale financial assets	<b>3,765,963.07</b>	3,224,160.84
Depreciation balance of fixed assets revaluation	<b>323,359.20</b>	323,359.20
Difference arising from accounting and tax depreciations of fixed assets	<b>266,408.16</b>	266,408.16
Compensation from relocation	<b>9,568,129.08</b>	9,568,129.08
Amortization balance of intangible assets revaluation	<b>1,324,629.60</b>	1,324,629.60
Others	<b>94,312.19</b>	94,312.19
	<b><u>16,041,412.44</u></b>	<b><u>15,499,610.21</u></b>

#### (c) Deductible temporary differences and deductible losses that are not recognized as deferred income tax assets are analyzed as follows:

	<b>30 June 2015</b>	31 December 2014
Deductible temporary differences	<b>2,956,194.80</b>	3,049,557.86
Deductible tax losses	<b>92,095,262.11</b>	80,054,433.45
	<b><u>95,051,456.91</u></b>	<b><u>83,103,991.31</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (19) Deferred income tax assets and deferred income tax liabilities *(Continued)*

- (d) Tax losses that are not recognized as deferred tax assets will expire in the following years:

	<b>30 June 2015</b>	31 December 2014
2015	<b>6,723,985.46</b>	6,723,985.46
2016	<b>10,551,329.14</b>	10,551,329.14
2017	<b>11,830,866.41</b>	11,830,866.41
2018	<b>25,793,834.82</b>	27,107,057.22
2019	<b>23,247,276.13</b>	23,841,195.22
2020	<b>13,947,970.15</b>	–
	<b><u>92,095,262.11</u></b>	<b><u>80,054,433.45</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (19) Deferred income tax assets and deferred income tax liabilities *(Continued)*

#### (e) Temporary differences correspond to assets or liabilities items of deferred income tax assets that are not offset

	<b>30 June 2015</b>	31 December 2014
Provision of impairment of construction in progress	<b>1,121,052.88</b>	1,121,052.88
Provision for declines in values of inventories	<b>30,364,514.94</b>	34,718,809.90
Provision for bad debts	<b>75,402,598.22</b>	70,013,905.81
Provision of impairment of fixed assets	<b>20,436,683.15</b>	20,436,683.15
Difference arising from accounting and tax depreciations of fixed assets	<b>12,694,671.15</b>	12,694,671.15
Changes in fair value of financial assets held for trading	<b>825,352.30</b>	825,352.30
Available-for-sale financial assets	<b>3,150,000.00</b>	3,610,204.88
Employee benefits payable	<b>113,415,735.94</b>	220,418,789.36
Other payables	<b>967,002,669.71</b>	945,404,508.86
Deferred income	<b>84,157,887.47</b>	84,157,887.47
Deductible tax losses	<b>52,621,699.02</b>	18,289,768.40
Elimination of unrealized profits arising from the inter-company transaction	<b>81,385,063.20</b>	158,825,480.08
Provision for impairment of intangible assets	<b>480,700.24</b>	480,700.24
Difference arising from accounting and tax amortizations of intangible assets	<b>1,961,438.71</b>	1,961,438.71
Estimated debts	<b>500,191.19</b>	500,191.19
Others	<b>25,226,198.23</b>	7,626,975.00
	<b><u>1,470,746,456.35</u></b>	<b><u>1,581,086,419.38</u></b>

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred income tax assets and deferred income tax liabilities (Continued)

#### (f) Temporary differences correspond to assets or liabilities items of deferred income tax liabilities that are not offset

	<b>30 June 2015</b>	31 December 2014
Other receivables-rental	<b>4,657,407.59</b>	4,657,407.59
Available-for-sale financial assets	<b>24,429,273.68</b>	20,957,097.20
Depreciation balance of fixed assets revaluation	<b>2,155,728.00</b>	2,155,728.00
Difference arising from accounting and tax depreciations of fixed assets	<b>1,380,189.10</b>	1,380,189.10
Compensation from relocation	<b>38,272,516.31</b>	38,272,516.31
Amortization balance of intangible assets revaluation	<b>8,830,864.00</b>	8,830,864.00
Others	<b>628,747.92</b>	628,747.92
	<b><u>80,354,726.60</u></b>	<u>76,882,550.12</u>

### (20) Provision for impairment of assets

	31 December		Other decrease			30 June 2015
	2014	Current increase	Reversal	Write-off	Other decrease	
Provision for bad debts	71,400,661.75	5,806,737.42	203,895.16	-	-	<b>77,003,504.01</b>
Provision for declines in value of inventories	39,278,270.27	8,729,966.80	2,222,247.08	11,095,294.40	-	<b>34,690,695.59</b>
Provision for impairment of available for sale financial assets	4,553,551.23	-	-	-	-	<b>4,553,551.23</b>
Provision for impairment of fixed assets	24,334,193.79	-	-	13,527.58	-	<b>24,320,666.21</b>
Provision for impairment of construction in in progress	1,121,052.88	-	-	-	-	<b>1,121,052.88</b>
Provision for impairment of intangible assets	1,517,616.28	-	-	-	-	<b>1,517,616.28</b>
Provision for impairment of goodwill	475,756.92	-	-	-	-	<b>475,756.92</b>
	<b><u>142,681,103.12</u></b>	<b><u>14,536,704.22</u></b>	<b><u>2,426,142.24</u></b>	<b><u>11,108,821.98</u></b>	<b><u>-</u></b>	<b><u>143,682,843.12</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (21) Short-term borrowings

	<b>30 June 2015</b>	31 December 2014
Credit borrowings	<b>216,870,000.00</b>	222,730,090.45
Pledge borrowings	<b>308,300,000.00</b>	283,300,000.00
Guaranteed borrowings	<b>30,000,000.00</b>	50,000,000.00
Discount of commercial acceptance notes	<b>69,794,892.32</b>	4,500,000.00
	<b>624,964,892.32</b>	560,530,090.45

- (a) As at 30 June 2015 and 31 December 2014, there are no overdue borrowings.
- (b) As at 30 June 2015, the pledged bank borrowings amounted to RMB308,300 thousand, the collateral of which was accounts receivables amounted to RMB308,300 thousand (as at 31 December 2014: the pledged bank borrowings amounted to RMB283,300 thousand, the collateral of which was accounts receivables amounted to RMB283,300 thousand).
- (c) As at 30 June 2015, the weighted average interest rate of short-term borrowings is 4.7356% per annum (as at 31 December 2014: 5.0313% per annum).
- (d) As at 30 June 2015, there are no short-term borrowings dominated in foreign currency.

### (22) Notes payable

	<b>30 June 2015</b>	31 December 2014
Bank acceptance notes	<b>148,517,963.94</b>	167,591,115.01
Commercial acceptance notes	<b>73,186,949.78</b>	188,982,082.94
	<b>221,704,913.72</b>	356,573,197.95

As at 30 June 2015, notes payable amounted to RMB221,705 thousand were expected to be due within 1 year (as at 31 December 2014: RMB356,573 thousand).

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (23) Accounts payable

#### (a) Details of accounts payable:

	30 June 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	3,233,085,696.89	96.51%	2,014,544,777.60	97.06%
Over 1 year	116,909,279.42	3.49%	60,989,698.85	2.94%
	<b>3,349,994,976.31</b>	<b>100.00%</b>	<b>2,075,534,476.45</b>	<b>100.00%</b>

(b) As at 30 June 2015 and 31 December 2014, there are no accounts payable to shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(c) As at 30 June 2015, the amount of accounts payable to related parties account for 5.16% of the total balance (as at 31 December 2014: 0.54%), refer to Note 12 for details.

(d) As at 30 June 2015 and 31 December 2014, there are no accounts payable that are individually significant aging over 1 year.

(e) Accounts payable denominated in foreign currencies are summarised as follows:

	30 June 2015			31 December 2014		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	138,348.00	6.1136	845,804.33	227,535.43	6.1190	1,392,289.27
HKD	9,188,367.08	0.7886	7,246,038.16	-	Not applicable	-
			<b>8,091,842.49</b>			<b>1,392,289.27</b>

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (24) Advances from customer

#### (a) Details of advances from customers:

	30 June 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	769,688,623.01	97.05%	866,321,158.81	97.45%
Over 1 year	23,419,187.48	2.95%	22,687,394.01	2.55%
	<b>793,107,810.49</b>	<b>100.00%</b>	<b>889,008,552.82</b>	<b>100.00%</b>

(b) As at 30 June 2015 and 31 December 2014, there are no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(c) As at 30 June 2015, advances from related parties accounted for 9.68% of the total balance (as at 31 December 2014: 4.17%); refer to Note 12 for details.

(d) As at 30 June 2015 and 31 December 2014, there are no advances from customers that are individually significant aging are over 1 year.

(e) Advances from customers denominated in foreign currencies are summarised as follows:

	30 June 2015			31 December 2014		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	79,678.30	6.1136	487,121.25	283,743.90	6.1239	1,737,616.72
HKD	1,443,457.46	0.7915	1,142,461.44	1,991,565.30	0.7889	1,571,145.87
			<b>1,629,582.69</b>			<b>3,308,762.59</b>



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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (25) Employee benefits payable

	31 December 2014	Current increase	Current decrease	30 June 2015
1.Short-term employee benefits	410,837,409.12	1,433,069,522.44	1,462,922,905.01	<b>380,984,026.55</b>
Wages and salaries, bonuses, allowances and subsidies	386,716,455.07	1,244,315,129.77	1,284,149,634.44	<b>346,881,950.40</b>
Including: Service fee	222,141,364.96	611,933,211.24	668,842,491.69	<b>165,232,084.51</b>
Staff welfare	901,147.92	52,598,574.76	38,420,892.87	<b>15,078,829.81</b>
Including: Funds of bonus and welfare of Foreign Invested Enterprises	-	-	-	-
Social insurances	(2,467.59)	43,548,075.08	43,528,570.84	<b>17,036.65</b>
Including: Medical insurance	1,592.74	37,906,206.00	37,923,598.56	<b>(15,799.82)</b>
Work injury insurance	1,681.19	3,009,273.50	3,005,968.87	<b>4,985.82</b>
Maternity insurance	(5,741.52)	2,632,595.58	2,599,003.41	<b>27,850.65</b>
Housing funds	(9,158.59)	67,123,587.31	66,851,633.31	<b>262,795.41</b>
Labor union funds	3,338,077.25	12,863,018.50	13,635,777.81	<b>2,565,317.94</b>
Employee education funds	2,080,557.30	3,378,047.74	2,896,182.86	<b>2,562,422.18</b>
Non-monetary welfare	-	-	-	-
Housing allowance	16,733,047.64	6,596,301.70	10,109,799.48	<b>13,219,549.86</b>
Short-term paid absences	-	20,465.97	20,465.97	-
Other short-term benefits	1,079,750.12	2,626,431.61	3,310,057.43	<b>396,124.30</b>
2.Post-employment benefits	498,398.64	104,649,851.71	102,159,565.92	<b>2,988,684.43</b>
Defined contribution plans	498,398.64	104,649,851.71	102,159,565.92	<b>2,988,684.43</b>
Including: Basic pension insurance	18,248.93	63,579,339.93	63,621,468.13	<b>(23,879.27)</b>
Unemployment insurance	5,151.38	4,238,712.27	4,210,045.58	<b>33,818.07</b>
Annuity	474,998.33	22,963,281.87	22,299,574.41	<b>1,138,705.79</b>
Others	-	13,868,517.64	12,028,477.80	<b>1,840,039.84</b>
Defined benefits plans	-	-	-	-
3.Termination benefits	-	237,710.78	247,114.78	<b>(9,404.00)</b>
Compensation for lay-off	-	237,710.78	247,114.78	<b>(9,404.00)</b>
Others	-	-	-	-
4.Other long-term employee benefits	-	-	-	-
Long-term paid absences	-	-	-	-
Long-term disability benefits	-	-	-	-
Long-term profit-sharing scheme	-	-	-	-
	<u>411,335,807.76</u>	<u>1,537,957,194.93</u>	<u>1,565,329,695.71</u>	<u><b>383,963,306.98</b></u>

As at 30 June 2015, employee benefits payable mainly include the wages, bonus and service fee of June 2015 which were accrued but have not been paid. No defaulted payables are included in the employee benefits and the balance is estimated to be used up in year 2015.

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For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (26) Taxes payable

	30 June 2015	31 December 2014
VAT	61,342,144.97	(59,233,084.42)
Business tax	1,163,709.49	1,323,416.64
City maintenance and construction tax	12,510,974.03	4,403,081.93
Education surcharge	5,300,346.69	1,887,878.21
Local education surcharge	3,638,030.97	1,258,306.50
Enterprise income tax	91,848,175.80	211,926,797.01
Individual income tax	3,160,835.57	9,459,915.44
Real-estate tax	5,124,234.56	615,886.39
Land use tax	3,020,694.15	–
Urban area embankment maintenance fee	43,470.55	3,821,135.08
Stamp duty	957,383.79	898,597.65
Cultural construction fee	159,508.07	–
Others	18.00	51,940.71
	<b>188,269,526.64</b>	<b>176,413,871.14</b>

### (27) Interest payable

Item	30 June 2015	31 December 2014
Interest payable of short-term borrowings	<b>389,780.91</b>	236,666.66

### (28) Dividends payable

Investor	30 June 2015	31 December 2014
Public shares	<b>361,666,160.07</b>	90,148.02
BYS Group	<b>45.00</b>	45.00
Minority shareholders	<b>37,759,830.54</b>	46,841,494.17
	<b>399,426,035.61</b>	<b>46,931,687.19</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other payables

(a) The aging of other payables is analyzed as follows:

	<b>30 June 2015</b>	31 December 2014
Within 1 year	<b>1,785,101,476.25</b>	1,408,787,387.46
Over 1 year	<b>149,027,707.09</b>	136,175,400.31
	<b><u>1,934,129,183.34</u></b>	<b><u>1,544,962,787.77</u></b>

(b) Other payables are analysed by categories as follows:

	<b>30 June 2015</b>	31 December 2014
Deposits	<b>108,478,617.72</b>	100,436,496.92
Technology development expenses	<b>3,899,902.51</b>	764,522.49
Rental expenses	<b>797,100.00</b>	2,584,303.20
Payables to third parties	<b>108,329,201.07</b>	97,481,824.89
Amount due to employees	<b>6,684,107.37</b>	6,936,635.22
Payables to related parties (Note 12)	<b>50,415,357.84</b>	30,688,535.44
Accruals for purchase of fixed assets	<b>11,841,413.00</b>	2,905,527.50
Sales rebate	<b>192,243,732.78</b>	150,868,139.25
Accrued expenses	<b>1,419,673,526.31</b>	1,127,449,493.23
Others	<b>31,766,224.74</b>	24,847,309.63
	<b><u>1,934,129,183.34</u></b>	<b><u>1,544,962,787.77</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (29) Other payables *(Continued)*

#### (c) Details of accrued expenses:

	<b>30 June 2015</b>	31 December 2014
Rental expenses	<b>6,982,292.31</b>	3,279,536.10
Agent fees	<b>3,328,672.22</b>	6,719,533.18
Advertising and promotional expenses	<b>1,161,781,740.98</b>	945,588,641.57
Utilities	<b>5,889,822.01</b>	3,147,953.57
Transportation expenses	<b>133,627,607.38</b>	105,653,916.15
Conference expenses	<b>6,453,489.01</b>	1,648,748.42
Research and development expenses	<b>26,259,950.91</b>	3,955,022.41
Marketing expenses	<b>261,920.00</b>	708,634.69
Travelling expenses	<b>8,508,640.28</b>	5,158,961.95
Consulting expenses	<b>1,074,425.00</b>	960,000.00
Trademark expenses	<b>8,229,056.82</b>	3,250,000.00
Others	<b>57,275,909.39</b>	47,378,545.19
	<b><u>1,419,673,526.31</u></b>	<b><u>1,127,449,493.23</u></b>

(d) As at 30 June 2015, other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company are other payables of RMB44,373 thousand to GPLH (as at 31 December 2014: RMB30,581 thousand to GPLH).

(e) As at 30 June 2015, other payables to related parties accounted for 2.61% of the total balance (as at 31 December 2014: 1.99%): refer to Note 12 for details.

(f) As at 30 June 2015 and 31 December 2014, significant other payables whose aging are over 1 year mainly include unsettled balance for purchase of fixed assets and intangible assets, and purchase deposit.

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other payables (Continued)

(g) As at 30 June 2015, all other payables are denominated in foreign currencies as follows:

	30 June 2015			31 December 2014		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
HKD	2,396,488.75	0.7886	1,889,895.00	3,932,283.30	0.7889	3,102,060.33

### (30) Long-term borrowings

(a) Classification of long-term borrowings:

Category of borrowings	30 June 2015	31 December 2014
Credit borrowings	<b>45,308,010.33</b>	–

(b) As at 30 June 2015, long-term borrowings are denominated in foreign currencies as follows:

	30 June 2015			31 December 2014		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
HKD	57,453,000.00	0.7886	45,308,010.33	–	Not applicable	–

### (31) Long-term payables

	30 June 2015	31 December 2014
State fund	<b>18,720,803.57</b>	18,864,953.57
Department of Finance of Guangxi Zhuang Autonomous Region	<b>2,264,426.47</b>	2,264,426.47
State Pharmaceutical Administration	<b>305,000.00</b>	305,000.00
Others	<b>927,427.36</b>	927,427.36
	<b>22,217,657.40</b>	22,361,807.40

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (32) Payables for specific projects

	31 December 2014	Current increase	Current decrease	30 June 2015	Reason
Compensation of relocation due to policies	19,058,160.00	–	–	19,058,160.00	Compensation of relocation due to policies

### (33) Provisions

	30 June 2015	31 December 2014	Reason
Estimated loss of rejection on goods	500,191.19	500,191.19	Estimated by the disposal assets agreement, both parties have not yet settled.

