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**廣州白雲山醫葯集團股份有限公司**

**GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.**

*(a joint stock company with limited liability established in the People's Republic of China)*  
(H Share Stock Code: 0874)

## **SUMMARY OF THE 2018 INTERIM REPORT**

### **1. IMPORTANT NOTICE**

- 1.1 This summary is extracted from the full text of the 2018 interim report of the Company for the six months ended 30 June 2018. Investors who wish to know more details are advised to refer to the full text of the 2018 interim report which will be published on the website (<http://www.sse.com.cn>) of SSE, and on the website (<http://www.hkex.com.hk>) of HKEx or other websites designated by CSRC carefully.
- 1.2 The Board, the Supervisory Committee and the directors, supervisors and senior management 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.
- 1.3 All the directors were present at the 15th meeting of the seventh session of the Board, among whom, Mr. Chu Xiaoping, Mr. Jiang Wenqi and Mr. Wong Hin Wing, all being independent non-executive directors, attended the meeting by telephone.
- 1.4 The financial report of the Group and the Company for the Reporting Period was prepared in accordance with the China Accounting Standards for Business Enterprises, which was unaudited.
- 1.5 All the information required to be contained in the summary of the 2018 interim report of the Company pursuant to paragraph 46 of Appendix 16 to the Listing Rules has been published on the website of HKEx in due course.
- 1.6 This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

## 2. DEFINITIONS

In this summary, unless the context otherwise requires, the following terms have the meaning as follows:

Company/The 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 2018
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
Listing Rules of HKEx	the Rules Governing the Listing of Securities on the HKEx
Listing Rules of SSE	the Rules Governing the Listing of Stock on SSE
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)
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)
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)
Guangxi Ying Kang	Guangxi Baiyunshan Ying Kang Pharmaceutical Co., Ltd. (廣西白雲山盈康藥業有限公司)

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)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司廣州白雲山製藥總廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical 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)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Baiyunshan Pharmaceutical Marketing	Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd. (廣州白雲山醫藥銷售有限公司)
Baiyunshan 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)
WLJ Investment	Guangzhou WLJ Investment Co., Ltd. (廣州王老吉投資有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Co., Ltd. (廣州白雲山醫療器械投資有限公司)
Guangzhou Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)

Xing Zhu	Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (廣州白雲山星珠藥業有限公司)
WLJ Ya'an	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. (王老吉大健康產業(雅安)有限公司)
Chemical & Pharmaceutical Technology	Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣州白雲山化學藥科技有限公司)
Pharmaceutical Technology	Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd. (廣州白雲山醫藥科技發展有限公司)
WLJ Great Health Corporate Development Company	Guangzhou WLJ Great Health Corporate Development Co., Ltd. (廣州王老吉大健康企業發展有限公司)
Yi Gan	Guangzhou Guangyao Yi Gan Biology Products Holdings Company Limited (廣州廣藥益甘生物製品股份有限公司)
GZ SOA Development	Guangzhou State-owned Asset Development Holdings Limited (廣州國資發展控股有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
Yunfeng Investment	Shanghai Yunfeng Xinchuang Equity Investment Center (Limited Partnership) (上海雲鋒新創股權投資中心(有限合夥))
Yi Xin Tang	Yunnan Hongxiang Yixintang Pharmaceutical (Group) Co., Ltd. (雲南鴻翔一心堂藥業(集團)股份有限公司)
Alliance BMP	Alliance BMP Limited
Zhongcheng Medical Device	Guangzhou Zhongcheng Medical Device Industry Development Co., Ltd. (廣州眾成醫療器械產業發展有限公司)

### 3. COMPANY PROFILE

#### 3.1 Company profile

Stock abbreviation	BAIYUNSHAN	
Stock code	600332 (A Share)	
Stock exchange	SSE	
Stock abbreviation	BAIYUNSHAN PH	
Stock code	0874 (H Share)	
Stock exchange	HKEx	
	<b>Secretary to the Board</b>	<b>Representative of securities affairs</b>
Name	Huang Xuezheng	Huang Ruimei
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Internet website	http://www.gybys.com.cn	
Principal place of business in Hong Kong	Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong	

### 3.2 Principal financial data

	<b>The Reporting Period (unaudited)</b>	The corresponding period of 2017 (unaudited)	Changes as compared with the corresponding period of 2017 (%)
<b>Principal accounting data</b>			
Operating income <i>(RMB'000)</i>	14,840,014	11,115,338	33.51
Net profit attributable to the shareholders of the Company <i>(RMB'000)</i>	2,619,000	1,158,140	126.14
Net profit attributable to the shareholders of the Company after deducting non-recurring items <i>(RMB'000)</i>	1,540,996	1,127,109	36.72
Net cash flow from operating activities <i>(RMB'000)</i>	1,202,777	864,999	39.05
Net cash flow from operating activities per share <i>(RMB)</i>	0.74	0.53	39.05
Total profit <i>(RMB'000)</i>	3,011,163	1,400,428	115.02

	<b>As at 30 June 2018 (unaudited)</b>	As at 31 December 2017 (audited)	Changes as compared with 31 December 2017 (%)
<b>Principal accounting data</b>			
Net assets attributable to the shareholders of the Company <i>(RMB'000)</i>	20,869,852	18,867,108	10.62
Total assets <i>(RMB'000)</i>	48,191,445	28,310,301	70.23
Equity attribute to the shareholders of the Company per share <i>(RMB)</i>	12.84	11.60	10.62

	<b>The Reporting Period (unaudited)</b>	The corresponding period of 2017 (unaudited)	Changes as compared with the corresponding period of 2017 (%)
<b>Principal financial indicators</b>			
Basic earnings per share <i>(RMB)</i>	1.611	0.712	126.14
Diluted earnings per share <i>(RMB)</i>	1.611	0.712	126.14
Basic earnings per share after deducting non-recurring items <i>(RMB)</i>	0.948	0.693	36.72
Ratio of weighted average return on net assets (%)	12.98	6.46	An increase of 6.52 percentage points
Ratio of weighted average return on net assets after deducting non-operating items (%)	7.64	6.29	An increase of 1.35 percentage points

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

### 3.3 Movement in share capital

Applicable  Not applicable

### 3.4 Change in shares with selling restrictions

Applicable  Not applicable

### 3.5 The top ten shareholders as at the end of the Reporting Period

Total number of shareholders as at the end of the Reporting Period 58,906

The top ten shareholders of the Company as at 30 June 2018 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 shares <i>(share)</i>	Nature of shares
GPHL	0	732,305,103	45.04	148,338,467	0	Domestic shares
HKSCC Nominees Limited	16,000	219,693,469	13.51	0	0	H shares
GZ SOA Development	0	87,976,539	5.41	87,976,539	0	Domestic shares
China Securities Finance Corporation Limited	30,834,857	78,438,439	4.82	0	0	Domestic shares
GZ Chengfa	0	73,313,783	4.51	73,313,783	0	Domestic shares
Yunfeng Investment	0	21,222,410	1.31	21,222,410	21,222,410	Domestic shares
Central Huijin Asset Management Co., Ltd.	0	15,260,700	0.94	0	0	Domestic shares
The National Social Security Fund – One Zero Five Combination	10,326,823	10,326,823	0.64	0	0	Domestic shares
HKSCC	2,936,781	6,714,769	0.41	0	0	Domestic shares
The National Social Security Fund – Six Zero Three Combination	5,863,662	5,863,662	0.36	0	0	Domestic shares

- Explanation on the connection or persons acting in concert among the above shareholders
- (1) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.
  - (2) The Company was not aware of whether there is any connection among the above shareholders, or whether they were parties acting in concert as provided under the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.

### 3.6 Change of controlling shareholder and beneficial owner of the Company

Applicable  Not applicable

## 4. DISCUSSION AND ANALYSIS OF OPERATION

### 4.1 Management discussion and analysis

During the Reporting Period, the Group actively adapted to the new normality of economic development according to the development idea of “a year of innovation and efficiency enhancement” by insisting on maintaining stability while making progress, adhering to the requirements of high quality development and accelerating business structure adjustment with innovation driven focus, sustainable stable development was maintained in the operating results. In the first half of 2018, the Group’s revenue amounted to RMB14,840,014,000, increased by 33.51%; the total profit was RMB3,011,163,000, increased by 115.02%; and the net profit attribute to shareholders of the Company was RMB2,619,000,000, increased by 126.14%.

When compared with the corresponding period in 2017, the Group recorded a more remarkable growth in operating results during the Reporting Period, which was mainly attributed to the following reasons, including: (1) During the Reporting Period, the Group made further development progress in various business segments and increased market expansion efforts, resulted in steady and faster development in the principal businesses. (2) During the Reporting Period, the major asset purchase event of acquiring 30% equity interest in GP Corp. in cash by the Company and the asset transfer and change in business registration was completed on 31 May 2018. Thereafter, GP Corp. became a subsidiary controlled as to 80% by the Company and was consolidated into the Company’s accounts. Taking account of the above situation and in accordance with Accounting Standards for Business Enterprises, income from operations of GP Corp. for June was included in the Company’s consolidated financial statements, leading to a higher year-on-year growth in operations income. Moreover, for the Company’s existing shareholding in the acquiree on the acquisition date, such shareholding was re-measured at fair value on the acquisition date and the difference of RMB826 million between the fair value and the book value was included in the “investment gain” item of the income statement for the Reporting Period, leading to a substantial year-on-year increase in profit. (3) Through involvement in a non-public share issue by Yi Xin Tang in December 2017, the Company currently holds 41,928,721 shares representing 7.38% shareholding of such company, and is the third largest shareholder of such company. On 8 May 2018, at the general meeting of Yi Xin Tang, the directorial candidate nominated by the Company was elected as director. At the present stage, the Company and Yi Xin Tang have commenced cooperation in certain projects relating to distribution business. Taking account of the above situation and in accordance with Accounting Standards for Business Enterprises, the Company determined that it has significant influence over Yi Xin Tang and re-categorized its shareholding in Yi Xin Tang as “long-term equity investments” instead of “other non-current financial asset” and the shareholding is accounted by equity method. During the Reporting Period, the fair value of such investment increased by RMB255 million. The growth in value was included in “profit or loss arising from the changes in fair value” item in the income statement for the Reporting Period, leading to a higher total profit for the Reporting Period.

During the Reporting Period, the Group made solid progress in the following areas.

Firstly, we continued to increase efforts in building channels for potential products and brand promotions, and increased efforts in nurturing key products by concentrating advantageous resources on the creation of “star products”, to improve sales, expand markets and create “fashionable Chinese traditional medicine” with continuous and strong efforts, and to promote transformation in the development of the traditional Chinese medicine segment to

facilitate steady and faster development of the Great Southern TCM segment. During the Reporting Period, sales revenue achieved faster growth as compared to the corresponding period of 2017 in star products such as Sildenafil Citrate Tablet (“Jin Ge”) of Baiyunshan General Factory and Xiao Chai Hu granules of Guang Hua and in key products such as Mi Lian Chuan Bei Pi Pa Confection of Pan Gao Shou and Zhuang Yao Jian Shen Pill of Chen Li Ji. Moreover, the Group continued to implement the resources consolidation strategy by refining consolidation work, fully utilizing the distribution network and logistics advantages of the Great Commerce segment and coordinating the synergies and cooperation between the Great Southern TCM segment and the Great Commerce segment to realize complementary enhancement and improvement in these two major business segments.

