廣州白雲山医药集团股份有限公司

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 ANNUAL REPORT

1. IMPORTANT NOTICE

1.1 This summary is extracted from the full text of the 2018 annual report of the Company for the year ended 31 December 2018. Investors who wish to know more details are advised to refer to the full text of the 2018 annual 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 summary and confirm that there are no false information, misleading statements or material omissions in this summary.

1.3 The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are audited by Ruihua Certified Public Accountants LLP which had issued an unqualified auditors' report in respect thereof.

1.4 Profit distribution plan or plan of carrying over reserved funds to equity shares during the Reporting Period as considered by the Board

As audited and confirmed by Ruihua Certified Public Accountants LLP: the net profit of the Group attributable to the shareholders of the Company of 2018 amounted to RMB3,440,980,103.08. Based on the net profit of the Company of RMB2,139,729,642.17 in 2018, a 10% statutory surplus reserve in the amount of RMB213,972,964.22 is provided, with the addition of the undistributed profit carried over from last year in the amount of RMB3,955,047,509.80, and after reducing the cash dividends of 2017 by RMB619,426,351.57, the actual distributable profits amounted to RMB5,261,377,836.18.

Based on the actual circumstances of the Company, it is proposed that based on the share capital of 1,625,790,949 shares as at the end of 2018, a cash dividend of RMB4.24 (inclusive of tax) for every 10 shares, an aggregate of RMB689,335,362.38 be distributed. The undistributed portion shall be transferred to the next distribution. There will not be any capitalization of capital reserve for 2018.

The profit distribution plan will be submitted to the 2018 Annual General Meeting for approval.

1.5 This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

1.6 All the information required to be contained in the summary of the 2018 annual report of the Company pursuant to paragraph 45 of Appendix 16 to the Listing Rules of HKEx will be published on the website of HKEx in due course.

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/Year/ the current year	From 1 January 2018 to 31 December 2018
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Directors	the 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
Articles of Association	the articles of association of the Company

Listing Rules of HKEx	the Rules Governing the Listing of Securities on the 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)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Guangzhou Bai Di	Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣州白雲山香港有限公司)

Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical General Factory (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠)
He Ji Gong	Guangzhou Baiyunshan Pharmaceutical 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)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
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)
Pharmaceutical Technology	Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd. (廣州白雲山醫藥科技發展有限公司)
Xing Zhu	Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd.(廣州白雲山星珠藥業有限公司)
Chemical & Pharmaceutical Technology Company	Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. (廣州白雲山化學藥科技有限公司)
Guangyao General Institute	Guangzhou Pharmaceutical Research General Institute (廣州醫藥研究總院有限公司)
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)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company (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)
WLJ Catering	Guangzhou WLJ Catering Management Development Co., Ltd. (廣州王老吉餐飲管理发展有限公司)
Yi Gan	Guangzhou Guangyao Yigan Biological Products Co., Ltd. (廣州廣藥益甘生物製品股份有限公司)

Runkang Confinement Company	Guangzhou Baiyunshan Runkang Confinement Service Center Co., Ltd.（廣州白雲山潤康月子會所有限公司）
Yi Xin Tang	Yunnan Hongxiang Yi Xin Tang Phamaceutical (Group) Co.,Ltd. (雲南鴻翔一心堂藥業（集團）股份有限公司)
Baiyunshan Yi Xin Tang	Guangzhou Baiyunshan Yi Xin Tang Pharmaceutical Investment & Development Co., Ltd.（廣州白雲山一心堂醫藥投資發展有限公司）
GMP	the English abbreviation of Good Manufacturing Practice, and it is a set of mandatory standards applicable to the pharmaceutical industry, which requires the pharmaceutical companies to ensure the quality of medicines in the production process shall conform to the national standards in accordance with the GMP requirements.
GPO	Group purchasing organizations
Medical Insurance Catalogue	a Catalogue of the List of Pharmaceutical Products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (國家基本醫療保險、工傷保險和生育保險藥品目錄) (the 2017 version), being the standard payable drugs fees for the basic medical insurance, work-related injury insurance and maternity insurance fund.
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）)
Alliance BMP	Alliance BMP Limited (聯合美華有限公司)
Sino-Israel Fund	Guangzhou Sino-Israel Bio-Industiry Investment Fund (LLP)
C.Q. Pharmacentical Holding	Chongqing Pharmaceutical Holding Company Limited

3. COMPANY PROFILE

3.1 Company Profile

Stock abbreviation:	BAIYUNSHAN
Stock code:	600332 (A Share)
Stock exchange:	The Shanghai Stock Exchange
Stock abbreviation:	BAIYUNSHAN PH
Stock code:	00874 (H Share)
Stock exchange:	The Stock Exchange of Hong Kong Limited

	Secretary to the Board	Representative of securities affairs
Name	Huang Xuezhen	Huang Ruimei
Address	45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC	
Telephone	(8620)6628 1217	(8620)6628 1219
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3.2 Profile of the main business and products

Since its establishment, the Company has been committed to the healthcare industry. After years of development, the Company has continuously to grow in both of its scale and efficiency. Currently, the Group is principally engaged in: (1) research, development, manufacturing and sales of Chinese patent medicine, western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (2) wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; (3) the research and development, production and sales of great health product; and (4) the health industry investment in medical care, health management, health maintenance and elderly care etc..

3.2.1 Great Southern TCM (medicine manufacturing business)

There are 25 pharmaceutical manufacturing companies and organizations under the Company (including 3 branches, 19 subsidiaries and 3 joint ventures). The above enterprises or institutions engaged in the R&D and manufacturing of Chinese patent medicine and western medicine, chemical raw materials, intermediates chemical raw materials, biomedicine and natural medicine, etc..

1) The Group is an epitome of the southern TCM. The Company has more than 10 China time honored brand enterprises such as Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang, Pan Gao Shou, etc.. The Company have 3 protected Chinese traditional medicine of national grade and the main products include Xiao Ke Pill, Hua Tuo Zai Zao Pill, compound Salvia Milltiorrhiz slice, Ban Lan Gen Granule, Qing Kai Ling series, An Gong Niu Huang Pill, Zi Shen Yu Tai Pill, Shu Jin Jian Yao Pill, Xiao Chai Hu Granule, Xia Sang Ju Granule, Zhui Feng Tou Gu Pill etc. The Group boasts clear brand and variety advantages in proprietary Chinese medicines in southern China and even countrywide.

2) The Group has a complete antibiotic production chain ranging from raw material medicine to preparation, with products covering commonly used antibiotic varieties and male medicine. The Group integrated the antibiotic brands with the famous trademark "Kang Zhi Ba", striving to make a market image with the number one brand of oral antibacterial anti-inflammatory. The Group's chemical medicine includes Cefathiamidine, Cefixime, Amoxicillin and Sildenafil Citrate Tablets ("Jin Ge"), etc..

3.2.2 Great Health Industry

The Group engaging in the Great Health Industry are mainly engaged in the production, R&D and sale of beverage, food, healthcare product and etc., including the subsidiaries, WLJ Great Health and Wang Lao Ji and the main products include Wang Lao Ji Herbal Tea, ganoderma spore oil capsules, lozenges, tortoise herb jelly etc.

3.2.3 Great Commerce (Pharmaceutical distribution business)

The pharmaceutical distribution business of the Group mainly includes the wholesale, retail, and import and export business of pharmaceutical products, medical equipment and healthcare products etc. The wholesale business is carried out principally through the Company's subsidiaries, namely GP Corp., Cai Zhi Lin and Pharmaceutical Import & Export. The retail business is carried out principally through Cai Zhi Lin pharmacy chains, Jian Min pharmacy chains, Guangzhou pharmacy chains and Ying Bang pharmacy, etc. GP Corp. is the largest pharmaceutical logistics company in Southern China.

3.2.4 Great Medical Care

The Group leveraged on Baiyunshan Medical and Healthcare Industry Company and Medical Instrument Investment Company as the main investment vehicle and used various means, including new establishment, joint venture and co-operation to focus on the development of medical instrument industry and three areas, i.e. medical services, health maintenance and modern elderly care.

Currently, the Great Medical Care segment is at the stage of investment expansion. The projects that have been invested or founded include Guangzhou Baiyunshan Hospital, the Tibetan-style Health Preservation Castle, Runkang Confinement Company and Guangzhou Zhongcheng Medical Device Industry Development Co., Ltd. etc.

3.3 Current circumstance of the development of the industry

In recent years, under the influence of economic restructuring and the deepening of medical and health reform, the growth rate of the pharmaceutical industry has declined. The income of pharmaceutical manufacturing enterprises above designated size in 2018 was RMB2,426.47 billion, representing an increase of 12.40%, of which the operating revenue was RMB2,398.63 billion, representing an increase of 12.60%; total profit amounted to RMB309.42 billion, representing an increase of 9.50% (source: National bureau of statistics).

3.4 Position of the Company in the Industry

The Group is one of the largest pharmaceutical manufacturing companies in the PRC. After years of meticulous development and rapid expansion, the Group basically achieved the whole industrial chain layout of biomedicine and health industry and formed the four business segments of Great Southern TCM, Great Health, Great Commerce and Great Medical Care and three new types of operation of e-commerce, capital finance and medical equipment.

4 PRINCIPAL FINANCIAL DATA

4.1 Principal financial data

Principal financial data	2018	2017	Year on year increase/ decrease (%)	2016	2015	2014 After Restatement	2014 Before Restatement
Income from operations *(RMB'000)*	**42,233,838**	20,954,225	101.55	20,035,681	19,124,658	18,818,232	18,799,881
Net profit attributable to the shareholders of the Company *(RMB'000)*	**3,440,980**	2,061,652	66.90	1,508,033	1,300,351	1,194,141	1,192,472
Net profit attributable to the shareholders of the Company after deducting non-recurring items *(RMB'000)*	**2,131,485**	1,935,560	10.12	1,071,111	1,128,765	1,092,530	1,112,771
Net cash flow from operating activities *(RMB'000)*	**5,216,888**	1,833,691	184.50	2,544,672	1,941,956	1,751,690	1,761,382
Total profit *(RMB'000)*	**4,018,730**	2,492,976	61.20	1,945,053	1,628,122	1,468,061	1,467,177

Principal financial data	As at 31 December 2018	As at 31 December 2017	Year on year increase/ decrease (%)	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014 After Restatement	As at 31 December 2014 Before Restatement
Net assets attributable to the shareholders of the Company *(RMB'000)*	**21,684,909**	18,871,521	14.91	17,345,080	8,450,814	7,705,137	7,739,301
Total assets *(RMB'000)*	**51,482,184**	28,314,713	81.82	25,897,170	15,870,577	14,266,903	14,210,784
Total liabilities *(RMB'000)*	**28,338,451**	9,051,560	213.08	8,243,380	7,186,644	6,344,908	6,251,805
Equity attributable to the shareholders of the Company per share *(RMB)*	**13.34**	11.61	14.91	10.67	6.55	5.97	5.99
Total equity *(RMB'000)*	**1,625,791**	1,625,791	–	1,625,791	1,291,079	1,291,341	1,291,341

4.2 Principal financial indicators

Principal accounting data	2018	2017	Year on year increase/ decrease (%)	2016	2015	2014 After restatement	2014 Before restatement
Basic earnings per share *(RMB)*	**2.116**	1.268	66.90	1.075	1.007	0.925	0.923
Diluted earnings per share *(RMB)*	**2.116**	1.268	66.90	1.075	1.007	0.925	0.923
Basic earnings per share after deducting non-recurring items *(RMB)*	**1.311**	1.191	10.12	0.764	0.874	0.846	0.862
Weighted average return on net assets ratio *(%)*	**16.93**	11.34	An increase of 5.59 percentages points	12.75	15.91	16.48	16.38
Ratio of weighted return on net assets after deducting non-operating items *(%)*	**10.48**	10.64	An decrease of 0.16 percentages point	9.06	13.81	15.08	15.29
Return on total equity attributable to shareholders of the Company *(%)*	**15.87**	10.92	An increase of 4.95 percentages points	8.69	15.39	15.50	15.41
Ratio on total equity attributable to shareholders of the Company to total assets *(%)*	**42.12**	66.65	A dcrease of 24.53 percentages points	66.98	53.25	54.01	54.46
Gearing ratio *(%)*	**55.05**	31.97	An increase of 23.08 percentages points	31.83	45.28	44.47	43.99

