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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 0874)

SUMMARY OF THE 2019 INTERIM REPORT

1. IMPORTANT NOTICE

- 1.1 This summary is extracted from the full text of the 2019 interim report of the Company for the six months ended 30 June 2019. Investors who wish to know more details are advised to refer to the full text of the 2019 interim report which will be published on the website (<http://www.sse.com.cn>) of SSE, and on the website (<http://www.hkex.com.hk>) of HKEx or other websites designated by CSRC carefully.
- 1.2 The Board, the Supervisory Committee and the directors, supervisors and senior management collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this summary and confirm that there are no false information, misleading statements or material omissions in this summary.
- 1.3 The Directors were present at the 25th meeting of the seventh session of the Board, among whom, Ms. Cheng Ning (vice chairperson of the Board) attended the meeting by telephone, Mr. Chu Xiaoping (independent non-executive director) was unable to attend the meeting due to business and had appointed Mr. Jiang Wenqi (independent non-executive director) to attend the meeting and vote on his behalf.
- 1.4 The financial report of the Group and the Company for the Reporting Period was prepared in accordance with the China Accounting Standards for Business Enterprises, which was unaudited.
- 1.5 All the information required to be contained in the summary of the 2019 interim report of the Company pursuant to paragraphs 46 and 51 of Appendix 16 to the Listing Rules of HKEx has been published on the website (<http://www.hkex.com.hk>) of HKEx in due course.
- 1.6 This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

2. DEFINITIONS

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

Company/The Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2019
Group	the Company and its subsidiaries
Board	the board of directors of the Company
Supervisory Committee	the supervisory committee of the Company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules of HKEx	the Rules Governing the Listing of Securities on the HKEx
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules of HKEx
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Company Limited (廣州白雲山陳李濟藥廠有限公司)
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)
WLJ Great Health	Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
Guangzhou Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)
Guangxi Ying Kang	Guangxi Yingkang Pharmaceutical Company Limited (廣西盈康藥業有限公司)
He Ji Gong	Guangzhou Baiyunshan He Ji Gong Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whamoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Medical Instrument Investment Company	Guangzhou Baiyunshan Medical Instrument Investment Company (廣州白雲山醫療器械投資公司)
Wei Ling	Baiyunshan Weiling Pharmaceutical Co., Ltd. (廣州白雲山威靈藥業股份有限公司)
Guangzhou Baiyunshan Hospital	Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)

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)
GZ SOA Development	Guangzhou State-owned Asset Development Holdings Limited (廣州國資發展控股有限公司)
GZ Chengfa	Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership) (廣州國壽城市發展產業投資企業(有限合夥))
Yunfeng Investment	Shanghai Yunfeng Xinchuang Equity Investment Center (Limited Partnership) (上海雲鋒新創股權投資中心(有限合夥))
Yi Xin Tang	Yi Xin Tang Pharmaceutical Holdings Co.,Ltd. (一心堂藥業集團股份有限公司)
GPO	Group purchasing organizations

3. COMPANY PROFILE

3.1 Company profile

Stock abbreviation:	BAIYUNSHAN
Stock code:	600332 (A Share)
Stock exchange:	SSE
Stock abbreviation:	BAIYUNSHAN PH
Stock code:	0874 (H Share)
Stock exchange:	HKEx

	Secretary to the Board	Representative of securities affairs
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Principal place of business in Hong Kong:	Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong	

3.2 Principal financial data

Principal accounting data	The Reporting Period (unaudited)	The corresponding period of 2018 (unaudited)	Changes as compared with the corresponding period of 2018
			(%)
Income from operations (RMB'000)	33,340,828	14,840,014	124.67
Net profit attributable to the shareholders of the Company (RMB'000)	2,547,561	2,619,000	(2.73)
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	2,205,158	1,540,996	43.10
Net cash flow from operating activities (RMB'000)	(925,743)	1,202,777	(176.97)
Net cash flow from operating activities per share (RMB)	(0.57)	0.74	(176.97)
Total profit (RMB'000)	3,211,762	3,011,163	6.66

Principal accounting data	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)	Changes as compared with 31 December 2018
			(%)
Net assets attributable to the shareholders of the Company (RMB'000)	23,541,159	21,684,909	8.56
Total assets (RMB'000)	53,353,846	51,482,184	3.64
Equity attributable to the shareholders of the Company per share (RMB)	14.48	13.34	8.56

Principal financial indicators	The Reporting Period (unaudited)	The corresponding period of 2018 (unaudited)	Changes as compared with the corresponding period of 2018
			(%)
Basic earnings per share (RMB)	1.567	1.611	(2.73)
Diluted earnings per share (RMB)	1.567	1.611	(2.73)
Basic earnings per share after deducting non-recurring items (RMB)	1.356	0.948	43.10
Ratio of weighted average return on net assets (%)	11.10	12.98	A decrease of 1.88 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	9.60	7.64	An increase of 1.96 percentage points

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

DESCRIPTION OF PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS OF THE COMPANY

Applicable Not applicable

During the Reporting Period, total profit increased year on year, mainly due to: (1) the Company recognised the increase in the value of long-term equity investments in the amount of RMB826 million last year based on its shareholding in GP Corp. prior to the date of acquisition at the fair value acquired as a result of the inclusion of GP Corp. in the scope of consolidation for the Company, and the Company recognised the gain on change in fair value of equity interest in Yi Xin Tang held by the Company of RMB255 million last year, while there were no such events during the Reporting Period; (2) as a result of the inclusion of GP Corp. and Wang Lao Ji in the scope of consolidation for the Company during the Reporting Period, such line item for the Reporting Period increased; (3) during the Reporting Period, WLJ Great Health, a wholly-owned subsidiary of the Company, achieved significant growth of profit arising from the implementation of cost control and price maintenance measures and the receipt of government grants; (4) during the Reporting Period, profit from principal operations of other subsidiaries of the Company increased.

During the Reporting Period, net profit attributable to the shareholders of the Company after deducting non-recurring items increased by 43.10% year on year, mainly due to: (1) as a result of the inclusion of GP Corp. and Wang Lao Ji in the scope of consolidation for the Company during the Reporting Period, such line item for the Reporting Period increased; (2) during the Reporting Period, WLJ Great Health, a wholly-owned subsidiary of the Company, achieved significant growth of profit arising from the implementation of cost control and price maintenance measures; (3) during the Reporting Period, profit from principal operations of other subsidiaries of the Company increased.

Net cash flows from operating activities decreased by 176.97% year on year, mainly due to: the inclusion of GP Corp. in the scope of consolidation for the Company following the completion of acquisition of 30% equity interest in GP Corp. on 31 May 2018, which was a joint venture of the Company from January to May 2018. The year-on-year decrease in net cash flows from operating activities of the Company was mainly attributable to GP Corp.. The decrease in net cash flows from operating activities of GP Corp. was mainly due to: (1) increased procurement of medicine reserve following successfully winning the bid for Guangzhou GPO; (2) adjustment to business structure, with increased percentage of sales to hospitals. The long settlement period with hospitals resulted in the increase in accounts receivable; (3) year-on-year decrease in discounted bills.

3.3 Movement in share capital

Applicable Not applicable

3.4 Change in shares with selling restrictions

Applicable Not applicable

3.5 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 65,693

The top ten shareholders of the Company as at 30 June 2019 are set out as follows

Shareholders	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions held <i>(share)</i>	Number of shares pledged or locked shares <i>(share)</i>	Nature of shares
GPHL	0	732,305,103	45.04	148,338,467	0	Domestic shares
HKSCC Nominees Limited	26,000	219,765,409	13.52	0	0	H shares Legal Person
GZ SOA Development	0	87,976,539	5.41	87,976,539	0	Domestic shares
GZ Chengfa	0	73,313,783	4.51	73,313,783	0	Other
China Securities Finance Corporation Limited	0	47,278,008	2.91	0	0	Other
Yunfeng Investment	0	21,222,410	1.31	21,222,410	21,222,410	Other
Central Huijin Investment Limited	0	15,260,700	0.94	0	0	Other
HKSCC	382,597	10,555,206	0.65	0	0	Other
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	0	8,795,136	0.54	0	0	Other
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	0	8,680,636	0.53	0	0	Other

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

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

(2) The Company was not aware of whether there is any connection among the above shareholders, or whether they were parties acting in concert as provided under the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.