Secondly, we promoted quality enhancement in the Great Health segment by focusing on “diversity in products” and using fashionable marketing and regulated operation as driving forces. (1) On the basis of channel building and closely surrounding the “Ji culture”, the gift market was further developed with refinement. WLJ Great Health reinforced the promotions of “drinking red-can Wang Lao Ji to enjoy an auspicious year” during the Spring Festival period by creating a form of “Ji culture” and strongly enhanced the red-can branding effect. (2) The development quality of the Great Health segment was enhanced by fashionable marketing. During the Reporting Period, WLJ Great Health used a celebrity spokesperson for the first time and stimulated consumption among the young customer segment, while the bottled ready-to-drink market and development of the end-user outlet network were enlarged, facilitating continuous growth in sales. Meanwhile, Wang Lao Ji freshly brewed herbal tea shop gradually transformed from the model of direct marketing to franchised marketing and a total of 12 stores were opened. (3) The product strategy of “one core product with diversification, and diversity in products” was implemented to promote diversification of singular products continuously. During the Reporting Period, Baiyunshan mineral water in a new packing and the new coconut milk product of WLJ Great Health were launched successfully.

Thirdly, quality of the Great Commerce segment was enhanced by adopting “further development + expansion” as the core strategy. (1) The transaction of acquiring 30% equity interest in GP Corp. in cash by the Company and the asset transfer and change in business registration was completed on 31 May 2018. Thereafter, GP Corp. became a subsidiary controlled as 80% by the Company, enlarging the size of the Group’s Great Commerce segment and laying a foundation for the next step of consolidation of segmental resources. (2) By accelerating the development of pharmaceutical logistics extension services and continuous expansion of various classes of hospitals and medical institution business, the hospital business recorded faster growth. By promoting the brand awareness of smart pharmacy of GP Corp. and leveraging on the intelligent decoction centre of Cai Zhi Lin, we actively expanded into the logistics extension service of primary hospitals. (3) Retail business was developed in all directions with diversification and distribution plan. During the Reporting Period, the Company, Yi Xin Tang and Guangdong Guangyao Jishen Equity Investment Fund Management Co., Ltd. (廣東廣藥金申股權投資基金管理有限公司) (“Guangyao Jinshen”) jointly invested to establish Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment and Development Co., Ltd. (廣州白雲山一心堂醫藥投資發展有限公司) by fully utilizing the advantages of resources of all cooperating parties, focusing on the market of Guangdong and through various methods such as merger and acquisition and new establishment to accelerate the formation of pharmaceutical retail terminal chain.



Fourthly, the layout formation of the Great Medical Care segment was enlarged: (1) By integrating peripheral properties to expand in scale, the number of beds in Guangzhou Baiyunshan Hospital was increased to 300, while soft capabilities of the hospital were improved at the same time to enhance medical standard and brand image, business growth was increased. (2) New cooperation projects in the areas of postpartum services and elderly services were explored and developed for gradual commencement, cooperation framework agreements were signed with the relevant institutions on joint construction of postpartum clubs and private elderly homes. (3) The medical device new business was actively nurtured, Zhongcheng Medical Device in which we held an equity interest was used to build an operation platform for the Medical Device Innovation Incubation Park to lay a solid development base for medical and medical device developments.

Fifthly, innovations were driven to optimize and improve the quality of scientific research and products to promote high quality development in advanced technology: (1) Quality management work was stringently monitored to create a high pressure environment for quality management by conducting self-evaluations on weak segments in quality management and potential safety hazards and by providing training in pharmaceutical administrative and legal regulations to enhance awareness on corporate laws and quality. (2) The establishment of an innovation system was enhanced and breakthroughs were achieved in the research of leading and innovative products. During the Reporting Period, Baiyunshan General Factory obtained clinical test approval for Class 1.1 new chemical drugs Ceftriaxime Sodium for injection. It was granted one patent in US and two invention patents in China. The Group and joint ventures had 3 new additional provincial enterprise technological centres and 2 new additional municipal enterprise technological centres. Applications were made for a total of 29 domestic invention patents and 2 utility model patents, and 19 domestic invention patents and 6 utility model patents were granted. The participation of HWBYS in the project of “Chinese and western medicine joint fundamental and translational research on non-alcoholic fatty liver disease” (非酒精性脂肪性肝病中西醫結合基礎與轉化研究) won the First Prize of Science and Technology Award of Guangdong Province in 2017, the project of “System evaluation and research on Chinese and western compound preparations for Xiao Ke Pill” (中西複方製劑消渴丸的系統評價研究) led by Zhong Yi won the Second Prize of Science and Technology Award of Guangdong Province in 2017, the project of “Research on compound traditional Chinese medicine new drug Kunxian capsules for curing rheumatoid arthritis” (治療類風濕關節炎複方中藥新藥昆仙膠囊的研究) reported by Chen Li Ji won the Third Prize of Science and Technology Award of Guangdong Province in 2017. (3) Major projects in scientific research and innovation were further implemented continuously, consistency evaluation for generic drugs were promoted steadily.

Sixthly, internal management was strengthened, operational quality was optimized and management efficiency was enhanced. During the Reporting Period, the Group strictly managed the aspects of party building, strategy, appraisal, regulation, cost, risk, safety and environmental protection, increased efforts to promote information technology construction, enhanced resources consolidation and integrated management, and enhanced the quality of macro-management development.

## 4.2 Analysis of principal operations

### 4.2.1 Analysis of changes in the financial statement related subjects:

Items	The Reporting Period (RMB'000)	The corresponding period of 2017 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2017 (%)
Revenue <i>(note 1)</i>	14,840,014	11,115,338	33.51
Include: income from principal operations	14,725,777	11,033,456	33.46
Cost of sales <i>(note 2)</i>	10,050,615	6,955,444	44.50
Include: cost from principal operations	10,032,270	6,935,670	44.65
Selling and distribution expenses <i>(note 3)</i>	2,175,615	2,236,809	(2.74)
General and administrative expenses	708,304	576,032	22.96
Financial expenses	(68,121)	(85,059)	19.91
Net cash flow from operating activities <i>(note 4)</i>	1,202,777	864,999	39.05
Net cash flow from investing activities <i>(note 5)</i>	676,412	(1,867,173)	136.23
Net cash flow from financing activities <i>(note 6)</i>	398,688	(16,513)	2,514.45
Research and development expenses <i>(note 7)</i>	242,287	133,758	81.14

#### Notes:

- (1) Revenue for the Reporting Period increased as compared with the same period of last year, mainly due to: ① consolidation of GP Corp.'s accounts into the Company's accounts during the Reporting Period, which led to a year-on-year increase of RMB2.826 billion in this statement item for the Reporting Period; ② a year-on-year increase in principal operations income of the Group's related business segments.
- (2) Cost of sales increased in the Reporting Period as compared with the same period of last year, mainly due to consolidation of GP Corp.'s accounts into the Company's accounts during the Reporting Period, which led to a year-on-year increase of RMB2.617 billion in this statement item for the Reporting Period.
- (3) Selling and administrative expenses for the Reporting Period decreased as compared with the same period of last year, mainly due to reasons as follows: ① WLJ Great Health, the wholly-owned subsidiary of the Company, mainly adopts two methods in promotion investment: sales discount and fee redemption. In 2018, the sales discount method is used more in the promotion investment, leading to increased sales discount and decreased sales expenses in the Reporting Period. Sales expenses in the Reporting Period decreased by RMB 287 million year-on-year. Total promotion investment increased despite decrease in sales expenses. ② Consolidation of GP Corp.'s accounts into the Company's accounts and increased sales expenses such as advertisements and promotions of other subsidiaries of the Company during the Reporting Period, have led to a year-on-year increase of RMB226 million in this statement item for the Reporting Period.

- (4) Net cash flow from operating activities for the Reporting Period increased as compared with the same period of last year, mainly due to: increased cash flow from daily operating activities as a result of growth in income from the Group's principal operations.
- (5) Net cash flow from investing activities for the Reporting Period increased as compared with same period of last year, mainly due to: ① the fact that not only more structured deposits and wealth management products of the Group matured as compared with the same period of last year, but also there were less purchases of structured deposits and wealth management products as compared with the same period of last year; ② consolidation of GP Corp.'s accounts into the Company's accounts during the Reporting Period which led to inclusion of excess of cash and cash equivalents over consideration payment into net cash flow from investment activities.
- (6) Net cash flow from financing activities for the Reporting Period increased as compared with the same period of last year, mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Reporting Period, which also led to consolidation of such corporation's bank borrowings.
- (7) Research and development expenses for the Reporting Period increased as compared with the same period of last year, mainly due to: increase in drug consistency evaluation expenses and expenses on a variety of research projects of the Company's subsidiaries.

#### 4.2.2 Analysis on industry, product and operation result during the Reporting Period.

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease)	Cost of principal operations (RMB'000)	Increase/ (Decrease)	Profit margin of principal operations (%)	Increase/ (Decrease) over the same period of 2017 (percentage point)
		over the same period of 2017 (%)		over the same period of 2017 (%)		
Great Southern TCM	5,185,910	30.21	2,854,652	34.75	44.95	A decrease of 1.86 percentage points
Great Health	5,275,238	5.52	3,298,879	12.17	37.46	A decrease of 3.71 percentage points
Great Commerce	4,215,090	109.14	3,840,290	108.14	8.89	An increase of 0.44 percentage point
Other	49,539	37.38	38,449	23.15	22.39	An increase of 8.97 percentage points
<b>Total</b>	<b>14,725,777</b>	<b>33.46</b>	<b>10,032,270</b>	<b>44.65</b>	<b>31.87</b>	<b>A decrease of 5.27 percentage points</b>

Results of principal operations by products

Types of products	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/(Decrease) over the same period of 2017 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2017 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2017 (percentage point)
Chinese patent medicine	2,154,696	4.13	1,191,711	(1.35)	44.69	An increase of 3.07 percentage points
Chemical medicine	3,031,214	58.40	1,662,941	82.66	45.14	A decrease of 7.29 percentage points
<b>Total of Great Southern TCM</b>	<b>5,185,910</b>	<b>30.21</b>	<b>2,854,652</b>	<b>34.75</b>	<b>44.95</b>	<b>A decrease of 1.86 percentage points</b>

Notes:

- ① During the Reporting Period, a year-on-year increase in the income from principal operations of the Group's Great Southern TCM segment was mainly due to enhanced promotion and marketing efforts for relevant products; an increased market demand for influenza-related products due to the impact of outbreak of influenza at the beginning of the year; higher prices charged for some products in response to the impact of rising costs, changes in industry policies and other factors.
- ② During the Reporting Period, an increase in the income from principal operations of the Group's Great Health segment was mainly because WLJ Great Health, a wholly-owned subsidiary of the Company, enhanced efforts on promotion of products, accelerated the descending of the market channels, expanded the coverage of channels and established strong foundation for upgrading of Lunar New Year festival market, contributing to a substantial year-on-year increase in the sales volume of the major product, namely the WLJ herbal tea, in the first quarter of 2018. However, the market in the second quarter experienced a de-stocking period, the income recorded a year-on-year increase of 5.52% in the first half of the year. As WLJ Great Health increased the sales discount in the first half of 2018, which has in turn affected the growth of sales income; in fact, the sales volume of WLJ Great Health major product, namely canned WLJ herbal tea, in the first half of 2018 increased by approximately 12%.
- ③ Because of consolidation of GP Corp.'s accounts into the Company's accounts, GP Corp.'s principal operations income of RMB2.821 billion for June 2018 was included in the principal operations income of the Great Commerce segment according to its business type. If the impact of GP Corp. is excluded, the Great Commerce segment is affected by changes in national medical reform policies, and the pharmaceutical wholesale business decreased year-on-year.