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

4.3 Principal financial data of 2018 on quarterly basis

	The first quarter (January – March) *(RMB'000)*	The second quarter (April – June) *(RMB'000)*	The third quarter (July – September) *(RMB'000)*	The fourth quarter (October – December) *(RMB'000)*
Revenue	6,909,195	7,930,819	15,035,811	12,358,013
Net profit attributable to the shareholders of the Company	905,169	1,713,830	820,294	1,687
Net profit attributable to the shareholders of the Company after deducting non-recurring items	872,357	668,639	640,838	(50,349)
Net cash flow from operating activities	802,226	400,551	2,152,939	1,861,172

Note: *Compared with the first three quarters, the changes of the revenue and the profit for the fourth quarter were due to: (1) in order to achieve high-quality development, the Company's subsidiaries integrated sales channels, controlled social inventory, which is expected to affect the revenue and profit in the short term; (2) to better carry out the transformation of workshop to prepare for GMP certification, the production and sales volume decreased, which is expected to affect the revenue and profit of the Group; (3) the Company's subsidiaries have accelerated the development and investment of consistency evaluation for generic drugs, resulting in increased R&D costs and reduced profits; (4) Profit arising from the changes in fair value of equity interests of C.Q. Pharmaceutical Holding held by the Company was minus RMB136 million. Provision for impairment on goodwill of GP Corp. was provided amounting to RMB118 million as at the end of the year.*

5. SHAREHOLDERS

5.1 Total number of shareholders and the top ten shareholders as at the end of the Reporting Period

Total number of shareholders as at the end of the Reporting Period	**60,014**	**Total number of shareholders as at 28 February 2019**	**69,440**

The top ten shareholders of the Company

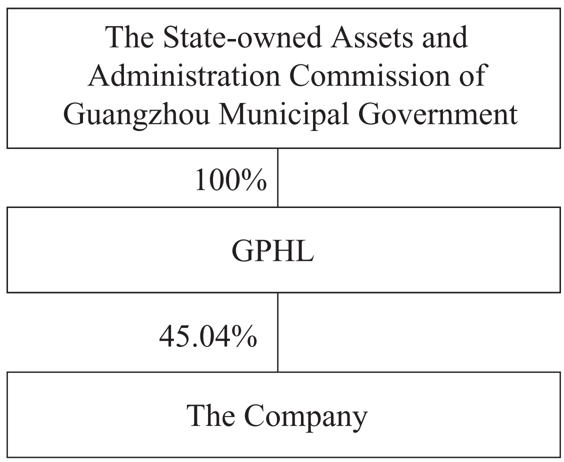
Shareholders	**Increase/ Decrease during the Reporting Period** *(share)*	**Number of shares held as at the end of the Reporting Period** *(share)*	**Approximate percentage of the total issued share capital** *(%)*	**Number of shares subject to selling restrictions** *(share)*	**Number of shares pledged or locked** *(share)*	**Nature of Shareholder**
GPHL	0	732,305,103	45.04	148,338,467	0	State–owned legal person
HKSCC Nominees Limited	61,940	219,739,409	13.52	0	0	Overseas legal person
GZ SOA Development	0	87,976,539	5.41	87,976,539	0	State–owned legal person
Guangzhou Chengfa	0	73,313,783	4.51	73,313,783	0	Others
China Securities Finance Corporation Limited	–325,574	47,278,008	2.91	0	0	Others
Yunfeng Investment	0	21,222,410	1.31	21,222,410	21,222,410	Others
Central Huijin Asset Management Co., Ltd.	0	15,260,700	0.94	0	0	Others
The National Social Security Fund – One Zero Five Combination	10,326,823	10,326,823	0.64	0	0	Others
HKSCC	6,394,621	10,172,609	0.63	0	0	Others
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	3,563,400	8,795,136	0.54	0	0	Others

Explanation on the connection or persons acting in concert among the above shareholders

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

B. The Company was not aware of any connection among the above top ten shareholders, or whether they were persons acting in concert as provided in the "Rules Governing the Disclosure of Changes in Shareholders' Shareholding in Listed Companies".

5.2 Relationship between the Company and its actual controller as at the end of the Reporting Period



5.3 Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Reporting Period.

5.4 There has been no change in the controlling shareholder of the Company during the Reporting Period.

5.5 Public float

Based on the publicly available information and to the best knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the publication of this summary.

5.6 Pre-emptive rights

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

6. REPORT OF THE DIRECTORS

6.1 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 2018, the Group's revenue amounted to RMB42,233,838,000, increased by 101.55% year-on-year; the total profit was RMB4,018,730,000, increased by 61.20% year-on-year; and the net profit attribute to shareholders of the Company was RMB3,440,980,000, increased by 66.90% year-on-year.

When compared with the corresponding period in 2017, the Group recorded a remarkable growth in operating results during the Reporting Period, which was mainly driven by the following: (1) During the Reporting Period, as the Group took forward the development of various business segments and made increased efforts in market expansion, the principal operation therefore achieved a steady and faster growth. (2) the asset transfer and change in business registration of the significant asset acquisition in relation to the Company's acquisition of 30% equity interests in GP Corp. in cash were completed on 31 May 2018. Thereafter, GP Corp. became a subsidiary controlled by the Company with 80% equity interests and was consolidated into the Company's accounts. In view of the above and in accordance with Accounting Standards for Business Enterprises, income generated from operations of GP Corp. has included in the Company's combined financial statements since June 2018, resulting in a higher year-on-year growth in operating income; meanwhile, the Company's equity interests previously held in the acquiree before the acquisition date were re-measured at fair value on the acquisition date and the difference of RMB825.77 million between the fair value and the carrying value was included in the "investment incom" item in the income statement for the Reporting Period, resulting in a substantial year-on-year increase in profit. (3) During the Reporting Period, the Company completed the acquisition of 48.0465% equity interests in Wang Lao Ji, and Wang Lao Ji became a subsidiary controlled by the Company with 96.093% equity interests and was consolidated into the Company's accounts. Therefore, the income of RMB170.88 million from equity acquisition was included in the income statement for the year. (4) According to the judgment that the Company 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 in May 2018. The fair value of such investment was increased by RMB254.93 million. The additional amount was included in "gain or loss arising from a change 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 had 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, to improve sales, expand markets and create "fashionable Chinese medicine" with continuous and strong efforts, and to promote transformation in the development of the traditional Chinese medicine segment so as to drive the improvement in development quality of the Great Southern TCM segment. Moreover, the Group continued to implement the resources consolidation strategy by refining consolidation work, fully utilizing the advantages in distribution network and logistics 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. During the Reporting Period, sales revenue achieved good growth in products of Great Southern TCM segment through Great Commerce segment.

Secondly, we promoted the 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, while the development of the bottled ready-to-drink market and the end-user outlet network was enhanced, 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 26 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. Projects such as Wang Lao Ji Jasmine Flavor Herbal Tea and Bubble Herbal Tea (爆冰涼茶) are also under intense development.

Thirdly, the 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 was completed in the Reporting Period. 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) Continuous adhering to the terminal strategy and expansion of various classes of hospitals and medical institution business. During the Reporting Period, GP Corp. won the first place in the bid for Guangzhou GPO and entered the list of pilot enterprises for national supply chain innovation and application, laying a foundation for the stabilization and expansion of the commercial pharmaceutical market in South China. (3) Retail business was developed in all directions with diversification and distribution plan. During the Reporting Period, the GP Corp. established GP Corp. Pharmacy, opened a prescription pharmacy, and established its presence in the retail market of prescription drugs outside the hospital. Cai Zhi Lin developed a featured retail terminal chain service and continued to develop the business model of "drugstore chains + TCM medical centre"; the Company, Yi Xin Tang and Guangdong Guangyao Jinshen Equity Investment Fund Management Co., Ltd. (廣東廣藥金申股權投資基金管理有限公司) jointly invested to establish Baiyunshan Yi Xin Tang 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, while soft power of Guangzhou Baiyunshan Hospital was 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. During the Reporting Period, Baiyunshan Medical and Healthcare Industry Company and Guangzhou South Runkang Service Co., Ltd. (廣州南方潤康服務有限公司), a subsidiary of Nanfang Hospital, established a joint venture, Runkang Confinement Company. (3) The medical device new business was actively nurtured, and Zhongcheng Medical Device Industry Development Co., Ltd., 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 technology: (1) Quality management work was stringently monitored to create a high pressure environment for quality management by conducting self-evaluation 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 Pharmaceutical General Factory obtained clinical test approval for Class 1.1 new chemical drugs Ceftriamidine Sodium for injection. The Group and joint ventures obtained 2 approvals for manufacturing and filed 2 approvals for clinical research approval. The Group applied for 125 patents and had 52 licensed patents. 13 enterprises passed the standard implementation for intellectual property. 12 enterprises passed the recertification for high-tech enterprise. It obtained three China Patent Excellence Award, one First Prize, one Second Prize and one Third Prize of Guangdong Province Science and Technology Award. (3) The Group promoted the integration of production resources in accordance with the principle of gradual and orderly progress with the easier tasks started before the more difficult ones. After Qi Xing became an enterprise that holds marketing licenses successfully in 2017, in March 2018, Xing Qun successfully obtained the Approval for Supplementary Application Regarding Drugs and became the holder of 25 varieties of vitamin AD drops of the former Zhujiang Pharmaceutical Factory (珠江藥廠). The successful completion of the holder application of the two pilot enterprises has accumulated rich experience for the subsequent follow-up work of production resources integration. (4) Major projects in scientific research and innovation were further implemented continuously, and consistency evaluation for generic drugs was 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 integration and integrated management, and enhanced the quality of macro-management development.

6.2 Analysis of principal operations

Analysis of change in certain items in income statement and cash flow statement

Items	The Reporting Period	The corresponding period of 2017	Increase/ (Decrease) over the same period of 2017
	(RMB'000)	*(RMB'000)*	*(%)*
Revenue	42,233,838	20,954,225	101.55
Include: income from principal operations	41,980,378	20,789,416	101.93
Cost of sales	32,164,392	13,063,229	146.22
Include: cost from principal operations	32,106,055	13,023,398	146.53
Selling and distribution expenses	5,056,821	4,285,949	17.99
General and administrative expenses	1,699,062	1,206,295	40.85
Research and development expenses	585,498	373,288	56.85
Financial expenses	(6,655)	(210,571)	96.84
The profit before tax	4,018,730	2,492,976	61.20
Net profit attributable to shareholders of the Company	3,440,980	2,061,652	66.90
Net cash flow from operating activities	5,216,888	1,833,691	184.50
Net cash flow from investing activities	1,109,718	(2,440,644)	145.47
Net cash flow from financing activities	(2,751,337)	(484,274)	(468.14)

Notes:

1. *Revenue for the Reporting Period increased as compared with the same period of last year, was due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to a year-on-year increase of RMB20.322 billion in this statement item for the Reporting Period; (2) an increase in principal operations income of the Company's subsidiaries.*

2. *Cost of sales increased in the Reporting Period as compared with the same period of last year, was due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB19.042 billion in this statement item; (2) a slight increase in cost from principal operations of the Company's subsidiaries.*

3. *General and administrative expenses increased in the Reporting Period as compared with the same period of last year, was due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB257 million in this statement item; (2) an increase in corresponding expenses as a result of constant business expansion of the Company's subsidiaries.*

4. *Research and development expenses for the Reporting Period increased as compared with the same period of last year, which was due to: increase in drug consistency evaluation expenses and expenses on other research projects of the Company's subsidiaries.*

5. *Financial expenses increased in the Reporting Period as compared with the same period of last year, which was due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB223 million in this statement item; (2) improvement in the fund management of the Company's other subsidiaries, increase in interest income and reduction in financial costs as a result of the reasonable fund allocation, increase in capital efficiency as well as optimization in types of deposits.*