Explanation on the preferred shareholders and number of holdings restored by voting rights

Not applicable

3.6 Table of total numbers of shareholders of preferential shares and top 10 preferential shareholders as at the end of the Reporting Period

Applicable Not applicable

3.7 Information on change in controlling shareholders and beneficial owners

Applicable Not applicable

3.8 Information on corporate debts outstanding and overdue

Applicable Not applicable

4. DISCUSSION AND ANALYSIS OF OPERATION

4.1 Management discussion and analysis

During the Reporting Period, the Group actively adapted to the development theme of “Year of Risk Control and Efficiency Enhancement” by insisting on maintaining stability while making progress, improving quality and increasing efficacy, enhancing risk management to approach a trend of stable growth in operational performance. In the first half of 2019, the Group’s revenue amounted to RMB33,340.828 million, increased by 124.67%; the total profit was RMB3,211.762 million, increased by 6.66%; the net profit attribute to shareholders of the Company was RMB2,547.561 million, decreased by 2.73% as compared with the corresponding period of 2018; and the net profit attribute to shareholders of the Company after deducting non-recurring items was 2,205.158 million, increased by 43.10% as compared with the corresponding period of 2018.

The operating results of the Group during the Reporting Period increased as compared with the first half of 2018, mainly due to: (1) during the Reporting Period, all business segments of the Group further developed, and its principal business recorded steady and rapid growth. In particular, WLJ Great Health, a wholly-owned subsidiary of the Company, achieved significant growth of profit arising from the implementation of cost control and price maintenance measures and the receipt of government grants; (2) during the Reporting Period, as a result of including the income of GP Corp. and Wang Lao Ji in the scope of consolidated financial statements for the Company, the revenue and profit from principal business of the Group has increased as compared with the corresponding period of 2018.

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

Firstly, we continue to focus on the “Big Products”, increase the promotion level of brands and products, and cultivated “fashionable Chinese medicine” and “Diva brands”. Meanwhile, we took advantage of the resource integration strategy and opportunity, utilized the distribution network and logistic advantages of the Great Commerce, implemented the synergistic effect generated between the Great Southern TCM and the Great Commerce, which brings about the mutual promotion and advancement and in-depth fusion between the two business segments of the Company.

Secondly, we continue to utilize “one core product with diversification” as the central theme, thoroughly develop the core idea of “Ji Culture”, gradually nurture new product categories and create a characteristic product portfolio for the Great Health Industry. During the Reporting Period: (1) on the basis of deeply digging into the intrinsic meaning of “Ji Culture” to form the basis for the brand value improvement. WLJ Great Health through reinforcing the promotion of “drinking red-can Wang Lao Ji to enjoy an auspicious year” during the Spring Festival period, solidified Wang Lao Ji’s position in the gift market. The launching of Wang Lao Ji Tokyo Museum also increased its international popularity. (2) We consolidated and optimized the brand rejuvenation strategy, and implemented “precise and fashionable marketing”. On one hand, WLJ Great Health signed a new celebrity endorser to promote the “Fear of internal heat, Drink Wang Lao Ji” philosophy and increase the product’s applications in response to the 2019 summer marketing slogan “the hotter, the better”. On the other hand, it deepened interaction with young consumers via juvenile social media platforms, in line with its brand rejuvenation strategy. (3) New growth incentives have been developed through product diversification and new product development. During the Reporting Period, the new product “Ci Ning Ji” series and Wang Lao Ji Jasmine Flavor Herbal tea were officially released and ready for sale.

Thirdly, we expanded the hospitals and community healthcare businesses following the core strategy of “further development + expansion”, and stepped up efforts to tap into the lower levels of terminal delivery channels and penetrate the retail market. During the Reporting Period, (1) adhering to the terminal-oriented strategy, we further developed the health institution business segment covering hospitals at various levels. After the successful bid for the Guangzhou GPO project, we brought the business of medical establishments to the next level, which promoted the growth on other relevant business and increased the proportion of hospital sales; Cai Zhi Lin accelerated TCM decoction-piece product development, increased its share of the high-end hospital TCM decoction pieces market. (2) The retail business was developed in all directions amid business diversification, with retail services launching and speeding up the promotion of the distribution of chain hospital terminals through merging and establishment.

Fourthly, we continued to build a greater presence in the Great Medical Care segment: (1) Guangzhou Baiyunshan Hospital stepped up rehabilitation studies and partnered up with Guangdong 999 Brain Hospital to establish a healthcare alliance and a children treatment and rehabilitation center, leading to the formation of a preliminary rehabilitation and medical treatment system; (2) exploratory efforts were made develop partnership projects in subdivided market segments such as postpartum and eldercare services; in the meantime, new forms of medical device businesses have been nurtured to lay a solid foundation for medical and medical device business development.

Fifthly, we continued to increased inputs into product R&D, and ratcheted up product quality management and assurance efforts. During the Reporting Period, (1) the Guangyao General Institute's "National Canine Experimental Animal Resource Database" was included in the national list of technological resource sharing service platforms. The Group obtained five production approvals and supplementary filing approvals (including application documents), 13 Chinese patents for inventions, and four utility model patents, with two provincial engineering technology centers established. Chen Li Ji was honorably titled the "Innovative Enterprise in Guangdong Province". Jing Xiu Tang was honorably titled "Innovative Enterprise in Guangdong Province" and "Innovation Benchmark Enterprise (Technology Benchmark) in Guangzhou". (2) We pushed forward implementation of major technological innovation projects, and made headway in generic consistency evaluation stably. The consistency evaluation approval was granted to Cefuroxime Axetil Tablets. (3) We took serious measures to improve product quality management operations, and conducted self-inspections and pharmaceutical policy and regulation training targeting weak links in quality management and safety hazards, focusing on raising the staff's awareness of the importance of product quality and safety.

Sixthly, efforts were made to continuously, tighten up internal management, and improve operation quality. The Group tightened up management on party building, strategic development, performance appraisal, regulation, cost, risk control, security and environmental protection operations, and improved the efficiency of management activities.

4.2 Analysis of principal operations

4.2.1 Analysis of changes in the financial statement related subjects

Items	The Reporting Period (RMB'000)	The corresponding period of 2018 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2018 (%)
Revenue <i>(note 1)</i>	33,340,828	14,840,014	124.67
Include: income from principal operations	33,199,320	14,725,777	125.45
Cost of sales <i>(note 2)</i>	25,893,939	10,050,615	157.64
Include: cost from principal operations	25,858,276	10,032,270	157.75
Selling and distribution expenses <i>(note 3)</i>	3,181,215	2,175,615	46.22
General and administrative expenses <i>(note 4)</i>	986,091	708,304	39.22
Research and development expenses	276,820	242,287	14.25
Financial expenses <i>(note 5)</i>	79,873	(68,121)	217.25
Net cash flow from operating activities <i>(note 6)</i>	(925,743)	1,202,777	(176.97)
Net cash flow from investing activities <i>(note 7)</i>	(257,080)	676,412	(138.01)
Net cash flow from financing activities <i>(note 8)</i>	1,253,450	398,688	214.39
Other income <i>(note 9)</i>	356,510	116,850	205.10
Investment income <i>(note 10)</i>	117,960	1,056,228	(88.83)
Gains from changes in fair value <i>(note 11)</i>	10,826	251,277	(95.69)
Impairment losses in respect of assets <i>(note 12)</i>	(7,142)	(4,079)	(75.10)
Impairment losses in respect of credit <i>(note 13)</i>	(60,985)	(29,224)	(108.68)
Income tax expenses <i>(note 14)</i>	533,951	351,799	51.78
Minority interest <i>(note 15)</i>	130,250	40,364	222.69

Notes:

- (1) Revenue for the Reporting Period increased as compared with the same period of last year, mainly due to: the inclusion of GP Corp. in the scope of consolidation for the Company following the completion of acquisition of 30% equity interest in GP Corp. on 31 May 2018, which was a joint venture of the Company from January to May 2018; and the inclusion of Wang Lao Ji in the scope of consolidation for the Company following the completion of acquisition of 48.05% equity interest in Wang Lao Ji In October 2018, which was a joint venture of the Company in the same period of last year (“Note 1”). As a result of the inclusion of GP Corp. and Wang Lao Ji in the scope of consolidation for the Company during the Reporting Period, such line item for the Reporting Period increased by RMB 16,614 million.
- (2) Cost of sales for the Reporting Period increased as compared with the same period of last year, mainly as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB15,111 million.
- (3) Selling and distribution expenses for the Reporting Period increased as compared with the same period of last year, mainly due to: (i) as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB702 million; (ii) during the Reporting Period, WLJ Great Health, a wholly-owned subsidiary of the Company, strengthened promoting and advertising.
- (4) General and administrative expenses for the Reporting Period increased as compared with the same period of last year, mainly due to: as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB231 million.
- (5) Financial expenses for the Reporting Period increased as compared with the same period of last year, mainly due to: as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB166 million.
- (6) Net cash flow from operating activities decreased as compared with the same period of last year, mainly due to: the inclusion of GP Corp. in the scope of consolidation for the Company following the completion of acquisition of 30% equity interest in GP Corp. on 31 May 2018, which was a joint venture of the Company from January to May 2018. The year-on-year decrease in net cash flow from operating activities of the Company was mainly attributable to such company. The decrease in net cash flow from operating activities of such company was mainly due to: (i) increased procurement of medicine reserve following successfully winning the bid for Guangzhou GPO; (ii) adjustment to business structure, with increased percentage of sales to hospitals. The long settlement period with hospitals resulted in the increase in accounts receivable; (iii) year-on-year decrease in discounted bills.
- (7) Net cash flow from investing activities decreased as compared with the same period of last year, mainly due to: (i) the payment by the Company of the consideration for the acquisition of the “Wang Lao Ji” trademark series, being RMB1,472 million (inclusive of value-added tax), during the Reporting Period; (ii) the recognition of the difference between the consideration paid and the cash and cash equivalents of GP Corp. following its inclusion in the scope of consolidation for the Company last year. There was no such event during the Reporting Period; (iii) the income from structured deposits and wealth management products of the Group upon maturity was higher than their purchase cost.

- (8) Net cash flow from financing activities increased as compared with the same period of last year, mainly due to: the inclusion of GP Corp. in the scope of consolidation for the Company following the completion of acquisition of 30% equity interest in GP Corp. on 31 May 2018, which was a joint venture of the Company from January to May 2018. The year-on-year increase in net cash flow from financing activities of the Company was mainly due to the increase in bank loans of GP Corp..
- (9) Other income increased as compared with the same period of last year, mainly due to: the increase in government grants received by subsidiaries of the Company during the Reporting Period.
- (10) Investment income decreased as compared with the same period of last year, mainly due to: the Company recognised the increase in the value of long-term equity investment based on its shareholding in GP Corp. prior to the date of acquisition at the fair value acquired during the same period of last year as a result of the inclusion of GP Corp. in the scope of consolidation for the Company last year. There were no such amount incurred during the Reporting Period, resulting in the year-on-year decrease in investment income during the Reporting Period.
- (11) Gains from changes in fair value decreased as compared with the same period of last year, mainly due to: the recognition of gain on change in fair value of Yi Xin Tang during the same period of last year, while there was no such amount incurred during the Reporting Period, resulting in the decrease in gain on change in fair value during the Reporting Period.
- (12) Impairment losses in respect of assets decreased as compared with the same period of last year, mainly due to: (i) as stated in Note 1, GP Corp. was included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period decreased by RMB13 million; (ii) the year-on-year decrease in loss on decline in value of inventories of other subsidiaries of the Company, which resulted in the increase in the amount incurred for the line item during the Reporting Period.
- (13) Impairment losses in respect of credit decreased as compared with the same period of last year, mainly due to: as stated in Note 1, GP Corp. was included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period decreased by RMB32 million.
- (14) Income tax expenses for the Reporting Period increased as compared with the same period of last year, mainly due to: (i) the Company recognised the increase in the value of long-term equity investment based on its shareholding in GP Corp. prior to the date of acquisition at the fair value acquired during the same period of last year as a result of the inclusion of GP Corp. in the scope of consolidation for the Company, as well as the gain on change in fair value of Yi Xin Tang held by the Company, which were both non-taxable items; (ii) as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB67 million.
- (15) Minority interest increased as compared with the same period of last year, mainly due to: (i) as stated in Note 1, GP Corp. and Wang Lao Ji were included in the scope of consolidation for the Company during the Reporting Period, and such line item for the Reporting Period increased by RMB38 million; (ii) the increase in minority interest of newly-established subsidiaries of the Company.

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

Operations	Results of principal operations by industry					
	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2018 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2018 (%)	Profit margin of principal operations (%)	Increase/ (Decrease) over the same period of 2018 (percentage point)
Great Southern TCM ^(Note 1)	6,760,669	30.37	3,731,154	30.70	44.81	A decrease of 0.14 percentage point
Great Health	5,854,280	10.98	2,951,597	(10.53)	49.58	An increase of 12.12 percentage points
Great Commerce ^(Note 2)	20,526,806	386.98	19,129,060	398.11	6.81	A decrease of 2.08 percentage points
Other	57,565	16.20	46,465	20.85	19.28	A decrease of 3.11 percentage points
Total	33,199,320	125.45	25,858,276	157.75	22.11	A decrease of 9.76 percentage points

Types of products	Results of principal operations by 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 2018 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2018 (%)	Profit margin of principal operations (%)	Increase/ (Decrease) over the same period of 2018 (percentage point)
Chinese patent medicine	2,960,665	37.41	1,649,604	38.42	44.28	A decrease of 0.41 percentage point
Chemical medicine	3,800,004	25.36	2,081,550	25.17	45.22	An increase of 0.08 percentage point
Total of Great Southern TCM	6,760,669	30.37	3,731,154	30.70	44.81	A decrease of 0.14 percentage point

- During the Reporting Period, income from principal operations from the Great Southern TCM segment of the Group increased as compared with the same period of last year, which was mainly due to: (1) increased promoting and marketing efforts to develop “fashionable Chinese traditional medicine” and “Diva brands”; (2) the increase in sales volume or prices of certain products; (3) certain medicine of Wang Lao Ji was included in the scope of consolidation.
- During the Reporting Period, income from principal operations from the Great Commerce segment of the Group increased as compared with the same period of last year, which was mainly due to: the inclusion of GP Corp. in the scope of consolidation.

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

Regions	Income from principal operations (RMB'000)	Increase/ (Decrease) over the same period of 2018 (%)
Southern China	24,236,557	194.81
Eastern China	3,430,208	28.84
Northern China	1,529,709	26.89
North-Eastern China	347,780	35.82
South-Western China	2,508,066	39.53
North-Western China	1,126,756	98.41
Exports	20,244	31.17
Total	<u>33,199,320</u>	<u>125.45</u>

4.2.4 Others

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

Applicable Not applicable

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

Applicable Not applicable

The confirmed other income (government subsidies related to regular corporation activities) during the Reporting Period is RMB356.5104 million, which mainly comprises support funds for industrial development received by the subsidiaries of the Company during the Reporting Period.

4.4 Analysis on Financial Conditions

4.4.1 Liquidity

As at 30 June 2019, the current ratio of the Group was 1.61 (31 December 2018: 1.60), and its quick ratio was 1.29 (31 December 2018:1.25). During the Reporting Period, accounts receivable turnover in days was 56.58 days, 16.19% slower than that in the corresponding period of 2018; inventory turnover in days was 62.20 days, 35.80% slower than that in the corresponding period of 2018.

4.4.2 Financial resources

As at 30 June 2019, cash and cash equivalents of the Group amounted to RMB15,142,206,000 (31 December 2018: RMB15,071,612,000), of which approximately 99.67% and 0.33% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 30 June 2019, the Group had bank borrowings of RMB7,447,818,000 (31 December 2018: RMB6,523,281,000), including short-term borrowings of RMB6,933,818,000 (31 December 2018: RMB5,905,703,000), current portion of non-current liabilities of RMB500,500,000 (31 December 2018: RMB204,024,000) and long-term borrowings of RMB13,500,000 (31 December 2018: RMB413,554,000).

