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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 2017 INTERIM REPORT

### 1. IMPORTANT NOTICE

- 1.1** This summary is extracted from the full text of the 2017 interim report of the Company for the six months ended 30 June 2017. Investors who wish to know more details are advised to review the full text of the 2017 interim report which will be published on the website (<http://www.sse.com.cn>) of the SSE or other websites designated by the CSRC and on the website of the HKEx (<http://www.hkex.com.hk>) carefully.
- 1.2** The Board, the Supervisory Committee and the directors, supervisors and senior management of the Company collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report and confirm that there is no false information, misleading statement or material omissions in this interim report.
- 1.3** The directors of the Company were present at the 3rd meeting of the seventh session of the Board, among whom, Ms. Liu Juyan (executive director) and Mr. Wang Wenchu (executive director) were unable to attend the meeting due to business reason and had appointed Ms. Cheng Ning (executive director) and Mr. Chen Mao (vice chairperson of the Board) to attend the meeting and vote on their behalf respectively. Mr. Jiang Wenqi (independent non-executive director) was unable to attend the meeting due to business reason and had appointed Mr. Chu Xiaoping (independent non-executive director) to attend the meeting and vote on his behalf. Ms. Cheng Ning (executive director) and Mr. Wu Changhai (executive director and standing deputy general manager) attended the meeting by telephone.
- 1.4** The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.5** All the information required to be contained in the summary of the 2017 interim report of the Company pursuant to paragraph 46 of Appendix 16 to the Listing Rules of HKEx has been published on the website of HKEx (<http://www.hkex.com.hk>).
- 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/<br>GYBYS | Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited  |
| PRC or China                  | the People's Republic of China  |
| Reporting Period              | the six months ended 30 June 2017   |
| 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   |
| Depository Corporation        | the Shanghai Branch of China Securities Depository and Clearing Corporation Limited                       |
| Listing Rules of HKEx         | the Rules Governing the Listing of Securities on the HKEx   |
| Listing Rules of SSE          | the Listing Rules of the Shanghai Stock Exchange  |
| 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)  |
| 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 (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)                                     |
| Jing Xiu Tang                 | Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)                            |

|  |   |
|--|---|
| Wang Lao Ji                              | Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)  |
| Guangzhou Han Fang                       | Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)   |
| Guangzhou Bai Di                         | Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)  |
| Guangxi Ying Kang                        | Guangxi Baiyunshan Yingkang Pharmaceutical Co., Ltd. (廣西白雲山盈康藥業有限公司)  |
| WLJ Great Health                         | Guangzhou WLJ Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)  |
| GP Corp.                                 | Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司)  |
| Cai Zhi Lin                              | Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)  |
| Guangyao Baiyunshan<br>Hong Kong Company | Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)   |
| Baiyunshan General Factory               | Guangzhou Baiyunshan Pharmaceutical General Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司廣州白雲山製藥總廠)    |
| Chemical Pharmaceutical<br>Factory       | Guangzhou Baiyunshan Chemical Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司廣州白雲山化學製藥廠)  |
| He Ji Gong                               | Guangzhou Baiyunshan He Ji Gong Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (廣州白雲山醫藥集團股份有限公司白雲山何濟公製藥廠) |
| Tian Xin                                 | Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)  |
| Guang Hua                                | Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd., (廣州白雲山光華製藥股份有限公司)  |
| Ming Xing                                | Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)   |
| HWBYS                                    | Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)   |

|  |  |
|--|--|
| Guangyao General Institute                       | Guangzhou General Pharmaceutical Research Institute Co., Ltd.<br>(廣州醫藥研究總院有限公司)                                    |
| Baiyunshan Pharmaceutical Marketing              | Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd (廣州白雲山醫藥銷售公司)   |
| WLJ Investment                                   | Guangzhou WLJ Investment Co., Ltd. (廣州王老吉投資有限公司)   |
| Medical Instrument Investment Company            | Guangzhou Baiyunshan Medical Instrument Investment Company<br>(廣州白雲山醫療器械投資公司)                                      |
| Guangzhou Baiyunshan Hospital                    | Guangzhou Baiyunshan Hospital Co., Ltd. (廣州白雲山醫院有限公司)  |
| Xing Zhu   | Guangzhou Baiyunshan Xing Zhu Pharmaceutical Co., Ltd. (廣州白雲山星珠藥業公司)   |
| 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))                     |
| Placement Prosperous Age Exclusive Account No.66 | Fund of Huitianfu - Citic bank - Guangzhou Baiyunshan Pharmaceutical Holdings Group (匯添富基金－中信銀行－廣州白雲山醫藥集團)         |