6. *Profit before tax increased in the Reporting Period as compared with the same period of last year, which was due to: (1) the income of RMB985 million generated from acquisition of equity interests in GP Corp. and Wang Lao Ji by the Company; (2) an increase in the profits of the Company's subsidiaries; (3) an increase of RMB119 million in net profit arising from the changes in fair value of equity interests of Yi Xin Tang and C.Q. Pharmaceutical Holding hold by the Company.*

7. *Net cash flow from operating activities for the Reporting Period increased as compared with the same period of last year, which was due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year; (2) Increased cash flow from daily operational activities as a result of growth in advance payment from customers and collection of receivables of products.*

8. *Net cash flow from investing activities for the Reporting Period increased as compared with same period of last year, which was 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. and Wang Lao Ji's accounts into the Company's accounts during the Year, respectively, which recognized the difference between consideration payment and cash and cash equivalents of such enterprise.*

9. *Net cash flow from financing activities for the Reporting Period decreased as compared with the same period of last year, was due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to consolidation of such corporation's bank borrowings.*

6.2.1 Analysis of revenue and cost

a) Industry, product and regional analysis of the operation result

Results of principal operations by industry

Operations	**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)*
Great Southern TCM	9,635,377	23.59	5,479,359	28.74	43.13	A decrease of 2.27 percentage points
Great Health	9,487,460	10.66	5,367,039	14.34	43.43	A decrease of 1.82 percentage points
Great Commerce	22,743,867	425.40	21,171,258	428.96	6.91	A decrease of 0.63 percentage point
Other	113,674	24.96	88,399	25.31	22.23	A decrease of 0.22 percentage point
Total	41,980,378	101.93	32,106,055	146.53	23.52	A decrease of 13.84 percentage points

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	3,847,332	(1.69)	2,185,414	(4.80)	43.20	An increase of 1.85 percentage points
Chemical medicine	5,788,045	49.08	3,293,945	68.00	43.09	A decrease of 6.41 percentage points
Total of Great Southern TCM	9,635,377	23.59	5,479,359	28.74	43.13	A decrease of 2.27 percentage points

Regions	Results of principal operations by regions					
	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)
Southern China	28,849,804	151.13	23,915,085	214.68	17.10	A decrease of 16.74 percentage points
Eastern China	4,555,824	25.09	2,450,090	17.59	46.22	An increase of 3.43 percentage points
Northern China	2,368,824	12.91	1,346,551	18.87	43.16	A decrease of 2.84 percentage points
North-Eastern China	1,043,076	169.40	896,881	310.73	14.02	A decrease of 29.58 percentage points
South-Western China	3,603,000	45.93	2,331,393	45.82	35.29	An increase of 0.05 percentage point
North-Western China	1,515,841	131.69	1,123,178	230.20	25.90	A decrease of 22.11 percentage points
Exports	44,009	(13.85)	42,877	(14.06)	2.57	An increase of 0.24 percentage point

Gross profit margin of principal operations = (Income from principal operations – Cost of principal operations)/Income from principal operations *100%

Notes: (1) *The large increase in income from principal operations and cost of principal operations of the Great Commerce as compared with last year was mainly due to consolidation of GP Corp.'s accounts into the Company's accounts during the Reporting Period.*

(2) *As set out in the above table, the large increase in income from principal operations of chemical medicine as compared with last year was mainly due to: intensification of product promotion and enhancement in marketing efforts; a great increase in the market demand for the products related to prevention and control of influenza resulting from the influence of influenza outbreak in the beginning of 2018; the increase in prices of part of products in order to deal with the impact of rising costs and changes in industry policies. The large increase in cost of principal operations as compared with last year was mainly due to: the decrease in output of part of the products resulting from the transformation of the work center for GMP certification by the subsidiaries of the Company and the increase in operating cost and decrease in gross margin caused by execution of environmental protection policy and increase in prices of raw materials.*

b) Analysis of production and sales

Main products	Production	Sales	Inventory	Production Increase/ Decrease over the same period of 2017 *(%)*	Sales Increase/ Decrease over the same period of 2017 *(%)*	Inventory Increase/ Decrease over the same period of 2017 *(%)*
Cefixime series (thousand boxes)	320,069.82	321,948.13	24,435.81	(9.53)	(5.32)	(37.31)
Cephathiamidine for Injection (thousand ampoules)	35,787.76	32,958.28	1,148.17	(1.78)	(16.44)	(8.98)
Sildenafil Citrate Tablets (thousand boxes)	49,030.82	47,739.87	8,529.95	13.78	20.45	16.42
Xiao Ke Pill (thousand bottles)	43,747.73	35,672.59	11,312.73	6.47	(10.00)	125.29
Xiao Chai Hu Granules (10 thousand packs)	33,870.71	32,219.90	6,815.63	7.83	1.00	30.90
Cephalopropylene series (thousand boxes)	75,053.34	78,381.68	5,422.81	(17.53)	(7.51)	(50.11)
Amoxicillin series (thousand pills)	1,224,775.88	1,149,631.29	178,046.84	32.09	1.37	67.80
Acafen Powder series (thousand boxes)	24,006.00	21,682.00	6,584.00	1.40	(2.90)	49.30
Hua Tuo Zai Zao Pill (thousand bottles)	9,719.90	6,044.01	2,347.03	(29.52)	(26.17)	37.59
Cefixime (thousand kg)	91.06	109.27	7.68	(20.96)	8.05	(71.39)

Description on changes on production, sales and inventory as at the end of the Reporting Period of products:

① Inventory of Cefixime series as at the end of period decreased by 37.31% year on year, mainly due to: digesting the inventory in the society and improve operating quality in the fourth quarter of 2018; In addition, to better carry out the reform of workshop to prepare for GMP certification, the production and sales volume decreased, which resulted in resulting in a decrease in inventory year on year.

② The inventory of Xiao Ke Pill at the end of period increased by 125.29% year on year, mainly due to: the slowdown in sales and the increase in inventory as a result of integrated adjustment of sales channel in the fourth quarter of 2018.

③ The inventory of Xiao Chai Hu Granules at the end of period increased by 30.90% year on year, mainly due to: the early arrival of the Spring Festival in 2019 as compared to that of 2018, and to responded to the delivery peak during the Spring Festival in 2019, thus the inventory prepared in advance resulted in an increase in inventory.

④ The inventory of Caphalopropylene series as at the end of period decreased by 50.11% year on year, mainly due to: to focus on digesting the inventory in the society and improve operating quality in the fourth quarter of 2018; In addition, to better carry out the reform of workshop to prepare for GMP certification, the production and sales volume decreased, resulting in a decrease in inventory year on year.

⑤ Production volume and inventory of Amoxicillin series at the end of period increased by 32.09% and 67.80% year on year, respectively, mainly due to: the expansion of mass production as a result of the increase in future sales demand.

⑥ The inventory of Acafen Powder series at the end of period increased by 49.30% year on year, mainly due to: the significant increase in the inventory in the factory year on year as a result of high level of inventory in the society and the delivery was controlled in the fourth quarter of 2018.

⑦ Production volume of Hua Tuo Zai Zao Pill decreased by 29.52% year on year, mainly due to: a drop in sales demand in 2018 as a result of the production has been reduced. Sales volume decreased by 26.17% year on year, mainly due to: affected by the restriction of prescription and volume, the promotion of GPO bargaining procurement in various localities and the restriction and control of the entire Chinese patent medicine market by the government, sales in key medical markets such as Beijing and Shanghai and the retail terminal market have declined dramatically. Inventory as at the end of period increased by 37.59% year on year, mainly due to: the decline in market demand and production volume, which resulted in an increase in inventory.

⑧ Inventory of Cefixime as at the end of period decreased by 71.39% year on year, mainly due to: the excessive inventory in 2017, and de-stocking operations were adopted in 2018, which resulted in a decrease in inventory year on year.

c) Analysis of cost

		Results by industry				
		2018		2017		
Industrial	Components	Amount	% of operation cost	Amount	% of operation cost	Increase/ (Decrease) over the same period of 2017
		(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(%)*
Manufactucing business	Raw material	8,162,354	75.25	6,580,674	73.52	24.04
	Fuel	122,022	1.12	118,643	1.33	2.85
	Labor cost	317,398	2.93	294,089	3.29	7.93
	Other	2,244,624	20.69	1,957,002	21.86	14.7
Pharmaceutical distribution business	The Cost of purchase	21,171,258	100.00	4,002,443	100.00	428.96
Other	Other cost	88,399	100.00	70,547	100.00	25.31

d) Major suppliers and sale

During the Year, sales by the Group to the five largest customers amounted to RMB2,578,963,000 (2017: RMB2,402,240,000), representing approximately 6.14% of the total sales (2017: 11.56%) of the Group. The sales to the largest customer amounted to RMB756,278,000 (2017: RMB1,019,758,000), representing 1.80% (2017: 4.91%) of the total sales of the Group. The sales to the 5 largest customers included RMB534,800,000 being sales to related parties, representing 1.27% of the total sales of the Group for the Year.

During the Year, purchases by the Group from the five largest suppliers amounted to RMB3,025,139,000 (2017: RMB1,912,706,000), representing approximately 7.27% of the total purchases (2017: 18.75%) of the Group for the year. The purchases from the largest suppliers amounted to RMB898,962,000 (2017: RMB872,215,000), representing 2.16% (2017: 8.55%) of the total purchases of the Group for the Year. The purchases from the 5 largest suppliers included RMB898,962,000 being purchases from related parties, representing 2.16% of the total purchases of the Group for the Year.

For the relationship between the Group and the customers and suppliers please refer to 2018 Social Responsibility Report of the Company (the full text of which had been disclosed on the website of the SSE and the HKEx). To the knowledge of the Directors, none of the Directors, their associates or shareholders who held more than 5% or more of the Company's total issued share capital had any interest in any of the 5 largest customers and suppliers as were mentioned above.

6.2.2. Expense

During the Reporting Period, the Group's selling and distribution expenses was approximately RMB5,056,821,000 (2017: RMB4,285,949,000), representing an increase of 17.99% as compared with last year, was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB702 million in this statement item; (2) a slight increase in selling and distribution expenses of the Company' other subsidiaries.

During the Reporting Period, the Group's general and administrative expenses was approximately RMB1,699,062,000 (2017: RMB1,206,295,000), representing a growth of 40.85% as compared with last year, was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB257 million in this statement item; (2) an increase in corresponding expenses as a result of constant business expansion of the Company's subsidiaries.

During the Reporting Period, the Group's research and development expenses was approximately RMB585,498,000 (2017: RMB373,288,000), representing a growth of 56.85% as compared with last year, was mainly due to: increase in drug consistency evaluation expenses and expenses on other research projects of the Company's subsidiaries.

During the Reporting Period, the Group's financial expense was approximately RMB6,655,000, representing a growth of 96.84% as compared with last year, was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB223 million in this statement item; (2) improvement in the fund management of the Company's other subsidiaries, increase in interest income and reduction in financial costs as a result of the reasonable fund allocation, increase in capital efficiency as well as optimization in types of deposits.

During the Reporting Period, the Group's income tax expenses was approximately RMB485,014,000 (2017: RMB374,221,000), representing a growth of 29.61% as compared with last year, was mainly due to an increase in the profits of the subsidiaries during the Year.