### (34) Deferred income

Item	31 December 2014	Current increase of grants	Current revenue from non-operation	For cooperation	Other movement	30 June 2015	Reason
<b>Government grants related to assets:</b>							
Including:							
Technology funds granted by government	38,786,623.12	10,558,000.00	2,502,168.18	–	–	46,842,454.94	Received appropriation from government
Relocation compensation	5,001,420.90	–	182,822.22	–	(172,800.00)	4,645,798.68	Received appropriation from government
Financial discount	1,880,819.19	–	35,933.46	–	–	1,844,885.73	Received appropriation from government
Special fund of environmental protection	4,666,636.76	–	191,205.54	–	172,800.00	4,648,231.22	Received appropriation from government
Innovating platform construction	4,849,084.28	–	192,193.26	–	–	4,656,891.02	Received appropriation from government
Special fund of environmental protection	10,279,078.30	–	–	–	–	10,279,078.30	Received appropriation from government
Others	2,887,217.04	188.13	77,075.76	–	(102.54)	2,810,226.87	Received appropriation from government

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (34) Deferred income (Continued)

Item	31 December 2014	Current increase of grants	Current revenue from non-operation	For cooperation	Other movement	30 June 2015	Reason
<b>Government grants related to income:</b>							
Including:							
Technology funds granted by government	58,946,242.11	9,649,888.74	6,801,287.62	569,000.00	-	<b>61,225,843.23</b>	Received appropriation from government
Special fund of technology exports	208,295.39	-	-	-	-	<b>208,295.39</b>	Received appropriation from government
Medical industrial research project	1,709,690.56	-	-	-	-	<b>1,709,690.56</b>	Received appropriation from government
Special fund of energy-saving improvement	721,350.00	-	6,300.00	-	-	<b>715,050.00</b>	Received appropriation from government
Special fund of innovative firms	11,610.52	-	1,949.88	-	-	<b>9,660.64</b>	Received appropriation from government
Compensation of relocation	-	31,463,432.10	31,463,432.10	-	-	<b>-</b>	Received appropriation from government
Others	2,613,733.73	58,700.00	300,458.98	-	-	<b>2,371,974.75</b>	Received appropriation from government
Total	<u>132,561,801.90</u>	<u>51,730,208.97</u>	<u>41,754,827.00</u>	<u>569,000.00</u>	<u>(102.54)</u>	<u><b>141,968,081.33</b></u>	

### (35) Long-term employee benefits payable

Item	30 June 2015	31 December 2014
Post-employment benefits-Provision for long-term service bonus	<u><b>296,284.78</b></u>	<u>296,382.47</u>



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For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (36) Share capital

	31 December 2014		Current increase (+)/decrease(-)				30 June 2015		
	Amount	% of the total balance	Issued shares	Stock distribution	Capitalizing of capital reserves	Others	Subtotal	Amount	Ratio (%)
Shares subject to selling restrictions –									
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	34,839,645.00	2.70	-	-	-	-	-	34,839,645.00	2.70
Other domestic shares	-	-	-	-	-	-	-	-	-
Including:									
Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Domestic natural person shares	-	-	-	-	-	-	-	-	-
Foreign shares	-	-	-	-	-	-	-	-	-
Including:									
Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Shares subject to selling restrictions – subtotal	34,839,645.00	2.70	-	-	-	-	-	34,839,645.00	2.70
Shares subject to no selling restrictions:									
RMB ordinary shares	1,036,601,005.00	80.27	-	-	-	(261,400.00)	(261,400.00)	1,036,339,605.00	80.27
Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
Foreign shares listed out of the PRC	219,900,000.00	17.03	-	-	-	-	-	219,900,000.00	17.03
Others	-	-	-	-	-	-	-	-	-
Shares subject to no selling restrictions – subtotal	1,256,501,005.00	97.30	-	-	-	(261,400.00)	(261,400.00)	1,256,239,605.00	97.30
Total share capital	1,291,340,650.00	100.00	-	-	-	(261,400.00)	(261,400.00)	1,291,079,250.00	100.00

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### **(36) Share capital** *(Continued)*

Pursuant to <Indemnification Agreement in Respect of the Difference Between Actual Number of Net Income of Assets to be Purchased and Forecast of Net Income> entered into between the Company and GPLH, the Company directly repurchased 261,400 A shares held by GPLH for RMB1, and cancelled it on 27 April 2015. The procedure of repurchase and cancellation was completed on 7 May 2015. After the completion, general capital of the Company is 1,291,079,250 shares.

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (36) Share capital (Continued)

	31 December 2013		Current increase (+)/decrease(-)				30 June 2014		
	Amount	% of the total balance	Issued shares	Stock distribution	Capitalizing of capital reserves	Others	Subtotal	Amount	Ratio (%)
Shares subject to selling restrictions –									
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	34,839,645.00	2.70	-	-	-	-	34,839,645.00	34,839,645.00	2.70
Other domestic shares	-	-	-	-	-	-	-	-	-
Including:									
Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Domestic natural person shares	-	-	-	-	-	-	-	-	-
Foreign shares	-	-	-	-	-	-	-	-	-
Including:									
Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Shares subject to selling restrictions – subtotal	34,839,645.00	2.70	-	-	-	-	-	34,839,645.00	2.70
Shares subject to no selling restrictions:									
RMB ordinary shares	1,036,601,005.00	80.27	-	-	-	-	-	1,036,601,005.00	80.27
Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
Foreign shares listed out of the PRC	219,900,000.00	17.03	-	-	-	-	-	219,900,000.00	17.03
Others	-	-	-	-	-	-	-	-	-
Shares subject to no selling restrictions – subtotal	1,256,501,005.00	97.30	-	-	-	-	-	1,256,501,005.00	97.30
Total share capital	1,291,340,650.00	100.00	-	-	-	-	-	1,291,340,650.00	100.00

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For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (37) Capital surplus

	31 December 2014	Current increase	Current decrease	30 June 2015
Share premium	1,709,943,033.90	261,399.00	20,377,817.81	<b>1,689,826,615.09</b>
Other capital surplus	776,340,920.05	110,989.92	–	<b>776,451,909.97</b>
Including: Transfer of capital surplus recognized under the previous accounting system	24,955,836.66	–	–	<b>24,955,836.66</b>
	<u>2,486,283,953.95</u>	<u>372,388.92</u>	<u>20,377,817.81</u>	<u><b>2,466,278,525.06</b></u>
	31 December 2013	Current increase	Current decrease	30 June 2014
Share premium	1,709,943,033.90	–	–	1,709,943,033.90
Other capital surplus	776,967,736.11	–	2,362,336.98	774,605,399.13
Including: Transfer of capital surplus recognized under the previous accounting system	24,955,836.66	–	–	24,955,836.66
	<u>2,486,910,770.01</u>	<u>–</u>	<u>2,362,336.98</u>	<u>2,484,548,433.03</u>

The fluctuation of the capital surplus at current period was due to:

- The Company directly repurchased 261,400 A shares held by GPHL for RMB1, and cancelled it on 27 April 2015, capital surplus increase RMB261 thousand.
- As the capital surplus of GP Corp., a joint venture of the Company, increased at current period, the Group recognized the increase in capital surplus amounted to RMB111 thousand based on its ratio of shareholding in GP Corp. accordingly.
- Guangyao Hong Kong Company, a subsidiary of the Company, purchased 25% equity interest of Qi Xing from its minority shareholders. The difference between net assets of the purchased equity interest and the purchase price decreased capital surplus amounted to RMB20,378 thousand.

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (38) Other comprehensive income

Item	Opening balance	Current amount Current pre-tax	Less: Profit or loss transferred by other comprehensive income at last period	Less: Income tax	After-tax attributable to parent company	After-tax attributable to minority shareholders	Ending balance
1. Items will not be classified into profit or loss at following accounting period Including: Portion of items will not be classified into profit or loss when under equity method	1,426,169.45	-	-	-	-	-	1,426,169.45
2. Items will be classified into profit or loss at following accounting period. Including: Portion of items will be classified into profit or loss when under equity method	10,462,135.25	3,502,501.78	-	541,802.23	2,951,940.41	8,759.14	13,404,075.66
Profit or loss arising from the changes in fair value of available for sale financial assets	323,022.41	(60,983.96)	-	-	(60,983.96)	-	262,038.45
Differences arising from translation of foreign currency	17,689,599.13	3,472,176.48	-	541,802.23	2,921,615.11	8,759.14	20,621,214.24
Total other comprehensive income	(7,570,466.29)	91,309.26	-	-	91,309.26	-	(7,479,177.03)
	11,878,304.70	3,502,501.78	-	541,802.23	2,951,940.41	8,759.14	14,890,245.11

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (39) Surplus reserve

	31 December 2014	Current increase	Current decrease	30 June 2015
Statutory surplus reserve	696,561,588.89	-	-	696,561,588.89
Discretionary surplus reserve	118,925,617.49	-	-	118,925,617.49
	<u>815,487,206.38</u>	<u>-</u>	<u>-</u>	<u>815,487,206.38</u>
	31 December 2013	Current increase	Current decrease	30 June 2014
Statutory surplus reserve	604,894,136.27	-	-	604,894,136.27
Discretionary surplus reserve	118,925,617.49	-	-	118,925,617.49
	<u>723,819,753.76</u>	<u>-</u>	<u>-</u>	<u>723,819,753.76</u>

Pursuant to the Company Law and the Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated up to 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the relevant authorities.

The appropriation of discretionary surplus reserve should be proposed by the Board and approved by the general meeting of shareholders. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (40) Undistributed profits

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Undistributed profits at the beginning of the year (before adjustments)	<b>3,134,310,417.34</b>	2,330,514,583.35
Adjustments of undistributed profits at the beginning of the year (Add: positive; Less: negative)	-	-
Undistributed profits at the beginning of the year (after adjustments)	<b>3,134,310,417.34</b>	2,330,514,583.35
Add: Net profit for current period	<b>775,023,495.61</b>	673,659,153.85
Less: Appropriation for surplus reserve	-	-
Less: Distributed dividends	<b>361,575,382.00</b>	297,008,349.50
Less: Others	-	-
	<hr/>	<hr/>
Undistributed profits at the end of period	<b><u>3,547,758,530.95</u></b>	<b><u>2,707,165,387.70</u></b>

- (a) As at 30 June 2015, surplus reserves of the Company's subsidiaries amounted to RMB399,806 thousand was included in undistributed profits (as at 31 December 2014: RMB399,806 thousand).
- (b) Pursuant to the resolution of 2014 annual general meeting on 26 June 2015, the Group distributed cash dividends amounted to RMB361,575 thousand which was calculated by issued shares amounted to 1,291,340,650 to all shareholders, total distributed cash dividends was RMB0.28 per share.



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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (41) Minority interest

Investee	Investment relationship with the Company	30 June 2015	31 December 2014
Xing Qun	Direct subsidiary	21,542,792.93	19,856,971.34
Guangzhou Han Fang	Direct subsidiary	825,011.80	798,165.75
Jing Xiu Tang	Direct subsidiary	17,656,787.87	16,935,841.46
Pan Gao Shou	Direct subsidiary	24,509,351.09	23,806,048.91
Guangzhou Bai Di	Direct subsidiary	1,640,131.40	2,084,783.84
Tibet Lin Zhi Guangyao Development Co., Ltd.	Indirect subsidiary	153,081.85	244,339.97
Guangxi Ying Kang	Direct subsidiary	14,470,185.05	13,826,706.07
Qi Xing	Indirect subsidiary	–	25,466,731.04
Jing Xiu Tang 1790	Indirect subsidiary	2,222,942.18	2,108,671.22
Guangzhou Yi Gan	Direct subsidiary	863,049.19	1,173,822.47
Xing Zhou	Direct subsidiary	21,267,748.79	21,633,183.74
Chongqing Guangyao	Indirect subsidiary	–	582,502.86
Tian Xin	Direct subsidiary	35,540,216.16	31,178,090.86
Guang Hua	Direct subsidiary	21,729,552.81	15,884,900.44
Baiyunshan Pharmaceutical Technology	Direct subsidiary	32,029,474.01	26,934,821.24
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	188,620.66	158,843.68
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	665,819.63	665,414.34
Jingyu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	2,674,015.30	2,967,779.56
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,480,024.04	1,419,251.19
Heilongjiang Sen Gong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,240,753.04	1,192,413.52
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	850,236.93	800,000.00
Zhejiang Guang Kang Hospital Co., Ltd.	Indirect subsidiary	12,595,573.99	9,789,461.87
Guang Hua Health	Indirect subsidiary	(149,639.75)	169,180.05
		<b>213,995,728.97</b>	<b>219,677,925.42</b>

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (42) Revenue and cost of operation

	The six months ended 30 June 2015		
	Principal operation	Other operation	Subtotal
Revenue	10,401,304,798.31	70,851,659.72	10,472,156,458.03
Cost of operation	6,590,425,076.47	16,682,178.95	6,607,107,255.42
Gross profit	3,810,879,721.84	54,169,480.77	3,865,049,202.61

  

	The six months ended 30 June 2014		
	Principal operation	Other operation	Subtotal
Revenue	9,942,920,175.92	77,370,161.71	10,020,290,337.63
Cost of operation	6,434,992,331.39	18,617,526.57	6,453,609,857.96
Gross profit	3,507,927,844.53	58,752,635.14	3,566,680,479.67

(a) Revenue and cost of principal operations by natures are summarised as follows:

	Revenue of principal operations		Cost of principal operations	
	The six months ended 30 June 2015	The six months ended 30 June 2014	The six months ended 30 June 2015	The six months ended 30 June 2014
Manufacturing	7,987,221,787.84	7,597,438,766.14	4,419,265,693.11	4,260,005,826.69
Trading	2,414,083,010.47	2,345,481,409.78	2,171,159,383.36	2,174,986,504.70
	<b>10,401,304,798.31</b>	9,942,920,175.92	<b>6,590,425,076.47</b>	6,434,992,331.39

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (42) Revenue and cost of operation (Continued)

(b) Revenue and cost of principal operation by regions are summarised as follows:

	Revenue of principal operation		Cost of principal operation	
	The six months ended 30 June 2015	The six months ended 30 June 2014	The six months ended 30 June 2015	The six months ended 30 June 2014
Southern China	5,623,791,414.63	5,414,276,460.84	3,740,217,928.71	3,693,544,732.16
Eastern China	1,773,005,285.96	1,855,441,948.62	1,002,730,122.01	1,053,301,818.38
Northern China	1,310,327,078.57	1,024,523,784.24	769,041,056.89	576,322,060.37
Northeastern China	177,930,267.33	147,349,104.67	103,079,164.33	86,978,620.41
Southwestern China	1,043,337,081.06	942,124,494.80	634,160,421.34	603,457,549.92
Northwestern China	309,263,407.36	296,405,045.93	180,231,429.94	164,239,827.74
Other countries	163,650,263.40	262,799,336.82	160,964,953.25	257,147,722.41
	<b>10,401,304,798.31</b>	<b>9,942,920,175.92</b>	<b>6,590,425,076.47</b>	<b>6,434,992,331.39</b>

(c) Top five of the revenue of the Group amounted to RMB1,160,712 thousand in total (for the six months ended 30 June 2014: RMB800,167 thousand), which accounts for 11.16% of the total revenue of the Group (for the six months ended 30 June 2014: 8.05%).