4.2.3 The regional sales of the Group's business in the Reporting Period are as follows:

<b>Regions</b>	<b>Income from principal operations (RMB'000)</b>	<b>Increase/ (Decrease) over the same period of 2017 (%)</b>
Southern China	8,221,052	33.51
Eastern China	2,662,352	39.60
Northern China	1,205,525	1.20
North-Eastern China	256,064	47.34
South-Western China	1,797,451	47.08
North-Western China	567,899	51.50
Exports	15,434	122.56
<b>Total</b>	<b><u>14,725,777</u></b>	<b><u>33.46</u></b>

#### 4.2.4 Others

Detailed description of major changes in the Company's profit composition or profit sources

Applicable     Not applicable

### 4.3 Description of significant changes in profit resulting from non-principal operations

Applicable     Not applicable

4.3.1 The major asset acquisition of 30% equity interest in GP Corp. in cash by the Company and the asset transfer and change in business registration was completed on 31 May 2018. Thereafter, GP Corp. is owned as to 80% by the Company and its accounts are consolidated into the Company's accounts; and the shareholding is accounted by long-term equity investments cost method. Pursuant to the relevant accounting standards for business combination not under same control, for the existing shareholding in the acquiree prior to the acquisition date, such shareholding shall be re-measured at fair value on the acquisition date and the difference of RMB826 million between the fair value and the book value was included in "Investment Income" item of the income statement for the Reporting Period.

4.3.2 During the Reporting Period, the Company re-categorized its shareholding in Yi Xin Tang as "long-term equity investments" instead of "other non-current financial asset" and the shareholding was accounted by equity method. An appraisal institution was also engaged to assess the fair value as at 8 May 2018. Such fair value of the investment was RMB255 million higher than the value at the beginning of 2018. The growth in value was included in "Gains from changes in fair value" item in the income statement for the Reporting Period.

## 4.4 Analysis on Financial Conditions

### 4.4.1 Liquidity

As at 30 June 2018, the current ratio of the Group was 1.63 (31 December 2017: 2.60), and its quick ratio was 1.34 (31 December 2017: 2.15). Accounts receivable turnover rate was 5.33 times, representing a decrease of 74.84% as compared with the corresponding period of 2017. Inventory turnover rate was 3.72 times, representing a decrease of 29.47% as compared with the corresponding period of 2017.

### 4.4.2 Financial resources

As at 30 June 2018, cash and cash equivalents of the Group amounted to RMB13,774,438,000 (31 December 2017: RMB11,495,535,000), of which approximately 99.8% and 0.2% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 30 June 2018, the Group had bank borrowings of RMB7,936,591,000 (31 December 2017: RMB42,807,000, including short-term borrowings of RMB7,202,300,000 (31 December 2017: RMB11,500,000), current portion of non-current liabilities of RMB69,137,000 (31 December 2017: RMB31,307,000), and long-term borrowings of RMB665,154,000 (31 December 2017: RMB0).

### 4.4.3 Capital structure

As at 30 June 2018, the Group's current liabilities amounted to RMB24,345,886,000 (31 December 2017: RMB8,268,854,000), representing an increase of 194.43% as compared with the beginning of 2018, and its long-term liabilities was RMB1,746,784,000 (31 December 2017: RMB782,705,000), with an increase of 123.17% as compared with the beginning of 2018. Shareholders' equity attributable to the shareholders of the Company amounted to RMB20,869,852,000 (31 December 2017: RMB18,867,108,000), with an increase of 10.62% as compared with the beginning of 2018.

### 4.4.4 Capital expenditure

The Group expects that the capital expenditure for 2018 to be approximately RMB1,099 million among which the expenditure in the first half of 2018 amounted to RMB528 million (in the first half of 2017: RMB135 million), which was mainly applied in the construction of production sites and information system. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc.

#### 4.4.5 Assets and liabilities

##### Description of assets and liabilities

Item	As at	% of	As at	% of	Increase/ (Decrease) compared with	Reasons for changes
	30 June 2018 (RMB'000)	the total assets (%)	31 December 2017 (RMB'000)	the total assets (%)	31 December 2017 (%)	
Financial assets held for trading	711	0.00	0	0.00	100.00	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to a change in balance of this statement item.
Notes receivable and Accounts receivable	14,408,236	29.90	2,816,424	9.95	411.58	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase in balance of accounts receivable and notes receivable.
Advances to suppliers	805,953	1.67	256,572	0.91	214.12	As at 30 June 2018, the increase in advances to suppliers was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase of RMB622 million in balance of advances to suppliers; (2) decrease of adoption of advance payment method for purchases by certain subsidiaries of the Company.
Other receivables	1,109,808	2.30	762,257	2.69	45.59	As at 30 June 2018, the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase of RMB817 million in other receivable and a decrease of RMB455 million in balance of dividends receivable.

Item	As at	% of	As at	% of	Increase/ (Decrease) compared with	Reasons for changes
	30 June 2018 (RMB'000)	the total assets (%)	31 December 2017 (RMB'000)	the total assets (%)	31 December 2017 (%)	
Inventories	7,008,487	14.54	3,700,223	13.07	89.41	As at 30 June 2018, the increase of inventories was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase of RMB3.772 billion in balance of this statement item; and (2) substantial accumulation of stock by WLJ Great Health, a wholly-owned subsidiary of the Company, at the end of 2017 in preparation of peak sales season in the coming Spring Festival, and the stock level have been restored to normal level during the Reporting Period.
Other non-current financial assets	362,598	0.75	975,857	3.45	(62.84)	As at 30 June 2018, the decrease in other non-current financial assets was mainly due to: (1) the implementation of new financial instrument recognition and measurement standard by the Company for re-categorization of financial assets; (2) the transfer of the Company's shareholding in Yi Xin Tang to "long-term equity investments" item as required by the relevant accounting standards.
Fixed assets	2,887,785	5.99	2,082,245	7.36	38.69	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase in balance of this statement item.
Construction in progress	377,242	0.78	284,672	1.01	32.52	As at 30 June 2018, the increase in construction in progress was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item; and (2) an increase in project investment by subsidiaries of the Company.



Item	As at	% of	As at	% of	Increase/ (Decrease) compared with	Reasons for changes
	30 June 2018 (RMB'000)	the total assets (%)	31 December 2017 (RMB'000)	the total assets (%)	31 December 2017 (%)	
Intangible assets	988,081	2.05	728,009	2.57	35.72	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item.
Goodwill	943,849	1.96	11,500	0.04	8,107.69	As at 30 June 2018, the major asset purchase of further acquisition of 30% equity interest in GP Corp. was completed. An increase in goodwill incurred as the acquisition was a business combination not under same control.
Long-term prepaid expenses	75,537	0.16	49,067	0.17	53.95	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item.
Short-term borrowings	7,202,300	14.95	11,500	0.04	62,528.70	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to a substantial increase in balance of this statement item.
Notes payable and Accounts payable	10,551,237	21.89	3,054,427	10.79	245.44	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of notes payable and accounts payable.

Item	As at	% of	As at	% of	Increase/ (Decrease) compared with	Reasons for changes
	30 June 2018 (RMB'000)	the total assets (%)	31 December 2017 (RMB'000)	the total assets (%)	31 December 2017 (%)	
Advances from customers	1,174,419	2.44	1,888,892	6.67	(37.82)	As at 30 June 2018, advances from customers which had been collected by subsidiaries were recognized in the Reporting Period.
Taxes payable	339,875	0.71	206,462	0.73	64.62	As at 30 June 2018, the increase in taxes payable was mainly due to: (1) an increase in unpaid value-added tax payable and enterprise income tax payable of the Group; and (2) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item.
Other payables	4,382,982	9.09	2,445,094	8.64	79.26	As at 30 June 2018, the increase of this statement item was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item by RMB921 million; (2) RMB619 million unpaid dividend of the Company, which led to an increase of dividend payable within the item; and (3) the fact that subsidiaries of the Company made provision for increased relevant expenses for marketing such as sales discount and advertising cost during the Reporting Period.
Current portion of non-current liabilities	69,137	0.14	31,307	0.11	120.83	As at 30 June 2018, the increase of this statement item was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item; and (2) the maturity of long-term borrowings of subsidiaries of the Company with maturity within a year, leading to a decrease in balance of this item.

Item	As at 30 June 2018 (RMB'000)	% of the total assets (%)	As at 31 December 2017 (RMB'000)	% of the total assets (%)	Increase/ (Decrease) over 2017 (%)	Reasons for changes
Long-term borrowings	665,154	1.38	0	0.00	100.00	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase in balance of this statement item.
Long-term payables	136,988	0.28	35,127	0.12	289.98	The consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase in balance of this statement item.
Deferred tax liabilities	334,838	0.69	114,788	0.41	191.70	As at 30 June 2018, the relatively substantial increase in deferred tax liabilities was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, which led to an increase in balance of this statement item; (2) an increase in the time discrepancy of enterprise income tax arising from adjustment to income tax rates of subsidiaries of the Company.
Other comprehensive income	(3,648)	(0.01)	(6,819)	(0.02)	46.50	As at 30 June 2018, the change was due to exchange rate differences on conversion of foreign currencies by subsidiaries of the Company.
Undistributed profits	8,217,769	17.05	6,218,195	21.96	32.16	As of 30 June 2018, the increase in undistributed profits was mainly due to: (1) the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period, resulting in an increase of RMB1,337 million in aggregate upon consolidation of the undistributed profit of GP Corp. and the value of interest in long term investment held by the Company prior to the acquisition date as determined by fair value as at the acquisition date; and (2) the increase in net profit realized for the Reporting Period by the Company and its subsidiaries.

Item	As at 30 June 2018 (RMB'000)	% of the total assets (%)	As at 31 December 2017 (RMB'000)	% of the total assets (%)	Increase/ (Decrease) over 2017 (%)	Reasons for changes
Minority interest	1,228,922	2.55	391,633	1.38	213.79	As at 30 June 2018, the consolidation of GP Corp.'s accounts into the Company's account for the Reporting Period led to an increase in balance of this statement item

#### 4.4.6 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.

#### 4.4.7 Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

#### 4.4.8 Charge on the Group's assets

As at 30 June 2018, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, acquired the overdraft amounted to HKD300,000, letter of credit and 90 days credit total amounted to HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd., secured by the original value amounted to HKD8,893,000, and net value amounted to HKD6,329,000 of the buildings of fixed assets and the original value amounted to HKD6,843,000 and net value amounted to HKD3,704,000 of investment properties, and the issued but undue L/C amounted to EUR2,000, USD535,000, JPY94,553,000.

#### 4.4.9 Bank loans, overdraft and other borrowings

As at 30 June 2018, the bank loans of the Group amounted to RMB7,936,591,000 (31 December 2017: RMB42,807,000), with an increase of RMB7,893,784,000 as compared with the beginning of 2018. The above bank loans included short-term loans of RMB7,202,300,000 and current portion of non-current liabilities of RMB69,137,000, long-term loans of RMB665,154,000.