4.4.3 Capital structure

As at 30 June 2019, the Group's current liabilities amounted to RMB26,551,568,000 (31 December 2018: RMB26,948,764,000), representing a decrease of 1.47% as compared with the beginning of 2019, and its long-term liabilities was RMB1,561,845,000 (31 December 2018: RMB1,389,687,000), with an increase of 12.39% as compared with the beginning of 2019. Shareholders' equity attributable to the shareholders of the Company amounted to RMB23,541,159,000 (31 December 2018: RMB21,684,909,000), with an increase of 8.56% as compared with the beginning of 2019.

4.4.4 Capital expenditure

The Group expects that the capital expenditure for 2019 to be approximately RMB3,153 million among which the expenditure in the first half of 2019 amounted to RMB1,835 million (in the first half of 2018: RMB528 million), which would be mainly applied in the acquisition of trademark, 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.

4.4.5 Description of assets and liabilities

Item	As at		As at		Increase/ (Decrease) compared with 31 December 2018 (%)	Reasons for changes
	30 June 2019 (RMB'000)	% of the total assets (%)	31 December 2018 (Restated) (RMB'000)	% of the total assets (%)		
Other current assets	382,467	0.72	2,137,248	4.10	(82.10)	The change in balance of such item was mainly due to: decrease of RMB1.530 billion on the structural deposits of the Company as at the end of the Reporting Period.
Construction in progress	682,006	1.28	480,306	0.92	41.99	The change in balance of such item was mainly due to: increase investment in projects by the subsidiary of the Company.

Item	As at	% of the total assets (%)	As at	% of the total assets (%)	Increase/ (Decrease) compared with 31 December 2018 (%)	Reasons for changes
	30 June 2019 (RMB'000)		31 December 2018 (Restated) (RMB'000)			
Bearer biological assets	3,678	0.01	0	0.00	/	The change in balance of such item was mainly due to: new purchase of bearer biological assets by the subsidiary of the Company during the Reporting Period.
Intangible assets	2,417,927	4.53	1,013,353	1.94	138.61	The change in balance of such item was mainly due to: the Company acquired “Wang Lao Ji” series trademarks at the consideration of RMB1.389 billion.
Other non-current assets	0	0.00	2,580	0.00	(100.00)	The change in balance of such item was mainly due to: an increase in land-transferring fees prepaid last year by the subsidiary of the Company was taken into account.
Contract liabilities	1,600,367	3.00	3,686,647	7.07	(56.59)	The change in balance of such item was mainly due to: the additional advances on sales of WLJ Great Health at the end of last year due to the advance of the Spring Festival is dispatched during the Reporting Period, which led to the decrease of such item.

Item	As at	% of the total assets (%)	As at	% of the total assets (%)	Increase/ (Decrease) compared with 31	Reasons for changes
	30 June 2019 (RMB'000)		31 December 2018 (Restated) (RMB'000)		December 2018 (%)	
Taxes payable	371,041	0.70	963,543	1.85	(61.49)	The change in balance of such item was mainly due to: With the implementation of the new revenue standard of the Company, the subsidiary of the Company re-categorized the taxes to be written off in the corporate receivables to other matters of current and non-current liabilities.
Current portion of non-current liabilities	712,352	1.34	343,316	0.66	107.49	The change in balance of such item was mainly due to: Current portion of long-term borrowings was categorized under such item by the subsidiary of the Company.
Other current liabilities	179,668	0.34	0	0.00	/	The change in balance of such item was mainly due to: with the implementation of new revenue standards of the Company, tax to be written off in the current portion of advance receivables was re-categorized under such item.
Long-term borrowings	13,500	0.03	413,554	0.79	(96.74)	The change in balance of such item was mainly due to: Current portion of long-term borrowings was categorized under current portion of non-current liabilities by the subsidiary of the Company.

Item	As at		As at		Increase/ (Decrease) compared with 31 December 2018 (%)	Reasons for changes
	30 June 2019 (RMB'000)	% of the total assets (%)	31 December 2018 (Restated) (RMB'000)	% of the total assets (%)		
Other comprehensive income	(2,453)	0.00	(477)	0.00	(414.10)	The change in balance of such item was mainly due to: (1) decrease of fair value of the financial assets at the end of the Reporting Period; (2) Decrease in difference of conversion on currency exchange by the subsidiary of the Company.

4.4.6 Exposure to fluctuations in exchange rates

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

4.4.7 Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

4.4.8 Charge on the Group's assets

As at 30 June 2019, Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, acquired the overdraft amounted to HKD300,000, letter of credit and 90 days credit is the total amount of HKD100,000,000 and the issued but undue L/C amounted to EUR48,000, USD326,000 from Bank of China (Hong Kong) Co., Ltd., secured by the buildings of fixed assets in the original value amounted to HKD8,893,000, and net value amounted to HKD6,262,000 of the buildings of fixed assets and the investment properties in the original value amounted to HKD6,843,000 and net value amounted to HKD3,589,000 of investment properties.

4.4.9 Bank loans, overdraft and other borrowings

As at 30 June 2019, the bank loans of the Group amounted to RMB7,447,818,000 (31 December 2018: RMB6,523,281,000), with an increase of RMB924,537,000 as compared with the beginning of 2019. The above bank loans included short-term borrowings of RMB6,933,818,000, current portion of non-current liabilities of RMB500,500,000 and long-term borrowings of RMB13,500,000.

4.4.10 Gearing ratio

As at 30 June 2019, the Group's gearing ratio (total liabilities/total assets×100%) was 52.69% (31 December 2018: 55.05%).

4.4.11 Material investment

As at 30 June 2019, there is no other major investment during the Reporting Period.

4.5 Analysis of investment situation

Overall analysis on foreign equity investment

As at the end of the Reporting Period, the foreign equity investment of the Company amounted to RMB1,805,481,000, with a growth of RMB45,523,000 as compared with last year, mainly due to: the Company confirmed the investment profits of the joint venture and associates in accordance with the Equity Laws, which led to the increase in long-term equity investment.

(1) Significant equity investment

Applicable Not applicable

(2) Significant non-equity investment

Applicable Not applicable

(3) Financial assets evaluating at fair value

Applicable Not applicable

Stock investments

Number	Type of Stock	Stock Code	Stock name	The initial	Number of	Book value	% of stock	Gain/(Loss)
				amount of	shares held	as at the	investment	during the
				investment	as at the	as at the	as at the	during the
				(RMB'000)	end of the	end of the	end of the	Reporting
					Reporting	Reporting	Reporting	Period
					Period	Period	Period	Period
					(share)	(RMB'000)	(%)	(RMB'000)
1	A Share of SSE	600038	AVIC Helicopter Co., Ltd	1,806	57,810	2,371	1.54	212
2	A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd	3,705	376,103	1,557	1.01	71
3	A Share of Shenzhen Exchange	000950	C.Q.Pharmaceutical Holding	150,145	25,992,330	124,191	80.86	9,747
4	A Share of SSE	601328	Bank of Communications	525	394,567	2,415	1.58	130
5	A Share of SSE	601818	Everbright Bank	10,725	6,050,000	23,051	15.01	1,640
Other stock investments held as at the end of the Reporting Period								–
Gain/(Loss) of stock investments sold during the Reporting Period								–
Total				166,906	32,870,810	153,585	100.00	11,800

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

Name of enterprise	Business nature	Major products or services	Registered capital	Equity	Total assets	Net assets	Net profit
				directly held by the Company			
			(RMB'000)	(%)	(RMB'000)	(RMB'000)	(RMB'000)
WLJ Great Health	Manufacturing	Production and sales of pre-packaged food, dairy products, etc	500,000	100.00	7,397,192	4,144,181	1,114,339
GP Corp.	Medical Business	Retail of medical products and equipments	2,227,000	80.00	23,307,767	4,633,156	168,814

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

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

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019, nor any increase in share capital by transfer from capital reserve.