### 3. COMPANY PROFILE, PRINCIPAL FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

#### 3.1 Company profile

|                     |                   |
|---------------------|-------------------|
| Stock abbreviation: | BAIYUNSHAN        |
| Stock code:         | 600332 (A Shares) |
| Stock exchange:     | SSE               |
| Stock abbreviation: | BAIYUNSHAN PH     |
| Stock code:         | 0874 (H Shares)   |
| Stock exchange:     | HKEx              |

|  | <b>Secretary to the Board</b>  | <b>Representative of securities affairs</b> |
|--|--|---|
| Name                                     | Huang Xuezhen  | Huang Ruimei                                |
| Address                                  | 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People's Republic of China |   |
| Telephone                                | (8620) 6628 1218   | (8620) 6628 1219                            |
| Fax                                      | (8620) 6628 1229   |   |
| E-mail                                   | huangxz@gybys.com.cn   | huangrm@gybys.com.cn                        |
| Internet website                         | <a href="http://www.gybys.com.cn">http://www.gybys.com.cn</a>  |   |
| Principal place of business in Hong Kong | Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong                                       |   |

### 3.2 Principal financial data

| <b>Items</b>  | <b>The Reporting Period (unaudited)</b> | The corresponding period of 2016 (unaudited) | Changes as compared with the corresponding period of 2016 (%) |
|---|---|--|---|
| Income from operations ( <i>RMB'000</i> )   | 11,115,338                              | 10,857,269                                   | 2.38  |
| Net profit attributable to the shareholders of the Company ( <i>RMB'000</i> )                                     | 1,158,140                               | 831,807                                      | 39.23   |
| Net profit attributable to the shareholders of the Company after deducting non-recurring items ( <i>RMB'000</i> ) | 1,127,109                               | 697,330                                      | 61.63   |
| Net cash flow from operating activities ( <i>RMB'000</i> )  | 864,999                                 | 1,762,991                                    | (50.94)   |
| Net cash flow from operating activities per share ( <i>RMB</i> )  | 0.53                                    | 1.37   | (61.04)   |
| Total profit ( <i>RMB'000</i> )   | 1,400,428                               | 1,059,136                                    | 32.22   |
| <b>Items</b>  | <b>As at 30 June 2017 (unaudited)</b>   | As at 31 December 2016 (audited)             | Changes as compared with 31 December 2016 (%)                 |
| Net assets attributable to the shareholders of the Company ( <i>RMB'000</i> )                                     | 18,047,163                              | 17,345,080                                   | 4.05  |
| Total assets ( <i>RMB'000</i> )   | 26,703,113                              | 25,897,170                                   | 3.11  |
| Equity per share attributable to the shareholders of the Company ( <i>RMB</i> )                                   | 11.10                                   | 10.67  | 4.05  |

| <b>Principal financial indicators</b>  | <b>The Reporting Period (unaudited)</b> | <b>The corresponding period of 2016 (unaudited)</b> | <b>Changes as compared with the corresponding period of 2016 (%)</b> |
|--|---|---|--|
| Basic earnings per share ( <i>RMB</i> )  | 0.712                                   | 0.644   | 10.57  |
| Diluted earnings per share ( <i>RMB</i> )  | 0.712                                   | 0.644   | 10.57  |
| Basic earnings per share after deducting non-recurring items ( <i>RMB</i> )            | 0.693                                   | 0.540   | 28.36  |
| Ratio of weighted average return on net assets (%)                                     | 6.46                                    | 9.38  | A decrease of 2.92 percentage points                                 |
| Ratio of weighted average return on net assets after deducting non-recurring items (%) | 6.29                                    | 7.86  | A decrease of 1.57 percentage points                                 |