#### 4.4.10 Gearing ratio

As at 30 June 2018, the Group's gearing ratio (total liabilities/total assets × 100%) was 54.14% (31 December 2017: 31.97%).

#### 4.4.11 Material investment

As at 30 June 2018, for details of the Group's major foreign investment please refer to "4.5 Overall analysis on foreign equity investment— (1) Significant equity investment" under Section 4 "Discussion and Analysis of Operation".

## 4.5 Analysis of investment situation

### *Overall analysis on foreign equity investment*

As at the end of the Reporting Period, the foreign equity investment of the Company amounted to RMB2,109,792,000, with a growth of RMB101,311,000 as compared with last year, mainly due to ① The Company's 80% shareholding in GP Corp., the consolidation of GP Corp.'s accounts into the Company's accounts and the application of long-term equity investments cost method for accounting of GP Corp.'s shareholding, which led to a decrease in the long-term equity investments; ② Re-categorization of the Company's shareholding in Yi Xin Tang as "long-term equity investments" instead of "other non-current financial asset", which led to an increase in the long-term equity investments; and ③ The application of equity method by the Group for recognition of investment gain from joint ventures and associate companies, which led to an increase in the long-term equity investments.

#### (1) Significant equity investment

Applicable    Not applicable

On 31 May 2018, the Company completed the asset transfer and change in business registration in relation to the major asset acquisition of 30% equity interest held by Alliance BMP in GP Corp. at the cash consideration of RMB1,094.1 million. Thereafter, GP Corp. is owned as to 80% by the Company and its accounts are consolidated into the Company's accounts, hence further enhancing the development of the Company's Great Commerce.

#### (2) Significant non-equity investment

Applicable    Not applicable

#### (3) Financial assets evaluating at fair value

Applicable    Not applicable

### Stock investments

Number	Type of Stock	Stock Code	Stock name	The initial	Number of	Book value	% of stock	Gain/(Loss) during the Reporting Period
				amount of investment (RMB'000)	shares held as at the end of the Reporting Period (share)	as at the end of the Reporting Period (RMB'000)	investment as at the end of the Reporting Period (%)	
1	A Share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	57,810	2,312	0.83	(378)
2	A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	376,103	1,493	0.54	(504)
3	A Share of Shenzhen Exchange	000950	*ST Jian Feng	150,145	25,992,330	250,306	89.87	—
4	A Share of SSE	601328	Bank of Communications	525	394,567	2,265	0.81	(185)
5	A Share of SSE	601818	Everbright Bank	10,725	6,050,000	22,143	7.95	(2,360)
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>166,906</b>	<b>32,870,810</b>	<b>278,519</b>	<b>100.00</b>	<b>(3,427)</b>

#### 4.6 Details of the main subsidiaries and joint ventures of the Company during the Reporting Period

Name of enterprises	Business nature	Major products or services	Registered Capital (RMB'000)	Shares equity directly held by the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
<i>Subsidiaries</i>							
WLJ Great Health	Manufacturing	Production and sales of prepackaged food, dairy products, etc	900,000	100.00	5,718,963	2,739,438	560,180

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.

#### 4.7 Plan for profit distribution and increase in share capital from capital reserve

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2018, nor any increase in share capital by transfer from capital reserve.

Profit distribution scheme, plan on increase in share capital by transfer from capital reserve prepared for the half year

Any distribution or transfer	No
Number of bonus shares to be distributed for every ten shares ( <i>share</i> )	/
Amount of dividends to be distributed for every ten shares (RMB) (inclusive of tax)	/
Number of shares to be transferred into share capital for every ten shares ( <i>shares</i> )	/

#### 4.8 Issues and difficulties in operations and plans for the second half of 2018

2018 was a critical year of changes in the policy environment for the pharmaceutical industry in China. The pharmaceutical industry was also in the process of significant transformation driven by policies. On one hand, while pressure on operations from policies such as fees controlled by medical insurance, price reduction in tender bidding and price negotiation by second bargaining still existed, growth of the industry was mainly driven by innovative products and upgrading in consumption. On the other hand, outcomes of key reforms such as new edition of medical insurance catalogue, consistency evaluation, acceleration in assessment and approval of innovative new drugs entered the fruition period consecutively. In addition, during the first half of 2018, the reform in national institutions and the resulting three new authorities, namely the State Administration for Medical Insurance (國家醫療保障局), the State Hygiene and Health Commission (國家衛生健康委員會) and the State Administration for Market Regulation (國家市場監督管理總局), will also have impact on the next step of medical reforms. These changes will continue to create new opportunities and challenges in the pharmaceutical industry in the second half of 2018.

In response to challenges and opportunities faced by the pharmaceutical industry, the Group will focus on the implementation of the following tasks in the second half of 2018:

1. Focus on “Big Products” to continue promoting the robust development of the Great Southern TCM segment: Accelerate the progress of “Star Products Project” to nurture more key products; continue to enhance brand building and based on the “fashionable Chinese Medicine” concept to increase brand investment and promotional efforts and to regulate brand franchising management; to accelerate the progress of integrated marketing and refined integration.
2. Continue to adhere to the tripod strategy of “fashion, technology and culture” by using “diversity in products” as core to promote breakthrough development in the Great Health segment: Implement differentiated sales strategy, accelerate downward development of market channels, enhance sales volume and brand influence; implement the strategy of diversified products, increase promotion efforts for new products of Great Health and Wang Lao Ji freshly brewed herbal tea; implement international expansion strategy, increase product exports and layout formation of overseas markets.
3. Continue to adhere to the main line of “further development + expansion” by accelerating the expansion and development of modern pharmaceutical logistics extension services, accelerating downward development of end-user distribution and delivery business, accelerating the expansion network for pharmaceutical retail business, and promote the development of the Great Commerce segment.
4. Accelerate the development of new business and new modes of business by creating characterized and differentiated medical service industries actively, constructing a high standard pharmaceutical e-commerce system, and accelerating the implementation of the medical device project.
5. Promote technological innovations by creating a generic and innovative combined mode for research and development and improving the technological innovation system platform; promote technical innovations by further improving the quality management system and building a more effective quality system; promote management innovations by enhancing top level design, avoiding material risks and building an IT, scientific and highly efficient management system.
6. Pursue scientific planning, coordination and layout formation by using the “industrial base” as the basis to accelerate the construction of industrial base, enhance production capacity and optimize layout formation; strengthen the coordination management of the Group’s overall production capacity development by using the drug marketing licensee system (pilot) to promote consolidation of production capacity steadily while enhancing the intelligent production standard; enhance safety and environmental management by increasing the awareness of safety and environmental protection and improving management standards.
7. Continue to increase capital operation efforts by actively promoting investments and merger and acquisition projects in the four major segments, developing new financing channels and promoting the development of fund investment and financing businesses.
8. Continue to reinforce internal management and regulated operation, avoid risks and enhance management efficacy.

**4.9 There was no purchase, disposal and redemption or cancellation of the listed shares of the Company by the Company or its subsidiaries during the Reporting Period.**

**4.10 Corporate Governance**

During the Reporting Period, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of HKEx (“CG Code”) and the code provisions of the CG Code except that (i) Mr. Ni Yidong, the executive director of the Company, and Mr. Chu Xiaoping, the independent non-executive director of the Company, were unable to attend the First Extraordinary General Meeting in 2018 due to business matters which constituted a deviation from code provision A.6.7; and (ii) Mr. Chen Mao, Ms. Liu Juyan, Mr. Ni Yidong and Mr. Wu Changhai, all being the executive directors of the Company, Mr. Wong Hin Wing and Ms. Wang Weihong, both independent non-executive directors of the Company, were unable to attend the 2017 Annual General Meeting 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 of the corporate governance code.

**4.11 Model Code for Securities Transactions by directors and supervisors**

The Company adopted the Model Code and “Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management” as stipulated by the Company as the codes 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 codes and criteria during the Reporting Period.

**4.12 The Audit Committee of the seventh session of the Board is comprised of four independent non-executive directors and one of them possessed appropriate professional qualification. The Audit Committee had reviewed the Group’s accounting principles, accounting standards and method as well as discussed the audit affairs, risk management, internal controls and financial report with the management, including the unaudited interim report for the six months ended 30 June 2018.**



#### **4.13 Changes in directors, supervisors and senior management of the Company during the Reporting Period**

At the 10th meeting of the seventh session of the Board of the Company held on 15 March 2018, Mr. Li Hong was elected as the candidate of the executive director of the seventh session of the Board. At the 2017 Annual General Meeting of the Company held on 22 June 2018, Mr. Li Hong was elected as the executive director of the seventh session of the Board for a term of office of director of the Company commencing from the date of appointment to the date on which members of the new session of the Board are elected.

In accordance with the Note 13.51(B)(1) to the Listing Rule, the details of changes in directors' information after the publication of the annual report for the year ended 31 December 2017 are as below

<b>Name of Directors/ Supervisors/ Senior management</b>	<b>Details of the changes</b>
Li Chuyuan	<p>Resigned as a director of Ming Xing, Baiyunshan General Factory, Pan Gao Shou, Chen Li Ji, Tian Xin, Chemical Pharmaceutical Factory, Baiyunshan Pharmaceutical Marketing, Baiyunshan Medical and Healthcare Industry Company, Chemical &amp; Pharmaceutical Technology, Guangzhou Baiyunshan Hong Kong Company and WLJ Great Health Corporate Development Company on 30 March 2018 respectively</p> <p>Resigned as Management Committee Member of He Ji Gong on 30 March 2018</p> <p>Resigned as vice chairman of GP Corp. on 30 March 2018</p>
Chen Mao	<p>Resigned as a director of Baiyunshan General Factory, Chemical Pharmaceutical Factory, Tian xin, Baiyunshan Medical and Healthcare Industry Company, Chemical &amp; Pharmaceutical Technology , Guangzhou Baiyunshan Hong Kong Company and WLJ Great Health Corporate Development on 30 March 2018 respectively</p>
Liu Juyan	<p>Resigned as a director of Chen Li Ji, Qi Xing and Guangyao Baiyunshan Hong Kong Company on 30 March 2018 respectively</p>
Cheng Ning	<p>Resigned as a director of GP Corp., Qi Xing, WLJ Great Health Corporate Development and WLJ Investment on 30 March 2018 respectively</p> <p>Resigned as the supervisor and chairman of the supervisory committee of WLJ Great Health on 30 March 2018</p>

Name of Directors/ Supervisors/ Senior management	Details of the changes
Ni Yidong	Resigned as a director of WLJ Great Health, Guangzhou Baiyunshan Hong Kong Company and WLJ Great Health Corporate Development Company on 30 March 2018 respectively  Appointed as chairman of WLJ Investment on 23 May 2018
Li Hong	Appointed as a director of Pharmaceutical Technology and Guangyao Baiyunshan Hong Kong Company on 23 May 2018 respectively
Wu Changhai	Appointed as a director of Tibet Nyingchi Baiyunshan Tibetan-style Health Preservation Castle Management Co., Ltd. (西藏林芝白雲山藏式養生古堡管理有限公司) on 23 May 2018
Wong Hin Wing	Appointed as independent non-executive director of Jiang Xi Bank Holdings Company Limited, listed on HKEx, on 28 February 2018
Xian Jiexiong	Appointed as a director of Guangyao Baiyunshan Hong Kong Company on 23 May 2018
Zhang Chunbo	Appointed as a director of GP Corp. and Tian Xin on 23 May 2018 respectively