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

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

4.8 Issues and difficulties in operations and plans for the second half of 2019

During the first half of 2019, the global economic situation did not illustrate an optimal performance; however, the economy of our country is still operating in a generally smooth and stably advancing manner. The pharmaceutical industry was 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; 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, being influenced by factors like China's accelerated population aging, increasing urbanization level and improvement of the medical security system, the demand of the PRC pharmaceutical industry is still growing. Changes in policies for the medical industry will continue to create new development and opportunities in the pharmaceutical industry.

The Group will strive to make solid progress in the following areas during the second half of 2019:

1. Focus on “Big Products” to continue promoting the development of the “Diva Products”; promote the characteristic development of “fashionable Chinese medicine”, generic and innovative chemical medicine and biological pharmacy; continue to enhance cooperation with large scale chain pharmacies and increase product sales.

2. Promote development strategy of diversifying products and product categories of the Great Health Industry by focusing on “one core with diversification”, vigorously promote the “Ji Culture”, continue to solidify and promote the position of Wang Lao Ji in the industry. Intensifying the promotion of Ci Ning Ji, Walnut Dew and coconut milk product. In addition, enhancing the resource integration and discussing actively the synergetic development of the Wang Lao Ji products in red and green bottles.
3. Continue to take “further development + expansion” as the main line, promote the sinking of terminal service network, accelerate the expansion of retail business layout; take forward the resource integration and improve strain capacity of the segments while facing the changing external market.
4. Develop under the support of technology and in an R&D manner with focus on both generic and innovative medicine, optimize the technological innovation platform, speed up the development of innovative medicine, Great Health products and the research of the consistency evaluation of generic drugs, strengthen quality management and strengthen product quality and safety inspection.
5. Develop a medical service industry integrating medical treatment, medicine and recovery in the direction of “characterization and differentiation”. Accelerate the implementation of current projects. Continue to rely on the idea of “Key Projects”, speed up the deployment of new business distribution and actively promote investments and merger and acquisition projects.
6. Continue to strengthen the basic internal management, initiate special auditing and major risk investigation to prevent major risks, strictly control costs and increase efficiency.

4.9 During the Reporting Period, the Company or any of its subsidiaries did not purchase, sell, repurchase or cancel any of the Company’s listed shares

4.10 Corporate Governance

During the Reporting Period, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of HKEx (“CG Code”) and the code provisions of the CG Code except that (i) Mr. Li Chuyuan, Mr. Chen Mao, Mr. Ni Yidong and Mr. Wu Changhai all being the executive directors of the Company, and Ms. Wang Weihong, the independent non-executive director of the Company, were unable to attend the first extraordinary general meeting in 2019, which constituted a deviation from code provision A.6.7, and (ii) Ms. Liu Juyan, the executive director of the Company, and Ms. Wang Weihong, the independent non-executive director of the Company, were unable to attend the 2018 Annual General Meeting, which constituted a deviation from code provision A.6.7.

The Board kept monitoring and reviewing the Company’s corporate governance practices to ensure compliance with the provisions of the CG Code.

4.11 Model Code for Securities Transactions by directors and supervisors

The Company adopted the Model Code and “Measures for the Administration of Trading Shares of the Company by directors, supervisors and senior management” as stipulated by the Company as the codes and criteria for securities transactions by directors and supervisors of the Company. After making specific inquiry to all the directors and supervisors, the Company confirmed that its directors and supervisors had fully complied with the standards relating to directors’ and supervisors’ dealing in securities as set out in the above codes and criteria during the Reporting Period.

4.12 The Audit Committee of the seventh session of the Board is comprised of four independent non-executive directors and one of them possessed appropriate professional qualification. The Audit Committee had reviewed the Group’s accounting principles, accounting standards and method as well as discussed the audit affairs, risk management, internal controls and financial report with the management, including the unaudited interim report for the six months ended 30 June 2019.

4.13 Changes in directors, supervisors and senior management of the Company

4.13.1 The Board of the Company received the written resignation and confirmation letters from Mr. Chen Mao, vice chairman of the Company, on 31 May 2019. Mr. Chen Mao applied to resign from his positions as vice president and executive director of the Company due to personal reasons. His resignation took effect on the same day.

4.13.2 At the 23rd meeting of the seventh session of the Board of the Company held on 3 June 2019, Ms. Cheng Ning was elected as the vice chairperson of the seventh session of the Board. The term of office of director of the Company commenced from the date of appointment up to the date on which members of the new session of the Board are elected.

4.13.3 At the General Meeting in 2018 held on 28 June 2019, Mr. Zhang Chunbo was elected as the executive director of the Company. The term of office commenced from the date of appointment up to the date on which members of the new session of the Board are elected.

4.13.4 At the 24th meeting of the seventh session of the Board of the Company held on 12 July 2019, Mr. Huang Haiwen and Ms. Zheng Haoshan were appointed as the deputy general managers. The term of office of deputy general managers of the Company commenced from the date of appointment up to the date on which members of the new session of the Board are elected.

In accordance with the Note 13.51(B) (1) to the Listing Rule of HKEx, the details of changes in directors' information after the publication of the annual report for the year ended 31 December 2018 are as below:

Name of Directors	Details of the changes
Cheng Ning	Appointed as vice chairperson of the Company of the seventh session of the Board on 3 June 2019
Chen Mao	Resigned as the vice chairperson and executive director of the Company on 31 May 2019
Zhang Chunbo	Appointed as executive director of the Company of the seventh session of the Board on 28 June 2019
Chu Xiaoping	Resigned as the independent non-executive director of Lafang Jiahua Co., Ltd. on 15 March 2019.

4.14 At the end of the Reporting Period, the number of employees on the payroll register of the Group was 24,947. The total salary payment for the first half of 2019 was in the amount of approximately RMB1,666 million.

5 FINANCIAL REPORTS

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

(All amounts in Renminbi yuan unless otherwise stated)

Consolidated Balance Sheet

Item	Notes	30 June 2019 (Unaudited)	1 January 2019 (Restated)	31 December 2018 (Audited)
Current assets:				
Cash at bank and on hand		16,149,474,568.74	16,114,883,673.51	16,114,883,673.51
Financial assets held for trading		–	–	–
Financial assets measured at fair value through profit or loss for the current period		–	–	–
Derivative financial assets		–	–	–
Notes receivable		1,418,119,952.33	1,328,195,500.54	2,780,597,684.01
Accounts receivable	5.1.3	13,339,877,618.66	10,872,458,472.34	10,872,458,472.34
Accounts receivable financing		1,149,913,285.25	1,452,402,183.47	
Advances to suppliers		686,098,867.31	837,808,116.68	837,808,116.68
Other receivables		1,110,668,698.71	1,056,551,186.68	1,056,551,186.68
Including: Interest receivable		666,666.68	1,367,876.63	1,367,876.63
Dividends receivable		90,025,032.99	40,036,044.47	40,036,044.47
Inventories		8,414,561,105.40	9,231,739,097.84	9,231,739,097.84
Contract assets		–	–	–
Assets held for sales		–	–	–
Current portion of non-current assets		–	–	–
Other current assets		382,466,651.14	2,137,248,054.33	2,137,248,054.33
Total current assets		42,651,180,747.54	43,031,286,285.39	43,031,286,285.39

Consolidated Balance Sheet (Continued)

Item	<i>Notes</i>	30 June 2019 (Unaudited)	1 January 2019 (Restated)	31 December 2018 (Audited)
Non-current assets:				
Debt investment		–	–	–
Available-for-sale financial assets		–	–	–
Other debt investment		–	–	–
Hold-to-maturity investment		–	–	–
Long-term receivables		–	–	–
Long-term equity investment		1,805,481,035.79	1,759,958,035.39	1,759,958,035.39
Other equity instrument investment		83,481,132.33	84,897,870.89	84,897,870.89
Other non-current financial assets		237,764,331.16	226,938,456.16	226,938,456.16
Investment properties		222,670,504.50	228,084,499.83	228,084,499.83
Fixed assets		2,880,142,826.86	2,950,581,381.29	3,165,746,536.73
Construction in progress		682,006,058.88	480,305,723.50	480,305,723.50
Bearer biological assets		3,678,000.00	–	–
Oil and gas assets		–	–	–
Right-of-use assets		852,652,848.54	846,762,689.48	–
Intangible assets		2,417,927,055.13	1,013,353,424.62	1,013,353,424.62
Development expenditure		–	–	–
Goodwill		825,573,066.90	825,573,066.90	825,573,066.90
Long-term prepaid expenses		103,338,609.65	94,315,140.82	94,315,140.82
Deferred tax assets		587,949,658.82	569,144,829.25	569,144,829.25
Other non-current assets		–	2,580,000.00	2,580,000.00
Total non-current assets		10,702,665,128.56	9,082,495,118.13	8,450,897,584.09
Total Assets		53,353,845,876.10	52,113,781,403.52	51,482,183,869.48