6.2.3. Research and development expenses

Current cost of research and development expenses *(RMB'000)*	585,498
Current capitalization of research and development expenses *(RMB'000)*	–
Total research and development expenses *(RMB'000)*	585,498
Ratio of research and development expenses to income from operations	1.39
Ratio of research and development expenses to income from principal operations of the Great Southern TCM *(%)*	6.08
Total research and development expenses accounted for the proportion of net assets *(%)*	2.53
Number of the research and development personnel of the Company	709
Percentage of total number of the research and development personnel in the total number of personnel of the Company *(%)*	3.07
Percentage of the research and development of capitalization *(%)*	–

Detailed description

☐ Applicable ☑ Not Applicable

6.2.4. Cash flow

Items	**The Reporting Period** *(RMB'000)*	The Corresponding period of 2017 *(RMB'000)*	Increase/ (Decrease) as compared with the same period of 2017 *(%)*	**Reasons**
Net cash flow from operating activities	**5,216,888**	1,833,691	184.50	The year-on-year increase in cash flow from operating activities was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year; (2) increased cash flow from daily operating activities as a result of growth in advance payment from customers and collection of receivables of products during the Reporting Period.
Net cash flow from investing activities	**1,109,718**	(2,440,644)	145.47	The year-on-year increase in cash flow from investing activities was 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. and Wang Lao Ji's accounts into the Company's accounts during the Year, respectively, which recognized the difference between consideration payment and cash and cash equivalents of such enterprise.
Net cash flow from financing activities	**(2,751,337)**	(484,274)	(468.14)	The year-on-year decrease in cash flow from financing activities was mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to consolidation of such corporation's bank borrowings.

6.3 Analysis of financial conditions

6.3.1 Liquidity

As at 31 December 2018, the current ratio of the Group was 1.60 (31 December 2017: 2.60), and its quick ratio was 1.25 (31 December 2017: 2.15). Accounts receivable turnover rate was 7.95 times (31 December 2017: 20.46 times), representing a decrease of 61.14% as compared with the corresponding period of 2017. Inventory turnover rate was 4.91 times (31 December 2017: 3.98 times), representing an increase of 23.28% as compared with the corresponding period of 2017. Changes in the above indicators due to consolidation of GP Corp.'s accounts into the Company's accounts during the Year.

6.3.2 Financial resources

As at 31 December 2018, cash and cash equivalents of the Group amounted to RMB15,071,612,000 (31 December 2017: 11,495,535,000), of which approximately 99.60% and 0.34% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 31 December 2018, the Group had bank borrowings of RMB6,523,281,000 (31 December 2017: RMB42,807,000), including short-term borrowings of RMB5,905,703,000 (31 December 2017: RMB11,500,000), current portion of non-current liabilities of RMB204,024,000 (31 December 2017: RMB31,307,000) and long-term borrowings of RMB413,554,000 (31 December 2017: RMB0). Changes in the above indicators due to consolidation of GP Corp.'s accounts into the Company's accounts during the Year.

6.3.3. Capital structure

As at 31 December 2018, the Group's current liabilities amounted to RMB26,948,764,000 (31 December 2017: RMB8,268,854,000), representing an increase of 225.91% as compared with the corresponding period of 2017, and its long-term liabilities was RMB1,389,687,000 (31 December 2017: RMB782,705,000), with an increase of 77.55% as compared with the corresponding period of 2017. The shareholders' equity attributable to the shareholders of the Company amounted to RMB21,684,909,000 (31 December 2017: RMB18,871,521,000), with an increase of 14.91% as compared with the corresponding period of 2017. Changes in the above indicators due to consolidation of GP Corp.'s accounts into the Company's accounts during the Year.

6.3.4 Capital expenditure

The Group expects that the capital expenditure for 2019 to be approximately RMB3.153 billion (2018: RMB0.524 billion), which would be mainly applied in the construction of production sites, information system and purchase of new equipment. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc.

6.3.5 *Assets and liabilities*

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Cash at bank and on hand	**16,114,884**	**31.30**	11,697,219	41.32	37.77	The change in balance of such item was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB2.821 billion in balance of this statement item; (2) an increase in payment received by the Company's subsidiaries.
Notes receivable and accounts receivable	**13,653,056**	**26.52**	2,816,424	9.95	384.77	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB11.295 billion in balance of accounts receivable and notes receivable.
Advances to suppliers	**837,808**	**1.63**	256,572	0.91	226.54	The change in balance of such item was mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase of RMB611 million in balance of advances to suppliers.

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Other receivables	**1,056,551**	**2.05**	762,257	2.69	38.61	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB828 million in other receivables, and a decrease of RMB455million in balance of dividends receivable.
Inventories	**9,231,739**	**17.93**	3,700,223	13.07	149.49	The change in balance of such item was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB4.276 billion in balance of this statement item; (2) accumulation of stock by the subsidiary of the Company at the end of 2018 in preparation of peak sales season in the coming Spring Festival; (3) increase in cost of inventories as a result of the increase in costs of purchase for raw materials of some products.

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Other equity instrument investments	**84,898**	**0.16**	62,686	0.22	35.43	The change in balance of such item was mainly due to: (1) the reclassification of financial assets from "available-for-sale financial assets" to this item with the implementation of the new recognition and measurement standard of financial instruments by the Company; (2) increase investment in Sino-Israel Fund by the Company.
Other non-current financial assets	**226,938**	**0.44**	975,857	3.45	(76.74)	The change in balance of such item was mainly due to: (1) the reclassification of financial assets from "available-for-sale financial assets" to this item with the implementation of the new recognition and measurement standard of financial instruments by the Company; (2) the transfer of the Company's shareholding in Yi Xin Tang to "long-term equity investments" item accounted for using the equity method according to the Company's judgment of significant influence over such company.

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Fixed assets	**3,165,747**	**6.15**	2,082,245	7.36	52.04	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB1.080 billion in balance of this statement item.
Construction in progress	**480,306**	**0.93**	284,672	1.01	68.72	The change in balance of such item was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item; (2) increase investment in projects by the subsidiary of the Company.
Intangible assets	**1,013,353**	**1.97**	728,009	2.57	39.20	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item.
Development expenditures	**0**	**0.00**	800	0.00	(100.00)	The change in balance of such item was mainly due to: provision for impairment on development expenditures provided by the subsidiary of the Company.

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Goodwill	**825,573**	**1.60**	11,500	0.04	7,079.17	The change in balance of such item was mainly due to: an increase of RMB932 million in goodwill as a result of acquisition of 30% equity interest in GP Corp. by the Company, provision for impairment on such goodwill provided of RMB118 million at the end of the year, which led to an increase of RMB814 million in balance of such item.
Long-term prepaid expenses	**94,315**	**0.18**	49,067	0.17	92.22	The change in balance of such item was mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item.
Deferred tax assets	**569,145**	**1.11**	389,629	1.38	46.07	The change in balance of such item was mainly due to: (1) consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase of RMB98 million in balance of this statement item; (2) an increase in temporary differences of income tax deductible arising from compensation for relocation and provisions projects by the subsidiary of the Company.

Item	As at 31 December 2018 (RMB'000)	% of the total assets (%)	As at 31 December 2017 (RMB'000) (Restated)	% of the total assets (%)	Increase/ (Decrease) over 2017 (%)	Reasons for changes
Other non-current assets	**2,580**	**0.01**	0	0.00	/	The change in balance of such item was mainly due to: an increase in land-transferring fees prepaid by the subsidiary of the Company.
Short-term borrowings	**5,905,703**	**11.47**	11,500	0.04	51,253.94	The change in balance of such item was mainly due to: consolidation of GP Corp's accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item
Notes payable and accounts payable	**11,969,454**	**23.25**	3,054,427	10.79	291.87	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB8.402 billion in balance of notes payable and accounts payable.
Taxes payable	**963,543**	**1.87**	480,917	1.70	100.36	The change in balance of such item was mainly due to: (1) the amount of tax to be resold has increase with the implementation of the new revenue standaral by the Company; (2) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item; (3) an increase in unpaid enterprise income tax payable and value-added tax payable of the subsidiary of the Company.

Item	As at 31 December 2018 (RMB'000)	% of the total assets (%)	As at 31 December 2017 (RMB'000) (Restated)	% of the total assets (%)	Increase/ (Decrease) over 2017 (%)	Reasons for changes
Other payables	**3,466,357**	**6.73**	2,445,094	8.64	41.77	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB1.164 billion in balance of this statement item.
Contract liabilities	**3,686,647**	**7.16**	1,614,438	5.70	128.35	The change in balance of such item was mainly due to: (1) the reclassification of "advances from customers" to this item with the implementation of the new revenue standard by the Company; (2) an increase in advance payments from customers by WLJ Great Health, a wholly-owned subsidiary of the Company, as the early arrival of Spring Festival; (3) an increase in advance payments from customers by other subsidiaries of the Company.
Current portion of non-current liabilities	**204,024**	**0.40**	31,307	0.11	551.68	The change in balance of such item was mainly due to: (1) consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item; (2) the repayment of long-term borrowings with maturity within a year by the subsidiaries of the Company, leading to a decrease in balance of this item.

Item	As at 31 December 2018 *(RMB'000)*	% of the total assets *(%)*	As at 31 December 2017 *(RMB'000)* *(Restated)*	% of the total assets *(%)*	Increase/ (Decrease) over 2017 *(%)*	Reasons for changes
Long-term borrowings	**413,554**	**0.80**	0	0.00	/	The change in balance of such item was mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item.
Long-term payables	**135,796**	**0.26**	35,127	0.12	286.59	The change in balance of such item was mainly due to: consolidation of GP Corp.'s accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item.
Deferred tax liabilities	**249,762**	**0.49**	114,788	0.41	117.59	The change in balance of such item was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, 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	**(477)**	**(0.00)**	(6,819)	(0.02)	93.00	The change in balance of such item was mainly due to: the change in exchange rate differences on conversion of foreign currencies by subsidiaries of the Company.

Item	As at 31 December 2018 (RMB'000)	% of the total assets (%)	As at 31 December 2017 (RMB'000) (Restated)	% of the total assets (%)	Increase/ (Decrease) over 2017 (%)	Reasons for changes
Undistributed profits	**8,825,776**	**17.14**	6,218,195	21.96	41.93	The change in balance of such item was mainly due to: (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase of RMB 613 million upon consolidation of the undistributed profit; (2) the increase in net profit realized for the Year by the Company and its subsidiaries.
Minority interest	**1,458,824**	**2.83**	391,633	1.38	272.50	The change in balance of such item was mainly due to: consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year, which led to an increase in balance of this statement item.

6.3.6 *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.

6.3.7 *Main cash resources and applications*

As at 31 December 2018, cash and cash equivalents of the Group was amounted to RMB15,071,612,000 with an increase of RMB3,576,077,000 as compared with the beginning of 2018. The net cash inflow derived from operating activities amounted to RMB5,216,888,000 with an increase of RMB3,383,197,000 as compared with 2017, mainly due to (1) consolidation of GP Corp. and Wang Lao Ji's accounts into the Company's accounts during the Year; (2) Increased cash flow from daily operational activities as a result of growth in advance payment from customers and collection of receivables of products.

6.3.8 Contingent liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

6.3.9 Charge on the Group's assets

As at 31 December 2018, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, has obtained the overdraft amounted to HK$300,000, letter of credit and 90-day credit in the total amount of HK$100,000,000 from Bank of China (Hong Kong) Co., Ltd., secured by buildings of fixed assets with the original value amounted to HK$8,893,000, and net value of HK$6,293,000 and investment properties with the original value amounted to HK$6,843,000 and net value of HK3,647,000 of investment properties.

6.3.10 Bank loans, overdraft and other borrowings

As at 31 December 2018, the bank loans of the Group amounted to RMB6,523,281,000 (31 December 2017: RMB42,807,000), with an increase of RMB6,480,474,000 as compared with the beginning of 2018. The above bank loans included short-term loans of RMB5,903,703,000, current portion of non-current liabilities of RMB204,024,000 and long-term loans of RMB413,554,000. Changes in the above indicators due to consolidation of GP Corp.'s accounts into the Company's accounts during the Year.

6.3.11 Gearing ratio

As at 31 December 2018, the Group's gearing ratio (total liabilities/total assets×100%) was 55.05% (31 December 2017: 31.97%). Changes in the above indicators due to consolidation of GP Corp.'s accounts into the Company's accounts during the Year.

6.3.12 Material investment

As at 31 December 2018, except for those disclosed in (2) in the section III "Company's Business Profile" of the annual report, the Group did not have any other material additional investment.