*Notes: In the above table, Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Xian Jiexiong also serve in GPHL, the controlling shareholder of the Company. Except for Jiang Xi Bank Holdings Company Limited, the companies mentioned in the above table are the subsidiaries of the Company.*

**4.14 At the end of the Reporting Period, the number of employees on the payroll register of the group was 26,399. The total salary payment for the first half of 2018 was approximately RMB1,274 million.**

#### 4.15 Others

No.	Approval body	Subject matter	Status
1	8th meeting of the sixth session of the Board, 7th meeting of the Strategic Development and Investment Committee in 2016	According to the arrangements of the industrial structure adjustment, 11 enterprises under the Company planned to relocate to the Baiyun base in the Biological Medicine Town of GPLL. Four enterprises under the Company, namely Ming Xing, He Ji Gong, HYBYS and GP Corp, have in aggregate acquired the land use rights of 303 mu of land available for construction in the first phase.	In progress.
2	11th meeting of the Strategic Development and Investment Committee in 2015	The capital of HK\$ 177,500,000 or the equivalent amount of RMB will be injected to Guangyao Baiyunshan Hong Kong Company by the Company.	The first phase of capital increase of RMB58,464,000 has completed on 23 December 2015. The second phase of capital increase of RMB46,626,750 has completed on 8 March 2018.
3	2nd meeting of the Strategic Development and Investment Committee in 2016	The Company contributed additional capital of RMB20.4 million to Yi Gan, a holding subsidiary of the Company, in proportion to its shareholding, after the completion of which the register capital of Yi Gan would be increase to RMB55 million.	Currently, the capital increase is in progress and has not yet been completed.
4	5th meeting of the Strategic Development and Investment Committee in 2016	The Company's subsidiary Chemical & Pharmaceutical Technology and Zhuhai Fushan Industrial Park Management Committee entered into the " Investment Agreement between Zhuhai Fushan Industrial Park Management Committee and Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd." ("Zhuhai Project"), with an initial investment amount of RMB 55 million.	The Company has contributed additional capital of RMB12.47 million to Chemical & Pharmaceutical Technology and completed the environment assessment, planning design and infrastructure design of the Zhuhai Project; in addition, the Company has completed the first phase capital contribution (RMB42 million) of the additional capital contribution of RMB100 million and established Chemical Pharmaceutical Zhuhai. Currently, the Zhuhai Project has entered into the construction design stage.

No.	Approval body	Subject matter	Status
	1st meeting of the Strategic Development and Investment Committee in 2017	The Company contributed additional capital in cash of RMB12.47 million to Chemical & Pharmaceutical Technology for the use of project design and environmental assessment of the Zhuhai Project.	
	1st meeting of the Strategic Development and Investment Committee in 2018	The Company contributed additional capital of RMB100 million to Chemical & Pharmaceutical Technology for use in the establishment of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. (“Chemical Pharmaceutical (Zhuhai) Company”).	
	7th meeting of the seventh session of the Board	Initiation of the Zhuhai Project with a total investment amount of RMB731,879,100.	
5	7th meeting of the Strategic and Investment Committee in 2016	Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, would establish a company in Macau.	The establishment of this company has been completed in January 2018.

No.	Approval body	Subject matter	Status
6	2nd meeting of the Strategic Development and Investment Committee in 2017	The Company (Buyer) and GPLH (Seller) entered into the Purchase Agreement for the Additional Legal Properties at Rear Block, 282 Beijing Road for the purchase of additional legal properties at Rear Block, 282 Beijing Road, the market value of which as at the valuation date and on an “as is” basis was RMB15.273 million, while the actual amount of consideration paid was RMB14.5001million after deducting the land-grant fees and related taxes paid by GPLH.	In progress.
7	3rd meeting of the Strategic Development and Investment Committee in 2017	The Company contributed additional capital of RMB30 million to Xing Zhu according to 75% shareholdings.	The first phase of capital increase in the amount of RMB22.71 million has been completed.
8	5th meeting of the Strategic Development and Investment Committee in 2017	Medical Instrument Investment Company, a subsidiary of the Company, would set up a joint venture jointly with Shanghai Xiecheng Investment Management Co., Ltd. (上海協成投資管理有限公司) and Guangzhou OSMUNDA Medical Device Technology, Inc., Ltd. (廣州奧譜達醫療器械技術股份有限公司) to build an operating platform for the medical equipment innovation incubator park, and Medical Instrument Investment Company intends to contribute capital in cash of RMB17 million, accounting for 34% of the shareholdings.	Initial capital contribution of RMB3.4 million has been completed.

No.	Approval body	Subject matter	Status
9	1st meeting of the Strategic Development and Investment Committee in 2018	GP Corp., a subsidiary of the Company, would acquire Zhuhai A&Z Pharmaceutical Co., Ltd. (珠海安士藥業有限公司) for RMB2.5 million to establish a subsidiary in Zhongshan region.	In Progress.
10	2nd meeting of the Strategic Development and Investment Committee in 2018	Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, will accept transfer of 33,785 shares in PT Sano Gratia Farma for RMB20.496 million (or equivalent in Indonesian Rupiah) and subscribe for shares newly issued by PT Sano Gratia Farma for RMB15 million (or equivalent in Indonesian Rupiah). Upon completion of the transactions, Guangyao Baiyunshan Hong Kong Company will hold 58,510 shares in PT Sano Gratia Farma, accounting for 51% of the paid-up capital.	In Progress.
11	3rd meeting of the Strategic Development and Investment Committee in 2018	Cai Zhi Lin, a subsidiary of the Company, and Guangzhou Hendon Medical Technology Co., Ltd. (廣州亨頓醫藥科技有限公司) will establish a joint venture with a registered capital of RMB10 million, and Cai Zhi Lin will hold 51% of the equity interest (with an investment of RMB5.1 million).	The establishment of the joint venture is under preparation.

## 5. FINANCIAL REPORTS

### 5.1 Financial statements prepared in accordance with the China Accounting Standards for Business Enterprises

(All amounts in Renminbi yuan unless otherwise stated)

#### Consolidated Balance Sheet

Item	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Current assets</b>			
Cash at bank and on hand		14,487,134,885.08	11,697,218,882.84
Financial assets held for trading		710,709.58	—
Notes receivable and accounts receivable	5.1.3	14,408,235,873.65	2,816,424,481.59
Advances to suppliers		805,953,459.27	256,571,758.01
Other receivables		1,109,807,947.08	762,257,361.98
Inventories		7,008,486,698.42	3,700,222,896.01
Current portion of non-current assets		—	—
Other current assets		1,859,851,546.31	2,266,983,406.82
<b>Total current assets</b>		<b>39,680,181,119.39</b>	<b>21,499,678,787.25</b>
<b>Non-current assets:</b>			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		2,109,791,885.16	2,008,481,257.05
Other equity instrument investments		61,594,898.17	62,686,231.77
Other non-current financial assets		362,598,199.43	975,856,856.18
Investment properties		218,995,773.72	217,675,779.38
Fixed assets		2,887,784,618.87	2,082,244,551.64
Construction in progress		377,242,023.08	284,672,127.45
Intangible assets		988,081,007.57	728,009,270.29
Development expenditure		800,000.00	800,000.00
Goodwill		943,848,566.58	11,499,562.74
Long-term prepaid expenses		75,536,844.39	49,066,645.52
Deferred tax assets		484,989,828.46	389,629,486.02
Other non-current assets		—	—
<b>Total non-current assets</b>		<b>8,511,263,645.43</b>	<b>6,810,621,768.04</b>
<b>TOTAL ASSETS</b>		<b>48,191,444,764.82</b>	<b>28,310,300,555.29</b>

## Consolidated Balance Sheet (Continued)

Item	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Current liabilities</b>			
Short-term borrowings		7,202,299,947.47	11,500,000.00
Financial liabilities held for trading		—	—
Notes payable and accounts payable	5.1.4	10,551,236,677.57	3,054,427,081.10
Advances from customers		1,174,419,442.26	1,888,892,476.97
Employee benefits payable		625,936,546.88	631,170,810.62
Taxes payable		339,875,309.85	206,462,076.94
Other payables		4,382,981,939.46	2,445,094,461.69
Current portion of non-current liabilities		69,136,583.11	31,307,337.23
Other current liabilities		—	—
<b>Total current liabilities</b>		<b>24,345,886,446.60</b>	<b>8,268,854,244.55</b>
<b>Non-current liabilities</b>			
Long-term borrowings		665,153,706.06	—
Bonds payable		—	—
Long-term payables		136,988,182.06	35,126,665.12
Provisions		53,738,480.85	55,348,585.32
Deferred income		505,527,892.77	526,890,368.97
Deferred tax liabilities		334,837,864.34	114,788,264.17
Long-term employee benefits payable		313,035.80	326,532.02
Other non-current liabilities		50,225,000.00	50,225,000.00
<b>Total non-current liabilities</b>		<b>1,746,784,161.88</b>	<b>782,705,415.60</b>
<b>Total liabilities</b>		<b>26,092,670,608.48</b>	<b>9,051,559,660.15</b>
<b>Shareholders' equity</b>			
Share capital		1,625,790,949.00	1,625,790,949.00
Capital surplus		9,875,177,958.43	9,875,177,958.43
Less: Treasury shares		—	—
Other comprehensive income		(3,647,762.60)	(6,818,831.78)
Surplus reserve		1,154,762,193.41	1,154,762,193.41
Undistributed profits		8,217,768,779.26	6,218,195,404.57
<b>Total equity attributable to shareholders of the parent company</b>		<b>20,869,852,117.50</b>	<b>18,867,107,673.63</b>
<b>Minority interest</b>		<b>1,228,922,038.84</b>	<b>391,633,221.51</b>
<b>Total shareholders' equity</b>		<b>22,098,774,156.34</b>	<b>19,258,740,895.14</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>48,191,444,764.82</b>	<b>28,310,300,555.29</b>



## Consolidated Income Statement

Item	Note	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>1. Operating income</b>	5.1.5	<b>14,840,013,680.03</b>	11,115,338,459.91
Less: Operating costs	5.1.5	<b>10,050,615,335.69</b>	6,955,444,360.97
Taxes and surcharges		<b>140,027,491.74</b>	117,008,678.16
Selling and distribution expenses		<b>2,175,615,387.82</b>	2,236,809,098.97
General and administrative expenses		<b>708,303,863.19</b>	576,031,549.14
R&D expenses		<b>242,287,110.45</b>	133,758,130.04
Financial expenses		<b>(68,120,859.81)</b>	(85,059,169.79)
Including: Interest expense		<b>28,496,077.13</b>	813,546.77
Interest income		<b>104,730,231.45</b>	88,281,084.13
Impairment losses in respect of assets		<b>4,078,787.97</b>	(1,915,856.60)
Impairment losses in respect of credit		<b>29,224,053.15</b>	—
Add: Other income		<b>116,850,169.63</b>	29,495,598.22
Investment income		<b>1,056,227,582.23</b>	150,934,202.49
Including: Share of profits in associates and joint ventures		<b>192,362,082.74</b>	146,838,206.96
Gains from changes in fair value		<b>251,276,901.50</b>	(1,195,001.81)
<b>2. Operating profit</b>		<b>2,982,337,163.19</b>	1,362,496,467.92
Add: Non-operating income		<b>33,876,268.66</b>	48,915,528.71
Less: Non-operating expenses		<b>5,050,751.50</b>	10,983,905.26
<b>3. Total profit</b>		<b>3,011,162,680.35</b>	1,400,428,091.37
Less: Income tax expenses	5.1.6	<b>351,799,391.67</b>	209,458,422.85
<b>4. Net profit</b>		<b>2,659,363,288.68</b>	1,190,969,668.52
(1) Classified by the continuity of operations			
A. Net profit from continuing operations		<b>2,659,363,288.68</b>	1,190,969,668.52
B. Net profit from discontinued operations			
(2) Classified by ownership of the equity			
A. Minority interest		<b>40,363,562.42</b>	32,829,611.23
B. Net profit attributable to the parent company's shareholders		<b>2,618,999,726.26</b>	1,158,140,057.29