Consolidated Balance Sheet (Continued)

Item	Notes	30 June 2019 (Unaudited)	1 January 2019 (Restated)	31 December 2018 (Audited)
Current liabilities:				
Short-term borrowings		6,933,817,782.13	5,905,703,286.10	5,905,703,286.10
Financial liabilities held for trading		–	–	–
Financial liabilities measured at fair value through profit or loss for the current period		–	–	–
Derivative financial liabilities		–	–	–
Notes payable		2,519,190,112.19	2,656,176,505.09	2,656,176,505.09
Accounts payable	5.1.4	9,426,337,781.28	9,313,277,657.72	9,313,277,657.72
Advances from customers		–	–	–
Employee benefits payable		751,443,453.78	753,034,630.86	753,034,630.86
Taxes payable		371,040,554.42	963,543,253.64	963,543,253.64
Other payables		4,057,351,352.04	3,466,357,353.39	3,466,357,353.39
Including: Interest payable		28,229,432.88	41,637,538.72	41,637,538.72
Dividends payable		752,951,857.75	65,917,238.98	65,917,238.98
Contract liabilities		1,600,367,298.75	3,686,647,223.24	3,686,647,223.24
Liabilities held for sales		–	–	–
Current portion of non-current liabilities		712,351,930.67	343,315,704.52	204,024,196.93
Other current liabilities		179,667,958.20	–	–
Total current liabilities		26,551,568,223.46	27,088,055,614.56	26,948,764,106.97
Non-current liabilities:				
Long-term borrowings		13,500,000.00	413,553,706.06	413,553,706.06
Bonds payable		–	–	–
Including: Preferred stock		–	–	–
Perpetual bond		–	–	–
Lease liabilities		596,315,303.12	600,490,563.19	–
Long-term payables		27,685,411.94	27,611,312.00	135,795,848.74
Long-term employee benefits payable		323,529.64	325,325.54	325,325.54
Provisions		48,369,810.40	49,601,312.48	49,601,312.48
Deferred income		558,721,635.79	490,423,604.73	490,423,604.73
Deferred tax liabilities		261,126,998.21	249,762,210.96	249,762,210.96
Other non-current liabilities		55,802,234.23	50,225,000.00	50,225,000.00
Total non-current liabilities		1,561,844,923.33	1,881,993,034.96	1,389,687,008.51
Total Liabilities		28,113,413,146.79	28,970,048,649.52	28,338,451,115.48

Consolidated Balance Sheet (Continued)

Item	<i>Notes</i>	30 June 2019 (Unaudited)	1 January 2019 (Restated)	31 December 2018 (Audited)
Shareholders' equity:				
Share capital		1,625,790,949.00	1,625,790,949.00	1,625,790,949.00
Other equity instrument		–	–	–
Including: Preferred stock		–	–	–
Perpetual bond		–	–	–
Capital surplus		9,865,084,049.39	9,865,084,049.39	9,865,084,049.39
Less: Treasury shares		–	–	–
Other comprehensive income		(2,452,975.17)	(477,139.10)	(477,139.10)
Special reserve		–	–	–
Surplus reserve		1,368,735,157.63	1,368,735,157.63	1,368,735,157.63
General risk provision		–	–	–
Undistributed profits		10,684,002,175.99	8,825,776,191.86	8,825,776,191.86
Total equity attributable to shareholders of the parent company		23,541,159,356.84	21,684,909,208.78	21,684,909,208.78
Minority interest		1,699,273,372.47	1,458,823,545.22	1,458,823,545.22
Total Shareholders' Equity		25,240,432,729.31	23,143,732,754.00	23,143,732,754.00
Total Liabilities and Shareholders' Equity		53,353,845,876.10	52,113,781,403.52	51,482,183,869.48

Consolidated Income Statement

Item	Notes	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
I. Total operating income	5.1.5	33,340,827,754.37	14,840,013,680.03
Less: Operating costs	5.1.5	25,893,938,576.96	10,050,615,335.69
Taxes and surcharges		163,205,528.11	140,027,491.74
Selling and distribution expenses		3,181,214,811.53	2,175,615,387.82
General and administrative expenses		986,091,286.20	708,303,863.19
R&D expenses		276,819,755.65	242,287,110.45
Financial expenses		79,873,426.15	(68,120,859.81)
Including: Interest expenses		195,416,581.75	28,496,077.13
Interest income		140,283,685.29	104,730,231.45
Add: Other income		356,510,384.29	116,850,169.63
Investment income (“-” for loss)		117,959,938.64	1,056,227,582.23
Including: Share of profit or loss of associates and joint ventures		81,252,582.98	192,362,082.74
Gains on termination of financial assets measured at amortized cost (“-” for loss)		-	-
Gains on hedging of net exposure (“-” for loss)		-	-
Gains from changes in fair value (“-” for loss)		10,825,875.00	251,276,901.50
Impairment losses in respect of credit (“-” for loss)		(60,985,163.92)	(29,224,053.15)
Impairment losses in respect of assets (“-” for loss)		(7,142,028.16)	(4,078,787.97)
Gains on disposal of assets (“-” for loss)		(41,511.02)	-
II. Operating profit (“-” for loss)		3,176,811,864.60	2,982,337,163.19
Add: Non-operating income		38,597,028.40	33,876,268.66
Less: Non-operating expenses		3,646,935.75	5,050,751.50
III. Total profit (“-” for loss)		3,211,761,957.25	3,011,162,680.35
Less: Income tax expenses	5.1.6	533,950,783.49	351,799,391.67
IV. Net profit (“-” for net loss)		2,677,811,173.76	2,659,363,288.68
(I) Classified by the continuity of operations			
1. Net profit from continuing operations (“-” for loss)		2,677,811,173.76	2,659,363,288.68
2. Net profit from discontinued operation (“-” for loss)		-	-
(II) Classified by ownership of the equity			
1. Net profit attributable to the parent company’s shareholders (“-” for loss)		2,547,561,346.51	2,618,999,726.26
2. Minority interest (“-” for loss)		130,249,827.25	40,363,562.42

Consolidated Income Statement (Continued)

Item	<i>Notes</i>	For the six months ended 30 June 2019 (Unaudited)	For the six months ended 30 June 2018 (Unaudited)
V. Other comprehensive income, net of tax		(1,975,836.07)	3,171,069.18
Other comprehensive income, net of tax attributable to the parent company's shareholders		(1,975,836.07)	3,171,069.18
(1) Other comprehensive income that will not be reclassified to profit or loss		(1,204,227.78)	(927,633.56)
1. Changes arising from the remeasurement of defined benefit obligation		-	-
2. Other comprehensive income that will not be reclassified to profit or loss under equity method		-	-
3. Changes in fair value of other equity instrument investment		(1,204,227.78)	(927,633.56)
4. Changes in fair value of the company's own credit risk		-	-
5. Others		-	-
(2) Other comprehensive income that may be reclassified into profit or loss		(771,608.29)	4,098,702.74
1. Other comprehensive income that may be reclassified to profit or loss under equity method		31,704.40	(227,055.34)
2. Changes in fair value of other debt investment		-	-
3. Gains and losses arising from changes in fair value of available-for-sale financial assets		-	-
4. The amount of financial assets reclassified into other comprehensive income		-	-
5. Gains and losses arising from reclassification of held-to-maturity investment to available-for-sale financial assets		-	-
6. Provision for credit loss of other debt investment		-	-
7. Cash flow hedge reserve		-	-
8. Difference arising from the translation of foreign currency financial statements		(803,312.69)	4,325,758.08
9. Others		-	-
Other comprehensive income, net of tax attributable to minority shareholders		-	-
VI. Total comprehensive income		2,675,835,337.69	2,662,534,357.86
Total comprehensive income attributable to shareholders of the parent company		2,545,585,510.44	2,622,170,795.44
Total comprehensive income attributable to minority shareholders		130,249,827.25	40,363,562.42
VII. Earnings per share (EPS):			
1. Basic earnings per share	<i>5.1.7</i>	1.567	1.611
2. Diluted earnings per share	<i>5.1.7</i>	1.567	1.611

5.1.1 Basis of preparation of financial statements

(1) Basis of preparation

The financial statements are prepared, on a going concern basis, to recognize and measure the transactions and events, which have occurred, in accordance with the *Accounting Standards for Business Enterprises – Basic Standard* (Release of No.33 Order of the Ministry of Finance of the People’s Republic of China and Amendment to No.76 Order of the Ministry of Finance the People’s Republic of China), 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 the People’s Republic of China 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 event that may cast significant doubt upon the Group’s ability to continue as a going concern.