6.3.13 The major assets at the end of the Reporting Period were limited

□ Applicable √ Not applicable

6.4 Discussion and analysis on future development

6.4.1 Competition within and the development trend of the industry

2018 was a critical year of changes in respect of the policy environment of 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 and volume-based purchase still existed, growth of the industry has slowed down and it was mainly driven by innovative products and upgrading in consumption. On the other hand, outcomes of key reforms such as a new edition of medical insurance catalogue, consistency evaluation, acceleration in assessment and approval of innovative new drugs entered into the rewarding period gradually. The benefits of policy reform have provided new room for the growth of the pharmaceutical market. Meanwhile, China's accelerated population aging, increasing urbanization level, improvement of the medical security system, are generally beneficial to the development of the PRC pharmaceutical industry. These changes will continue to create new opportunities and challenges in the pharmaceutical industry in 2019, and promote the development of the pharmaceutical industry amid the structural adjustment of the stock market and the industry increment driven by innovation.

6.4.2 Development strategy and annual work plan for year 2019

In 2019, the pharmaceutical industry has entered into a new era of development, and it is the main focus across the industry to mitigate risk and improve efficiency through innovative R&D and quality manufacturing. Based on its own situation, the Group will make great efforts on the following the works under the development theme of "Year of Risk Control and Efficiency Enhancement" in 2019:

1. Focus on "Big Products" to continue promoting the robust development of the Great Southern TCM segment: promote the characteristic development of "fashionable Chinese medicine", promote the professionalization of "generic and innovative chemical medicine" and promote the development of "biological pharmacy" on a large scale.

2. Promote development of the Great Health Industry by focusing on "diversified products": pay attention to the categories of product and subdivide the market of herbal tea, continue to solidify and promote the position of Wang Lao Ji in the industry, while nurturing new product markets and creating a characteristic product portfolio for the Great Health Industry to facilitate the development of the Great Health Industry under the pattern of "one core with multi-elements"; continue to strengthen the effect of the

terminal business management and implementation, vigorously promote "Ji culture" and excavate the essence of "Ji culture"; and propel the synergetic development of the Wang Lao Ji products in red and green bottles.

3. Advance the expansion and development of the Great Commerce segment under the core strategy of "further development + expansion": the Group will continue to explore the hospitals and community healthcare businesses, and take forward the resource integration between the Great Southern TCM segment and the Great Commerce segment; it will speed up to tap into the lower areas in building the terminal delivery business network; we will accelerate the expansion and deployment of retail business and continue our efforts in promoting the GP Corp. Pharmacy project.

4. Develop a medical service industry integrating medical treatment, medicine and recovery in the direction of "characterization and differentiation", speed up the exploration of new business and new modes of business, and accelerate the implementation of the medical device project.

5. Develop under the support of technology and in an R&D manner with focus on both generic and innovative medicine: speed up the development of innovative medicine, generic medicine and Great Health products, optimize the technological innovation platform, and build a more effective quality system.

6. Further strengthen basic management and prevent significant risks by starting works such as special audits and special research on significant risks, intensifying the efforts on rectification and supervision, and giving full play to the role of auditing and risk control in preventing risks, improving management and enhancing economic efficiency.

7. Pursue scientific planning, coordination and layout formation by accelerating the construction of industrial base, enhancing production capacity and optimize layout formation, and using the drug marketing licensee system (pilot) to promote consolidation of production capacity steadily while enhancing the intelligent production standard.

8. 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.

6.4.3 Potential challenges and risks

In 2019, with the completion of the reform of super-ministry system in medical treatment and healthcare and the accelerated medical reform, the substantial decrease in drug prices after the implementation of the pilot centralized medicine procurement organized by the government, the sluggish growth of traditional pharmaceutical commerce resulting from the complete implementation of the "two-invoice system", and the tightened regulation on adjuvant medicine and the more stringent drug inspection, the tightened price control over the medicines covered by medical insurance and Medical Insurance Catalogue leaning toward innovative medicine with high performance price ratio, as well as the implementation and furtherance of other new policies, have brought challenges to the development of the Group's traditional business.

The Group will pay close attention to the implementation and promotion of new policies and make strategic deployments in advance. For the corresponding measures, please refer to the content regarding the changes in industry policies and impact in the section headed "(IV) Analysis on the pharmaceutical manufacturing industry operation information" in Section IV of the annual report.

7. The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period

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 "Retreat into Three", 11 enterprises under the Company planned to relocate to the Baiyun base in the Biological Medicine Town of GPHL. 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 been completed on 23 December 2015 and the second phase of capital increase of RMB46,626,750 has been completed on 3 March 2018.

No.	Approval body	Subject matter	Status
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 increased to RMB55 million.	Completed
4	5th meeting of the Strategic Development and Investment Committee in 2016	The Company's subsidiary Chemical & Pharmaceutical Technology Company 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 RMB55 million.	The Company has contributed additional capital of RMB12.47 million to Chemical & Pharmaceutical Technology Company 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) Company. Currently, the Zhuhai Project has entered into the construction design stage.
	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 Company 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 Company for use in the establishment of Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. ("Chemical Pharmaceutical (Zhuhai) Company").	
	11th meeting of the seventh session of the Board	Initiation of the Zhuhai Project with a total investment amount of RMB731,879,100.	
5	2nd meeting of the Strategic and Investment Committee in 2017	The Company (Buyer) and GPHL (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 RMB14.5001 million after deducting the land-grant fees and related taxes paid by GPHL.	Completed

No.	Approval body	Subject matter	Status
6	3rd meeting of the Strategic Development and Investment Committee in 2017	The Company contributed additional capital of RMB30 million to Xing Zhu based on 75% equity interest.	Completed
7	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. (廣州奧諾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 equity interest.	Initial capital contribution of RMB3.4 million has been completed.
8	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.
9	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 new shares 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.
10	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 Guangzhou Cai Zhi Lin Traditional Chinese Medical Center Co., Ltd. (廣州采芝林國醫館有限公司) 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.

No.	Approval body	Subject matter	Status
11	4th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary Baiyunshan Medical and Healthcare Industry Company and Guangzhou Nanfang Runkang Service Co., Ltd. ("Nanfang Runkang") established a JV postpartum center, in which the Company has contributed RMB5.10 million and owns 51% equity interests through Baiyunshan Medical and Healthcare industry company.	Completed
12	4th meeting of the Strategic Development and Investment Committee in 2018	The Company invested RMB31.62 million to acquire 25% equity of Guangzhou Xingzhou Pharmaceutical Co., Ltd., another shareholder of Xing Zhu. Upon completion, Xing Zhu will become a wholly-owned subsidiary of the Company.	Completed
13	5th meeting of the Strategic Development and Investment Committee in 2018	The Company made an additional contribution of RMB26.00 million to its subsidiary Cai Zhi Lin, for the establishment by Cai Zhi Lin of "Cai Zhi Lin Chinese Medicine Industrialized Manufacturing Service Base Project in Meizhou" and Meizhou Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd. ("Meizhou Cai Zhi Lin") with a total investment budget of approximately RMB129.30 million.	Meizhou Cai Zhi Lin was established and completed the capital increase.
14	5th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary WLJ Great Health and the Trade Promoting Bureau of Nansha Development Zone in Guangzhou entered into the Agreement on the Investment of and Cooperation with WLJ Great Health for a Series of Projects in Nansha to construct operation headquarters and R&D headquarters for the Great Health segment and a bottling base of WLJ in Nansha District, Guangzhou with a total investment of approximately RMB1.0 billion.	The agreement has been entered into and the investment is in progress.
15	18th meeting of the seventh session of the Board	The Company's subsidiary WLJ Great Health invested and commenced the construction of Nansha Base (Phase I) project with a total investment of RMB750 million.	

No.	Approval body	Subject matter	Status
16	5th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary Cai Zhi Lin established Longxi Guangyao Cai Zhi Lin Pharmaceutical Co., Ltd. with 100% equity, which has a registered capital of RMB50.00 million, with initial contribution of RMB28.38 million completed through the additional contribution made by the Company to Cai Zhi Lin.	Initial contribution completed and the construction in progress
17	6th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary Guangzhou Bai Di and Shenzhen Jingke Industry Co., Ltd. established a joint venture named Guangzhou Weiyi Industry Co., Ltd. with a registered capital of RMB10.00 million, where Guangzhou Bai Di contributed RMB5.10 million and owns 51% equity.	Completed
18	6th meeting of the Strategic Development and Investment Committee in 2018	Wang Lao Ji Great Health Industry (Ya'an) Co., Ltd. ("WLJ Ya'an Company"), a wholly-owned subsidiary of the Company's subsidiary WLJ Great Health, commenced the second-phase construction with a total investment of approximately RMB47.00 million.	In progress
19	6th meeting of the Strategic Development and Investment Committee in 2018	The Company made an additional contribution of RMB30.00 million to its wholly-owned subsidiary Guangyao General Institute, with the first phase of RMB18.00 million and the second phase of RMB12.00 million.	First phase of capital increase completed.

No.	Approval body	Subject matter	Status
20	7th meeting of the Strategic Development and Investment Committee in 2018	The Company granted the joint venture HWBYS the license to use "Wang Lao Ji" trademark on its products, and signed Trademark Licensing Contract and Supplementary Agreement to the Agreement of Trademark Custody. The Company granted the subsidiary Xing Qun the license to use "Wang Lao Ji" trademark on its products, and signed Trademark Licensing Contract and Supplementary Agreement to the Agreement of Trademark Custody. The Company granted the subsidiary WLJ Catering the license to use "Wang Lao Ji" trade name, and signed Trademark Licensing Contract and Supplementary Agreement to the Agreement of Trademark Custody.	Being performed accordance with contracts.
21	7th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary WLJ Great Health intended to build a production base in Lanzhou, Gansu with a total investment of RMB350.00 million. The Company's subsidiary WLJ Great Health established Wang Lao Ji Great Health Industry (Lanzhou) Co., Ltd., subject to the final approval by the administration of industry and commerce, with a registered capital of RMB50.00 million.	In progress
22	7th meeting of the Strategic Development and Investment Committee in 2018	For the construction of the logistics (phase one) project of the Baiyun base in the Biological Medicine Town of GPHL, the Company and Alliance BMP made additional contribution of RMB527 million in proportion to their respective shareholdings in GP Corp., of which the Company and Alliance BMP contributed RMB421.6 million and RMB105.4 million according to their respective shareholdings of 80% and 20%, respectively.	Completed

No.	Approval body	Subject matter	Status
23	7th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary GP Corp. made additional contributions of RMB450 million in cash to its nine wholly-owned subsidiaries including Guangzhou Guoying Pharmaceuticals Corporation, and two wholly-owned subsidiaries of GP Corp. made additional contributions of RMB47.34 million in total to their two wholly-owned subsidiaries, respectively.	Completed
24	7th meeting of the Strategic Development and Investment Committee in 2018	The Company's subsidiary GP Corp. independently established GP Corp, Pharmacy with a registered capital of RMB60.00 million.	Completed
25	The 6th meeting of the seventh session of the Board	The Company cooperated with Guangzhou Huiyin Huiji Investment Fund Management Co., Ltd. for establishing a company of equity investment fund management and the Pharmaceutical and Health Industry Investment Fund.	In progress
26	The 6th meeting of the seventh session of the Board	The Company cooperated with Shenzhen Jin Shen Yi Financial Investment Co., Ltd. for establishing a company of equity investment management and the Pharmaceutical and Health Industry Investment Fund.	The equity investment management company has been established and is promoting the related matters of establishment of the Pharmaceutical and Health Industry Investment Fund.
27	The 8th meeting of the seventh session of the Board	The Company established Baiyunshan Yi Xin Tang, with a registered capital of RMB300 million and paid in installments, of which, the Company contributed RMB90 million, accounting for 30% of its registered capital.	The second phase of capital contribution completed amounts to RMB72 million and the remaining amounts to RMB18 million.
28	The 11th meeting of the seventh session of the Board	The Company invested in the establishment of GYBYS Biological Medicine and Health R&D Sales Headquarters project.	The planning scheme has been completed and the preparations for design and construction is being advanced.
29	The 13th meeting of the seventh session of the Board	The Company increased capital of RMB800 million to its GP Corp. at its proportion of shareholding of 80%.	Completed

8 EMPLOYEES OF THE GROUP

8.1 Situation of the employees

Numbers of the employees of the parent Company	2,392
Numbers of the employees of the major subsidiaries	20,739
Total	23,131
Retired employees of the Company and major subsidiaries whose expenses were assumed by the Company and major subsidiaries	13,393
Gross payroll of the Group	RMB2.629 billion

Composition

Category constitution	**a number of constitute staff**
Production staff	4,396
Sales personnel	12,444
Technical staff	2,804
Finance staff	409
Administrative staff	3,078
Total	23,131

Educational Level

	Number
Post Graduate	469
Undergraduate	6,557
University college	6,988
Secondary and below	9,117
Total	23,131

8.2 Remuneration policy

The remuneration of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, qualifications, position and other factors.