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

### **3.3 Movement in share capital and its components**

Applicable     Not applicable

### **3.4 Change in shares subject to selling restrictions**

Applicable     Not applicable

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

Total number of shareholders as at the end of the Reporting Period 65,807

The top ten shareholders of the Company

| Shareholders  | Increase/<br>(decrease)<br>during the<br>Reporting<br>Period<br>(share) | Number<br>of shares<br>held as at<br>the end of<br>the<br>Reporting<br>Period<br>(share)  | Approximate<br>percentage<br>of the total<br>issued<br>share<br>capital<br>(%) | Number<br>of shares<br>subject<br>to selling<br>restrictions<br>held<br>(share) | Number<br>of shares<br>pledged or<br>locked<br>shares<br>(share) | Nature<br>of shares |
|---|---|---|--|---|--|---------------------|
| GPHL  | 0   | 732,305,103   | 45.04  | 148,338,467   | 172,390,000 <sup>note</sup>                                      | Domestic<br>shares  |
| HKSCC Nominees Limited  | 6,000   | 219,605,469   | 13.51  | 0   | 0  | H shares            |
| GZ SOA Development  | 0   | 87,976,539  | 5.41   | 87,976,539  | 0  | Domestic<br>shares  |
| GZ Chengfa  | 0   | 73,313,783  | 4.51   | 73,313,783  | 0  | Domestic<br>shares  |
| China Securities Finance<br>Corporation Limited   | 17,912,193  | 54,275,044  | 3.34   | 0   | 0  | Domestic<br>shares  |
| Yunfeng Investment  | 0   | 21,222,410  | 1.31   | 21,222,410  | 21,222,410   | Domestic<br>shares  |
| Central Huijin Assets Management<br>Co., Ltd.   | 0   | 15,260,700  | 0.94   | 0   | 0  | Domestic<br>shares  |
| The Industrial and Commercial<br>Bank of China Co.,Ltd.–Southern<br>Consumption Vitality Flexibly<br>Configured Mixed Initiate<br>Securities Investment Funds | 0   | 9,945,228   | 0.61   | 0   | 0  | Domestic<br>shares  |
| Abu Dhabi Investment Authority  | 9,551,065   | 9,551,065   | 0.59   | 0   | 0  | Domestic<br>shares  |
| China Life Insurance Co., Ltd –<br>Dividend – Individual dividend –<br>005L – FH002 Hu  | 5,261,852   | 6,864,322   | 0.42   | 0   | 0  | Domestic<br>shares  |
| Explanation on the connection or<br>persons acting in concert among<br>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”. |  |   |  |                     |

*Note: The 172,390,000 A shares held by GPHL and which were subject to pledge were released on 27 July 2017 and 28 July 2017 respectively. The relevant release registration has been completed at the Depository Corporation.*

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

Applicable  Not applicable

## 4. DISCUSSION AND ANALYSIS OF OPERATION

### 4.1 Discussion and analysis of the Board regarding operations

During the Reporting Period, in accordance with the development concept of “year of quality and benefits”, the Group always adhered to emphasizing on improving its development quality and efficiency, proactively promoted the business development of the four principal sectors, i.e. Great Southern TCM, Great Health, Great Commerce and Great Medical Care, focused on improving the quality of the product, operation, service and talent, vigorously created product brand and enterprise brand, strived to improve the quality benefits and has achieved sustained and steady development of business performance. In the first half of 2017, the Group’s revenue amounted to RMB11,115,338,000, representing an increase of 2.38% as compared with the corresponding period of 2016; the total profit was RMB1,400,428,000, representing an increase of 32.22% as compared with the corresponding period of 2016; and the net profit attributable to shareholders of the Company was RMB1,158,140,000, representing an increase of 39.23% as compared with the corresponding period of 2016.

During the Reporting Period, the Group rigorously pushed the following works:

The first is to polish up China’s well-known trademarks and time-honored brands and enhance the quality benefits of Great Southern TCM. (1) Strengthened the efforts to channel construction and on products and brands with huge potentials, also follow up the weak growth key products, re-formulate sales programs and enhance the product marketing capability. During the Reporting Period, the sales income of key products including Shu Jin Jian Yao Pill and Zhuang Yao Jian Shen Pill of Chen Li Ji, Sildenafil Citrate Tablet (“Jin Ge”) of Baiyunshan General Factory, Cefditron Capsule of Guang Hua recorded a satisfactory year-on-year growth, Hua Tuo Zai Zao Pill of Qi Xing and Ke Te Ling series of Baiyunshan General Factory achieved a recovery growth. (2) Seized the opportunity of the implementation of Traditional Chinese Medicine Law and the State’s vigorous development of traditional Chinese medicine to propose the concept of developing “fashionable Chinese medicine”, strive to drive the transformation and development of traditional Chinese medicine segment through advanced technology and fashionable marketing. Zi Shen Yu Tai Pill of Zhong Yi firmly grasped the opportunity of the relaxation of “two-child” policy by the central government to carry out the evidence-based medical research to interpret its function and mechanism, gathered the authoritative reproductive medicine experts across China to carry out academic promotion, enabling it to be a new “fashionable Chinese medicine”, the sales income during the Reporting period represented a year-on-year growth of over 50%. (3) Continued to implement the resource integration strategy. During the Reporting Period, Qi Xing successfully obtained the approval document of holders of marketing licenses, which effectively solved the problems of redundant development arising from the overall enterprise relocation, and provided favorable conditions for the subsequent strengthening resources integration. In addition, it promoted the marketing integration of Baiyunshan General Factory, Guang Hua and Jing Xiu Tang at a steady pace; exploited the delivery network and logistic advantages of Great Commerce and coordinated the closer cooperation of Great Southern TCM and Great Commerce to realize their mutual promoting and development.

The second is to make Wang Lao Ji brand stronger and enhance the quality benefits of Great Health. In accordance with the “Triangle” strategy of “fashion, science and technology, culture”, in order to continuing consolidating and improving the market position of Wang Lao Ji in herbal tea industry and facilitate the development of the Great Health of the Group. (1) On the basis of channel construction, the Group further expanded the coverage of traditional channel, increased the development efforts on catering channels, established strong foundation for RTD markets, and commenced to cultivate more new gifts markets. (2) Promoted the modernization of science and technology, by leveraging on the project of “Medical herb DNA barcoding system for species identification”, Wang Lao Ji was granted the Second Prize of National Science and Technology Progress Award, and to be the first brand which awarded the honor in the herbal tea industry. (3) Promoted the diversity of singular product. During the Reporting Period, Guangzhou Wang Lao Ji Food & Beverage Management Development Co., Ltd. established the first national freshly brewed herbal tea concept store in Mall of the World, Zhujiang New Town, Guangzhou to try to tap into the market of “new-style tea”. The Dazhai Walnut Drink developed by WLJ Great Health and Shanxi Dazhai hand in hand was launched in June this year. (4) Promoted the differentiation of capacity layout, and adopted the method of combination of self-built base and establishing asset-light base to carry out the capacity layout. (5) Proactively promoting the international construction of Wang Lao Ji brand, by virtue of the discussion forum of “Chinese Herbal Tea Culture and Wang Lao Ji in the U.S. Market” in the Chicago roadshow activity of Fortune Global Forum, it further deepened the effective communication with internationally-renowned institutions, scholars and dealers.

The third is to optimize service brand and enhance the quality benefits of Great Commerce. (1) Optimized the logistics extension services. During the Reporting Period, the Group and the joint ventures of the Company proactively promoted the modern medicine logistics extension services project, there was a significant growth in the sales of business extension of hospital services as compared with the traditional hospital service. (2) Optimized retail service. During the Reporting Period, the Company reached a strategic cooperation with Yunnan Hongxiang Yixintang Pharmaceutical (Group) Holdings Co., Ltd., the Company will contribute RMB800 million for subscription of its A share issued non-publicly. GP Corp., a joint venture of the Company, changed its retail operation concept to focus on customers, 9 new-concept Jian Min with “product + service” were set up. Cai Zhi Lin, a wholly-owned subsidiary of the Company, worked jointly with Canton Tower to establish Cai Zhi Lin window demonstration store, which further improved the impact of retail brand. (3) Optimized pharmaceutical e-commerce services. The traditional Chinese medicine intelligent decoction center established by Cai Zhi Lin officially came into operation, and provided traditional Chinese medicine decoction services for 16 medical institutions through the high-effective mode of “Internet + Internet of Things”. Baiyunshan Pharmaceutical Marketing proactively expanding the e-commerce sales of BYS Jin Ge, a greater growth year-on-year recorded in the channel sales from the e-commerce Jin Ge in the first half year. Guangyao Jian Min Network, the self-owned e-commerce and GYBYS shop on Tmall.com achieved a further development, the sales of which increased more than 30% year-on-year.