5.1.2 Information of Segments

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of four 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, and expenses indirectly attributable to each segment are distributed among segments according to the proportion of income.

(1) segment information for the six months ended 30 June 2019 and as of 30 June 2019 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	6,835,993,139.17	5,858,769,064.10	20,585,983,072.27	60,082,478.83	-	33,340,827,754.37
Inter-segment revenue	120,949,889.51	46,568,320.87	3,309,307,055.88	194,061,855.04	(3,670,887,121.30)	-
Interest income	(30,020,651.25)	(65,711,511.68)	(11,999,938.98)	(33,331,300.36)	779,716.98	(140,283,685.29)
Interest expenses	13,505,366.49	1,144,468.72	232,363,378.93	18,083,623.24	(57,273,379.09)	207,823,458.29
Share of profit or loss of associates and joint ventures	21,348,676.14	-	2,321,230.47	56,935,095.90	647,580.47	81,252,582.98
Impairment losses in respect of assets	(2,344,692.87)	-	(4,797,335.29)	-	-	(7,142,028.16)
Impairment losses in respect of credit	2,289,904.72	(108,941.70)	(60,208,585.46)	(14,413.50)	(2,943,127.98)	(60,985,163.92)
Depreciation and amortization expenses	127,941,408.95	19,991,480.71	182,950,934.77	17,137,019.02	(6,141,028.68)	341,879,814.77
Total profit	1,250,387,678.34	1,425,456,934.16	242,596,385.82	167,342,023.50	125,978,935.43	3,211,761,957.25
Total assets	12,780,297,417.20	8,079,386,196.56	27,314,978,923.70	20,912,333,656.00	(15,733,150,317.36)	53,353,845,876.10
Total liabilities	7,333,210,245.74	3,654,048,403.93	22,217,317,020.01	3,499,800,811.69	(8,590,963,334.58)	28,113,413,146.79
Long-term equity investment in associates and joint ventures	297,820,840.12	-	63,504,961.15	1,444,155,234.52	-	1,805,481,035.79
Increases in other non-current assets excluding long-term equity investment	158,883,733.24	41,328,573.09	157,952,033.29	1,482,506,038.15	-	1,840,670,377.77

(2) The segment information for the six months ended 30 June 2018 and as of 31 December 2018 is as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Offset between segments	Total
External revenue	5,272,401,349.70	5,277,589,213.31	4,229,646,595.56	60,376,521.46	–	14,840,013,680.03
Inter-segment revenue	176,823,919.84	12,518,551.64	3,119,907,083.31	104,649,895.95	(3,413,899,450.74)	–
Interest income	(22,419,540.20)	(52,823,420.36)	(4,772,926.50)	(24,714,344.39)	–	(104,730,231.45)
Interest expenses	9,539,945.85	2,158.14	51,191,229.65	3,345,300.75	(33,211,206.33)	30,867,428.06
Share of profit or loss of associates and joint ventures	24,143,931.28	–	3,170,793.29	164,916,606.55	130,751.62	192,362,082.74
Impairment losses in respect of assets	(12,637,639.89)	–	8,558,851.92	–	–	(4,078,787.97)
Impairment losses in respect of credit	(2,664,937.46)	112,553.40	(26,015,446.29)	(1,534,838.42)	878,615.62	(29,224,053.15)
Depreciation and amortization expenses	102,743,830.70	9,241,550.26	17,883,823.19	11,760,020.03	(72,052.50)	141,557,171.68
Total profit	886,916,277.57	687,360,730.18	64,986,707.63	513,225,532.78	858,673,432.19	3,011,162,680.35
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
Increases 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

The Group's total revenue from external customers in the PRC and other countries/regions, and the total non-current assets of the Group other than financial assets and deferred income tax assets located in the PRC and other countries/regions are summarized as follows:

External revenue	January to June of 2019	January to June of 2018
PRC	33,313,240,412.17	14,824,579,884.09
Other countries/regions	27,587,342.20	15,433,795.94
	<u>33,340,827,754.37</u>	<u>14,840,013,680.03</u>
 Total non-current assets	 30 June 2019	 31 December 2018
PRC	9,775,159,344.66	8,183,215,368.88
Other countries/regions	18,310,661.60	18,298,592.95
	<u>9,793,470,006.26</u>	<u>8,201,513,961.83</u>

5.1.3 Accounts receivable

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

The aging analysis of accounts receivable based on booking date is as follows:

	30 June 2019	31 December 2018
Within 1 year	12,923,757,903.74	10,608,071,266.73
1 to 2 years	457,906,298.09	296,900,276.44
2 to 3 years	99,051,361.70	21,494,905.55
3 to 4 years	17,577,345.06	24,379,618.72
4 to 5 years	10,130,438.80	149,135,708.99
Over 5 years	177,568,796.07	60,509,283.89
	<u>13,684,492,144.06</u>	<u>11,160,491,060.32</u>
Less: Provision for bad debts	<u>344,614,525.40</u>	<u>288,032,587.98</u>
	<u>13,339,877,618.66</u>	<u>10,872,458,472.34</u>

5.1.4 Accounts payable

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

	30 June 2019	31 December 2018
Within 1 year	9,035,624,693.89	8,973,120,088.71
Over 1 year	390,713,087.39	340,157,569.01
	<u>9,426,337,781.28</u>	<u>9,313,277,657.72</u>

5.1.5 Operating income and Operating costs

	For the six months ended 30 June 2019		
	Main businesses	Other businesses	Subtotal
Operating income	33,199,319,702.26	141,508,052.11	33,340,827,754.37
Operating costs	25,858,276,064.59	35,662,512.37	25,893,938,576.96
Gross profit	7,341,043,637.67	105,845,539.74	7,446,889,177.41
	For the six months ended 30 June 2018		
	Main businesses	Other businesses	Subtotal
Operating income	14,725,777,236.68	114,236,443.35	14,840,013,680.03
Operating costs	10,032,269,562.05	18,345,773.64	10,050,615,335.69
Gross profit	4,693,507,674.63	95,890,669.71	4,789,398,344.34

5.1.6 Income tax expenses

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Current tax expenses	561,621,493.45	150,313,771.48
Deferred tax expenses	(27,670,709.96)	201,485,620.19
	<u>533,950,783.49</u>	<u>351,799,391.67</u>

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 six months ended 30 June 2019
Total profit	<u>3,211,761,957.25</u>
Income tax calculated at applicable rate of 15%	<u>481,764,293.59</u>
Tax effect of different rates applicable to subsidiaries	26,804,710.44
Adjustment effect of income tax for prior period	1,153,819.41
Tax effect of non-taxable income	(15,485,632.91)
Tax effect of costs, expenses and losses not deductible for tax purposes	8,273,702.28
Tax effect of use of deductible losses of previously unrecognized DTA in the prior period	(27,547,734.18)
Tax effect of deductible temporary differences or deductible losses of unrecognized DTA in the current period	58,107,371.38
Tax rate adjustment leads to the change of deferred income tax asset/liability balance at the beginning of the year	<u>880,253.48</u>
Income tax expenses	<u><u>533,950,783.49</u></u>

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

The subsidiaries of the Group, which have obtained the Certificates of High/New Technology Enterprises, can enjoy preferential tax rate of 15% for current period, which including: the Company (No. GR201744003162), Xing Qun (No. GR201744011135), Zhong Yi (No. GR201744005343), Chen Li Ji (No. GR201744001501), Guangzhou Han Fang (No. GR201744008646), Jing Xiu Tang (No. GR201744000331), Pan Gao Shou (No. GR201744002878), Wang Lao Ji (No. GR201744001303), Tian Xin (No. GR201744009163), Guang Hua (No. GR201544000485), Ming Xing (No. GR201744002496), Guangxi Ying Kang (No. GR201545000083), Weiling (No. GR201844007959), WLJ Great Health (No. GR201644006480), Guangyao General Institute (No. GR201844005664).