	Revenue of the principal operation	Percentage of the total revenue of the principal operation of the Group
Customer 1	403,076,923.27	3.88%
Customer 2	277,989,918.52	2.67%
Customer 3	214,021,939.50	2.06%
Customer 4	141,763,954.57	1.36%
Customer 5	123,860,148.38	1.19%
	<b>1,160,712,884.24</b>	<b>11.16%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (42) Revenue and cost of operation *(Continued)*

#### (d) Revenue from other operation

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Leases of assets	<b>34,869,069.69</b>	34,958,477.36
Sales of materials	<b>798,931.28</b>	1,874,799.41
Trademark fee income	<b>8,018,247.30</b>	13,307,967.10
Consulting fee income	<b>629,689.03</b>	611,263.39
Medicine slotting fee income	<b>210,860.71</b>	404,397.36
Technology services income	<b>454,752.80</b>	585,618.07
Utilities expense collected on behalf	<b>3,973,404.84</b>	5,652,490.99
Management fee	<b>3,355,181.40</b>	3,132,397.51
Labor income	<b>472,190.86</b>	1,226,307.12
License fee	<b>13,327,191.80</b>	11,533,000.00
Others	<b>4,742,140.01</b>	4,083,443.40
	<b>70,851,659.72</b>	77,370,161.71

#### (e) Expenses from other operation

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Depreciation of assets leased out	<b>9,108,113.62</b>	9,185,273.85
Cost of materials sold	<b>37,350.55</b>	1,412,140.81
Service fee for technology	<b>112,804.53</b>	–
Utilities expense collected on behalf	<b>4,413,349.36</b>	4,973,117.94
Labor fee	<b>472,190.86</b>	1,040,196.36
Management fee	<b>33,886.62</b>	33,886.62
Others	<b>2,504,483.41</b>	1,972,910.99
	<b>16,682,178.95</b>	18,617,526.57

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) Taxes and surcharges

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Business tax	<b>3,814,423.42</b>	3,735,472.36
City maintenance and construction tax	<b>54,020,694.98</b>	48,130,804.94
Education surcharge	<b>23,244,771.31</b>	20,545,243.73
Local education surcharge	<b>15,413,222.03</b>	13,944,669.60
Housing Real-estate tax	<b>3,091,515.17</b>	3,175,690.01
Others	<b>373,304.14</b>	3,383.71
	<b>99,957,931.05</b>	89,535,264.35

Basis of calculation: refer to Note 4

### (44) Selling and distribution expenses

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Employee benefit	<b>829,900,114.50</b>	757,138,502.93
Sales service fee	<b>269,852,662.95</b>	67,308,538.62
Transportation expenses	<b>69,871,321.04</b>	56,475,621.33
Office expenses	<b>6,603,651.93</b>	8,540,595.15
Freight and miscellaneous charges	<b>229,313,571.08</b>	221,977,063.97
Rental expenses	<b>10,099,189.54</b>	12,439,234.67
Conference expenses	<b>27,682,476.30</b>	24,330,118.00
Advertising and promotion fees	<b>777,012,553.72</b>	1,001,764,329.34
Consulting fees	<b>1,916,208.28</b>	3,980,060.10
Depreciation charges	<b>1,560,569.84</b>	1,363,040.79
Others	<b>17,003,322.45</b>	4,300,499.75
	<b>2,240,815,641.63</b>	2,159,617,604.65

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (45) General and administrative expenses

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Employee benefit	<b>300,323,261.75</b>	282,931,625.95
Insurance premium	<b>1,273,897.77</b>	1,328,635.39
Depreciation charges	<b>22,735,352.36</b>	23,461,870.67
Utilities	<b>3,938,353.08</b>	3,666,269.80
Administrative expenses	<b>14,324,438.14</b>	12,805,172.07
Travelling expenses	<b>6,476,668.09</b>	6,354,121.88
Freight and miscellaneous charges	<b>7,628,954.32</b>	6,956,948.20
Repairing expenses	<b>7,066,048.04</b>	8,233,830.74
Rental expenses	<b>15,192,176.95</b>	9,722,035.45
Conference expenses	<b>1,998,576.49</b>	2,731,516.47
Research and development expenses	<b>156,843,801.86</b>	138,651,813.07
Taxation charges	<b>23,279,557.27</b>	26,031,951.60
Amortization	<b>11,314,828.19</b>	9,780,129.69
Professional service fees	<b>7,856,151.67</b>	4,154,740.45
Including: Audit fees	-	-
Consulting fees	<b>11,211,963.36</b>	2,222,688.31
Trademark License fees	<b>52,727,895.25</b>	46,845,330.47
Others	<b>30,941,840.32</b>	30,267,419.53
	<b>675,133,764.91</b>	616,146,099.74

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (46) Financial expenses

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Interest expenses	<b>14,163,098.44</b>	15,264,960.49
Discount interest expenses of notes	<b>3,614,071.54</b>	4,104,973.31
Interest income	<b>(35,447,765.34)</b>	(22,276,013.19)
Exchange (gains)/losses	<b>(1,872,722.11)</b>	(1,059,701.86)
Bank charges	<b>1,813,984.60</b>	837,117.07
Cash discounts	-	85,476.97
	<b>(17,729,332.87)</b>	(3,043,187.21)

For the six months ended 30 June 2015 and 30 June 2014, all interest expenses belong to borrowings whose loan repayment dates are within 5 years.

### (47) Losses for impairment of assets

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Losses for bad debts	<b>5,602,842.26</b>	3,236,179.60
Losses for declines in values of inventories	<b>6,507,719.72</b>	2,870,470.41
	<b>12,110,561.98</b>	6,106,650.01



# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (48) Profit arising from changes in fair value

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Gains arising from changes in fair value of listed shares of Zhongzhi	<b>1,406,517.30</b>	26,037.90
Gains arising from changes in fair value of listed shares of Harbin Pharmaceutical Group Co., Ltd. held by the Group	<b>972,081.60</b>	19,655.40
	<b>2,378,598.90</b>	45,693.30

### (49) Investment income

#### (a) Details of investment incomes:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Investment income from financial assets:		
Investment income from the period of holding available-for-sale financial assets	<b>1,199,814.24</b>	–
Gain or loss of entrusted loans	<b>(816,443.69)</b>	(484,907.50)
	<b>383,370.55</b>	(484,907.50)
Income from long-term equity investment:		
Income from long-term equity investments recognized by equity method	<b>100,028,397.14</b>	142,114,609.80
Income from long-term equity investments recognized by cost method	–	18,245.04
	<b>100,028,397.14</b>	142,132,854.84
	<b>100,411,767.69</b>	141,647,947.34

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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 (English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (50) Non-operating income

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Gains on disposal of non-current assets	<b>106,218.52</b>	99,184.42
Including: Gains on disposal of fixed assets	<b>106,218.52</b>	99,184.42
Government grants	<b>42,665,013.26</b>	15,025,678.43
Penalty income	<b>266,397.17</b>	81,330.12
Sales of scraps	<b>2,114,488.17</b>	1,708,246.65
Waived funds	<b>45,185.98</b>	29,428.02
Compensation from relocation	<b>484,577.76</b>	1,084,577.76
Indemnity income	<b>3,774,769.07</b>	262,881.82
Expatriates benefits	<b>3,334,065.60</b>	47,931.02
Others	<b>3,836,864.08</b>	2,771,928.33
	<b>56,627,579.61</b>	21,111,186.57

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (50) Non-operating income (Continued)

Details of government grants are as below:

Item	The six months ended 30 June 2015	The six months ended 30 June 2014
Government grants related to assets: Including:		
Technology funds granted from government	<b>2,502,168.18</b>	2,181,546.43
Compensation for relocation	<b>182,822.22</b>	182,822.22
Financial discount	<b>35,933.46</b>	76,133.46
Specific funds of environmental protection	<b>191,205.54</b>	362,750.34
Innovating platform construction	<b>192,193.26</b>	165,605.53
Others	<b>77,075.76</b>	323,875.15
	<b>3,181,398.42</b>	3,292,733.13
Government grants related to income: Including:		
Technology funds granted from government	<b>6,801,287.62</b>	11,165,722.29
Special funds of reconstruction for energy saving	<b>6,300.00</b>	-
Special funds of innovating enterprises	<b>1,949.88</b>	-
Compensation of relocation	<b>31,463,432.10</b>	-
Others	<b>1,210,645.24</b>	567,223.01
	<b>39,483,614.84</b>	11,732,945.30
Total	<b>42,665,013.26</b>	15,025,678.43

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (51) Non-operating expenses

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Losses on disposal of non-current assets	<b>533,803.68</b>	796,820.20
Including: Losses on disposal of fixed assets	<b>533,803.68</b>	796,820.20
Public welfare donations	<b>831,467.08</b>	2,909,124.65
Unnormal losses	<b>49,062,655.33</b>	–
Penalty and overdue fines	<b>438,586.47</b>	39,592.07
Reward of family planning	<b>244,450.00</b>	320,592.00
Other	<b>87,074.17</b>	1,085,134.53
	<b><u>51,198,036.73</u></b>	<u>5,151,263.45</u>

### (52) Income tax expenses

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Current income tax	<b>157,167,369.95</b>	168,101,360.05
Deferred income tax	<b>13,345,562.16</b>	(9,782,565.31)
	<b><u>170,512,932.11</u></b>	<u>158,318,794.74</u>

The Group's income tax expenses attributable to Hong Kong at current period is RMB123,666.24.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (52) Income tax expenses *(Continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Total profit	<b>962,980,545.38</b>	855,971,611.89
Income tax expenses calculated at 25%	<b>240,745,136.35</b>	213,992,902.97
Tax effect of different rates applicable to subsidiaries	<b>(57,363,443.76)</b>	(24,041,541.07)
Adjustment effect for income tax of previous period	<b>(2,396,077.86)</b>	25,358.88
Gain or loss belong to associates & joint venture	<b>(13,195,356.13)</b>	(32,488,234.36)
Non-taxable revenue	<b>(1,139,473.46)</b>	(907,393.56)
Expenses not deductible for tax purposes	<b>703,083.90</b>	606,625.29
Tax effect of deductible temporary differences & deductible loss which are not recognized in current period	<b>3,487,368.67</b>	2,394,184.01
Tax effect of unrecognized deferred income tax assets	<b>(328,305.60)</b>	(1,263,107.43)
Income tax expenses	<b>170,512,932.11</b>	158,318,794.74

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (53) Earnings per share

#### (a) Basic earnings per share

##### (i) Weighted average basic earnings per share

Weighted average basic earnings per share is calculated by dividing consolidated net profit for the current year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Consolidated net profit attributable to ordinary shareholders of the Company	<b>775,023,495.61</b>	673,659,153.85
Weighted average number of ordinary shares outstanding:	<b>1,291,297,083</b>	1,291,340,650
Weighted average basic earnings per share	<b>0.600</b>	0.522

##### (ii) Overall diluted basic earnings per share

Overall diluted basic earnings per share is calculated by dividing consolidated net profit for the current year attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Consolidated net profit attributable to ordinary shareholders of the Company	<b>775,023,495.61</b>	673,659,153.85
Weighted average number of ordinary shares outstanding:	<b>1,291,079,250</b>	1,291,340,650.00
Overall diluted basic earnings per share	<b>0.600</b>	0.522

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (53) Earnings per share (Continued)

#### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing adjusted consolidated net profit for the current year attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. For the six months ended 30 June 2015, there were no potential ordinary shares (For the six months ended 30 June 2014: nil), diluted earnings per share is equal to basic earnings per share.

### (54) Notes to the consolidated cash flow statement

#### (a) Cash received relating to other operating activities:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Non-operating income	<b>13,811,028.32</b>	5,956,163.68
Other operation income	<b>70,503,744.86</b>	87,736,695.97
Government grants	<b>52,640,395.23</b>	29,418,755.50
Interest income	<b>35,447,765.34</b>	22,276,013.19
Received guarantee and others	<b>8,042,120.80</b>	–
	<b><u>180,445,054.55</u></b>	<b><u>145,387,628.34</u></b>

#### (b) Cash paid relating to other operating activities:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Cash payments of selling and distribution expenses	<b>852,313,447.80</b>	734,834,049.80
Cash payments of general and administrative expenses	<b>206,375,156.39</b>	201,713,104.59
Financial expenses-bank charges	<b>1,694,544.04</b>	837,117.07
Others	<b>111,861,431.36</b>	66,494,299.60
	<b><u>1,172,244,579.59</u></b>	<b><u>1,003,878,571.06</u></b>



# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (54) Notes to the consolidated cash flow statement (Continued)

(c) Cash received relating to other investing activities:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Interest received from securities accounts	<b>6,022.90</b>	4,101.50

(d) Cash paid relating to other investing activities:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Borrowings paid to General Institute	<b>230,000,000.00</b>	–
Tax expenses arising from the interest income of entrusted loans	<b>1,616,754.15</b>	1,161,069.35
Performance bond	<b>2,311,000.00</b>	–
	<b>233,927,754.15</b>	1,161,069.35

(e) Cash paid relating to other financing activities:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Repurchasing for share	<b>1.00</b>	–
Poundage of borrowings	<b>49,001.26</b>	–
Liquidation fee paid for minority shareholders	<b>557,396.33</b>	–
Withholding tax paid for overseas financing	<b>4,331,573.23</b>	–
	<b>4,937,971.82</b>	–

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (55) Supplementary information of cash flow statements

#### (a) Supplementary information of cash flow statements

##### (i) Reconciliation of net profit to cash flow operating activities

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Net profit	<b>792,467,613.27</b>	697,652,817.15
Add: Provision for assets impairment	<b>12,110,561.98</b>	6,106,650.01
Depreciation of fixed assets, and depreciation and amortization of investment properties	<b>99,731,441.47</b>	88,949,416.78
Amortization of intangible assets	<b>6,539,828.70</b>	5,690,698.79
Amortization of long-term prepaid expenses	<b>2,068,315.66</b>	2,223,875.58
Loss (less: gain) on disposal of fixed assets, intangible assets and other long-term assets	<b>115,608.13</b>	704,648.38
Loss on scrapping of fixed assets	<b>311,977.03</b>	(7,012.60)
Loss (less: gain) on changes in fair value	<b>(2,378,598.90)</b>	(45,693.30)
Financial expenses	<b>17,633,919.86</b>	15,183,411.76
Investment gain	<b>(100,411,767.69)</b>	(141,647,947.34)
Decrease in deferred tax assets	<b>13,345,562.16</b>	84,341,014.80
Decrease in inventories	<b>164,875,273.97</b>	(108,769,383.95)
Decrease of operating receivables	<b>(1,054,531,304.57)</b>	(390,256,522.99)
Increase of operating payables	<b>1,321,443,312.60</b>	906,879,274.55
Others	-	-
	<hr/>	<hr/>
Net cash flows from operating activities	<b><u>1,273,321,743.67</u></b>	<b><u>1,167,005,247.62</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (55) Supplementary information of cash flow statements (Continued)

#### (a) Supplementary information of cash flow statements (Continued)

(ii) Investing and financing activities that do not involve cash receipts and payments:

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-

(iii) Net movement in cash and cash equivalents

	<b>The six months ended 30 June 2015</b>	The six months ended 30 June 2014
Cash at the end of period	<b>4,046,968,804.29</b>	2,806,836,678.34
Less: Cash at the beginning of year	<b>3,029,136,084.71</b>	1,918,952,286.86
Add: Cash equivalents at end of the period	-	-
Less: Cash equivalents at beginning of the year	-	-
Net movement in cash and cash equivalents	<b><u>1,017,832,719.58</u></b>	<b><u>887,884,391.48</u></b>

The cash and cash equivalents do not include housing fund amounted to RMB581 thousand, Deposit of direct commerce enterprise amounted to RMB20,000 thousand, security deposit for bank payable notes amounted to RMB38,696 thousand, blocked account amounted to RMB194,628 thousand.

# Notes to the Financial Statements

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (55) Supplementary information of cash flow statements (Continued)

#### (b) Net cash paid for acquiring subsidiaries:

	Amount
Cash or cash equivalent paid for business combination at current period	–
Less: Cash or cash equivalent held by subsidiaries on acquisition date	8,512,691.75
Add: Cash or cash equivalent paid for previous business combination at current period	–
Net cash paid for acquiring subsidiaries	(8,512,691.75)

#### (c) Details of cash and cash equivalents:

	30 June 2015	31 December 2014
Cash	<b>4,046,968,804.29</b>	3,029,136,084.71
Including: Cash on hand	<b>801,964.53</b>	738,798.99
Bank deposits that are readily available for payment	<b>4,040,390,158.30</b>	3,024,430,754.08
Other cash that are readily available for payment	<b>5,776,681.46</b>	3,966,531.64
Cash equivalents	–	–
Total cash and cash equivalent	<b>4,046,968,804.29</b>	3,029,136,084.71
Including: Cash and cash equivalents that are restricted	–	–
	<b>30 June 2015</b>	31 December 2014
Balance of cash at bank and on hand	<b>4,300,874,391.29</b>	3,180,887,532.85
Less: Balance of cash at bank and on hand that are restricted to use	<b>253,905,587.00</b>	151,751,448.14
Balance of cash and cash equivalents	<b>4,046,968,804.29</b>	3,029,136,084.71

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (55) Assets that restricted for ownership or use right

	<b>30 June 2015</b>	31 December 2014
Cash at bank and on hand	<b>253,905,587.00</b>	151,751,448.14

### (56) Monetary items denominated in foreign currency

#### (a) Monetary items denominated in foreign currency

	Ending balance	Conversion rate	Balance	Converted to RMB
Cash at bank and on hand				26,776,622.10
Including: USD	2,084,951.74	6.1136		12,746,560.96
HKD	11,444,009.77	0.7886		9,024,860.54
JPY	100,000,012.00	0.0501		5,005,200.60
Other receivable				20,693.43
Including: HKD	26,240.38	0.7886		20,693.43
Accounts receivable				12,776,332.10
Including: USD	1,802,281.13	6.1136		11,018,425.92
HKD	2,229,119.82	0.7886		1,757,906.18
Advances to suppliers				687,643.88
Including: JPY	13,540,800.00	0.0508		687,643.88
Other payable				1,889,895.00
Including: HKD	2,396,488.75	0.7886		1,889,895.00
Accounts payable				8,091,842.49
Including: USD	138,348.00	6.1136		845,804.33
HKD	9,188,367.08	0.7886		7,246,038.16
Advances for customers				1,629,582.69
Including: USD	79,678.30	6.1136		487,121.25
HKD	1,443,457.46	0.7915		1,142,461.44
Long-term borrowings				45,308,010.33
Including: HKD	57,453,000.00	0.7886		45,308,010.33

(b) Guangyao Baiyunshan Hong Kong Company, an overseas subsidiary of the Company, uses Hong Kong Dollar as its recording currency.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 6 CHANGES IN SCOPE OF CONSOLIDATION

### (1) Business combination involving enterprises not under common control

#### (a) Details of business combination involving enterprises not under common control:

Acquiree	Time of acquiring equity	Cost of acquiring equity	Ratio of acquiring equity (%)	Mode of acquiring equity	Acquisition date	Determination basis of acquisition date	Income of acquiree from acquisition date to the end of period	Net profit of acquiree from acquisition date to the end of period
Guangyao Haima	2015.1	7,000,000.00	100.00	Acquisition	2015.1	Transfer of corporate control	345,564,894.09	259,329.09

#### (b) Cost of consolidation and goodwill

Cost of consolidation

— Cash

Total cost of consolidation

Less: proportion of fair value of obtained identifiable net assets

Goodwill

**7,000,000.00**

**7,000,000.00**

**4,717,047.82**

**2,282,952.18**

The fair value of cost of consolidation is recognized by appraisal report (ZHPBZ(2014)No. GZV1004) which was issued by Zhong He Assets Appraisal Co., Ltd.