The fourth is to establish BYS medical brand to enhance the quality benefits of the Great Medical. (1) Integrated resources to upgrade Guangzhou Baiyunshan Hospital, also improved the brand impact of hospital. (2) Explored the development, and gradually expand the health maintenance and elderly care industry. (3) Proactively cultivated a new form of medical equipment, by leveraging on the traction of the project to continue to consolidate the medical and medical equipment development foundation.

The fifth is to optimize the scientific research and product quality, enhance the quality benefits of Great Science and Technology. (1) Set “quality” as the core, enhanced the overall quality management level, foster a strong sense of responsibility of “quality is the life of an enterprise”, and strengthen quality control on each process in the course of production. (2) Set “integration” as the main line, strengthened the construction of the innovation system, strengthened the overall assessment of scientific research, and made a further new step forward scientific research. During the Reporting Period, the Group and joint ventures newly added 2 provincial level engineering centers, 4 provincial level corporate technical centers, received 9 production approvals, applied for 7 domestic invention patents in total, 1 utility model patent, obtained 3 authorized domestic invention patents. The topic on the “industrialization of new injection lipid excipients and common key technological research and development of application, as well as the international registration” participated by Guangzhou Han Fang was elected for the National Science and Technology Major Project. HWBYS obtained “2016 National Demonstration Academician Expert Works”. The “Guangdong Engineering Research Center for Modern Traditional Chinese Medicine” of Zhong Yi was accredited by Guangdong Provincial Department of Science and Technology. The “Guangdong Engineering Research Center for Innovation Pharmaceutical Manufacturing Technology and Process Control” of Chemical Pharmaceutical Factory was accredited by Guangdong Provincial Department of Science and Technology. Guang Hua, Guangzhou Han Fang, Wang Lao Ji and Ming Xing obtained the accreditation from provincial level corporate technical centers. The “Technology Improvement and Application Research of Technique Quality Control of TCM Sub-Melting Double Gastrointestinal Pill” of Chen Li Ji was granted the third prize of Guangdong Province Science and Technology Award. The Phytogenic Antineoplastic Vinorelbine Tartrate of Guangzhou Han Fang received the Certification of Suitability to the Monographs of the European Pharmacopoeia Certification issued by European Directorate for the Quality Control of Medicines (EDQM). (3) Set “cooperation” as the starting point, promoted the establishment of major science and technology innovation projects, speed up the carrying out of consistency assessment and facilitate the construction of biological sample testing center project of Guangyao General Institute. The Group has approved and initiated a total of 56 consistency assessment projects as at the end of the Reporting Period.

The sixth is to optimize the quality of operation, expend great efforts in strategy, assessment, standardized, cost, safety and risk management, vigorously promote the information construction and enhance the quality benefits of the great management.

## 4.2 Analysis on principal operations

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

| Items  | The<br>Reporting<br>Period<br>(RMB'000) | The<br>corresponding<br>period of<br>2016<br>(RMB'000) | Increase/<br>(Decrease)<br>over the<br>corresponding<br>period of<br>2016<br>(%) |
|--|---|--|--|
| Revenue  | 11,115,338                              | 10,857,269   | 2.38   |
| Include: income from principal operations                  | 11,033,456                              | 10,779,757   | 2.35   |
| Cost of sales  | 6,955,444                               | 6,735,240  | 3.27   |
| Include: cost from principal operations                    | 6,935,670                               | 6,715,930  | 3.27   |
| Selling and distribution expenses                          | 2,236,809                               | 2,628,681  | (14.91)  |
| General and administrative expenses                        | 709,790                                 | 694,103  | 2.26   |
| Financial expenses <sup>(note1)</sup>                      | (85,059)                                | (29,833)   | (185.12)   |
| Net cash flow from operating activities <sup>(note2)</sup> | 864,999                                 | 1,762,991  | (50.94)  |
| Net cash flow from investing activities <sup>(note3)</sup> | (1,867,173)                             | (353,548)  | (428.12)   |
| Net cash flow from financing activities <sup>(note4)</sup> | (16,513)                                | (173,287)  | 90.47  |
| Research and development expenses                          | 133,758                                 | 153,050  | (12.60)  |

Notes:

- (1) *Financial expenses for the Reporting Period decreased as compared with the corresponding period of last year, which was mainly due to the improvement in the Group's fund management, reduction in bank borrowings, improvement in the efficiency of capital operation, increase in interest income and reduction in financial cost as a result of the Group's reasonable fund allocation and improvement in the structure of deposits.*
- (2) *Net cash flow from operating activities for the Reporting Period decreased as compared with the corresponding period of last year, which was mainly due to the decrease in demolition compensation and government subsidies received by the Group and the increase in taxes and surcharges during the Reporting Period.*
- (3) *Net cash flow from investing activities for the Reporting Period decreased as compared with the corresponding period of last year, which was mainly due to the increase in the structured deposits and financing products purchased by the Group during the Reporting Period.*
- (4) *Net cash flow from financing activities for the Reporting Period increased as compared with the corresponding period of last year, which was mainly due to the decrease in repayment of bank borrowings by the Group during the Reporting Period.*

4.2.2 Results of principal operations by industry and principal operations by products 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<br>(RMB'000) | Increase/<br>(Decrease)<br>over the<br>same period<br>of 2016<br>(%) | Cost of principal operations<br>(RMB'000) | Increase/<br>(Decrease)<br>over the<br>same period<br>of 2016<br>(%) | Profit margin<br>of principal<br>operations<br>(%) | Increase/(Decrease)<br>over the<br>same period<br>of 2016<br>(percentage point) |
|                    |   |  |   |  |  |   |
| Great Southern TCM | 3,982,815                                     | 12.95  | 2,118,454                                 | 9.94   | 46.81  | An increase of 1.46 percentage points   |
| Great Health       | 4,999,155                                     | 6.33   | 2,940,968                                 | 22.31  | 41.17  | A decrease of 7.69 percentage points  |
| Great Commerce     | 2,015,425                                     | (20.52)  | 1,845,028                                 | (22.23)  | 8.45   | An increase of 2.02 percentage points   |
| Other              | 36,061  | 120.83   | 31,220                                    | 161.63   | 13.42  | A decrease of 13.51 percentage points   |
| Total              | 11,033,456                                    | 2.35   | 6,935,670                                 | 3.27   | 37.14  | A decrease of 0.56 percentage point   |

| 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<br>(RMB'000) | Increase/<br>(Decrease)<br>over the<br>same period<br>of 2016<br>(%) | Cost of principal operations<br>(RMB'000) | Increase/<br>(Decrease)<br>over the<br>same period<br>of 2016<br>(%) | Profit margin<br>of principal<br>operations<br>(%) | Increase/(Decrease)<br>over the<br>same period<br>of 2016<br>(percentage point) |
|                             |   |  |   |  |  |   |
| Chinese patent medicine     | 2,069,214                                     | 42.69  | 1,208,060                                 | 53.80  | 41.62  | A decrease of 4.22 percentage points  |
| Chemical medicine           | 1,913,601                                     | (7.83)   | 910,394                                   | (20.25)  | 52.43  | An increase of 7.41 percentage points   |
| Total of Great Southern TCM | 3,982,815                                     | 12.95  | 2,118,454                                 | 9.94   | 46.81  | An increase of 1.46 percentage points   |

4.2.3 The regional sales of the Group's business in the first half of 2017 are as follows:

| <b>Regions</b>      | <b>Income from<br/>principal<br/>operations<br/>(RMB'000)</b> | <b>Increase/(Decrease)<br/>over the<br/>same period<br/>of 2016<br/>(%)</b> |
|---------------------|---|---|
| Southern China      | 6,157,586   | 8.20  |
| Eastern China       | 1,907,062   | (1.24)  |
| Northern China      | 1,191,187   | (5.98)  |
| North-Eastern China | 173,791   | 2.27  |
| South-Western China | 1,222,052   | (7.50)  |
| North-Western China | 374,843   | 4.46  |
| Exports             | 6,935   | (83.10)   |
| <b>Total</b>        | <b>11,033,456</b>   | <b>2.35</b>   |

### 4.3 Analysis on investment

#### 4.3.1 Overall analysis on foreign equity investment

As at the end of the Reporting Period, the external equity investment of the Company amounted to RMB2,384,561,000, with a growth of RMB94,118,000 as compared with the end of last year, mainly due to the increase in the long-term equity investment by investment revenue calculated using the joint venture equity method as adopted by the Company.