8.3 Training plan

In view of staffs' career development needs, the Group improved the training organizational structure through preparing Staff Training Management System and Internal Lecturer Training Management Measures. By virtue of the characteristics of each type of talents, the Group combined the internal and external training to build a comprehensive training system, with personnel levels covering staff at all levels from frontline production to senior management of the Company, and including the contents such as professional skills, safety education, quality management and leadership development, so as to promote the growth of staff at all levels and enterprises.

9 OTHER MATTERS

9.1 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 ("CG Code") and the code provisions of the CG Code except that (i) Mr. Ni Yidong, executive Director, and Mr. Chu Xiaoping, independent non-executive Director, were unable to attend the first extraordinary general meeting in 2018 due to business reasons which constituted deviation from code provision A.6.7; and (ii) Mr. Chen Mao, Ms. Liu Juyan, Mr. Ni Yidong and Mr. Wu Changhai, executive Directors, Mr. Mr. Wong Hin Wing and Ms. Wang Weihong, independent non-executive Directors, were unable to attend the annual general meeting in 2017 due to business which constituted a deviation from code provision A.6.7.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance with the provisions in the corporate governance code.

9.2 The Audit Committee

In August 1999, the Company established the Audit Committee. Its principal responsibilities include: to review and monitor the quality and procedure of the Group's financial reporting; to review the completeness and effectiveness of the Company's financial monitoring, internal control, internal audit and risk management system and their implementation; to consider the appointment of independent auditors and to co-ordinate and to review the efficiency and quality of their work.

The Audit Committee of the seventh session of the Board comprises Mr. Wong Hin Wing (chairman of the Audit Committee), Mr. Chu Xiaoping, Mr. Jiang Wenqi and Ms. Wang Weihong. All four of them are independent non-executive Directors and are qualified under the relevant requirements, whose term of office commenced from 23 June 2017 up to the date on which members of the new session of the Board are elected.

Major tasks accomplished by the Audit Committee in year 2018 including:

(A) held four meetings in 2018 and each of the members of the committee attended all the meetings, in which the members reviewed the 2017 Annual Report, 2018 Interim Report and financial reports of the Group as well as the recommendations on management issued by external auditors and the respective response by the Company's management.

(B) reviewed the accounting policies adopted by the Group and the relevant issues regarding accounting practice;

(C) reviewed the Company's internal control evaluation report for 2017 and audit risk control work plan for 2018.;

(D) advised the Board regarding the re-appointment of auditing firm for the Year;

(E) advised the Company on major events of the Company or reminding the management of relevant risks and reviewed the effectiveness of risk management and internal monitoring system.

The work on the annual audit for 2018 and relevant work regarding the preparation of the Annual Report are as follows:

In accordance with "the Notice on preparation of the 2018 Annual Report in an orderly manner by Listed Companies" issued by the SSE on 28 December 2018, all members of the Audit Committee reviewed the relevant requirements seriously. The Audit Committee actively coordinate with the Company in respect of the audit for 2018 and the preparation of the annual report for 2018 in accordance with the Rules on the Annual Report of the Audit Committee, including:

1) The Committee discussed with the auditors of the Company and the Company's Finance Department regarding the time line for audit and the relevant arrangements and set out the "Action plan for the Preparation of 2018 Annual Report" and reviewed the audit plan submitted by the auditors.

2) On 5 March 2019, the Audit Committee reviewed the draft of the financial reports prepared by the Company and issued written recommendations thereon.

3) After the auditors' completion of the preliminary auditing work, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed that the 2018 financial reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.

4) On 15 March 2019, the Audit Committee convened the second meeting in 2019 and considered and passed the 2018 Annual Report and its summary and the Company's 2018 Financial Report. At the same time, the Audit Committee finalized its evaluation of the audit work of the auditor and believes that the auditor has carried out the audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, adhering to the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors' report in time, as well as having issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

10. FINANCIAL REPORTS

10.1 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*	**31 December 2018** ***(Audited)***	1 January 2018 *(Restated)*	31 December 2017 *(Audited)*
Current assets:				
Cash at bank and on hand		**16,114,883,673.51**	11,697,218,882.84	11,697,218,882.84
Financial assets held for trading		**–**	–	–
Financial assets measured at fair value through profit or loss for the current period		**–**	–	4,875,057.73
Notes receivable and accounts receivable	*10.1.3*	**13,653,056,156.35**	2,816,424,481.59	2,816,424,481.59
Advances to suppliers		**837,808,116.68**	256,571,758.01	256,571,758.01
Other receivables		**1,056,551,186.68**	762,257,361.98	762,257,361.98
Inventories		**9,231,739,097.84**	3,700,222,896.01	3,700,222,896.01
Current portion of non-current assets		**–**	–	–
Other current assets		**2,137,248,054.33**	2,266,983,406.82	2,266,983,406.82
Total current assets		**43,031,286,285.39**	21,499,678,787.25	21,504,553,844.98

Item	*Note*	**31 December 2018** **(*Audited*)**	1 January 2018 (*Restated*)	31 December 2017 (*Audited*)
Non-current assets:				
Debt investments		**–**	–	–
Available-for-sale financial assets		**–**	–	1,038,859,674.96
Other debt investments		**–**	–	–
Hold-to-maturity investments		**–**	–	–
Long-term receivables		**–**	–	–
Long-term equity investments		**1,759,958,035.39**	2,008,481,257.05	2,008,481,257.05
Other equity instrument investments		**84,897,870.89**	62,686,231.77	–
Other non-current financial assets		**226,938,456.16**	975,856,856.18	–
Investment properties		**228,084,499.83**	217,675,779.38	217,675,779.38
Fixed assets		**3,165,746,536.73**	2,082,244,551.64	2,082,244,551.64
Construction in progress		**480,305,723.50**	284,672,127.45	284,672,127.45
Bearer biological assets		**–**	–	–
Oil and gas assets		**–**	–	–
Intangible assets		**1,013,353,424.62**	728,009,270.29	728,009,270.29
Development expenditure		**–**	800,000.00	800,000.00
Goodwill		**825,573,066.90**	11,499,562.74	11,499,562.74
Long-term prepaid expenses		**94,315,140.82**	49,066,645.52	49,066,645.52
Deferred tax assets		**569,144,829.25**	389,629,486.02	388,850,739.31
Other non-current assets		**2,580,000.00**	–	–
Total non-current assets		**8,450,897,584.09**	6,810,621,768.04	6,810,159,608.34
TOTAL ASSETS		**51,482,183,869.48**	28,310,300,555.29	28,314,713,453.32

Item	Note	31 December 2018 *(Audited)*	1 January 2018 *(Restated)*	31 December 2017 *(Audited)*
Current liabilities:				
Short-term borrowings		**5,905,703,286.10**	11,500,000.00	11,500,000.00
Financial liabilities held for trading		–	–	–
Notes payable and accounts payable	*10.1.4*	**11,969,454,162.81**	3,054,427,081.10	3,054,427,081.10
Advances from customers		–	–	1,888,892,476.97
Employee benefits payable		**753,034,630.86**	631,170,810.62	631,170,810.62
Taxes payable		**963,543,253.64**	480,916,539.41	206,462,076.94
Other payables		**3,466,357,353.39**	2,445,094,461.69	2,445,094,461.69
Contract liabilities		**3,686,647,223.24**	1,614,438,014.50	–
Current portion of non-current liabilities		**204,024,196.93**	31,307,337.23	31,307,337.23
Other current liabilities		–	–	–
Total current liabilities		**26,948,764,106.97**	8,268,854,244.55	8,268,854,244.55
Non-current liabilities:				
Long-term borrowings		**413,553,706.06**	–	–
Bonds payable		–	–	–
Long-term payables		**135,795,848.74**	35,126,665.12	35,126,665.12
Long-term employee benefits payable		**325,325.54**	326,532.02	326,532.02
Provisions		**49,601,312.48**	55,348,585.32	55,348,585.32
Deferred income		**490,423,604.73**	526,890,368.97	526,890,368.97
Deferred tax liabilities		**249,762,210.96**	114,788,264.17	114,788,264.17
Other non-current liabilities		**50,225,000.00**	50,225,000.00	50,225,000.00
Total non-current liabilities		**1,389,687,008.51**	782,705,415.60	782,705,415.60
Total liabilities		**28,338,451,115.48**	9,051,559,660.15	9,051,559,660.15

Item	Note	31 December 2018 *(Audited)*	1 January 2018 *(Restated)*	31 December 2017 *(Audited)*
Shareholders' equity:				
Share capital		**1,625,790,949.00**	1,625,790,949.00	1,625,790,949.00
Capital surplus		**9,865,084,049.39**	9,875,177,958.43	9,875,177,958.43
Less: Treasury shares		**–**	–	–
Other comprehensive income		**(477,139.10)**	(6,818,831.78)	(70,206,938.27)
Surplus reserve		**1,368,735,157.63**	1,154,762,193.41	1,154,762,193.41
Undistributed profits		**8,825,776,191.86**	6,218,195,404.57	6,285,996,409.09
Total equity attributable to shareholders of the parent company		**21,684,909,208.78**	18,867,107,673.63	18,871,520,571.66
Minority interest		**1,458,823,545.22**	391,633,221.51	391,633,221.51
Total shareholders' equity		**23,143,732,754.00**	19,258,740,895.14	19,263,153,793.17
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**51,482,183,869.48**	28,310,300,555.29	28,314,713,453.32

Consolidated Income Statement

Item		Note	**For the twelve months ended 31 December 2018 *(Audited)***	For the twelve months ended 31 December 2017 *(Audited)*
1.	**Operating income**	*10.1.5*	**42,233,838,051.12**	20,954,225,189.53
Less:	Operating cost	*10.1.5*	**32,164,391,714.16**	13,063,229,348.28
	Taxes and surcharges		**262,959,874.17**	204,088,804.03
	Selling and distribution expenses		**5,056,820,914.13**	4,285,949,353.46
	General and administrative expenses		**1,699,062,484.22**	1,206,294,987.22
	R&D expenses		**585,497,705.00**	373,287,521.71
	Financial expenses		**(6,654,528.43)**	(210,571,299.44)
	Including: Interest expense		**222,800,930.26**	1,364,023.09
	Interest income		**262,003,043.18**	218,821,732.64
	Impairment losses in respect of assets		**180,187,389.00**	19,962,967.90
	Impairment losses in respect of credit		**39,326,839.23**	–
Add:	Other income		**196,111,096.12**	111,775,896.26
	Investment income		**1,271,314,318.61**	338,362,629.19
	Including: Income from investments in associates and joint ventures		**317,196,606.84**	281,264,687.40
	Gains from changes in fair value		**115,575,352.23**	(1,151,066.21)
	Gains on disposal of assets		**707,312.22**	–
2.	**Operating profit**		**3,835,953,738.82**	2,460,970,965.61
Add:	Non-operating income		**197,572,883.49**	76,504,148.53
Less:	Non-operating expenses		**14,796,366.69**	44,498,977.44
3.	**Total profit**		**4,018,730,255.62**	2,492,976,136.70
Less:	Income tax expenses	*10.1.6*	**485,014,019.72**	374,220,515.80
4.	**Net profit**		**3,533,716,235.90**	2,118,755,620.90