# Notes to the Financial Statements

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## 6 CHANGES IN SCOPE OF CONSOLIDATION *(Continued)*

### (1) Business combination involving enterprises not under common control *(Continued)*

#### (c) Identifiable assets and liabilities of acquired at acquisition date

	<b>Guangyao Haima</b>	
	<b>Fair value at acquisition date</b>	<b>Book value at acquisition date</b>
Assets:		
Cash at bank and on hand	8,512,691.75	8,512,691.75
Notes receivable	12,102,093.00	12,102,093.00
Receivable	30,758,189.85	30,758,189.85
Advance to supplier	25,241,310.22	25,241,310.22
Fixed assets	489,127.56	321,127.69
Intangible assets	21,276.41	10,077.97
Construction in progress	387,802.24	387,802.24
Liabilities:		
Payables	64,363,968.38	64,363,968.38
Advances for customers	7,081,175.97	7,081,175.97
Employee benefits payable	98,945.45	98,945.45
Taxes payable	1,251,165.28	1,251,165.28
Other non-current liabilities	188.13	188.13
Net assets	4,717,047.82	4,537,849.51
Less: minority interests	-	-
Obtained net assets	<u>4,717,047.82</u>	<u>4,537,849.51</u>

The fair value of identifiable assets and liabilities is recognized by appraisal report (ZHPBZ(2014)No. GZV1004) which was issued by Zhong He Assets Appraisal Co., Ltd.

There are no contingent liabilities of acquiree to assume in business combination.



# Notes to the Financial Statements

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## 6 CHANGES IN SCOPE OF CONSOLIDATION *(Continued)*

### (2) Changes in scope of consolidation arising from other reasons:

The reasons for the addition of 5 companies and deduction of 1 company in scope of consolidation comparing to the previous period are:

- (1) Baiyunshan Medical and Health, a subsidiary of the Company, established Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd. in January 2015 with registered capital of RMB10 million, and holds 100% equity interest.
- (2) WLJ Great Health, a subsidiary of the Company, established Guangzhou Wang Lao Ji Industry Company in January 2015 with registered capital of RMB1 million, and holds 100% equity interest.
- (3) WLJ Great Health, a subsidiary of the Company, established Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd. in February 2015 with registered capital of RMB5 million, and holds 100% equity interest.
- (4) The Company established Guangzhou Baiyunshan pharmaceutical sales Co., Ltd. in March 2015 with registered capital of RMB10 million, and holds 100% equity interest.
- (5) WLJ Great Health, a subsidiary of the Company, established Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd. in April 2015 with registered capital of RMB10 million, and holds 100% equity interest.
- (6) Chongqing Guangyao Chinese Herb Development Co., Ltd. which is held by Pan Gao Shou Pharmaceutical and Cai Zhi Lin Pharmaceutical, entered into liquidation in February 2015, and was cancelled in May 2015.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 7 EQUITY IN OTHER ENTITIES

### (1) Equity in subsidiaries

#### (a) Details of the Group:

Name of subsidiary	Principal place of business	Registration place	Nature of business	% equity interest held		% voting rights held		Acquisition method
				Direct	Indirect	Direct	Indirect	
Xing Qun	Guangzhou	Guangzhou	Pharmaceutical manufacturing	88.99		88.99		Establishment or Investment
Zhong Yi	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100.00		100.00		Establishment or Investment
Chen Li Ji	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100.00		100.00		Establishment or Investment
Guangzhou Han Fang <sup>(1)</sup>	Guangzhou	Guangzhou	Pharmaceutical manufacturing	99.49		99.53		Establishment or Investment
Guangzhou Qi Xing Pharmaceutical Factory Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100.00		100.00		Establishment or Investment
Jing Xiu Tang	Guangzhou	Guangzhou	Pharmaceutical manufacturing	88.40		88.40		Establishment or Investment
Pan Gao Shou	Guangzhou	Guangzhou	Pharmaceutical manufacturing	87.77		87.77		Establishment or Investment
Cai Zhi Lin	Guangzhou	Guangzhou	Pharmaceutical trading	100.00		100.00		Establishment or Investment
Guangzhou Pharmaceutical Import & Export Co., Ltd. ("Pharmaceutical Import & Export")	Guangzhou	Guangzhou	Pharmaceutical trading	100.00		100.00		Establishment or Investment
Guangzhou Bai Di	Guangzhou	Guangzhou	Pharmaceutical manufacturing	98.48		98.48		Establishment or Investment
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd ("WLJ Great Health")	Guangzhou	Guangzhou	Food manufacturing	100.00		100.00		Establishment or Investment
Guangzhou Guang Yao Yi Gan Biological Product Co., Ltd. (Guangzhou Yi Gan)	Guangzhou	Guangzhou	Pharmaceutical manufacturing	60.00		60.00		Establishment or Investment
Guangzhou Baiyunshan Xing Zhou Pharmaceutical Co., Ltd. (Xing Zhou)	Guangzhou	Guangzhou	Pharmaceutical manufacturing	75.00		75.00		Establishment or Investment

# Notes to the Financial Statements

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(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 7 EQUITY IN OTHER ENTITIES (Continued)

### (1) Equity in subsidiaries (Continued)

#### (a) Details of the Group: (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	% equity interest held		% voting rights held		Acquisition method
				Direct	Indirect	Direct	Indirect	
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (Baiyunshan Medical and Health)	Guangzhou	Guangzhou	Assets management, investment management,	100.00		100.00		Establishment or Investment
Guangzhou Baiyunshan Chemical Medicine Technology Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading	100.00		100.00		Establishment or Investment
Guangzhou Baiyunshan Pharmaceutical Sales CO., Ltd	Guangzhou	Guangzhou	Pharmaceutical trading	100.00		100.00		Establishment or Investment
Qi Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing		100.00		100.00	Establishment or Investment
Guangzhou Jing Xiu Tang 1790 Trading Co., Ltd. (Jing Xiu Tang 1790) <sup>(1)</sup>	Guangzhou	Guangzhou	Pharmaceutical trading		45.08		51.00	Establishment or Investment
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd (Pan Gao Shou Natural Healthcare) <sup>(1)</sup>	Guangzhou	Guangzhou	Pharmaceutical manufacturing		87.77		100.00	Establishment or Investment
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chain Pharmacies	Guangzhou	Guangzhou	Pharmaceutical trading		100.00		100.00	Establishment or Investment
Guangzhou Chinese Medicine Corporation Chinese Medical Drink and Pill Factory	Guangzhou	Guangzhou	Pharmaceutical manufacturing		100.00		100.00	Establishment or Investment

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## 7 EQUITY IN OTHER ENTITIES (Continued)

### (1) Equity in subsidiaries (Continued)

#### (a) Details of the Group: (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	% equity interest held		% voting rights held		Acquisition method
				Direct	Indirect	Direct	Indirect	
Guangzhou Cai Zhi Lin Corporation Bei Shang Chinese Raw Medicine Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical trading		100.00		100.00	Establishment or Investment
Guangzhou Ao Ma Medical Apparatus Co., Ltd. (Guangzhou Ao Ma)	Guangzhou	Guangzhou	Pharmaceutical trading		100.00		100.00	Establishment or Investment
Tibet Lin Zhi Guangyao Development Co., Ltd. <sup>(1)</sup>	Linzi	Linzi	Pharmaceutical trading		54.82		55.00	Establishment or Investment
Guangzhou Pan Gao Shou Food Beverage Co., Ltd. <sup>(1)</sup>	Guangzhou	Guangzhou	Pharmaceutical manufacturing		87.77		100.00	Establishment or Investment
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Wulanchabu	Wulanchabu	Pharmaceutical trading		80.00		80.00	Establishment or Investment
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Linqi	Linqi	Pharmaceutical trading		60.00		60.00	Establishment or Investment
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd. <sup>(1)</sup>	Kaili	Kaili	Pharmaceutical Trading		67.67		70.00	Establishment or Investment
Jingyuxian Dong E Guangyao Chinese Raw Medicine Development Co., Ltd. <sup>(1)</sup>	Jingyu	Jingyu	Pharmaceutical trading		57.50		60.00	Establishment or Investment
Heilongjiang Sen Gong Guangyao Raw Medicine Development Co., Ltd.	Haerbin	Haerbin	Pharmaceutical trading		60.00		60.00	Establishment or Investment
Wang Lao Ji Great Health Ya'an Co., Ltd.	Yaan	Yaan	Pharmaceutical manufacturing		100.00		100.00	Establishment or Investment
Guang Hua Health <sup>(1)</sup>	Guangzhou	Guangzhou	Pharmaceutical manufacturing		63.36		75.00	Establishment or Investment

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 7 EQUITY IN OTHER ENTITIES (Continued)

### (1) Equity in subsidiaries (Continued)

#### (a) Details of the Group: (Continued)

Name of subsidiary	Principal place of business	Registration place	Nature of business	% equity interest held		% voting rights held		Acquisition method
				Direct	Indirect	Direct	Indirect	
Fengshun Guangyao Chinese Raw Medicine Development Co., Ltd.	Fengshun	Fengshun	Pharmaceutical trading		60.00		60.00	Establishment or Investment
Zhejiang Guang Kang Pharmaceutical Co., Ltd.	Shengzhou	Shengzhou	Pharmaceutical manufacturing		51.00		51.00	Establishment or Investment
Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd.	Linzhi	Linzhi	Pharmaceutical manufacturing		100.00		100.00	100.00
Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd.	Guangzhou	Guangzhou	Pharmaceutical manufacturing		100.00		100.00	100.00
Guangzhou Wang Lao Ji Industry Company	Guangzhou	Guangzhou	Pharmaceutical manufacturing		100.00		100.00	Establishment or Investment
Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd.	Beijing	Beijing	Pharmaceutical trading		100.00		100.00	Establishment or Investment
Tian Xin	Guangzhou	Guangzhou	Pharmaceutical manufacturing	82.49		82.49		Business combinations involving entities under common control
Guang Hua	Guangzhou	Guangzhou	Pharmaceutical manufacturing	84.48		84.48		Business combinations involving entities under common control
Ming Xing	Guangzhou	Guangzhou	Pharmaceutical manufacturing	100.00		100.00		Business combinations involving entities under common control
Baiyunshan Wei Ling Pharmaceutical Co., Ltd. ("Wei Ling")	Jiexi	Jiexi	Pharmaceutical manufacturing	100.00		100.00		Business combinations involving entities under common control
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. ("BYS Pharmaceutical Technological")	Guangzhou	Guangzhou	Pharmaceutical trading	51.00		51.00		Business combinations involving entities under common control

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## 7 EQUITY IN OTHER ENTITIES *(Continued)*

### (1) Equity in subsidiaries *(Continued)*

#### (a) Details of the Group: *(Continued)*

Name of subsidiary	Principal place of business	Registration place	Nature of business	% equity interest held		% voting rights held		Acquisition method
				Direct	Indirect	Direct	Indirect	
				Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. ("Great Health Hotel")	Guangzhou	Guangzhou	Hotel	
Guangyao Baiyunshan Hong Kong Company	Hongkong	Hongkong	Pharmaceutical trading	100.00		100.00		Business combinations involving entities under common control
Guangyao Haima	Guangzhou	Guangzhou	Advertising	100.00		100.00		Business combinations involving entities not under common control
Ying Kang	Nanning	Nanning	Pharmaceutical manufacturing	51.00		51.00		Business combinations involving entities not under common control

Reasons for ratio of equity interest held is different from the ratio of voting rights held in subsidiaries:

Note 1: The reason of difference between ratio of equity interest held and ratio of voting rights held of these 8 companies is that the Company indirectly holds these eight companies through subsidiaries which are not wholly-owned by the Company, making the ratio of equity interest held lower than ratio of voting rights held.

Note 2: Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired 25% equity interest of Qi Xing held by Guangyong Financial Co., Ltd. through transfer agreement in April 2015, which the comprehensive share holding changed from 75% to 100%.

# Notes to the Financial Statements

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## 7 EQUITY IN OTHER ENTITIES *(Continued)*

### (2) Equity in joint venture or associates

#### (a) Summary of joint venture and associates that are insignificant

Item	<b>Ending balance/ Current amount</b>	Opening balance/ Prior amount
Joint venture:		
Total carrying amount of investments	<b>1,969,307,384.89</b>	1,919,999,790.04
Calculated by rate of interests held:		
– Net profit	<b>102,250,833.29</b>	146,344,802.55
– Other comprehensive income	<b>(60,983.96)</b>	(2,362,336.98)
– Total comprehensive income	<b>102,189,849.33</b>	143,982,465.57
Associates:		
Total carrying amount of investments	<b>33,510,481.41</b>	30,765,309.31
Calculated by rate of interests held:		
– Net profit	<b>2,731,685.06</b>	876,817.07
– Other comprehensive income	–	–
– Total comprehensive income	<b>2,731,685.06</b>	876,817.07



# Notes to the Financial Statements

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## 8 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operating activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Nevertheless, the Group is exposed to foreign exchange risk arising from the recognized assets and liabilities and future transactions denominated in foreign currencies (mainly USD and HKD). The Group's finance department (Group Finance) is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, in order to minimize the foreign exchange risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

As at 30 June 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised as follows:

	30 June 2015					
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency -						
Cash at bank and on hand	12,746,560.96	9,024,860.54	-	5,005,200.60	-	26,776,622.10
Accounts receivable	11,018,425.92	1,757,906.18	-	-	-	12,776,332.10
Other receivables	-	20,693.43	-	-	-	20,693.43
	<u>23,764,986.88</u>	<u>10,803,460.15</u>	<u>-</u>	<u>5,005,200.60</u>	<u>-</u>	<u>39,573,647.63</u>
Financial liabilities denominated in foreign currency -						
Short-term borrowings	845,804.33	7,246,038.16	-	-	-	8,091,842.49
Accounts payable	-	1,889,895.00	-	-	-	1,889,895.00
Long-term borrowings	-	45,308,010.33	-	-	-	45,308,010.33
	<u>845,804.33</u>	<u>54,443,943.49</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,289,747.82</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 8 FINANCIAL INSTRUMENT AND RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

	31 December 2014					
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency -						
Cash at bank and on hand	9,293,961.31	4,070,922.70	2.00	4,794,120.62	-	18,159,006.63
Accounts receivable	11,159,483.05	534,836.23	-	-	-	11,694,319.28
Other receivables	-	1,299,466.33	-	-	-	1,299,466.33
	<u>20,453,444.36</u>	<u>5,905,225.26</u>	<u>2.00</u>	<u>4,794,120.62</u>	<u>-</u>	<u>31,152,792.24</u>
Financial liabilities denominated in foreign currency -						
Accounts payable	1,392,289.27	-	-	-	-	1,392,289.27
Other payables	-	3,102,060.33	-	-	-	3,102,060.33
	<u>1,392,289.27</u>	<u>3,102,060.33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494,349.60</u>

As at 30 June 2015, if RMB had strengthened/weakened by 10% against the USD, HKD, EUR and JPY with all other variables held constant, the Group's net profit for the period would have been approximately RMB1,179 thousand (As at 31 December 2014: approximately RMB1,999 thousand) higher/lower.

#### (b) Interest rate risk

As at 30 June 2015, long-term interest bearing borrowings of the Group amounted to RMB45,308,010.33, if annual interest rate declined 50 basic point with all other variables held constant, the Group's net profit would increase RMB162 thousand (As at 31 December 2014: nil).

# Notes to the Financial Statements

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## 8 FINANCIAL INSTRUMENT AND RISK (Continued)

### (1) Market risk (Continued)

#### (c) Other price risk

Equity of listed companies held by the Company is as below:

Item	30 June 2015	31 December 2014
Financial assets at fair value through profit or loss	7,064,621.90	4,686,023.00
Available-for-sale financial assets	35,679,232.08	32,207,055.60
Total	42,743,853.98	36,893,078.60

As at 30 June 2015, under the circumstance of variables unchanged, if the value of equity instruments rise or decline 10%, the Company would increase or decrease net profit amounted to RMB706 thousand, other comprehensive income amounted to RMB3,021 thousand accordingly (as at 31 December 2014: RMB469 thousand, RMB2,728 thousand). Management considers 10% a reasonable range where the value of equity instruments might change in next period.