Item	<i>Note</i>	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>5. Other comprehensive net income after tax</b>		<b>3,171,069.18</b>	<b>(832,843.32)</b>
Other comprehensive net income after tax attributable to owners of the parent company		<b>3,171,069.18</b>	<b>(835,190.92)</b>
(1) Other comprehensive income that cannot be reclassified into profit or loss in the subsequent periods		<b>(927,633.56)</b>	—
A. Changes arising from the re-measurement of defined benefit plans		—	—
B. Other comprehensive income that cannot be transferred to profit or loss under equity method		—	—
C. Change in fair value of other equity instrument investments		<b>(927,633.56)</b>	—
D. Change in fair value of the company's own credit risk		—	—
(2) Other comprehensive income that can be reclassified into profit or loss in the subsequent period		<b>4,098,702.74</b>	<b>(835,190.92)</b>
A. Other comprehensive income that can be transferred to profit or loss under equity method		<b>(227,055.34)</b>	—
B. Change in fair value of other debt investments		—	—
C. Difference arising from the reclassification of financial assets		—	—
D. Provision for credit loss of other debt investments		—	—
E. Cash flow hedge reserve		—	—
F. Difference arising from the translation of foreign currency financial statements		<b>4,325,758.08</b>	<b>(1,677,911.35)</b>
G. Gains and losses arising from changes in fair value of available for sale financial assets		—	842,720.43
Other comprehensive net income after tax attributable to minority shareholders		—	2,347.60

Item	<i>Note</i>	For the six months ended 30 June 2018 (Unaudited)	For the six months ended 30 June 2017 (Unaudited)
<b>6.Total comprehensive income</b>		<b>2,662,534,357.86</b>	1,190,136,825.20
(1)Total comprehensive income attributable to shareholders of the parent company		<b>2,622,170,795.44</b>	1,157,304,866.37
(2)Total comprehensive income attributable to minority shareholders' equity		<b>40,363,562.42</b>	32,831,958.83
<b>7.Earnings per share (EPS):</b>			
(1)Basic earnings per share	<i>5.1.7</i>	<b>1.611</b>	0.712
(2)Diluted earnings per share	<i>5.1.7</i>	<b>1.611</b>	0.712

#### *5.1.1 Basis of preparation of financial statements*

##### (1) Basis of preparation

The financial statements are prepared, on a going concern basis, to recognize and measure the transactions and events, which have occurred, in accordance with the Accounting Standards for Business Enterprises—Basic Standard (Release of No.33 Order of the Ministry of Finance of the People's Republic of China and Amendment to No.76 Order of the Ministry of Finance), 42 specific accounting standards, 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 on and subsequent to 15 February 2006 (hereinafter collectively referred to as "ASBE"), 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 (Revised in 2014) issued by the China Securities Regulatory Commission.

According to relevant provisions of the ASBE, the Group's accounting is prepared using the accrual basis. The measurement basis of the financial statements is historical cost except for certain financial instruments. According to the ASBE, related provision for impairment shall be accrued if asset is impaired.

##### (2) Going concern

The Group has the ability to continue as a going concern in the next 12 months since the end of the reporting period. There is no material even that may cast significant doubt upon the Group's ability to continue as a going concern.

### 5.1.2 Information of Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors in 2015, including “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”. According to the requirements of regulatory laws, regulations and company management, four major sectors are identified as operating segments. As the business scale of “Great Medical Care” is lower than 10%, this segment is temporarily listed in “Others” column. Segment information is as follows:

- Great Southern TCM segment: research, development, manufacturing and sales for Chinese and Western medicine, chemical raw medicine, natural drug, biological medicine and intermediates of chemical raw medicine;
- Great Health segment: research, development, manufacturing and sales for the products of Great Health;
- Great Commerce segment: wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

Price transfer between segments is carried out in accordance with the price policy of sales to third party.

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.

(1) The segment information for the six months ended 30 June 2018 and as of 30 June 2018 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	5,272,401,349.70	5,277,589,213.31	4,229,646,595.56	60,376,521.46	—	14,840,013,680.03
Inter-segment revenue	176,823,919.84	12,518,551.64	3,119,907,083.31	104,649,895.95	(3,413,899,450.74)	—
Interest income	(22,419,540.20)	(52,823,420.36)	(4,772,926.50)	(24,714,344.39)	—	(104,730,231.45)
Interest expenses	9,539,945.85	2,158.14	51,191,229.65	3,345,300.75	(33,211,206.33)	30,867,428.06
Share of profit or loss of associates and joint ventures	24,143,931.28	—	3,170,793.29	164,916,606.55	130,751.62	192,362,082.74
Impairment losses in respect of assets	12,637,639.89	—	(8,558,851.92)	—	—	4,078,787.97
Impairment losses in respect of credit	2,664,937.46	(112,553.40)	26,015,446.29	1,534,838.42	(878,615.62)	29,224,053.15
Depreciation and amortization expenses	102,743,830.70	9,241,550.26	17,883,823.19	11,760,020.03	(72,052.50)	141,557,171.68
Total profit	886,916,277.57	687,360,730.18	64,986,707.63	513,225,532.78	858,673,432.19	3,011,162,680.35
Income tax expenses	68,180,505.21	128,869,039.79	15,067,176.99	129,470,028.03	10,212,641.65	351,799,391.67
Net profit(Including minority shareholders' gains and losses)	818,735,772.36	558,491,690.39	49,919,530.64	383,755,504.75	848,460,790.54	2,659,363,288.68
Total assets	10,988,171,389.29	5,757,727,320.44	24,145,533,143.50	19,118,405,868.02	(11,818,392,956.43)	48,191,444,764.82
Total liabilities	6,371,911,700.13	2,984,933,206.89	20,934,113,251.98	2,889,226,881.44	(7,087,514,431.96)	26,092,670,608.48
Long-term equity investment in associates and joint ventures	214,852,995.24	—	61,392,337.53	1,833,546,552.39	—	2,109,791,885.16
Increase in other non-current assets except for long-term equity investment	107,055,088.71	21,421,248.98	1,586,375,081.69	24,864,486.14	—	1,739,715,905.52

(2) The segment information for the six months ended 30 June 2017 and as of 31 December 2017 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	4,043,965,877.28	4,999,437,141.51	2,024,842,509.84	47,092,931.28	—	11,115,338,459.91
Inter-segment revenue	85,704,253.52	11,466,366.87	2,809,689,627.78	79,703,824.57	(2,986,564,072.74)	—
Interest income	(12,351,414.04)	(22,803,191.94)	(724,849.57)	(52,401,628.58)	—	(88,281,084.13)
Interest expenses	9,458,489.36	—	22,280,135.33	2,992,082.82	(32,501,724.55)	2,228,982.96
Share of profit or loss of associates and joint ventures	22,858,258.10	—	1,629,715.87	122,861,924.93	(511,691.94)	146,838,206.96
Impairment losses in respect of assets	(4,123,361.93)	(169,887.43)	(2,223,644.68)	(301,949.78)	4,902,987.22	(1,915,856.60)
Depreciation and amortization expenses	102,504,555.15	9,013,844.43	3,596,052.13	10,325,948.56	(72,223.50)	125,368,176.77
Total profit	675,980,777.33	425,327,297.53	35,469,403.84	209,317,314.59	54,333,298.08	1,400,428,091.37
Income tax expenses	51,572,973.44	69,966,487.98	6,826,717.93	68,105,420.00	12,986,823.50	209,458,422.85
Net profit(Including minority shareholders' gains and losses)	624,407,803.89	355,360,809.55	28,642,685.91	141,211,894.59	41,346,474.58	1,190,969,668.52
Total assets	9,766,674,401.97	5,941,353,309.61	4,198,165,473.57	16,969,629,127.74	(8,561,108,859.57)	28,314,713,453.32
Total liabilities	5,472,206,232.20	3,727,005,385.06	3,864,261,178.27	1,061,262,999.58	(5,073,176,134.96)	9,051,559,660.15
Long-term equity investment in associated and joint ventures	190,702,755.14	—	58,238,389.70	1,759,540,112.21	—	2,008,481,257.05
Increase in other non-current assets except for long-term equity investment	337,184,429.82	52,757,149.44	27,021,750.62	90,631,857.68	—	507,595,187.56

The Group's total 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>External revenue</b>	<b>January to June of 2018</b>	<b>January to June of 2017</b>
PRC	<b>14,824,579,884.09</b>	11,108,403,731.00
Other countries/regions	<b>15,433,795.94</b>	6,934,728.91
	<b><u>14,840,013,680.03</u></b>	<b><u>11,115,338,459.91</u></b>
<b>Total non-current assets</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
PRC	<b>7,582,276,991.86</b>	5,515,922,789.70
Other countries/regions	<b>19,803,727.52</b>	18,483,577.02
	<b><u>7,602,080,719.38</u></b>	<b><u>5,534,406,366.72</u></b>

### 5.1.3 Accounts receivable

The majority of the Group's sales are transacted with credit terms of 3-6 months granted to customers. The remaining transactions are settled in cash, advance from customers, bank notes, etc.