Item			Note	**For the twelve months ended 31 December 2018** *(Audited)*	For the twelve months ended 31 December 2017 *(Audited)*
(1)	Classified by the continuity of operations				
	A.	Net profit from continuing operations		**3,533,716,235.90**	2,118,755,620.90
	B.	Net profit from discontinued operations		**–**	–
(2)	Classified by ownership of the equity				
	A.	Minority interest		**92,736,132.82**	57,103,691.89
	B.	Net profit attributable to the parent company's shareholders		**3,440,980,103.08**	2,061,651,929.01
5.	**Other comprehensive income, net of tax**			**6,341,692.68**	(79,988,438.72)
Other comprehensive income, net of tax attributable to the parent company's shareholders				**6,341,692.68**	(79,995,005.24)
(1)	Other comprehensive income that will not be reclassified to profit or loss			**(2,452,981.75)**	–
	A.	Changes arising from the remeasurement of defined benefit obligation		**–**	–
	B.	Other comprehensive income that will not be reclassified to profit or loss under equity method		**–**	–
	C.	Change in fair value of other equity instrument investments		**(2,452,981.75)**	–
	D.	Change in fair value of the company's own credit risk		**–**	–
	E.	Others		**–**	–

Item		Note	For the twelve months ended 31 December 2018 (Audited)	For the twelve months ended 31 December 2017 (Audited)
(2)	Other comprehensive income that may be reclassified into profit or loss		**8,794,674.43**	(79,995,005.24)
	A. Other comprehensive income that may be reclassified to profit or loss under equity method		**(187,789.97)**	20,429.81
	B. Change in fair value of other debt investments		**–**	–
	C. Gains and losses arising from changes in fair value of available-for-sale financial assets		**–**	(75,775,613.41)
	D. The amount of financial assets reclassified into other comprehensive income		**–**	–
	E. Gains and losses arising from reclassification of held-to-maturity investments to available-for-sale financial assets		**–**	–
	F. Provision for credit loss of other debt investments		**–**	–
	G. Cash flow hedge reserve		**–**	–
	H. Difference arising from the translation of foreign currency financial statements		**8,982,464.40**	(4,239,821.64)
	I. Others		**–**	–
Other comprehensive income, net of tax attributable to minority shareholders			**–**	6,566.52
6.	**Total comprehensive income**		**3,540,057,928.58**	2,038,767,182.18
(1)	Total comprehensive income attributable to shareholders of the parent company		**3,447,321,795.76**	1,981,656,923.77
(2)	Total comprehensive income attributable to minority shareholders		**92,736,132.82**	57,110,258.41
7.	**Earnings per share (EPS):**			
(1)	Basic earnings per share	*10.1.7*	**2.116**	1.268
(2)	Diluted earnings per share	*10.1.7*	**2.116**	1.268

10.1.1 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 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.

10.1.2 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 twelve months ended 31 December 2018 and as of 31 December 2018 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	9,796,024,948.68	9,492,904,408.94	22,811,449,928.90	133,458,764.60	–	42,233,838,051.12
Inter-segment revenue	144,351,843.81	33,647,788.65	7,310,785,592.07	242,413,790.42	(7,731,199,014.95)	–
Interest income	(54,532,656.59)	(96,941,364.91)	(18,459,600.71)	(94,846,307.77)	2,776,886.80	(262,003,043.18)
Interest expenses	17,455,028.42	–	264,232,320.54	24,294,787.91	(83,181,206.61)	222,800,930.26
Income from investments in associates and joint ventures	85,838,488.29	755,108.60	2,166,026.75	240,749,192.94	(12,312,209.74)	317,196,606.84
Impairment losses in respect of assets	35,358,983.53	–	26,552,905.79	–	118,275,499.68	180,187,389.00
Impairment losses in respect of credit	2,958,625.66	(292,637.27)	31,274,555.15	8,423,529.03	(3,037,233.34)	39,326,839.23
Depreciation and amortization expenses	222,464,191.81	42,282,814.77	147,687,704.53	27,985,379.02	(144,105.00)	440,275,985.13
Total profit	1,384,538,275.78	852,020,464.44	254,159,649.94	1,398,199,922.59	129,811,942.87	4,018,730,255.62
Income tax expenses	25,185,162.42	166,647,851.61	60,763,086.40	205,667,620.32	26,750,298.97	485,014,019.72
Net profit (Including net profit attributable to minority shareholders)	1,359,353,113.36	685,372,612.83	193,396,563.54	1,192,532,302.27	103,061,643.90	3,533,716,235.90
Total assets	11,583,817,470.30	9,419,956,280.11	24,868,693,118.24	20,624,199,398.47	(15,014,482,397.64)	51,482,183,869.48
Total liabilities	6,887,053,492.19	5,896,869,489.81	20,476,717,007.50	2,871,177,504.92	(7,793,366,378.94)	28,338,451,115.48
Long-term equity investment in associates and joint ventures	276,421,358.40	–	62,991,964.68	1,420,544,712.31	–	1,759,958,035.39
Increase in other non-current assets excluding long-term equity investment	413,426,962.68	488,603,396.02	1,852,610,818.57	78,551,367.54	–	2,833,192,544.81

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

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	7,920,991,000.47	8,574,140,675.28	4,347,030,285.90	112,063,227.88	–	20,954,225,189.53
Inter-segment revenue	206,420,129.57	14,639,317.32	6,646,327,048.34	157,223,363.39	(7,024,609,858.62)	–
Interest income	(28,847,134.42)	(64,754,810.30)	(1,660,878.11)	(123,558,909.81)	–	(218,821,732.64)
Interest expenses	18,087,138.51	–	48,411,253.25	5,293,854.77	(64,670,544.45)	7,121,702.08
Income from investments in associates and joint ventures	58,522,548.73	–	2,796,697.03	214,602,293.03	5,343,148.61	281,264,687.40
Impairment losses in respect of assets	2,019,902.11	(49,905.93)	7,811,480.94	6,788,238.77	3,393,252.01	19,962,967.90
Credit impairment losses	–	–	–	–	–	–
Depreciation and amortization expenses	207,493,926.36	18,262,232.17	7,226,184.84	21,856,504.17	(144,105.00)	254,694,742.54
Total profit	1,141,613,236.46	754,765,230.42	66,824,009.16	500,858,946.13	28,914,714.53	2,492,976,136.70
Income tax expenses	55,336,427.94	131,204,377.83	15,759,901.66	153,081,430.85	18,838,377.52	374,220,515.80
Net profit (Including net profit attributable to minority shareholders)	1,086,276,808.52	623,560,852.59	51,064,107.50	347,777,515.28	10,076,337.01	2,118,755,620.90
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 excluding 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:

External revenue	**January to December, 2018**	January to December, 2017
PRC	**42,189,829,224.25**	20,903,138,688.93
Other countries/regions	**44,008,826.87**	51,086,500.60
	42,233,838,051.12	20,954,225,189.53

Total non-current assets	**31 December 2018**	31 December 2017
PRC	**8,120,762,664.12**	5,515,922,789.70
Other countries/regions	**18,298,592.95**	18,483,577.02
	8,139,061,257.07	5,534,406,366.72

10.1.3 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:

	31 December 2018	31 December 2017
Accounts receivable	**11,160,491,060.32**	1,195,094,608.99
Notes receivable	**2,780,597,684.01**	1,702,655,475.08
	13,941,088,744.33	2,897,750,084.07
Less: Provision for bad debts	**288,032,587.98**	81,325,602.48
	13,653,056,156.35	2,816,424,481.59

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

	31 December 2018	31 December 2017
Within 1 year	**10,608,071,266.73**	1,025,013,019.97
1 to 2 years	**296,900,276.44**	16,408,005.59
2 to 3 years	**21,494,905.55**	14,051,869.29
3 to 4 years	**24,379,618.72**	118,686,993.67
4 to 5 years	**149,135,708.99**	6,469,782.39
Over 5 years	**60,509,283.89**	14,464,938.08
	11,160,491,060.32	1,195,094,608.99

10.1.4 Accounts payable

(a) Notes payable and accounts payable comprise:

	31 December 2018	31 December 2017
Accounts payable	**9,313,277,657.72**	2,802,200,696.28
Notes payable	**2,656,176,505.09**	252,226,384.82
	11,969,454,162.81	3,054,427,081.10

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

	31 December 2018	31 December 2017
Within 1 year	**8,973,120,088.71**	2,625,069,157.32
Over 1 year	**340,157,569.01**	177,131,538.96
	9,313,277,657.72	2,802,200,696.28

10.1.5 Operating income and operating costs

	For the twelve months ended 31 December 2018		
	Main businesses	**Other businesses**	**Subtotal**
Operating income	**41,980,377,512.59**	**253,460,538.53**	**42,233,838,051.12**
Operating costs	**32,106,055,149.15**	**58,336,565.01**	**32,164,391,714.16**
Gross profit	**9,874,322,363.44**	**195,123,973.52**	**10,069,446,336.96**

	For the twelve months ended 31 December 2017		
	Main businesses	Other businesses	Subtotal
Operating income	20,789,416,101.26	164,809,088.27	20,954,225,189.53
Operating costs	13,023,397,768.72	39,831,579.56	13,063,229,348.28
Gross profit	7,766,018,332.54	124,977,508.71	7,890,995,841.25

10.1.6 Income tax expenses

	For the twelve months ended 31 December 2018	For the twelve months ended 31 December 2017
Current income tax expenses	**699,010,875.25**	294,299,835.26
Deferred income tax expenses	**(213,996,855.53)**	79,920,680.54
	485,014,019.72	374,220,515.80

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

	For the twelve months ended 31 December 2018
Total profit	4,018,730,255.62
Income tax calculated at statutory rate of 15%	602,809,538.34
Tax effect of different rates applicable to subsidiaries in the scope of consolidation	38,281,956.35
Effect of income tax adjustment for prior period	(2,114,519.29)
Non-taxable and tax relief income	(218,163,324.75)
Non-deductible costs, expenses and losses	95,336,456.38
Tax effect of R&D expenditure deduction	(30,049,379.28)
Effect of using deductible losses of deferred tax assets unrecognized in prior period	(7,996,296.88)
Effect of deductible temporary differences and deductible losses which are not recognized in current period	6,909,588.85
Income tax expenses	485,014,019.72

According to the state's relevant tax preferential policies for High/New enterprises, qualified High/New 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 High/New Technology Enterprises, can enjoy preferential tax rate of 15% for the current year, including: the Company (No. GR201744003162), Xing Qun (No. GR201744011135), Zhong Yi (No. GR201744005343), Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (No. GR201744008646), Jing Xiu Tang (No. GR201744000331), Pan Gao Shou (No. GR201744002878), Chen Li Ji (No. GR201744001501), Tian Xin (No. GR201744009163), Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd., (No. GR201544000485), Ming Xing (No. GR201744002496), Guangxi Yingkang Pharmaceutical Company Limited (No. GR201545000083), WLJ Great Health (No. GR201644006480), Wang Lao Ji (No. GR201744001303).

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%.

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

In accordance with "PRC Enterprise Income Tax Law" and "Implementation Rules of PRC Enterprise Income Tax Law", domestic enterprises of the Group, except for the companies listed above, are subject to enterprise income tax at a rate of 25%.

10.1.7 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:

	For the twelve months ended 31 December 2018	For the twelve months ended 31 December 2017
Net consolidated profit attributable to ordinary shareholders of the parent company	**3,440,980,103.08**	2,061,651,929.01
The number of weighted average outstanding ordinary shares at the year end	**1,625,790,949**	1,625,790,949
Weighted average basic EPS	**2.116**	1.268

(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 period end:

	For the twelve months ended 31 December 2018	For the twelve months ended 31 December 2017
Net consolidated profit attributable to ordinary shareholders of the parent company	**3,440,980,103.08**	2,061,651,929.01
The number of outstanding ordinary shares as at the year end	**1,625,790,949**	1,625,790,949
EPS based on the number of shares as at the period end	**2.116**	1.268

(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 December of year 2018, the Company had no dilutive potential ordinary share (for January to December of year 2017: nil). The diluted EPS is equal to basic EPS.