### (2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 8 FINANCIAL INSTRUMENT AND RISK (Continued)

### (3) Liquidity risk

Cash flow forecast is performed by each subsidiary of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As at 30 June 2015, the financial assets and liabilities of the Group at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2015					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	
Financial assets -						
Cash at bank and on hand	4,300,874,391.29	-	-	-	-	4,300,874,391.29
Notes receivable	1,810,123,731.28	-	-	-	-	1,810,123,731.28
Accounts receivable	1,543,851,546.02	-	-	-	-	1,543,851,546.02
Other receivables	479,375,686.08	-	-	-	-	479,375,686.08
	<u>8,134,225,354.67</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,134,225,354.67</u>
Financial liabilities -						
Short-term borrowings	634,903,697.86	-	-	-	-	634,903,697.86
Long-term borrowings	1,601,959.85	1,601,959.85	46,585,128.32	-	-	49,789,048.02
Notes payable	221,704,913.72	-	-	-	-	221,704,913.72
Accounts payable	3,349,994,976.31	-	-	-	-	3,349,994,976.31
Other payables	1,934,129,183.34	-	-	-	-	1,934,129,183.34
Long-term payables	-	-	-	22,217,657.40	-	22,217,657.40
	<u>6,142,334,731.08</u>	<u>1,601,959.85</u>	<u>46,585,128.32</u>	<u>22,217,657.40</u>	<u>-</u>	<u>6,212,739,476.65</u>
Provision of guarantees	<u>60,000,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000,000.00</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 8 FINANCIAL INSTRUMENT AND RISK (Continued)

### (3) Liquidity risk (Continued)

31 December 2014

	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	Total
Financial assets -						
Cash at bank and on hand	3,180,887,532.85	-	-	-	-	3,180,887,532.85
Notes receivable	1,465,748,952.32	-	-	-	-	1,465,748,952.32
Accounts receivable	1,048,515,584.29	-	-	-	-	1,048,515,584.29
Other receivables	328,143,093.66	-	-	-	-	328,143,093.66
	<u>6,023,295,163.12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,023,295,163.12</u>
Financial liabilities -						
Short-term borrowings	575,954,732.36	-	-	-	-	575,954,732.36
Long-term borrowings	-	-	-	-	-	-
Notes payable	356,573,197.95	-	-	-	-	356,573,197.95
Accounts payable	2,075,534,476.45	-	-	-	-	2,075,534,476.45
Other payables	1,544,962,787.77	-	-	-	-	1,544,962,787.77
Long-term payables	-	-	-	22,361,807.40	-	22,361,807.40
	<u>4,553,025,194.53</u>	<u>-</u>	<u>-</u>	<u>22,361,807.40</u>	<u>-</u>	<u>4,575,387,001.93</u>
Provision of guarantees	<u>60,000,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000,000.00</u>

The repayment periods of the bank loans and other loans are analyzed as follow:

	30 June 2015		31 December 2014	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within 5 years	<u>684,692,745.88</u>	<u>-</u>	<u>575,954,732.36</u>	<u>-</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 9 DISCLOSURE OF FAIR VALUE

### (a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables and long-term payables.

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair values.

### (b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The level of measurement of fair value is determined by the lowest level of input, which is significant for it.

As at 30 June 2015, the financial assets measured at fair value by the above three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets –				
Financial assets at fair value through profit or loss				
Investments in equity instrument held for trading	7,064,621.90	-	-	7,064,621.90
Available-for-sale financial assets –				
Available-for-sale equity instruments	35,679,232.08	-	-	35,679,232.08
	<u>42,743,853.98</u>	<u>-</u>	<u>-</u>	<u>42,743,853.98</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 9 DISCLOSURE OF FAIR VALUE

### (b) Financial instruments measured at fair value

As at 31 December 2014, the financial assets measured at fair value by the above three levels are analyzed below:

	Level 1	Level 2	Level 3	Total
Financial assets –				
Financial assets at fair value through profit or loss				
Investments in equity instrument held for trading	4,686,023.00	–	–	4,686,023.00
Available-for-sale financial assets –				
Available-for-sale equity instruments	32,207,055.60	–	–	32,207,055.60
	<u>36,893,078.60</u>	<u>–</u>	<u>–</u>	<u>36,893,078.60</u>

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using valuation techniques. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. Inputs to valuation techniques include prepayment rates, rates of estimated credit losses, and interest rates or discount rates.



# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 10 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 December 2014	Profit or loss arising from changes in fair value during the current period	Accumulated changes in fair value recognized in equity during the current period	Impairment loss recognized during the current period	30 June 2015
Financial assets -					
Financial assets at fair value through profit or loss	4,686,023.00	2,378,598.90	-	-	<b>7,064,621.90</b>
Available-for-sale financial assets	32,207,055.60	-	2,930,374.25	541,802.23	<b>35,679,232.08</b>
	<b>36,893,078.60</b>	<b>2,378,598.90</b>	<b>2,930,374.25</b>	<b>541,802.23</b>	<b>42,743,853.98</b>

## 11 FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2014	Profit or loss arising from changes in fair value during the current period	Accumulated changes in fair value recognized in equity during the current period	Impairment loss recognized during the current period	30 June 2015
Financial assets -					
Cash and bank	18,159,006.63	-	-	-	<b>26,776,622.10</b>
Accounts receivable	11,694,319.28	-	-	-	<b>12,776,332.10</b>
Other receivables	1,299,466.33	-	-	-	<b>20,693.43</b>
	<b>31,152,792.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,573,647.63</b>
Financial liabilities -					
Short-term borrowings	-	-	-	-	<b>-</b>
Accounts payable	1,392,289.27	-	-	-	<b>8,091,842.49</b>
Other payables	3,102,060.33	-	-	-	<b>1,889,895.00</b>
Long-term borrowings	-	-	-	-	<b>45,308,010.33</b>
	<b>4,494,349.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,289,747.82</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) General information of the parent company:

Name of the Parent company	Relationship	Business Type	registration place	Legal Representative	Nature of business	Registered Capital (RMB '0000)	% equity interest	% voting rights	Ultimate holding company	Organization code
GPHL	Parent Company	Limited liability company (wholly state-owned)	No. 45, North Street, Shamian Liwan District Guangzhou	Li Chuyuan	Manufacturing and trading	125,281	45.23%	45.23%	Guangzhou State-owned Assets Supervision and Administration Commission	23124735-0

### Registered capital and changes in registered capital of the parent company:

	<b>31 December 2014</b> <b>(RMB '0000)</b>
GPHL	<b>125,281</b>

### The percentage of equity interests and voting rights held by the parent company in the Company:

	<b>30 June 2015</b>	
	<b>% equity interest held</b>	<b>% voting rights held</b>
GPHL	<b>45.23%</b>	<b>45.23%</b>

### (2) Information of subsidiaries

For the general information and related information of the subsidiaries, please refer to Note 7.

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (3) Information of joint venture and associates

Details of joint venture or associates that had connected transactions with the Company at current period or at previous period are as below:

Name	Relation with the Company
GP Corp.	joint venture
Wang Lao Ji	joint venture
Nuo Cheng	joint venture
BYSHW	joint venture
Baxter Qiao Guang	joint venture

### (4) Information of other related parties that are not controlled by the Group

Name of entity	Relationship with the Group	Organization code
Guangzhou Pharmaceutical Industrial Research Institute	Controlled by the same parent company	455347297
Guangzhou Yu Fa Medical Apparatus Co., Ltd.	Controlled by the same parent company	618407881
Guangzhou South China Medical Apparatus Co., Ltd.	Controlled by the same parent company	23123789-X

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions

(a) For the subsidiaries which are controlled by the Company and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and them have been eliminated.

### (b) Purchase of goods from related parties

Name of related party	Type of transaction	Nature of transaction	Pricing Policies and procedures for decision-making	for the six months ended 30 June 2015		for the six months ended 30 June 2014	
				Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
HWBYS	Purchase of goods	Chinese raw medicine or medicine	Market price	437,958,525.65	8.09	162,802,070.96	2.73
GP Corp.	Purchase of goods	Chinese raw medicine or medicine	Market price	180,324,013.00	3.33	91,044,417.65	1.53
Wang Lao Ji	Purchase of goods	Chinese raw medicine or medicine	Market price	215,092,702.11	3.97	10,793,629.72	0.18
				<b>833,375,240.76</b>	<b>15.39</b>	<b>264,640,118.33</b>	<b>4.44</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (c) Sales of goods to related parties

Name of related party	Type of transaction	Nature of transaction	Pricing Policies and procedures for decision-making	for the six months ended 30 June 2015		for the six months ended 30 June 2014	
				Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
GPHL	Sales of goods	Chinese raw medicine or medicine	Market price	8,360.00	-	30,582.57	-
Guangzhou Pharmaceutical Industrial Research Institute	Sales of goods	Chinese raw medicine or medicine	Market price	2,000.00	-	20,512.82	-
HWBYS	Sales of goods	Chinese raw medicine or medicine	Market price	108,463,517.37	1.04	94,573,215.26	0.95
GP Corp.	Sales of goods	Chinese raw medicine or medicine	Market price	277,829,254.36	2.67	192,781,372.98	1.94
Wang Lao Ji	Sales of goods	Chinese raw medicine or medicine	Market price	200,913,044.47	1.93	82,235,197.10	0.83
Nuo Cheng	Sales of goods	Chinese raw medicine or medicine	Market price	1,230.78	-	90,256.42	-
Baxter Qiao Guang	Sales of goods	Chinese raw medicine or medicine	Market price	424,741.02	-	775,558.97	0.01
				<b>587,642,148.00</b>	<b>5.64</b>	<b>370,506,696.12</b>	<b>3.73</b>

#### (d) Rendering of service to related party

Name of related party	Type of transaction	Nature of transaction	Pricing Policies and procedures for decision-making	for the six months ended 30 June 2015		for the six months ended 30 June 2014	
				Amount	Percentage of similar transactions (%)	Amount	Percentage of similar transactions (%)
HWBYS	Rendering of service	Advertising agency	Market price	33,300,437.20	91.79	-	-
GP Corp.	Rendering of service	Advertising agency	Market price	160,664.16	0.44	-	-
Wang Lao Ji	Rendering of service	Advertising agency	Market price	1,592,485.29	4.39	-	-
Wang Lao Ji	Rendering of service	Consigned processing	Market price	11,516,409.74	81.77	-	-
				<b>46,569,996.39</b>		<b>-</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (e) Other related party transactions

(i) The company renders guarantee for subsidiaries as follows:

1) The company renders guarantee for subsidiaries as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount as at 30 June 2015	Duration
Cai Zhi Lin	loans for working capital	30,000,000.00	<u>30,000,000.00</u>	1 year

2) The group renders guarantee for associates as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount as at 30 June 2015	Duration
Nuo Cheng	loans for working capital	60,000,000.00	<u>3,900,000.00</u>	1 year

Another associate of Nuo Cheng renders the guarantee of joint liability for the above loans.

(ii) Leases

1) Tenancy Agreement

Pursuant to a tenancy agreement entered into by the Company and GPHL, GPHL has granted to the Group the right to use certain premises such as warehouses and offices for a fixed annual rental. The term is from 1 January 2014 to 31 December 2016. The Group should pay GPHL RMB4,183 thousand of the above-mentioned for the current period (for the six months ended 30 June 2014: RMB548 thousand)

2) Office Tenancy Agreement-No. 5 front stalls of GPHL located at No. 45 North Shamian Street

Pursuant to the Tenancy Agreement entered into by the Company and GPHL on 27 June 2013, the Company rents the No. 5 front stalls of GPHL located at No. 45 North Street Shamian at a fixed annual rent., which term is 3 years, the Company should pay GPHL RMB268 thousand in current period. (for the six months ended 30 June 2014: RMB255 thousand)

# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (e) Other related party transactions *(Continued)*

##### (ii) Leases *(Continued)*

#### 3) Warehouse and Office Building Tenancy Agreement

Pursuant to the Tenancy Agreement entered into by the Company and GPLH, the Company rents certain buildings to GP Corp. at fixed amount per annum with a lease term from 1 January 2014 to 31 December 2016 and the rental amounted to RMB1,310 thousand. (for the six months ended 30 June 2014: RMB907 thousand)

Pursuant to the Tenancy Agreement entered into by the Company and Baxter Qiao Guang, the Company rents the building located in No.25, Fangcun Avenue to Baxter Qiao Guang at fixed amount per annum with a lease term from 10 May 2007 to the relocated date and the rental amounted to RMB1,250 thousand (for the six months ended 30 June 2014: RMB1,350 thousand)

Pursuant to the Tenancy Agreement entered into by the Company and GP Corp., the Company rents the building located in No.74, Duobao Road to GP Corp. at fixed amount per annum with a lease term from 1 January 2015 to 31 December 2015 and the rental amounted to RMB32 thousand (for the six months ended 30 June 2014: RMB24 thousand)

Pursuant to the Tenancy Agreement entered into by Guangzhou Bai Di and Nuocheng Biological, Guangzhou Bai Di rents the building located in No.1, Wanbao Street North, Panyu District, Guangzhou to Nuocheng Biological at fixed amount per annum with a lease term from 15 March 2011 to 14 March 2016 and the rental amounted to RMB941 thousand (for the six months ended 30 June 2014: RMB935 thousand)

Pursuant to the Tenancy Agreement entered into by Guang Hua, a subsidiary of the Company, and BYSHW, Guang Hua rents the building located in No.355, Shatai Rd North, Guangzhou to BYSHW at fixed amount per month with a lease term from 10 March 2014 to 9 March 2016 and the rental amounted to RMB37 thousand (for the six months ended 30 June 2014: RMB24 thousand).



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For the six months ended 30 June 2015  
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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (e) Other related party transactions *(Continued)*

##### (iii) License Agreement

- 1) Pursuant to the Trademark License Agreement entered into by WLJ Great Health and GPLH on 25 May 2012 and 26 April 2013, GPLH authorised the use of 5 trademarks by WLJ Great Health; WLJ Great Health agreed to pay license fees to GPLH at 2.1% of its aggregate net sales, GPLH and the Company are to entitled by 53% and 47% of the license fee respectively.

Pursuant to the Trademark License Supplementary Agreement entered into by the Company, Wang Lao Ji and GPLH on 28 July 2005, Wang Lao Ji agreed to pay license fees to GPLH for the use of the trademarks at 2.1% of its aggregate net sales since Wang Lao Ji become to be a foreign-invested company limited. GPLH and the Company are to entitled by 53% and 47% of the license fee respectively.

The Company should receive license fee amounted to RMB48,585 thousand for the current period (for the six months ended 30 June 2014: RMB51,412 thousand) and GPLH should receive RMB54,787 thousand (for the six months ended 30 June 2014: RMB57,975 thousand)

# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (e) Other related party transactions *(Continued)*

##### (iii) License Agreement *(Continued)*

- 2) The arrangement of the Trademark Trusteeship Agreement and Trademark Trusteeship Supplementary Agreement entered into by GPLH and the Company (GPLH is consignor and the Company is consignee): (1) During the period of validity of Trusteeship Agreement, consignor shall authorizes all the use rights of “Wang Lao Ji” trademark to consignee; (2) During the period of validity of Trusteeship Agreement, consignee shall pay the expenses arising from trusteeship. (but consignor shall pay the expenses arising from dispute to the authority and the expenses arising from the dispute to the previous Trademark Trusteeship Agreement and Trademark Trusteeship Supplementary Agreement); (3) Consignee shall directly receive the trademark license fee which is arranged in the Trademark License Agreement signed during the trusteeship (including the supplementary agreement or new agreement which is signed by consignor or consignee). (4) During the period of validity of Trusteeship Agreement, consignor should pay the company RMB1,000 thousand for the basic trusteeship fee before the end of every March; (5) On the premise of non-violation to the Trademark License Agreement or supplementary which is entered into by consignor and third party before this Agreement become effective, for the Trademark License Agreement which is signed during the period of validity of Trusteeship Agreement, (including the supplementary agreement or new agreement which is signed during the expiry date of Trusteeship), consignee should pay consignor 80% of the trademark license fee of the previous year before the end of every March. (or the lower portion which is negotiated by consignor and consignee, the portion could not higher than 80% in any case, it could be 80% if both parties failed to reach an agreement for that.) as the authorized income for consignor. (the basic trusteeship fee of previous year of consignor shall directly deducted from this expenses by consignee) As the confirmed trademark “Wang Lao Ji”, the portion to be shared of consignor and consignee shall be confirmed in accordance with the previous arrangement before this agreement was signed, and shall not be limited to the trademark trusteeship agreement. This agreement became effective on 5 July 2013, and will expire on the date of trademark transfer or the date of termination from both parties’ negotiation. Meanwhile, when the legal dispute is settled, GPLH committed to legally transfer the trademark “Wang Lao Ji” and other 4 trademarks authorized to Wang Lao Ji exclusively to the company within 2 years since the above-mentioned trademarks can be transferred in accordance with the effective laws and regulations.

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For the six months ended 30 June 2015  
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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (e) Other related party transactions *(Continued)*

##### (iii) License Agreement *(Continued)*

##### 2) *(Continued)*

Pursuant to <Notice of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. on Unfulfilled Commitment in respect of Shareholders, Related Parties and the Company > issued on 25 June 2014, the term of contract expire on 20 January 2015. On 13 March 2015, the First Extraordinary General Meeting 2015 of the Company adopted <Solution of Guangzhou Pharmaceutical Group Co., Ltd. Revise Trademark of “Wang Lao Ji”>, GPLH revised the term of contract, which will expire within 2 years from the date of “Red jar decoration dispute” coming into force.