(a) Notes receivable and accounts receivable comprise:

	<b>30 June 2018</b>	31 December 2017
Accounts receivable	<b>11,729,088,046.01</b>	1,195,094,608.99
Notes receivable	<b>2,967,385,752.76</b>	1,702,655,475.08
	<b>14,696,473,798.77</b>	2,897,750,084.07
Less: Provision for bad debts	<b>288,237,925.12</b>	81,325,602.48
	<b>14,408,235,873.65</b>	2,816,424,481.59

(b) Aging analysis of accounts receivable by book date are as follows:

	<b>30 June 2018</b>	31 December 2017
Within 1 year	<b>11,254,929,815.19</b>	1,025,013,019.97
1 to 2 years	<b>220,641,590.93</b>	16,408,005.59
2 to 3 years	<b>152,846,156.90</b>	14,051,869.29
3 to 4 years	<b>41,063,183.80</b>	118,686,993.67
4 to 5 years	<b>6,960,117.38</b>	6,469,782.39
Over 5 years	<b>52,647,181.81</b>	14,464,938.08
	<b>11,729,088,046.01</b>	1,195,094,608.99

### 5.1.4 Accounts payable

(a) Notes payable and accounts payable comprise:

	<b>30 June 2018</b>	31 December 2017
Accounts payable	<b>8,718,710,668.49</b>	2,802,200,696.28
Notes payable	<b>1,832,525,989.08</b>	252,226,384.82
	<b>10,551,236,677.57</b>	3,054,427,081.10

(b) The aging analysis of accounts payable based on booking date is as follows:

	<b>30 June 2018</b>	31 December 2017
Within 1 year	<b>8,316,814,870.76</b>	2,625,069,157.32
Over 1 year	<b>401,895,817.73</b>	177,131,538.96
	<b>8,718,710,688.49</b>	2,802,200,696.28

### 5.1.5 Operating income and operating costs

	For the six months ended 30 June 2018		
	Main businesses	Other businesses	Subtotal
Operating income	14,725,777,236.68	114,236,443.35	14,840,013,680.03
Operating costs	10,032,269,562.05	18,345,773.64	10,050,615,335.69
Gross profit	<u>4,693,507,674.63</u>	<u>95,890,669.71</u>	<u>4,789,398,344.34</u>

  

	For the six months ended 30 June 2017		
	Main businesses	Other businesses	Subtotal
Operating income	11,033,455,701.37	81,882,758.54	11,115,338,459.91
Operating costs	6,935,669,520.85	19,774,840.12	6,955,444,360.97
Gross profit	<u>4,097,786,180.52</u>	<u>62,107,918.42</u>	<u>4,159,894,098.94</u>

### 5.1.6 Income tax expenses

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Current income tax expenses	150,313,771.48	218,441,425.10
Deferred income tax expenses	201,485,620.19	(8,983,002.25)
	<u>351,799,391.67</u>	<u>209,458,422.85</u>



Income tax expenses derived from reconciliation of income tax calculated by applicable tax rate based on total profit in the consolidated income statement:

	<b>For the six months ended 30 June 2018</b>	For the six months ended 30 June 2017
Total profit	<u><b>3,011,162,680.35</b></u>	<u>1,400,428,091.37</u>
Income tax calculated at statutory rate of 25%	<u><b>752,790,670.09</b></u>	<u>350,107,022.84</u>
Tax effect of different rates applicable to subsidiaries in the consolidation scope	<b>(285,181,082.54)</b>	(119,441,088.67)
Effect of income tax adjustment for prior period	<b>3,957,931.44</b>	(3,408,680.42)
Profit or loss attributable to associates and joint ventures	<b>(27,936,155.70)</b>	(24,412,756.39)
Non-taxable and tax relief income	<b>(126,335,315.14)</b>	(332,243.91)
Non-deductible costs, expenses and losses for tax purposes	<b>21,635,572.25</b>	2,946,333.23
Effect on opening balance of deferred income tax arising from changes in tax rate	<b>4,321,022.12</b>	—
Effect of deductible temporary differences and deductible losses which are not recognized in current period	<b>8,460,300.79</b>	4,104,766.95
Effect of using deductible losses of deferred tax assets unrecognized in prior period	<u><b>86,448.36</b></u>	<u>(104,930.78)</u>
Income tax expenses	<u><b>351,799,391.67</b></u>	<u>209,458,422.85</u>

In accordance with “PRC Enterprise Income Tax Law” and “Implementation Rules of PRC Enterprise Income Tax Law”, domestic enterprises of the Group are subject to enterprise income tax at a rate of 25%.

According to “Hong Kong Inland Revenue Ordinance”, Guangyao Baiyunshan (Hong Kong) Co., Ltd., a subsidiary of the Group registered in Hong Kong, is subject to corporate profits tax at a rate of 16.5%.

According to the state’s relevant tax preferential policies for High/New technology enterprises, qualified High/New technology enterprises can enjoy preferential corporate income tax policies and pay corporate income tax at a reduced rate of 15%.

The subsidiaries of the Group, which have obtained the Certificates of Advanced Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR201744003162), Xing Qun(No. GR201744011135), Zhong Yi(No. GR201744005343), Guangzhou Han Fang (No. GR201744008646), Jing Xiu Tang(No. GR201744000331), Pan Gao Shou(No. GR201744002878), Chen Li Ji(No. GR201744001501), Tian Xin(No. GR201744009163), Guang Hua(No. GR201544000485), Ming Xing(No. GR201744002496), Guangxi Ying Kang (No. GR201545000083), WLJ Great Health (No. GR201644006480).

In accordance with the “Notice of the Chinese Ministry of Finance Customs Head Office on Taxation Policy Issues concerning the In-depth Implementation of the Western Development Strategy”, Wang Lao Ji Ya’an Great Health Industry (Ya’an) Co., Ltd., a subsidiary of the Group, can enjoy a preferential tax rate of 15% for the current period.

### 5.1.7 Earnings per share (EPS)

#### (a) Basic EPS

##### (i) Weighted average basic EPS

Weighted average basic EPS is calculated by dividing the portion of net consolidated profit, which is attributable to the ordinary shareholders of the parent company, by the number of weighted average outstanding ordinary shares:

	<b>For the six months ended 30 June 2018</b>	For the six months ended 30 June 2017
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>2,618,999,726.26</b>	1,158,140,057.29
The number of weighted average outstanding ordinary shares	<b>1,625,790,949</b>	1,625,790,949
Weighted average basic EPS	<b>1.611</b>	0.712

(ii) EPS based on the number of shares as at the period end

EPS based on the number of shares as at the period end is calculated by dividing the portion of net consolidated profit, which is attributable to the ordinary shareholders of the parent company, by the number of outstanding ordinary shares as at the end of the period:

	<b>For the six months ended 30 June 2018</b>	For the six months ended 30 June 2017
Net consolidated profit attributable to ordinary shareholders of the parent company	<b>2,618,999,726.26</b>	1,158,140,057.29
The number of outstanding ordinary shares as at the end of the period	<b>1,625,790,949</b>	1,625,790,949
EPS based on the number of shares as at the period end	<b><u>1.611</u></b>	<u>0.712</u>

(b) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the period from January to June of year 2018, the Company had no dilutive potential ordinary share (for January to June of year 2017: nil). The diluted EPS is equal to basic EPS.

*5.1.8 Dividends*

According to the resolution of the 2017 annual general meeting held on 22 June 2018, the Company shall issue cash dividends to all shareholders at RMB 0.381 per share (tax included), which is RMB619,426,000 in total, based on the outstanding shares of 1,625,790,949 shares at the year end of 2017.

## 5.2 Explanation on changes in accounting policies compared to the previous annual report.

### 5.2.1 Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises.

The Ministry of Finance of the People's Republic of China issued the Accounting Standards for Business Enterprises No. 22 - *Recognition and Measurement of Financial Instruments (Revised in 2017)* (Caikuai [2017] No. 7), the *Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (Revised in 2017)* (Caikuai [2017] No. 8), the Accounting Standards for Business Enterprises No. 24 - *Hedge Accounting (Revised in 2017)* (Caikuai [2017] No. 9) on 31 March 2017, and the Accounting Standards for Business Enterprises No. 37 - *Financial Instruments Presentation (Revised in 2017)* (Caikuai [2017] No. 14) on 2 May 2017 (the above-mentioned standards are collectively referred to as the "new financial instrument standards"); The *Accounting Standards for Business Enterprises No. 14 - Revenue (Revised in 2017)* (Caikuai [2017] No. 22) was issued on 5 July 2017 (hereinafter referred to as the "new revenue standards"), which require that enterprises listed both home and abroad and those listed abroad and adopting the international financial reporting standards or accounting standards for business enterprises to prepare financial statements shall implement these Standards from 1 January 2018.

As considered and approved at the 7th meeting of the 15th Board of Directors and the 10th meeting of the 7th Supervisory Committee of the Company, the Group began implementing the above-mentioned five accounting standards at the time required by the Ministry of Finance of the People's Republic of China.

#### (a) New Revenue Standards

The Group reevaluates the recognition, measurement, calculation, presentation, etc. on the Group's primary revenue from contracts.

The Group reviews the sources of income and processes for contracts with customers to assess the impact of the new revenue standards on financial statements. Over 99% of the Group's revenue is generated from sales of goods. The revenue is recognized when the right to control the goods is transferred to customer. The implementation of the new revenue standards has no significant impact on the presentation of the Group's financial statements.

#### (b) New financial instrument standards

All recognized financial assets are measured at amortized cost or fair value subsequent to initial recognition under the new financial instrument standards.

On the implementation date of the new financial instrument standards, through assessing the business model of the management on financial assets based on the Group's existing facts and conditions on that date, and through assessing the features of contract cash flows of the financial assets based on the facts and conditions at the initial recognition of the financial assets, the financial assets are classified into three categories: (1) measured at amortized cost; (2) measured at fair value through comprehensive income; (3) measured at fair value through profit or loss for the current period.

The expected credit loss model is introduced by the new financial instrument standards to recognize impairment. The model comprises a three-stage approach, which is based on changes in credit quality of financial assets subsequent to initial recognition. In accordance with changes in credit quality, financial assets convert within the three stages, by which the method of measurement for impairment loss and the use manner of effective interest rate are determined.

On the implementation date of the standards, the Group classifies and measures financial instruments in accordance with the provisions of this standard. No adjustments are required if the data relating to the prior period comparison of financial statements are not inconsistent with the requirements of this standard. The difference between the original book value of the financial instrument and the new book value on the date of the implementation of the standard shall be included in the retained earnings or other comprehensive income at the beginning of the annual reporting period in which the standard is applied.

On the implementation date of the new financial instrument standards, the Group made the following adjustments to classification and measurement of financial assets and financial liabilities based on relevant provisions of the new financial instrument standards:

- (i) Equity investment classified as available for sale financial assets in the prior years is reclassified as financial assets measured at fair value through profit or loss for the current period, or irrevocably designated as financial assets measured at fair value through other comprehensive income, changes in fair value of which are accumulatively recognized through other comprehensive income subsequent to initial recognition and cannot be reclassified to profit or loss at disposal.
- (ii) The receivables subsequently measured at amortized cost in the previous year are assessed for business models based on the existing facts and circumstances of the new standard implementation date (1 January 2018), and are tested for contractual cash flow characteristics based on the facts and circumstances at the time of initial recognition. According to the evaluation test results, the receivables measured at the amortized cost are continuously measured at amortized cost. After the assessment and testing, the adoption of the new financial instrument criteria has no significant impact on the presentation of the Group's receivables.

The impact of the Company and its subsidiaries' implementation of the new financial instrument standards on items of the consolidated balance sheet and balance sheet of the Company as of 1 January 2018 are summarized as follows:

	<b>The Group</b>		
	<b>Carrying amount prior to changes in accounting policies on 31 December 2017</b>	<b>Effect of the new financial instrument standards</b>	<b>Carrying amount after changes in accounting policies on 1 January 2018</b>
<b>Assets:</b>			
Financial assets			
held for trading	4,875,057.73	(4,875,057.73)	—
Available for sale			
financial assets	1,038,859,674.96	(1,038,859,674.96)	—
Other equity			
instrument			
investments	—	62,686,231.77	62,686,231.77
Other non-current			
financial assets	—	975,856,856.18	975,856,856.18
Deferred tax assets	388,850,739.31	778,746.71	389,629,486.02
<b>Shareholders' equity:</b>			
Other comprehensive			
income	(70,206,938.27)	63,388,106.49	(6,818,831.78)
Undistributed profit	6,285,996,409.09	(67,801,004.52)	6,218,195,404.57
	<b>The company</b>		
	<b>Carrying amount prior to changes in accounting policies on 31 December 2017</b>	<b>Effect of the new financial instrument standards</b>	<b>Carrying amount after changes in accounting policies on 1 January 2018</b>
<b>Assets:</b>			
Financial assets			
held for trading	4,875,057.73	(4,875,057.73)	—
Available for sale			
financial assets	1,035,180,994.75	(1,035,180,994.75)	—
Other equity			
instrument			
investments	—	57,494,587.03	57,494,587.03
Other non-current			
financial assets	—	977,369,820.71	977,369,820.71
Deferred tax assets	108,368,848.19	778,746.71	109,147,594.90
<b>Shareholders' equity:</b>			
Other comprehensive			
income	(64,737,939.47)	64,954,866.01	216,926.54
Undistributed profit	4,024,415,273.84	(69,367,764.04)	3,955,047,509.80

(c) Adjustments in the presentation of financial statements

The financial statements for the half year ended 30 June 2018 are prepared by the Group and its subsidiaries in accordance with the format prescribed in Caikuai [2018] No. 15. Presentation of relevant accounts are adjusted retrospectively.