10.1.8 Dividends

According to the resolution of the 2017 annual general meeting held on 22 June 2018, the Company shall pay cash dividends to all shareholders at RMB 0.381 per share (tax included), which is RMB 619,426 thousand in total, based on the outstanding shares of 1,625,790,949 shares at the year end of 2017.

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

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

10.2.1.1 Changes in accounting policies due to the implementation of the new financial instrument standards

On 31 March 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (Revised in 2017) (Caikuai [2017] No. 7), Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets (Revised in 2017) (Caikuai [2017] No. 8), Accounting Standards for Business Enterprises No. 24-Hedge Accounting (Revised in 2017) (Caikuai [2017] No. 9), 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 guidelines are collectively referred to as the "new financial instrument standards"); 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 approved by the resolution of the 7th meeting of the 15th Board of Directors of the Group, the Group began implementing the above-mentioned accounting standards at the time required by the Ministry of Finance.

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. For investment in equity instrument recognized at fair value through other comprehensive income, accumulated profit or loss recognized into other comprehensive income in previous periods shall be transferred to retained earnings when the financial assets are derecognized, but not profit or loss for the current period.

Under the new financial instrument standards, the Company shall accrue provision for impairment loss and recognize impairment loss in respect of the credit for financial assets measured at amortized cost, investment in debt instrument recognized at fair value through other comprehensive income, lease receivables, contractual assets and guarantee contracts based on expected credit loss.

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 Group 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:

The Company and its subsidiaries

Item	Carrying amount prior to changes in accounting policies as at 31 December 2017	Effect of the new financial instrument standards	**Carrying amount after changes in accounting policies as at 1 January 2018**
Assets:			
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**
Shareholders' equity:			
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**

The Company

Item	Carrying amount prior to changes in accounting policies as at 31 December 2017	Impact of the new financial instrument standards	**Carrying amount after changes in accounting policies as at 1 January 2018**
Assets:			
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	–	62,686,231.77	**62,686,231.77**
Other non-current financial assets	–	972,178,175.97	**972,178,175.97**
Deferred tax assets	108,368,848.19	778,746.71	**109,147,594.90**
Shareholders' equity:			
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**

10.2.1.2 Changes in accounting policies due to the implementation of the new revenue standards

On 5 July 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 14 – Revenue (Revised in 2017) (Caikuai [2017] No. 22) (hereinafter referred to as the "new revenue standards"). 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 the new revenue standards from 1 January 2018.

As approved by the resolution of the 15th meeting of the 7th Board of Directors, and the 10th meeting of the 7th board of supervisors of the Company, the Group began implementing the new revenue standards at the time required by the Ministry of Finance.

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.

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

The Company and subsidiaries

Item	Carrying amount prior to changes in accounting policies as at 31 December 2017	Effect of the new financial instrument standards	**Carrying amount after changes in accounting policies as at 1 January 2018**
Liabilities:			
Advance from customers	1,888,892,476.97	(1,888,892,476.97)	**–**
Contract liabilities	–	1,614,438,014.50	**1,614,438,014.50**
Taxes payable	206,462,076.94	274,454,462.47	**480,916,539.41**

The Company

Item	Carrying amount prior to changes in accounting policies as at 31 December 2017	Effect of the new financial instrument standards	**Carrying amount after changes in accounting policies as at 1 January 2018**
Liabilities:			
Advance from customers	116,889,039.40	(116,889,039.40)	**–**
Contract liabilities	–	99,905,161.88	**99,905,161.88**
Taxes payable	124,918,499.55	16,983,877.52	**141,902,377.07**

Adjustments in the presentation of financial statements:

The financial statements for the year ended 31 December 2018 are prepared by the Company 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:

A. Affected items in the consolidated balance sheet and the Company's balance sheet as of 31 December 2017:

Consolidated Balance Sheet

Item	Before adjustments	Adjustments	After adjustments
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	9,113,330,051.48	–	9,113,330,051.48

The Company's Balance Sheet

Item	Before adjustments	Adjustments	After adjustments
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
Total	4,584,695,666.65	–	4,584,695,666.65

B. Affected items in the consolidated income statement and the income statement of the Company for the year ended 31 December 2017:

Consolidated Income Statement

Item	Before adjustments	Adjustments	After adjustments
General and administrative expenses	1,579,582,508.93	(373,287,521.71)	1,206,294,987.22
R&D expenses	–	373,287,521.71	373,287,521.71
Total	1,579,582,508.93	–	1,579,582,508.93

The Company's Income Statement

Item	Before adjustments	Adjustments	After adjustments
General and administrative expenses	445,111,622.93	(130,836,506.00)	314,275,116.93
R&D expenses	–	130,836,506.00	130,836,506.00
Total	445,111,622.93	–	445,111,622.93

10.3 No change in accounting policies or accounting methods compared to the previous annual report.

10.4 No correction for significant accounting errors in the current reporting period.

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

10.5.1 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 Cor.p.	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.	20,449,195,492.03	161,238,313.42
Wang Lao Ji	11 September 2018	899,333,714.69	96.093	Business combinations not under common control	11 September 2018	Share equity dispute is supported by the decision of the board of arbitration. All purchase price has been paid; Property rights have been transferred; The Group obtains control over the acquiree's finance and operating policies, enjoys relevant benefits and undertakes relevant risks.	83,616,417.79	(157,921,052.93)

Items of realizing business combination by steps and acquiring control in the reporting period

Acquiree name	Acquisition date	Acquisition cost	Shareholding (%)	Acquisition method
GP Corp.	31 May 2018	1,094,100,000.00	30.00	Cash
Wang Lao Ji	11 September 2018	368,919,146.25	48.0465	Cash

(b) Combination cost and goodwill

	GP Corp.	Wang Lao Ji
Combination cost		
– Cash	1,094,100,000.00	368,919,146.25
– Fair value of non-cash assets	–	–
– 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	1,823,500,000.00	530,414,568.44
– Other	–	–
Total combination costs	2,917,600,000.00	899,333,714.69
Less: Fair value of identifiable net assets obtained	1,985,250,996.16	1,025,315,653.65
Goodwill/consideration lower than the fair value of identifiable net assets	932,349,003.84	(125,981,938.96)

(i) Recognition of the fair value of combination cost

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

The fair value of the non-cash assets in the combination cost of Wang Lao Ji has been determined by the valuation results determined using the income method valuation method by Guangzhou Heng Ding Real Estate, Land, and Assets Evaluation and 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

	GP Corp.		Wang Lao Ji	
	Fair value at the purchase date	**Book value at the purchase date**	**Fair value at the purchase date**	**Book value at the purchase date**
Assets:				
Cash at bank and on hand	2,091,914,169.84	2,091,914,169.84	874,677,926.78	874,677,926.78
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	89,392,844.69	89,392,844.69
Advances to suppliers	480,420,214.12	480,420,214.12	2,382,992.21	2,382,992.21
Other receivables	804,794,691.48	805,250,142.03	17,529,013.92	17,529,013.92
Inventories	3,415,844,222.20	3,415,844,222.20	219,050,758.92	200,010,664.32
Other current assets	80,732,420.57	80,732,420.57	225,000,000.01	225,000,000.01
Other non-current financial assets	–	–	100,000.00	100,000.00
Investment properties	6,502,500.00	124,276.05	–	–
Fixed assets	866,610,501.48	338,096,751.59	230,782,003.34	190,243,936.55
Construction in progress	54,151,645.64	54,151,645.64	1,482,558.91	1,482,558.91
Intangible assets	247,710,677.72	112,935,483.44	6,951,252.44	5,544,801.11
Goodwill	–	50,941,295.57	–	–
Long-term prepaid expenses	26,899,032.11	26,899,032.11	–	–
Deferred tax assets	88,990,218.67	73,035,799.22	–	–
Liabilities:				
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	244,123,126.84	244,123,126.84
Contract liabilities	48,806,283.66	48,806,283.66	85,414,935.76	85,414,935.76
Employee benefits payable	46,533,213.84	46,533,213.84	99,460,305.09	99,460,305.09
Taxes payable	82,276,190.24	82,276,190.24	13,005,596.36	13,005,596.36
Other Payables	1,368,894,001.96	1,368,894,001.96	547,799,656.17	547,799,656.17
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	583,762.27	583,762.27
Deferred income	2,883,392.79	2,883,392.79	588,087.37	3,920,582.44
Deferred tax liabilities	171,173,341.58	2,605,266.54	9,647,566.17	–
Net assets	2,735,996,251.06	2,270,339,484.65	666,726,315.19	612,056,773.57
Less: Minority interest	254,432,505.87	251,867,551.12	–	–
Net assets acquired	2,481,563,745.19	2,018,471,933.53	666,726,315.19	612,056,773.57

Note: ① Fair value of net identifiable assets and liabilities of GP Corp. is valued by Zhonglian International Appraisal and Consultation Co., Ltd. under cost method.

② Fair value of net identifiable assets and liabilities of Wang Lao Ji is valued by Guangzhou Heng Ding Real Estate, Land, and Assets Evaluation and Appraisal Co., Ltd. under 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 originallybefore purchase date transferred to investmen income
GP Corp.	997,725,159.89	1,823,500,000.00	825,774,840.12	Adjustments for items which may have impact on fair value based on income method	208,104.58
Wang Lao Ji	485,512,361.92	530,414,568.44	44,902,206.52	Adjustments for items which may have impact on fair value based on income method	–

(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.

10.5.2 *Changes in consolidation scope due to other reasons*

10.5.2.1 The reasons for the addition of 7 companies in scope of consolidation as compared to the prior period are:

(1) The Company established Guangzhou Baiyunshan Chemical Pharmaceutical Co., Ltd in January 2018, and the registered capital subscribed by the Company accounts for 100% of the registered capital, amounting to RMB100 million.

(2) Chemical Pharmaceutical Technology Co., Ltd., a subsidiary of the Company, established Guangyao Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd. in January 2018, with a registered capital amounting to RMB49,600,000, and the capital contribution of Chemical Pharmaceutical Technology Co., Ltd. accounts for 100% thereof.

(3) Tian Xin Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Baiyunshan Tian Xin Pharmaceutical Technology Co., Ltd. in January 2018, and the capital contribution of RMB800,000 subscribed by Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. accounts for 100% of registered capital thereof.

(4) Guangyao Baiyunshan Hong Kong Co., Ltd., a subsidiary of the Company, established Guangyao Baiyunshan Macao Co., Ltd. in January 2018, with a registered capital of RMB1,000,000, and the capital contribution subscribed by Guangyao Baiyunshan Hong Kong Co., Ltd. accounts for 99.90% thereof.

(5) Ming Xing Pharmaceutical Co., Ltd., a subsidiary of the Company, established Guangzhou Xing Ji Industries Co., Ltd. in January 2018, with a registered capital of RMB100,000, and the capital contribution subscribed by Ming Xing Pharmaceutical Co., Ltd. accounts for 100% thereof.

(6) Guangzhou Baiyunshan Medical and Healthcare Industry Co., Ltd., a subsidiary of the Company, established Guangzhou Baiyunshan Run Kang Confinement Service Center Co., Ltd. in July 2018, with a registered capital of RMB10,000,000, and the capital contribution subscribed by Guangzhou Baiyunshan Medical and Healthcare Industry Co., Ltd. accounts for 51% thereof.

(7) Guangzhou Bai Di, a subsidiary of the Company, established Guangzhou Wei Yi Industries Co., Ltd. in November 2018, with a registered capital of RMB10,000,000, and the capital contribution subscribed by Guangzhou Baiyunshan Medical and Healthcare Industry Co., Ltd. accounts for 51% thereof.

10.5.2.2 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 had no effective control over Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. Hence, the company is excluded from the scope of consolidation.

10.6 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 Holding Co., Ltd

Guangzhou, the PRC, 15 March 2019

As at the date of this notice, 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.