GPLH started to authorize the Group and its joint-control entity to use the registered trademark “GPC” without compensation in June, 2000.

- 3) Pursuant to <Trademark License Agreement> entered into by Xing Qun and the Company on 28 September 2014, Xing Qun is able to use 32 kinds of trademark owned by GPLH for 32 kinds of plant beverage and coke products from 5 September 2013 to 6 March 2016 (both parties otherwise agreed to extend the term if need to, 2.1% of net sale volume for the products which use these 32 kinds of trademark shall be paid to the Company as a license fee by Xing Qun. <Trademark License Agreement> will expire on 6 March 2016. Xing Qun should pay the Company license fee amounted to RMB854 thousand at current period. (for the six months ended 30 June 2014: nil)

Based on <The arrangement of the Trademark Trusteeship Agreement> and <Trademark Trusteeship Supplementary Agreement> entered into by GPLH and the Company, Xing Qun should pay the Company the above license fee amounted to RMB854 thousand (for the six months ended 30 June 2014: nil), and pay GPLH RMB683 thousand (for the six months ended 30 June 2014: nil)

# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (e) Other related party transactions *(Continued)*

##### (iv) Transfer of research and development project

		<b>for the six months ended 30 June 2015 (RMB'000)</b>	for the six months ended 30 June 2014 (RMB'000)
	Company		
Service fee for technology	Guangzhou Pharmaceutical General Institute	<u>          -</u>	<u>          500</u>

##### (v) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,711 thousand for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB1,277 thousand). The Group's key management personnel include directors, supervisors, general manager, vice general manager, financial controller and secretary to the Board of Director ("BOD"). The key management includes 16 persons for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 15 persons), among which 10 persons received their salaries from the Group (for the six months ended 30 June 2014: 9 persons).

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For the six months ended 30 June 2015  
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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Receivables from and payables to related parties

##### (i) Receivables from related parties

		30 June 2015		31 December 2014	
Related party		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Notes receivable:	GP Corp.	116,946,856.53	-	36,822,600.56	-
	HWBYS	6,260,000.00	-	4,880,000.00	-
		<u>123,206,856.53</u>	<u>-</u>	<u>41,702,600.56</u>	<u>-</u>
Accounts receivable:	GPHL	99,000.00	990.00	1,968.00	19.68
	HWBYS	59,411,827.55	598,613.22	15,640,378.14	156,403.78
	GP Corp.	117,269,492.24	1,172,694.92	10,214,641.14	102,146.41
	Wang Lao Ji	90,041,265.80	1,042,850.22	8,182,297.26	81,822.97
	Baxter Qiao Guang	333,686.00	3,336.86	453,000.00	4,530.00
		<u>267,155,271.59</u>	<u>2,818,485.22</u>	<u>34,492,284.54</u>	<u>344,922.84</u>
Other receivables:	GPHL	6,783,599.28	-	4,757,008.06	-
	Guangzhou South China Medical Apparatus Co., Ltd.	100,000.00	100,000.00	100,000.00	100,000.00
	HWBYS	19,522,217.62	-	19,480,981.55	-
	GP Corp.	1,324,637.65	-	112,617.46	-
	Wang Lao Ji	19,667,954.13	-	15,434,323.01	-
	Baxter Qiao Guang	1,250,000.00	-	700.00	-
		<u>48,648,408.68</u>	<u>100,000.00</u>	<u>39,885,630.08</u>	<u>100,000.00</u>
Advances to suppliers:	HWBYS	10,558,894.85	-	4,550,970.59	-
	GP Corp.	38,385.50	-	1,607.00	-
	Wang Lao Ji	2,679,584.77	-	1,123,061.47	-
	Guangzhou Yu Fa Medical Apparatus Co., Ltd.	210,278.62	-	210,278.62	-
			<u>13,487,143.74</u>	<u>-</u>	<u>5,885,917.68</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 12 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (f) Receivables from and payables to related parties (Continued)

##### (ii) Payables to related parties

		30 June 2015	31 December 2014
	<b>Related party</b>		
Notes Payable:	HWBYS	<b>2,999,775.00</b>	4,636,460.00
	Wang Lao Ji	–	864,975.00
		<b>2,999,775.00</b>	<b>5,501,435.00</b>
Accounts Payable:	HWBYS	<b>2,760,679.12</b>	1,421,572.23
	GP Corp.	<b>135,948,745.12</b>	9,760,056.27
	Wang Lao Ji	<b>34,207,678.73</b>	–
		<b>172,917,102.97</b>	<b>11,181,628.50</b>
Other Payables	GPHL	<b>44,372,964.67</b>	30,581,008.75
	HWBYS	<b>520,000.00</b>	20,000.00
	GP Corp.	<b>5,171,000.00</b>	61,000.00
	Wang Lao Ji	<b>307,147.97</b>	–
	Baxter Qiao Guang	<b>44,245.20</b>	26,526.69
		<b>50,415,357.84</b>	<b>30,688,535.44</b>
Advances from customers:	HWBYS	<b>3,032,491.93</b>	1,479,948.69
	GP Corp.	<b>27,205,103.43</b>	23,263,974.93
	Wang Lao Ji	<b>46,515,041.67</b>	12,289,251.93
		<b>76,752,637.03</b>	<b>37,033,175.55</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 13 COMMITMENTS

### (1) Capital expenditures commitments

#### (a) Capital expenditures contracted for but are not yet necessary to be recognized on the balance sheet

The Group's capital expenditures contracted for but are not yet necessary to be recognized on the balance sheet are as follows:

	<b>30 June 2015</b>	31 December 2014
Investment	<b>12,340,000.00</b>	61,598,100.00
Building, machinery and equipment	<b>236,050,083.52</b>	263,048,243.13
	<b><u>248,390,083.52</u></b>	<b><u>324,646,343.13</u></b>

The Group's share of the jointly controlled entities' capital commitments are as follows:

	<b>30 June 2015</b>	31 December 2014
Building, machinery and equipment	<b>76,834,029.75</b>	57,770,952.86
	<b><u>76,834,029.75</u></b>	<b><u>57,770,952.86</u></b>

#### (b) Capital commitments authorised by the management but are not yet contracted for:

	<b>30 June 2015</b>	31 December 2014
Building, machinery and equipment	<b>765,144,411.78</b>	812,029,680.08
	<b><u>765,144,411.78</u></b>	<b><u>812,029,680.08</u></b>



# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 13 COMMITMENTS (Continued)

### (2) Operating lease commitments

The Group's rental assets from operating lease are mainly buildings, the minimum lease payments of significant rental under operating lease are summarized as follows:

	Minimum lease payables	
	30 June 2015	30 June 2014
Remaining leasing term		
Within 1 year	<b>44,602,979.37</b>	30,015,333.10
1 to 2 years	<b>18,838,398.90</b>	7,956,318.06
2 to 3 years	<b>17,055,053.08</b>	6,509,496.49
Over 3 years	<b>174,291,079.42</b>	23,711,014.86
	<b><u>254,787,510.78</u></b>	<b><u>68,192,162.51</u></b>

The rental expenses under operating lease amounted to RMB29,842 thousand are recognized in the profit or loss for the six months ended 30 June 2015 (for the six months ended 30 June 2014 RMB23,752 thousand).

### (3) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 30 June 2015.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 14 CONTINGENCIES

- (1) Guangdong Guangsheng Investment Group Energy Co., Ltd. started a suit to the unreceived payment amounted to RMB81,408.50 thousand by a subsidiary of the Company, and applied for a sequestered account to it in year of 2015. The subsidiary has reported to Guangzhou Public Security. It shall be investigated for criminal responsibility requirements. The above case is still under investigation and the financial impact to the subsidiary can not be estimated as at the reporting date.
- (2) Guangzhou Jian Mei Co., Ltd., Guangzhou Fuel Group Co., Ltd., Guangdong Guangsheng Non Ferrous Metal Group Co., Ltd., Guangdong Guangsheng Investment Group Energy Co., Ltd. started a suit to the unreceived payment amounted to RMB5,014.8 thousand, RMB5,075.6 thousand, RMB55,320 thousand, RMB47,400 thousand respectively by a subsidiary of the Company from year of 2014 to 2015. Guangdong Guangsheng Non Ferrous Metal Group Co., Ltd. and Guangdong Guangsheng Investment Group Energy Co., Ltd. applied for sequestered account of the subsidiary.

The above-mentioned law cases involve the same third parties, the subsidiary have started a suit accordingly and applied for sealing up related assets, reported to Guangzhou Public Security. It shall be investigated for criminal responsibility requirements. The above case is still under investigation and the financial impact to the subsidiary can not be estimated as at the reporting date.

- (3) Guangzhou Hao Cheng Estate Management Development Co., Ltd. started a suit to the dispute of lease contract by a subsidiary of the Company, and applied for termination to contract. The subsidiary also instituted an action for the unreceived rental of Guangzhou Hao Cheng Estate Management Development Co., Ltd.

The above cases are still under investigation at the moment, and the financial impact to the subsidiary can not be estimated as at the reporting date.

- (4) Guangzhou Lin Hai Trading Industrial Co., Ltd. started a suit to the unreceived payment amounted to RMB8,364.9 thousand by a subsidiary of the Company, and applied for a sequestered account to it in year of 2014. The subsidiary intended to report to court. The above case is still under investigation and the financial impact to the subsidiary can not be estimated as at the reporting date.
- (5) Guangdong Guangsheng Investment Group Energy Co., Ltd. started a suit to the unreceived payment amounted to RMB58,900 thousand by a subsidiary of the Company, and applied for a sequestered account to it in year of 2014. The subsidiary have started a suit accordingly and applied for sealing up related assets, report to Guangzhou Public Security. It shall be investigated for criminal responsibility requirements.

The above case is still under investigation and the financial impact to the subsidiary can not be estimated as at the reporting date.

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 14 CONTINGENCIES (Continued)

- (6) In year 2012, WLJ Great Health, the wholly-owned subsidiary was sued with its unauthorized use of the specific name, package and decoration of famous products by JDB.

Guangdong Higher People's Court rejected the appeal of unauthorized use of the specific name, package and decoration of famous products accused from Guangdong Jiaduobao Co., Ltd. on 19 December 2014. JDB lodged an appeal.

As at the reporting date, this case has been under the jurisdiction of the Guangdong Higher People's Court as specified by the Supreme People's Court. The Company considers that it is not probable that WLJ Great Health will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

- (7) In year 2012, WLJ Great Health, the wholly-owned subsidiary was sued with its unauthorized use of the slogan “怕上火·喝王老吉” by JDB. Chongqing First intermediate people's court rejected the appeal of illicit competition for slogan “怕上火·喝王老吉” accused from Guangdong Jiaduobao Co., Ltd. on 24 December 2013. Meanwhile, the appeal of destroying, no longer using advertisement “怕上火·喝王老吉” and promotion, declaration of apology and compensation amounted to RMB10,000 thousand was rejected. JDB lodged an appeal.

As at the reporting date, this case has been under the jurisdiction of the Chongqing Higher People's Court. The Company considers that it is not probable that WLJ Great Health will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

- (8) In year of 2014, Tong Xing Pharmaceutical conducted prosecution to China International Economic and Trade Arbitration Commission with “V20140834 Dispute case of Shareholder Contract”, which reason is: the use of “Wang Lao Ji” trademark by Guangzhou Wang Lao Ji Great Health Insurtial Co., Ltd. violates the agreement of <Shareholder Contract> and <Articles of Association> of Wang Lao Ji Pharmaceutical. The Company has submitted objection of jurisdiction to Shenzhen Intermediate People's court and China International Economic and Trade Arbitration Commission.

China International Economic and Trade Arbitration Commission notified the suspension of action on 22 April 2015.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 14 CONTINGENCIES (Continued)

- (9) In year of 2014, a subsidiary of the Company received a notice of responding to prosecution which of the contract dispute of financial borrowings of the subsidiary, Jiangmen Yuehui Fuel Co., Ltd. and another 7 companies accused by Guangdong Nanyue Bank and Guangdong Nanyue Bank Jiangmen Branch, according to indictment, Jiangmen Yuehui Fuel Co., Ltd. applied to Guangdong Nanyue Bank for the payment receivable amounted to RMB37,500 thousand of the subsidiary as factoring financing amounted to RMB30,000 thousand, required the subsidiary to take the responsibility of settlement or compensation. The subsidiary considered they should not bear any legal responsibility for fake official seal and signature.

As at the reporting date, this case is under trial. The Company management considers that it is not probable that it will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

- (10) In year of 2015, a subsidiary of the Company, received a notice of responding to prosecution which of the contract dispute of financial borrowings of the subsidiary, Jiangmen Yuehui Fuel Co., Ltd. and another 7 companies accused by Xingye Bank Jiangmen Branch from Guangdong Province Jiangmen City Intermediate People's court, according to indictment, Jiangmen Yuehui Fuel Co., Ltd. applied to Xingye Bank for a borrowing amounted to RMB86,080 thousand by the payment receivable amounted to RMB95,320 thousand of the subsidiary as a pledge, required the subsidiary to take the responsibility of settlement or compensation. The subsidiary have submitted a verification report, and considered they should not bear any legal responsibility for fake official seal and signature.

As at the reporting date, this case is under trial. The Company management considers that it is not probable that it will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

- (11) In year of 2015,, a subsidiary of the Company, received a notice of responding to prosecution which of the contract dispute of financial borrowings of the subsidiary, Jiangmen Yuehui Fuel Co., Ltd. and another 5 companies accused by Xingye Bank Jiangmen Branch from Guangdong Province Jiangmen City Fengjiang District Intermediate People's court, according to indictment, Jiangmen Yuehui Fuel Co., Ltd. applied to Xingye Bank for a commercial bank acceptance amounted to RMB16,800 thousand by the payment receivable amounted to RMB17,000 thousand of the subsidiary as a pledge, required the subsidiary to take the responsibility of settlement or compensation. The subsidiary considered they should not bear any legal responsibility for fake official seal and signature.

As at the reporting date, this case is under trial. The Company management considers that it is not probable that it will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice

# Notes to the Financial Statements

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## 15 EVENTS AFTER THE BALANCE SHEET DATE

- (1) The Company and GPHL entered into <Equity Interest Transfer Agreement> on 7 July 2015, GPHL agreed to transfer total stock right of General Institute for RMB160,197,900 to the Company, the Company agreed to accept and paid all price of transferee to GPHL after signing agreement.
- (2) The Company, Chongqing Pharmaceutical (Group) Holdings Co., Ltd. (Chongqing PH.) and Chongqing Hua Yi Holdings (Group) Company (Chongqing HY), its majority shareholder, entered into <Chongqing Pharmaceutical (Group) Holdings Co., Ltd. Capital Increase Agreement> on 28 July 2015, the Company will purchase 10,000 thousand of new share of Chongqing PH. for RMB15 per share, total price is RMB150 million. After the completion of this capital increase, the Company will hold 2.18% equity interest in Chongqing PH. (the shares of Chongqing PH. held by the Company account for the proportion of the fully-paid general capital after capital increase, which determines the shareholding ratio).

## 16 OTHER SIGNIFICANT EVENTS

- (1) Pursuant to the resolution of the 8th meeting of the sixth board of directors and the thirteenth meeting of the sixth board of directors, the Company intended to issue public A share less than 419,463,087 shares, raise a fund less than RMB1 billion, specific object are GPHL (a shareholder of the Company), Tianfu-Dingzengshengshi No.66 asset management plan (Tianfu-Dingzengshengshi No.66), Guangzhou State-owned Development Holding Co., Ltd., Guangzhou Guoshou City Development Industrial Investment (Limited Partnership), Shanghai Yunfeng Xinchuang Equity Investment Center (Limited Partnership). Benchmark date of this new shares issuance is 13 January 2015, the notice date of the 8th meeting of the sixth board of directors. The issued price of new A share amounted to RMB23.84 per share, no less than 90% of average price of transaction within 20 transaction days before benchmark date. This issued price and amount will be adjusted if there is any dividend distribution, delivering of stock, transfer of capital surplus transferring to share capital between benchmark day and issued date.

The above events have adopted by the first extraordinary general meeting, the First Domestic Share Separate Meeting of Classified of Shareholders 2015 and the First Foreign Share Separate Meeting of Classified of Shareholders.

This non-public offering of A shares is not yet approved by China's Securities Regulatory Commission.

# Notes to the Financial Statements

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## 17 SEGMENT INFORMATION

As the chief operating decision-maker, the BOD assesses performance of the operating segments and allocates resources by reviewing the Group's internal reporting. Management has determined the operating segments based on these reports.

The BOD considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

- Manufacturing: manufacture and sale of western pharmaceutical products, CPM and health products produced by the Group's manufacturing subsidiaries;
- Trading: wholesale and retail of western pharmaceutical products, medical apparatus, CPM and Chinese raw medicine; wholesale of goods other than pharmaceutical products.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

Assets and liabilities are allocated based on the segment operations, expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.



# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 17 SEGMENT INFORMATION (Continued)

- (1) The segment information for the six months ended 30 June 2015 and as of 30 June 2015 is as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	8,035,410,147.32	2,386,160,345.17	50,585,965.54	-	10,472,156,458.03
Inter-segment revenue	115,337,137.50	3,844,113,753.90	378,003,024.96	(4,337,453,916.36)	-
Interest income	(29,006,158.98)	(8,097,789.25)	(3,253,828.06)	4,910,010.95	(35,447,765.34)
Interest expenses	10,780,151.87	31,293,860.48	13,272,541.40	(37,569,383.77)	17,777,169.98
Share of profit or loss of associates and jointly controlled entities	(21,103,079.35)	-	122,227,238.35	(1,095,761.86)	100,028,397.14
Asset impairment losses	9,550,832.61	9,411,027.34	1,073,301.43	(7,924,599.40)	12,110,561.98
Depreciation and amortization	97,264,863.14	2,659,850.82	8,486,924.37	(72,052.50)	108,339,585.83
Total profit	691,232,158.65	40,522,421.44	170,719,288.57	60,506,676.72	962,980,545.38
Income tax expenses	117,833,970.44	9,909,358.34	34,533,561.22	8,236,042.11	170,512,932.11
Net profit (Including: minority interest)	573,398,188.21	30,613,063.10	136,185,727.35	52,270,634.61	792,467,613.27
Total assets	10,829,893,426.83	4,789,328,859.29	8,118,033,597.52	(7,246,486,173.38)	16,490,769,710.26
Total liabilities	6,979,352,703.07	4,488,978,247.31	1,712,200,604.57	(5,039,191,331.16)	8,141,340,223.79
Long-term equity investments in associates and jointly controlled entities	95,716,994.18	-	1,907,100,872.12	-	2,002,817,866.30
Additions of non-current assets other than long-term equity investments	124,732,431.57	7,824,865.38	14,508,541.87	-	147,065,838.82



# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 17 SEGMENT INFORMATION (Continued)

- (2) The segment information for the six months ended 30 June 2014 and as of 31 December 2014 is as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,647,729,182.89	2,353,053,105.96	19,508,048.78	-	10,020,290,337.63
Inter-segment revenue	148,038,521.85	3,039,867,038.15	60,060,666.55	(3,247,966,226.55)	-
Interest income	(22,843,329.04)	(528,905.54)	(711,056.74)	1,807,278.13	(22,276,013.19)
Interest expenses	17,676,152.19	20,465,331.44	12,035,321.00	(30,721,393.86)	19,455,410.77
Share of profit or loss of associates and jointly controlled entities	23,517,070.83	-	107,385,434.91	11,212,104.06	142,114,609.80
Asset impairment losses	4,505,477.60	9,887,528.88	(1,833.53)	(8,284,522.94)	6,106,650.01
Depreciation and amortization	86,550,920.43	2,442,241.72	8,220,757.44	-	97,213,919.59
Total profit	675,173,948.57	46,109,438.73	416,038,085.66	(281,349,861.07)	855,971,611.89
Income tax expenses	96,722,298.96	10,672,515.83	58,076,517.34	(7,152,537.39)	158,318,794.74
Net profit (including: minority interest)	578,451,649.61	35,436,922.90	357,961,568.32	(274,197,323.68)	697,652,817.15
Total assets	9,497,318,906.89	3,988,402,163.66	7,343,152,291.65	(6,618,089,813.05)	14,210,783,549.15
Total liabilities	6,103,667,150.76	3,719,893,239.95	968,512,607.47	(4,540,267,906.82)	6,251,805,091.36
Long-term equity investments in associates and jointly controlled entities	146,820,073.53	-	1,803,945,025.82	-	1,950,765,099.35
Additions of non-current assets other than long-term equity investments	240,459,311.53	2,175,756.45	850,934.51	-	243,486,002.49

# Notes to the Financial Statements

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## 17 SEGMENT INFORMATION (Continued)

The Group's revenue from external customers in the PRC and other countries/regions, and the total non-current assets other than financial assets and deferred tax assets located in the PRC and other countries/regions are summarized as follows:

	<b>For the six months ended 30 June 2015</b>	For the six months ended 30 June 2014
Revenue from external customers		
PRC	<b>10,308,506,194.63</b>	9,757,491,000.81
Other countries/regions	<b>163,650,263.40</b>	262,799,336.82
	<b>10,472,156,458.03</b>	10,020,290,337.63
	<b>30 June 2015</b>	31 December 2014
Total non-current assets		
PRC	<b>5,029,880,799.69</b>	4,939,775,252.86
Other countries/regions	<b>19,644,989.00</b>	20,033,099.69
	<b>5,049,525,788.69</b>	4,959,808,352.55

# Notes to the Financial Statements

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Accounts receivable

(a) The aging of accounts receivable is analyzed as follows:

	<b>30 June 2015</b>	31 December 2014
Within 1 year	<b>189,254,828.01</b>	116,328,699.64
1 to 2 years	<b>33,639.73</b>	40,849.16
2 to 3 years	<b>11,032.00</b>	230,909.31
3 to 4 years	<b>1,757,079.61</b>	1,552,684.23
4 to 5 years	<b>11,281.93</b>	30,193.88
Over 5 years	<b>3,200,580.90</b>	3,170,387.02
	<b>194,268,442.18</b>	121,353,723.24
Less: provision for bad debts	<b>6,737,368.09</b>	5,957,528.95
	<b>187,531,074.09</b>	115,396,194.29

(b) Accounts receivable by categories are analyzed as follows:

	30 June 2015			
	Ending balance	% of total balance	Provision for bad debts	Ratio Carrying amount
Individually significant and subject to separate provisions	1,500,000.00	0.77%	1,500,000.00	100.00% -
Subject to provision by groups: Group 1	191,913,815.94	98.79%	4,382,741.85	2.28% 187,531,074.09
Individually insignificant but subject to separate provisions	854,626.24	0.44%	854,626.24	100.00% -
	<b>194,268,442.18</b>	100.00%	<b>6,737,368.09</b>	<b>3.47% 187,531,074.09</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

(b) Accounts receivable by categories are analyzed as follows: (Continued)

	31 December 2014				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provisions	1,500,000.00	1.24%	1,500,000.00	100.00%	-
Subject to provision by groups: Group 1	118,999,097.00	98.06%	3,602,902.71	3.03%	115,396,194.29
Individually insignificant but subject to separate provisions	854,626.24	0.70%	854,626.24	100.00%	-
	<u>121,353,723.24</u>	100.00%	<u>5,957,528.95</u>	4.66%	<u>115,396,194.29</u>

Classification of accounts receivable: refer to Note 3 (11).

(c) As at 30 June 2015, individually significant and subject to separate provisions are as follow:

	Ending balance	Amount of bad debts	Ratio	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00%	The action is enforced, it is expected that the amount could not be recovered

# Notes to the Financial Statements

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

- (d) The groups of accounts receivable in which provisions are made using aging analysis method are analyzed as follows:

	30 June 2015			31 December 2014		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	189,254,828.01	98.61%	1,892,548.28	116,328,699.64	97.76%	1,163,287.00
1 to 2 years	33,639.73	0.02%	3,363.97	40,849.16	0.03%	4,084.92
2 to 3 years	11,032.00	0.01%	3,309.60	230,909.31	0.19%	69,272.79
3 to 4 years	257,079.61	0.13%	128,539.80	52,684.23	0.04%	26,342.12
4 to 5 years	11,281.93	0.01%	9,025.54	30,193.88	0.03%	24,155.10
Over 5 years	2,345,954.66	1.22%	2,345,954.66	2,315,760.78	1.95%	2,315,760.78
	<b>191,913,815.94</b>	<b>100.00%</b>	<b>4,382,741.85</b>	<b>118,999,097.00</b>	<b>100.00%</b>	<b>3,602,902.71</b>

- (e) As at 30 June 2015, accounts receivable that are individually insignificant but subject to separate provision are as follows:

	Ending balance	Amount of bad debts	Ratio	Reason
Customer 1	470,000.00	470,000.00	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
Customer 2	315,508.74	315,508.74	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
Customer 3	69,117.50	69,117.50	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
	<b>854,626.24</b>	<b>854,626.24</b>	<b>100.00%</b>	

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

- (f) There are no accounts receivables that are reversed or collected during the current period.
- (g) There are no accounts receivables that are collected by restructuring or other manners during the current period.
- (h) There are no accounts receivables that written off during the current period.
- (i) As at 30 June 2015, there are no accounts receivable due from shareholders who hold more than 5% (including 5%) of the voting rights of the Company.
- (j) As at 30 June 2015, accounts receivable with significant balance are analyzed as follows:

Name of the entity	Relation with the Company	Amount	Aging	% of total balance
Customer 1	Related party	108,239,784.32	Within 1 year	55.72%
Customer 2	Third party	8,243,030.77	Within 1 year	4.24%
Customer 3	Third party	6,856,000.00	Within 1 year	3.53%
Customer 4	Third party	3,633,574.01	Within 1 year	1.87%
Customer 5	Related party	3,471,386.00	Within 1 year	1.79%
		130,443,775.10		67.15%

- (k) Accounts receivable from related parties are analyzed as follows:

Name of the entity	Relation with the Company	Amount	Aging	% of total balance
Baiyunshan Pharmaceutical Technology	subsidiary	108,239,784.31	Within 1 year	55.72%
Tian Xin	subsidiary	3,471,386.00	Within 1 year	1.79%
Cha Zhi Lin	subsidiary	3,251,923.03	Within 1 year	1.67%
GP Corp.	Jointly controlled entity	379,268.89	Within 1 year	0.20%
HWBYS	Jointly controlled entity	275,413.49	Within 1 year	0.14%
Guangzhou Baiyunshan Pharmaceutical Sales Co., Ltd	Wholly-owned subsidiary	242,000.00	Within 1 year	0.12%
Pharmaceutical Import & Export	Wholly-owned subsidiary	28,111.00	Within 1 year	0.01%
		115,887,886.72		59.65%

- (l) There are no accounts receivables derecognized during the current period.
- (m) As at 30 June 2015, there are no securitizations that targeted at accounts receivable.

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables

	<b>30 June 2015</b>	31 December 2014
Receivables due from related parties	<b>1,251,327,815.22</b>	1,254,880,732.49
Including: Entrusted loan	<b>548,200,000.00</b>	467,000,000.00
Others	<b>703,127,815.22</b>	787,880,732.49
Rentals, deposits and staff advances	<b>250,731,411.66</b>	14,025,092.95
Others	<b>27,501,203.77</b>	22,911,387.29
	<b>1,529,560,430.65</b>	1,291,817,212.73
Less: Provision for bad debts	<b>5,765,430.48</b>	5,565,468.55
	<b>1,523,795,000.17</b>	1,286,251,744.18

(a) The aging of other receivables is analyzed as follows:

	<b>30 June 2015</b>	31 December 2014
Within 1 year	<b>1,502,033,119.74</b>	1,262,142,235.17
1 to 2 years	<b>4,601,818.79</b>	5,376,202.52
2 to 3 years	-	725,196.87
3 to 4 years	<b>378,438.87</b>	282,778.11
4 to 5 years	<b>503,713.62</b>	294,295.00
Over 5 years	<b>22,043,339.63</b>	22,996,505.06
	<b>1,529,560,430.65</b>	1,291,817,212.73



# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

(b) Other receivables by categories are analyzed as follows:

	30 June 2015				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	932,121.11	0.06%	932,121.11	100.00%	-
Subject to provision by groups:					
Group 1	10,969,846.05	0.72%	1,527,324.85	13.92%	9,442,521.20
Group 2	12,293,252.09	0.80%	-	0.00%	12,293,252.09
Group 3	1,251,327,815.22	81.81%	-	0.00%	1,251,327,815.22
Group 4	250,731,411.66	16.39%	-	0.00%	250,731,411.66
Individually insignificant but subject to separate provision	3,305,984.52	0.22%	3,305,984.52	100.00%	-
	<u>1,529,560,430.65</u>	100.00%	<u>5,765,430.48</u>	0.38%	<u>1,523,795,000.17</u>
	31 December 2014				
	Ending balance	% of total balance	Provision for bad debts	Ratio	Carrying amount
Individually significant and subject to separate provision	932,121.11	0.07%	932,121.11	100.00%	-
Subject to provision by groups:					
Group 1	10,449,870.75	0.81%	1,700,949.92	16.28%	8,748,920.83
Group 2	8,596,997.91	0.67%	-	0.00%	8,596,997.91
Group 3	1,254,880,732.49	97.13%	-	0.00%	1,254,880,732.49
Group 4	14,025,092.95	1.09%	-	0.00%	14,025,092.95
Individually insignificant but subject to separate provision	2,932,397.52	0.23%	2,932,397.52	100.00%	-
	<u>1,291,817,212.73</u>	100.00%	<u>5,565,468.55</u>	0.43%	<u>1,286,251,744.18</u>

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

- (c) Other receivables that are individually significant and subject to separate provision are analyzed as follows:

Name of entity	Ending balance	Provision for bad debts	Ratio	Reason
Other receivables 1	502,043.54	502,043.54	100.00%	it is expected that the amount would not be recoverable
Other receivables 2	430,077.57	430,077.57	100.00%	it is expected that the amount would not be recoverable
	<u>932,121.11</u>	<u>932,121.11</u>		

- (d) The groups of other receivables in which provisions are made using aging analysis method are analyzed as follows:

	30 June 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	9,268,541.46	84.49%	92,685.41	7,927,161.10	75.86%	79,271.62
1 to 2 years	48,270.00	0.44%	4,827.00	310,094.98	2.97%	31,009.50
2 to 3 years	-	0.00%	-	698,196.87	6.68%	209,459.06
3 to 4 years	326,438.87	2.98%	163,219.44	230,178.11	2.20%	115,089.06
4 to 5 years	300,013.62	2.73%	240,010.90	90,595.00	0.87%	72,476.00
Over 5 years	1,026,582.10	9.36%	1,026,582.10	1,193,644.69	11.42%	1,193,644.68
	<u>10,969,846.05</u>	100.00%	<u>1,527,324.85</u>	<u>10,449,870.75</u>	100.00%	<u>1,700,949.92</u>

- (e) There are no receivables that are subject to fully provision or in large portionate but are reversed or collected in full amount or in large portionate in the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

- (f) There are no others receivables collected by restructuring or other manners in the current period.
- (g) As at 30 June 2015, other receivables due from shareholders who hold more than 5% (including 5%) of the voting rights of the Company was receivables due from GPLH amounted to RMB338 thousand.(31 December 2014: RMB204 thousand)
- (h) As at 30 June 2015, the top five of other receivables are analyzed as follows:

Name of entity	Relation of the Company	Amount	Aging	% of total balance
Other receivables 1	Wholly-owned subsidiary	538,683,204.87	Within 1 year	35.22%
Other receivables 2	Third party	230,000,000.00	Within 1 year	15.04%
Other receivables 3	Wholly-owned subsidiary	228,287,163.15	Within 1 year	14.93%
Other receivables 4	Wholly-owned subsidiary	100,379,161.95	Within 1 year	6.56%
Other receivables 5	Wholly-owned subsidiary	69,658,618.02	Within 1 year	4.55%
		<u>1,167,008,147.99</u>		<u>76.30%</u>

- (i) Other receivables due from related parties are analyzed as follows:

	Relation with the Company	Amount	% of total balance
GPLH	Parent company	337,812.00	0.02%
HWBYS	Jointly controlled entity	19,504,769.62	1.28%
GP Corp.	Jointly controlled entity	1,309,637.65	0.09%
Wang Lao Ji	Jointly controlled entity	19,660,754.13	1.29%
Baxter Qiao Guang	Jointly controlled entity	1,250,000.00	0.08%
Xing Qun	Subsidiary	69,658,618.02	4.55%
Zhong Yi	Wholly-owned subsidiary	20,273,265.92	1.33%
Chen Li Ji	Wholly-owned subsidiary	76,874.26	0.01%
Guangzhou Han Fang	Subsidiary	8,057,509.43	0.53%
Jing Xiu Tang	Subsidiary	106,395.20	0.01%
Pan Gao Shou	Subsidiary	406,759.67	0.03%
Cai Zhi Lin	Wholly-owned subsidiary	538,683,204.87	35.22%
Pharmaceutical Import and Export	Wholly-owned subsidiary	228,287,163.15	14.93%
Guangzhou Bai Di	Subsidiary	68,325,462.03	4.47%
WLJ Great Health	Wholly-owned subsidiary	51,315,215.48	3.35%
Guangxi Ying Kang	Subsidiary	6,016,467.57	0.39%

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For the six months ended 30 June 2015  
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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

(i) Other receivables due from related parties are analyzed as follows: (Continued)

	Relation with the Company	Amount	% of total balance
Qi Xing	Indirect Subsidiary	3,181,683.59	0.21%
Xing Zhou	Subsidiary	15,000,000.00	0.98%
Tian Xin	Subsidiary	30,837,313.38	2.02%
Guang Hua	Subsidiary	164,553.55	0.01%
Ming Xing	Wholly-owned subsidiary	100,379,161.95	6.56%
Wei Ling	Wholly-owned subsidiary	67,241,649.07	4.40%
Baiyunshan Pharmaceutical Technology	Subsidiary	443,397.15	0.03%
Guangyao Baiyunshan Hong Kong Company	Wholly-owned subsidiary	305,147.53	0.02%
Guangyao Haima	Wholly-owned subsidiary	505,000.00	0.03%
		<u>1,251,327,815.22</u>	<u>81.84%</u>

(j) As at 30 June 2015, there are no other receivables that are derecognized.

(k) As at 30 June 2015, there are no securitizations that targeted at other receivables.