According to “*Hong Kong Inland Revenue Ordinance*”, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited, 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”, WLJ (Ya’an) Great Health Industry Co., Ltd., a subsidiary of the Group, can enjoy a preferential tax rate of 15% for the current period.

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%.

5.1.7 Earnings per share (EPS)

(a) Basic EPS

(i) Weighted average basic EPS

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

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Net consolidated profit attributable to ordinary shareholders of the parent company	2,547,561,346.51	2,618,999,726.26
The number of weighted average outstanding ordinary shares	1,625,790,949	1,627,790,949
Weighted average basic EPS	<u>1.567</u>	<u>1.611</u>

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

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

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Net consolidated profit attributable to ordinary shareholders of the parent company	2,547,561,346.51	2,618,999,726.26
The number of outstanding ordinary shares as at the end of the period	<u>1,625,790,949</u>	<u>1,627,790,949</u>
EPS based on the number of shares as at the period end	<u><u>1.567</u></u>	<u><u>1.611</u></u>

(b) Diluted EPS

Diluted EPS is calculated by dividing the portion of net consolidated profit of dilutive potential ordinary shares, which are attributable to the ordinary shareholders of the parent company after adjustment to ordinary shares, by the number of weighted average outstanding ordinary shares. For the period from January to June of year 2019, the Company had no dilutive potential ordinary share (for January to June of year 2018: nil). The diluted EPS is equal to basic EPS.

5.1.8 Dividend

According to the resolution of the 2018 annual general meeting held on 28 June 2019, the Company shall issue cash dividend to all shareholders at RMB0.424 per share (tax included), which is RMB689,335 thousand in total, based on the outstanding shares of 1,625,790,949 shares at the year end of 2018.

5.2 Explanation, reasons and influences on changes in accounting policies, accounting estimation and accounting methods compared to the previous annual report.

√ Applicable Not applicable

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

5.2.1.1 Changes in accounting policies resulting from the implementation of new leases standards

On 7 December 2018, the Ministry of Finance issued the “Accounting Standards for Business Enterprises No.21 – Leases (Revised in 2018)” (Accounting [2018] No.35, hereinafter referred to as the “New Lease Standards”), and requested enterprises that are concurrently listed both at home and abroad, as well as enterprises listed overseas and preparing financial statements according to the International Financial Reporting Standards or the Accounting Standards for Business Enterprises shall apply these Standards from 1 January 2019.

As approved by the resolution of the 21st meeting of the 7th Board of Directors of the Company on 26 April 2019, the Group began implementing the aforementioned New Lease Standards on 1st January 2019 (hereinafter referred to as the “First Implementation Date”) complied with the requirements of the Ministry of Finance and making changes to the relevant accounting policies in accordance with the New Lease Standards.

According to the New Lease Standards, for the existed contracts before First Implementation Day, the Group chooses not to re-evaluate whether it is a lease or including lease on the First Implementation Day. For the lease contracts of the Group as a lessee, the Group chooses to adjust only the cumulative impact of the lease contract that was not completed on 1st January 2019. The cumulative impact amount adjusted the opening balance of retained earnings and other related items in the financial statements of the current period (1st January 2019). It will not adjust the information for the comparable period.

Details as follows:

- (1) For the financial lease on the First Implementation Day, the Group measures the right-of-use assets and the lease liabilities separately according to the original book value of the finance leased assets and the finance lease payable.

- (2) For the operating lease on the First Implementation Day, the Group measures the lease liability based on the present value of the residual lease payment at the incremental borrowing rate on the First Implementation Day. The unpaid payable on the accrual basis under the original lease standard is included in the remaining lease payments.

The Group selects one of the following measures to measure the right-of-use assets depending on each lease:

- ① Assume that the book value of the New Lease Standards is adopted from the date of the lease term (using the incremental borrowing rate on the First Implementation Day as the discounting rate);
- ② The amount equal to the lease liability and the necessary adjustments based on the prepaid rent.

On the First implementation Day, the Group conducted impairment test on the right-of-use assets in accordance with the “Accounting Standards for Business Enterprises No.8 – Impairment of Assets” and conducted corresponding accounting treatment.

The impact of the implementation of new Accounting Standards-Leases on the Group is as follows:

ITEMS	Consolidated balance sheet		
	Book value on 31 December 2018 before the change of accounting policy (RMB)	Effect of the new leases accounting standards (RMB)	Book value on 1 January 2019 after change of accounting policy (RMB)
ASSETS			
Fixed assets	3,165,746,536.73	(215,165,155.44)	2,950,581,381.29
Right-of-use assets	–	846,762,689.48	846,762,689.48
LIABILITIES			
Current portion of non-current liabilities	204,024,196.93	139,291,507.59	343,315,704.52
Lease liabilities	–	600,490,563.19	600,490,563.19
Long-term payables	135,795,848.74	(108,184,536.74)	27,611,312.00

The weighted average of the incremental borrowing rates used by the Group in the lease liability that is included in the balance sheet on the First Implementation Day is 4.35%.

The present value of the unpaid minimum lease payments for major operating leases at the end of 2018 disclosed in the Group's 2018 annual financial statements is RMB0.00 discounted at incremental borrowing rate of 4.35% on the First Implementation Day, and the difference compared with the First Implementation Day's lease liability is RMB846,762,689.48.

ITEMS	Balance sheet of the company		
	Book value on 31 December 2018 before the change of accounting policy (RMB)	Effect of the new leases accounting standards (RMB)	Book value on 1 January 2019 after change of accounting policy (RMB)
ASSETS			
Right-of-use assets	–	7,786,057.78	7,786,057.78
LIABILITIES			
Current portion of non-current liabilities	–	2,820,472.89	2,820,472.89
Lease liabilities	–	4,965,584.89	4,965,584.89

The weighted average of the incremental borrowing rates used by the Company in the lease liability that is included in the balance sheet on the First Implementation Day is 4.35%.

The present value of the unpaid minimum lease payments for major operating leases at the end of 2018 disclosed in the Company's 2018 annual financial statements is RMB0.00 discounted at incremental borrowing rate of 4.35% of the First Implementation Day, and the difference compared with the First Implementation Day's lease liability is RMB7,786,057.78.

5.2.1.2 Financial statement presentation adjustment

The Group prepared the financial statements for the period from January to June 2019 in accordance with the financial statement format specified in Accounting [2019] No. 6, and changed the presentation of relevant financial statements using the retrospective adjustment method.

The related presentation adjustments are as follows:

Consolidated balance sheet			
ITEMS	Before Adjustment	Amount adjusted	After Adjustment
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
ASSETS			
Notes receivable	2,780,597,684.01	(1,452,402,183.47)	1,328,195,500.54
Accounts receivable financing	–	1,452,402,183.47	1,452,402,183.47
Balance sheet of the company			
ITEMS	Before Adjustment	Amount adjusted	After Adjustment
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
ASSETS			
Notes receivable	615,391,740.80	(167,667,277.86)	447,724,462.94
Accounts receivable financing	–	167,667,277.86	167,667,277.86

5.3 Explanation, amount, reasons and influences on correction for significant accounting errors occurred in the Reporting Period

Applicable Not applicable

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd

Guangzhou, the PRC, 22 August 2019

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