The impact of adjustments in relevant financial statements is as follows:

- (i) Items of the affected consolidated balance sheet and the balance sheet of the Company as of 31 December 2017:

Item	Consolidated Balance Sheet		
	Prior to adjustment	Amount adjusted	After adjustment
Notes receivable	1,702,655,475.08	(1,702,655,475.08)	—
Accounts receivable	1,113,769,006.51	(1,113,769,006.51)	—
Notes receivable and accounts receivable	—	2,816,424,481.59	2,816,424,481.59
Dividends receivable	552,938,523.45	(552,938,523.45)	—
Other receivables	209,318,838.53	552,938,523.45	762,257,361.98
Notes payable	252,226,384.82	(252,226,384.82)	—
Accounts payable	2,802,200,696.28	(2,802,200,696.28)	—
Notes payable and accounts payable	—	3,054,427,081.10	3,054,427,081.10
Interest payable	253,966.40	(253,966.40)	—
Dividends payable	45,446,017.79	(45,446,017.79)	—
Other payables	2,399,394,477.50	45,699,984.19	2,445,094,461.69
Long-term payables	20,171,809.73	14,954,855.39	35,126,665.12
Special payables	14,954,855.39	(14,954,855.39)	—
Total	<u>9,113,330,051.48</u>	<u>—</u>	<u>9,113,330,051.48</u>

<b>Balance Sheet of the Company</b>			
<b>Item</b>	<b>Prior to adjustment</b>	<b>Amount adjusted</b>	<b>After adjustment</b>
Notes receivable	679,046,805.63	(679,046,805.63)	—
Accounts receivable	265,693,684.36	(265,693,684.36)	—
Notes receivable and accounts receivable	—	944,740,489.99	944,740,489.99
Dividends receivable	656,897,700.00	(656,897,700.00)	—
Other receivables	1,527,015,254.36	656,897,700.00	2,183,912,954.36
Notes payable	908,082.74	(908,082.74)	—
Accounts payable	331,740,567.20	(331,740,567.20)	—
Notes payable and accounts payable	—	332,648,649.94	332,648,649.94
Dividends payable	477,452.11	(477,452.11)	—
Other payables	1,122,916,120.25	477,452.11	1,123,393,572.36
<b>Total</b>	<b>4,584,695,666.65</b>	<b>—</b>	<b>4,584,695,666.65</b>

- (ii) Affected items in the consolidated income statement and the income statement of the Company for the half year ended 30 June 2017:

<b>Consolidated Income Statement</b>			
<b>Item</b>	<b>Prior to adjustment</b>	<b>Amount adjusted</b>	<b>After adjustment</b>
General and administrative expenses	709,789,679.18	(133,758,130.04)	576,031,549.14
R&D expenses	—	133,758,130.04	133,758,130.04
<b>Total</b>	<b>709,789,679.18</b>	<b>—</b>	<b>709,789,679.18</b>

<b>Income Statement of the Company</b>			
<b>Item</b>	<b>Prior to adjustment</b>	<b>Amount adjusted</b>	<b>After adjustment</b>
General and administrative expenses	176,683,500.17	(31,848,792.88)	144,834,707.29
R&D expenses	—	31,848,792.88	31,848,792.88
<b>Total</b>	<b>176,683,500.17</b>	<b>—</b>	<b>176,683,500.17</b>



**5.3** No change in accounting policies and accounting methods occurred compared to the previous annual report.

**5.4** No correction for significant accounting errors occurred in the current reporting period.

**5.5 Explanation on change in consolidation scope compared to the previous annual report**

*5.5.1 Business combination not under common control*

(a) Business combinations not under common control in the current period

Acquiree	Acquisition date	Acquisition cost	Shareholding (%)	Acquisition method	Purchase date	Recognition basis of purchase date	Income of the acquiree from the purchase date to the period end	Net profits of acquiree for the period from the purchase date to the period end
Gp Corp.	31 May 2018	2,917,600,000.00	80.00	Business combination not under common control	31 May 2018	The share transfer agreement has been approved by the Group's board of directors; All consideration has been paid; Property rights have been transferred; The Group obtains control on the acquiree's finance and operating policies, enjoys relevant benefits and undertakes relevant risks.	2,820,500,769.15	20,366,914.98

*Condition about realizing business combination by steps and acquiring control in the reporting period*

<b>Acquisition date</b>	<b>Acquisition cost</b>	<b>Shareholding (%)</b>	<b>Acquisition method</b>
31 May 2018	1,094,100,000.00	30.00	Cash

(b) Combination cost and goodwill

<b>Item</b>	<b>Gp Corp.</b>
Combination cost	—
- Cash	1,094,100,000.00
- Fair value of non-cash assets	1,823,500,000.00
- Fair value of debt issued or assumed	—
- Fair value of equity securities issued	—
- Fair value of contingent consideration	—
- Fair value on purchase date of equity held before purchase date	—
- Other	—
Total combination costs	2,917,600,000.00
Less: Fair value of identifiable net assets obtained	1,985,250,996.16
Goodwill/consideration lower than the fair value of identifiable net assets	932,349,003.84

(i) Recognition of the fair value of combination cost

The fair value of the non-cash assets in the combination cost has been adjusted and determined by the valuation results determined using the income method valuation method by Guozhonglian Assets Evaluation and Land and Real Estate Appraisal Co., Ltd.

(ii) There is no contingent consideration and no change in contingent consideration in this acquisition.

(iii) The main reason for the significant amount of goodwill

The acquiree has engaged in pharmaceutical circulation industry for several years. Both the business network it builds that radiates across the country with Guangdong as the center and the basically stable suppliers it maintains contribute to the generation of a significant amount of goodwill.

## (c) Identifiable assets and liabilities of acquiree at the purchase date

Item	Gp Corp.	
	Fair value at the purchase date	Book value at the purchase date
<b>Assets:</b>		
Cash at bank an on hand	2,091,914,169.84	2,091,914,169.84
Financial assets held for trading	745,378.34	745,378.34
Notes receivable and accounts receivable	11,402,687,240.77	11,402,687,240.77
Advances to suppliers	480,420,214.12	480,420,214.12
Other receivables	804,794,691.48	805,250,142.03
Inventories	3,415,844,222.20	3,415,844,222.20
Other current assets	80,732,420.57	80,732,420.57
Investment properties	6,502,500.00	124,276.05
Fixed assets	866,610,501.48	338,096,751.59
Construction in progress	54,151,645.64	54,151,645.64
Intangible assets	247,710,677.72	112,935,483.44
Goodwill	—	50,941,295.57
Long-term prepaid expenses	26,899,032.11	26,899,032.11
Deferred tax assets	89,990,218.67	73,035,799.22
<b>Liabilities:</b>		
Short-term borrowings	6,489,095,825.15	6,489,095,825.15
Notes payable and accounts payable	7,778,249,741.47	7,778,249,741.47
Advances from customers	48,806,283.66	48,806,283.66
Employee benefits payable	46,533,213.84	46,533,213.84
Taxes payable	82,276,190.24	82,276,190.24
Interest payable	41,920,797.28	41,920,797.28
Dividends payable	910,000,000.00	910,000,000.00
Other Payables	416,973,204.68	416,973,204.68
Current portion of non-current liabilities	70,079,623.29	70,079,623.29
Long-term borrowings	666,153,706.06	666,153,706.06
Long-term payables	107,861,341.84	107,861,341.84
Deferred income	2,883,392.79	2,883,392.79
Deferred tax liabilities	171,173,341.58	2,605,266.54
<b>Net assets</b>	<b>2,735,996,251.06</b>	<b>2,270,339,484.65</b>
Less: Minority interest	254,432,505.87	251,867,551.12
Net assets acquired	2,481,563,745.19	2,018,471,933.53

Note: Fair value of identifiable assets and liabilities is valued by Zhonglian International Appraisal and Consultation Co., Ltd. using cost method.

- (d) Gains or losses arising from the re-measurement of equity held before the date of purchase at fair value

Acquiree	Book value on the purchase date of the original held equity prior to the purchase date	Fair value on purchase date of originally held share before purchase date	Gains or loss from re-measurement of equity originally held before purchase date	Recognition method and main assumption of fair value on purchase date of originally held share before purchase date	Amount of OCI related to equity held originally before purchase date transferred to investment income
Gp Corp.	997,725,159.89	1,823,500,000.00	825,774,840.12	Adjusting issues which can have impact on fair value under income method	208,104.58

- (e) Related information of the fair value of the acquiree's identifiable net assets and liabilities and consideration for combination, which cannot be obtained reliably on the purchase date or at the current year end.

Nil.

### 5.5.2 Changes in consolidation scope due to other reasons

5.5.2.1 The reasons for the addition of 4 companies in scope of consolidation comparing to the prior period are:

- (1) The Company established Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd in January 2018, and registered capital of the Company accounts for 100% of registered capital amounted to RMB 100,000,000.
- (2) Chemical Medicine Technology Co., Ltd., a subsidiary of the Company, established Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. in January 2018, and registered capital of Chemical Medicine Technology Co., Ltd. accounts for 100% of registered capital amounted to RMB 42,000,000.
- (3) Tianxin Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Baiyunshan Tianxin Pharmaceutical Technology Co., Ltd. in January 2018, capital contribution subscribed by Guangzhou Baiyunshan Tianxin Pharmaceutical Co., Ltd. accounts for 100% of registered capital amounted to RMB 800,000.
- (4) Guangzhou Baiyunshan Hong Kong Company, a subsidiary of the Company, established Guangyao Baiyunshan Macao Co., Ltd. in January 2018, capital contribution subscribed by Guangzhou Baiyunshan Hong Kong Company accounts for 99.90% of registered capital amounted to MOP 1 million.

5.5.2.2 The reasons for the reduction of 1 company in scope of consolidation comparing to the prior period are:

In May 2018, according to the application lodged by the Company, the Intermediate People's Court of Guangzhou accepted the application of liquidation from Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. Guangdong Qiyuan Law Firm was assigned to be the insolvency administrator for Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. The Company cannot have effective control over Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. Hence the company is excluded from the scope of consolidation.

**5.6** There is no explanation from the Board or the Supervisory Committee on audit reports with modified opinion issued by the auditors for the current reporting period.

The Board of

**Guangzhou Baiyunshan Pharmaceutical Holdings Company  
Limited**

Guangzhou, the PRC, 22 August 2018

*As at the date of this announcement, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Li Hong and Mr. Wu Changhai as executive directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive directors.*