### (3) Long-term equity investments

Item	30 June 2015			31 December 2014		
	Book balance	Provision for impairment	Current amount	Book balance	Provision for impairment	Current amount
For subsidiary investment	1,922,121,363.78	171,000,000.00	1,751,121,363.78	1,796,121,363.78	171,000,000.00	1,625,121,363.78
For Joint entity, and Associates investment	1,903,629,327.90	-	1,903,629,327.90	1,801,352,083.59	-	1,801,352,083.59
Total	<u>3,825,750,691.68</u>	<u>171,000,000.00</u>	<u>3,654,750,691.68</u>	<u>3,597,473,447.37</u>	<u>171,000,000.00</u>	<u>3,426,473,447.37</u>

# Notes to the Financial Statements

For the six months ended 30 June 2015

(All amounts in Renminbi yuan unless otherwise stated)

(English Translation for Reference Only)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investments (Continued)

#### (a) For subsidiary investment

Name of entity	31 December 2014	Current increase	Current decrease	30 June 2015	Impairment losses recognized in current period	Provision for impairment on 30 June 2015
Xing Qun	125,322,300.00	-	-	125,322,300.00	-	-
Zhong Yi	324,320,391.34	-	-	324,320,391.34	-	-
Chen Li Ji	142,310,800.00	-	-	142,310,800.00	-	-
Guangzhou Han Fang	249,017,109.58	-	-	249,017,109.58	-	55,000,000.00
Guangzhou Qi Xing Factory Co., Ltd	126,775,500.00	-	-	126,775,500.00	-	-
Jing Xiu Tang	101,489,800.00	-	-	101,489,800.00	-	-
Pan Gao Shou	144,298,200.00	-	-	144,298,200.00	-	-
Cai Zhi Lin	89,078,900.00	-	-	89,078,900.00	-	69,000,000.00
Pharmaceutical Import & Export	18,557,303.24	-	-	18,557,303.24	-	-
Guangzhou Bai Di	129,145,812.38	-	-	129,145,812.38	-	47,000,000.00
Guangxi Ying Kang	21,536,540.49	-	-	21,536,540.49	-	-
WLJ Great Health	10,000,000.00	90,000,000.00	-	100,000,000.00	-	-
Guangzhou Yi Gan	12,600,000.00	-	-	12,600,000.00	-	-
Xing Zhou	64,860,000.00	-	-	64,860,000.00	-	-
Guangyao Baiyunshan Hong Kong Company	35,410,006.87	-	-	35,410,006.87	-	-
Tian Xin	96,192,658.47	-	-	96,192,658.47	-	-
Guang Hua	53,659,963.75	-	-	53,659,963.75	-	-
Ming Xing	12,581,294.18	-	-	12,581,294.18	-	-
Wei Ling	10,444,783.48	-	-	10,444,783.48	-	-
Baiyunshan Pharmaceutical Technology	1,020,000.00	-	-	1,020,000.00	-	-
Great Health Hotel	500,000.00	-	-	500,000.00	-	-
Baiyunshan Medical Health	1,000,000.00	19,000,000.00	-	20,000,000.00	-	-
Guangzhou Baiyunshan Chemical Technology Co., Ltd.	26,000,000.00	-	-	26,000,000.00	-	-
Guangyao Haima	-	7,000,000.00	-	7,000,000.00	-	-
Guangzhou Baiyunshan Pharmaceutical Sales Co., Ltd.	-	10,000,000.00	-	10,000,000.00	-	-
<b>Total</b>	<b>1,796,121,363.78</b>	<b>126,000,000.00</b>	<b>-</b>	<b>1,922,121,363.78</b>	<b>-</b>	<b>171,000,000.00</b>

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investments (Continued)

#### (b) For joint ventures, and associates investments

Name of entity	Investment cost	31 December 2014	Current period movement	Under the equity method to confirm the investment profit and loss	Current period movement on other comprehensive income	Other equity movement	Cash dividends declared to distribute	Others	30 June 2015	Provision for impairment	Impairment losses recognized in current period	Cash dividend in current period
<b>Equity method:</b>												
<b>Jointly-controlled entities:</b>												
GP Corp.	366,589,137.78	1,043,164,357.93	-	62,640,465.54	(60,983.96)	110,889.92	-	-	1,110,854,829.43	-	-	-
Wang Lao Ji	102,035,124.44	379,004,767.12	-	394,833.92	-	-	-	-	379,399,636.04	-	-	-
HMB'S	100,000,000.00	317,471,485.81	-	59,939,044.54	-	-	(20,000,000.00)	-	357,380,540.35	-	-	20,000,000.00
Baxter (Guang	37,000,000.00	25,946,153.42	-	(3,482,282.75)	-	-	-	-	22,463,870.67	-	-	-
<b>Associates:</b>												
Guangzhou Jinster Pharmaceutical Technology Co., Ltd.	765,000.00	-	-	-	-	-	-	-	-	-	-	-
Golden Eagle Asset Management Co., Ltd.	50,000,000.00	28,806,601.98	-	2,734,741.88	-	-	-	-	31,541,343.86	-	-	-
Wei Yi Co., Ltd.	2,020,000.00	1,953,707.33	-	10,430.22	-	-	-	-	1,969,137.55	-	-	-
<b>Sub-total of equity method</b>	<b>688,409,264.22</b>	<b>1,801,352,083.59</b>	<b>-</b>	<b>122,227,236.35</b>	<b>(60,983.96)</b>	<b>110,889.92</b>	<b>(20,000,000.00)</b>	<b>-</b>	<b>1,909,629,927.90</b>	<b>-</b>	<b>-</b>	<b>20,000,000.00</b>

There are no limitation on fund transfer between the Group and its investing entities.

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Revenue and cost of sales

For the six months ended 30 June 2015			
	Principal operations	Other operations	Subtotal
Revenue	1,439,151,899.26	213,827,002.26	1,652,978,901.52
Cost of operation	734,054,390.89	101,346,274.09	835,400,664.98
Gross profit	705,097,508.37	112,480,728.17	817,578,236.54

  

For the six months ended 30 June 2014			
	Principal operations	Other operations	Subtotal
Revenue	1,372,198,379.78	222,297,074.20	1,594,495,453.98
Cost of operation	815,190,466.19	114,259,782.09	929,450,248.28
Gross profit	557,007,913.59	108,037,292.11	665,045,205.70

(a) Revenue and cost of principal operations by natures are summarised as follows:

	Revenue from principal operations		Cost of principal operations	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Manufacturing	1,438,908,822.83	1,371,824,628.91	733,820,518.82	814,833,430.54
Trading	243,076.43	373,750.87	233,872.07	357,035.65
	<b>1,439,151,899.26</b>	1,372,198,379.78	<b>734,054,390.89</b>	815,190,466.19



# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Revenue and cost of sales (Continued)

(b) Revenue and cost of principal operations by regions are summarised as follows:

	Revenue from principal operations		Cost of principal operations	
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Southern China	<b>1,210,836,953.99</b>	1,125,354,889.51	<b>633,047,816.59</b>	698,205,479.00
Eastern China	<b>115,140,499.85</b>	129,676,871.80	<b>37,535,139.33</b>	47,435,834.54
Northern China	<b>37,094,785.28</b>	41,966,921.87	<b>21,338,786.60</b>	24,427,906.07
North east China	<b>4,734,579.99</b>	9,136,984.59	<b>3,100,306.17</b>	6,769,184.22
South west China	<b>67,227,880.93</b>	58,137,741.25	<b>36,852,719.53</b>	32,605,594.95
North west China	<b>4,117,199.22</b>	4,432,637.43	<b>2,179,622.67</b>	2,925,688.24
Other countries	-	3,492,333.33	-	2,820,779.17
	<b>1,439,151,899.26</b>	1,372,198,379.78	<b>734,054,390.89</b>	815,190,466.19

(c) The total top five of customer sales is RMB1,172,257 thousand, which is 81.45% of revenue from principal operations this period.

	Revenue from principal operations	% of revenue from principal operations of the company
Customer 1	<b>994,473,527.95</b>	69.10%
Customer 2	<b>102,365,520.84</b>	7.11%
Customer 3	<b>27,537,367.52</b>	1.91%
Customer 4	<b>26,334,358.99</b>	1.83%
Customer 5	<b>21,546,382.04</b>	1.50%
	<b>1,172,257,157.34</b>	81.45%

# Notes to the Financial Statements

For the six months ended 30 June 2015

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(English Translation for Reference Only)

## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (5) Investment income

#### (a) Details of Investment income

	<b>For the six months ended 30 June 2015</b>	For the six months ended 30 June 2014
Income from financial assets:		
Income from financial assets held for trading	-	-
Income from available-for-sale financial assets	<b>1,125,300.00</b>	-
Income from entrusted loans	<b>13,762,907.96</b>	8,097,525.82
Income from long-term equity investments under cost method	-	272,844,624.19
Income from long-term equity investments under equity method	<b>122,227,238.35</b>	107,385,434.91
Income from disposal long-term equity investments	-	-
	<b>137,115,446.31</b>	<b>388,327,584.92</b>

- (b) Among the long-term equity investments measured at cost method, details of investment income accounted for more than 10% of net profit are as below:

	<b>For the six months ended 30 June 2015</b>	For the six months ended 30 June 2014
Zhong Yi	-	60,530,209.67
WLJ Great Health	-	182,150,646.65
	-	242,680,856.32

# Notes to the Financial Statements

For the six months ended 30 June 2015  
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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(Continued)*

### (5) Investment income *(Continued)*

- (c) Among the long-term equity investments measured at equity method, details of investment income accounted for more than 10% of net profit are as below:

	<b>For the six months ended 30 June 2015</b>	For the six months ended 30 June 2014
GP Corp.	<b>62,640,465.54</b>	42,904,579.46
HWBYS	<b>59,909,044.54</b>	51,059,196.67
	<b><u>122,549,510.08</u></b>	<b><u>93,963,776.13</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2015

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## 18 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (6) Supplementary information to the Company's cash flow statement

	For the six months ended 30 June 2015	For the six months ended 30 June 2014
(a) Reconciliation from net profit to cash flows from operating activities		
Net profit	<b>369,612,377.69</b>	558,093,398.99
Add: Provisions for asset impairment	<b>681,567.28</b>	1,276,338.08
Depreciation and amortization of fixed assets and investment property	<b>27,658,159.50</b>	24,913,726.32
Amortization of intangible assets	<b>3,384,715.06</b>	2,547,608.76
Amortization of long-term prepaid expenses	<b>168,804.75</b>	112,240.94
Gains on disposal of fixed assets, intangible assets and other long-term assets	<b>198,994.00</b>	330,406.49
Losses on scrapping of fixed assets	<b>(36,682.50)</b>	-
Loss (less: gains) on change in fair value	<b>(2,378,598.90)</b>	(45,693.30)
Financial expenses	<b>15,937,307.63</b>	13,501,071.28
Investment income	<b>(137,115,446.31)</b>	(401,211,472.07)
Decrease in deferred tax assets	<b>3,614,174.38</b>	1,485,469.69
Increase (less: decrease) in deferred tax liabilities	-	-
Decrease (less: increase) in inventories	<b>37,677,975.10</b>	21,431,228.44
Decrease in operating receivables	<b>(270,512,572.70)</b>	(192,991,955.88)
Increase in operating payables	<b>242,685,869.37</b>	36,650,405.73
Others	-	-
Net cash flows from operating activities	<b>291,576,644.35</b>	66,092,773.47
(b) Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
(c) Net movement in cash and cash equivalents		
Cash at end of period	<b>814,141,091.23</b>	549,213,250.72
Less: Cash at beginning of year	<b>709,868,368.22</b>	462,902,261.84
Add: Cash equivalents at end of period	-	-
Less: Cash equivalents at beginning of year	-	-
Net movement in cash and cash equivalents	<b>104,272,723.01</b>	86,310,988.88

# Notes to the Financial Statements

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## 19 NET CURRENT ASSETS

	The Group	
	30 June 2015	31 December 2014
Current assets	<b>11,089,191,115.34</b>	8,889,049,004.68
Less: Current liabilities	<b>7,895,950,426.32</b>	6,061,527,138.19
Net current assets	<b>3,193,240,689.02</b>	2,827,521,866.49

  

	The Company	
	30 June 2015	31 December 2014
Current assets	<b>3,858,780,466.05</b>	3,369,892,536.02
Less: Current liabilities	<b>2,139,003,170.75</b>	1,468,104,803.42
Net current assets	<b>1,719,777,295.30</b>	1,901,787,732.60

# Notes to the Financial Statements

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## 20 TOTAL ASSETS LESS CURRENT LIABILITIES

	<b>The Group</b>	
	<b>30 June 2015</b>	31 December 2014
Total assets	<b>16,490,769,710.26</b>	14,210,783,549.15
Less: Current liabilities	<b>7,895,950,426.32</b>	6,061,527,138.19
Total assets less current liabilities	<b>8,594,819,283.94</b>	8,149,256,410.96

  

	<b>The Company</b>	
	<b>30 June 2015</b>	31 December 2014
Total assets	<b>8,697,125,771.14</b>	7,998,436,046.80
Less: Current liabilities	<b>2,139,003,170.75</b>	1,468,104,803.42
Total assets less current liabilities	<b>6,558,122,600.39</b>	6,530,331,243.38

# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

## 1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

Item	For the six months ended 30 June 2015	For the six months ended 30 June 2014
Losses on disposal of non-current assets	(427,585.16)	(697,635.78)
Tax return or exemption without proper authorization	-	-
Government grants recognized in profits or losses(excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	42,665,013.26	15,026,828.43
Interests received from entities other than financial institutions recognized in profits or losses	-	-
Gains arising from the difference between Investment cost on subsidiaries, associates and jointly controlled entities and the fair value of the net assets attributable to the Group	-	-
Gains or losses arising from non-monetary assets exchange	-	-
Gains or losses arising from entrusted investments or entrusted asset management	-	-
Asset impairment provided in current year due to forced majeure (e.g. natural disasters)	-	-
Gains or losses arising from debt restructuring	-	-
Corporate restructuring costs (e.g. staff replacement costs and costs during the course of integration)	-	-
Gains or losses arising from the difference between the fair value and transaction price in obviously unfair transactions	-	-
Net profit of subsidiaries acquired under common control from beginning of year to the merger date	-	-
Gains or losses arising from contingencies irrelevant to the Group's normal business	-	-
Gains or losses from changes in fair value of financial assets and liabilities held for trading except for hedging contracts and disposal of financial assets and liabilities held for trading and available-for-sale financial assets	2,378,598.90	45,693.30
Reversal of provision for bad-debts of accounts receivable subject to separate provision	203,895.16	-
Gains or losses arising from entrusted loan granted to other entities	(816,443.69)	(484,907.51)
Gains or losses arising from changes in fair value of investment properties under fair value model	-	-



# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)  
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## 1 SUMMARY OF NON-RECURRING PROFIT OR LOSS (Continued)

Item	For the six months ended 30 June 2015	For the six months ended 30 June 2014
One-off adjustments to profit or loss as required by taxation and accounting laws and regulations	-	-
Consignment fee income arising from entrusted operations	-	-
Other non-operating income and expenses other than the above-mentioned items	<b>(36,807,885.22)</b>	1,630,730.47
Other profit or loss items meeting the definition of non-recurring profit or loss	-	-
Impact on income tax	<b>(1,670,508.58)</b>	(1,173,253.24)
Impact on minority interests (post-tax)	<b>(296,977.00)</b>	(380,935.19)
Total	<b>5,228,107.67</b>	13,966,520.48

## 2 RETURN ON NET ASSETS AND EARNINGS PER SHARE:

For the six months ended 30 June 2015	Earnings per share		
	Weighted average return on net assets (%)	Weighted average basic earnings per share	Weighted average diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	<b>9.54%</b>	<b>0.600</b>	<b>0.600</b>
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	<b>9.47%</b>	<b>0.596</b>	<b>0.596</b>
	Earnings per share		
	Weighted average return on net assets (%)	Weighted average basic earnings per share	Weighted average diluted earnings per share
For the six months ended 30 June 2014			
Net profit attributable to ordinary shareholders of the Company	9.73%	0.522	0.522
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.53%	0.511	0.511

## Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)  
(English Translation for Reference Only)

### 2 RETURN ON NET ASSETS AND EARNINGS PER SHARE: (Continued)

	Earnings per share		
	Overall diluted return on net assets (%)	Overall diluted basic earnings per share	Overall diluted earnings per share
<b>For the six months ended 30 June 2015</b>			
Net profit attributable to ordinary shareholders of the Company	9.53%	0.600	0.600
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.46%	0.596	0.596

	Earnings per share		
	Overall diluted return on net assets (%)	Overall diluted basic earnings per share	Overall diluted earnings per share
<b>For the six months ended 30 June 2014</b>			
Net profit attributable to ordinary shareholders of the Company	9.35%	0.522	0.522
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.16%	0.511	0.511

The Group presented return on net assets and earnings per share in accordance with the regulations of <Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share > (revised 2010).

## Documents Available for Inspection

- I. The financial statements signed and stamped by the legal representative, responsible persons in charge of the accounting work of the Company and the responsible person of the accounting firm;
- II. The auditor's reports signed by BDO China Shu Lun Pan CPAS LLP together with the financial statements prepared in accordance with China Accounting Standards for Business Enterprises;
- III. The original company documents disclosed and announcements published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) during the Reporting Period;
- IV. The documents listed above are available at the Secretariat of the Company.