- (i) Significant equity investment
  - Applicable     Not applicable
- (ii) Significant non-equity investment
  - Applicable     Not applicable
- (iii) Financial assets evaluating at fair value
  - Applicable     Not applicable

## Stock investments

| Number   | Type of Stock  | Stock Code | Stock name                           | Initial      | Number of      | Book value   | % of stock    | Gain/(Loss)  |
|--|----------------|------------|--------------------------------------|--------------|----------------|--------------|---------------|--------------|
|  |                |            |                                      | investment   | shares held    | as at the    | investment    | during the   |
|  |                |            |                                      | amount       | 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         | 2,646        | 54.77         | (140)        |
| 2  | A Share of SSE | 600664     | Harbin Pharmaceutical Group Co., Ltd | 3,705        | 376,103        | 2,185        | 45.23         | (854)        |
| Other stock investments held as at the end of the Reporting Period |                |            |                                      | -            |                |              |               |              |
| Gain/(Loss) of stock investments sold during the Reporting Period  |                |            |                                      | -            |                |              |               |              |
| <b>Total</b>   |                |            |                                      | <b>5,511</b> | <b>433,913</b> | <b>4,831</b> | <b>100.00</b> | <b>(994)</b> |

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

| Stock Code | Stock name             | Initial investment amount (RMB'000) | % of shareholding  | Book value                                      | Gain/(Loss)                           | Changes   | Accounting item                     | Sources of shares |
|------------|------------------------|-------------------------------------|--------------------|---|---------------------------------------|---|-------------------------------------|-------------------|
|            |                        |                                     |                    | as at the end of the Reporting Period (RMB'000) | during the Reporting Period (RMB'000) | in equity during the Reporting Period (RMB'000) |                                     |                   |
| 601328     | Bank of Communications | 525                                 | -                  | 2,431   | -                                     | 125   | Available-for-sale financial assets | Acquisition       |
| 601818     | Everbright Bank        | 10,725                              | approximately 0.02 | 24,502  | -                                     | 720   | Available-for-sale financial assets | Acquisition       |

(iv) Entrusted investment of the Group during the Reporting Period

| Trustee   | Types of entrusted wealth management   | Commencement                                    |                                     | Ending date of entrusted wealth management activity | Manner of determination of return | Amount of principal returned (RMB'000) | Amount of return collected (RMB'000) | Have legal procedures been gone through or not | Amount withdrawn for impairment | Related transaction or not | Lawsuit involved or not | Source of funds and indication of whether it is raised funds | Relationship of the related parties |
|---|--|---|-------------------------------------|---|-----------------------------------|--|--------------------------------------|--|---------------------------------|----------------------------|-------------------------|--|-------------------------------------|
|   |  | Amount of entrusted wealth management (RMB'000) | date of entrusted wealth management |   |                                   |  |                                      |  |                                 |                            |                         |  |                                     |
| Pazhou Sub-branch of Industrial and Commercial Bank of China                            | 35-day RMB wealth management product of ICBC for legal person with stable income                           | 1,000   | 24 March 2017                       | 3 May 2017  | Fixed return                      | 1,000                                  | 3                                    | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Pazhou Sub-branch of Industrial and Commercial Bank of China                            | No fixed term of RMB wealth management product of ICBC "e-Lingtong (e靈通)" for legal person with net value  | 900   | 5 May 2017                          | No fixed term                                       | Floating return                   | 300                                    | 5                                    | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Pazhou Sub-branch of Industrial and Commercial Bank of China                            | No fixed term of RMB wealth management product of ICBC "e-LING TONG (e靈通)" for legal person with net value | 3,000   | 28 June 2017                        | No fixed term                                       | Floating return                   | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Guangzhou Jincheng Sub-branch of Shanghai Pudong Development Bank Co., Ltd.             | LI DUO DUO corporate structured deposit No. JG0673 of 2017 of Shanghai Pudong Development Bank             | 600,000   | 15 June 2017                        | 15 December 2017                                    | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Raised funds /   |                                     |
| Guangzhou Baiyun Road Sub-branch of China Merchants Bank Co., Ltd.                      | Two-level 6-month structured deposit CGZ00292 linked to gold of China Merchants Bank                       | 200,000   | 14 June 2017                        | 11 December 2017                                    | Floating return                   | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Raised funds /   |                                     |
| Guangzhou Branch of China CITIC Bank Corporation Limited                                | Gongying interest structure No. 17467 RMB structured wealth management products of CITIC Wealth Management | 200,000   | 16 June 2017                        | 20 December 2017                                    | Floating return                   | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Raised funds /   |                                     |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Corporate structured deposit of China Everbright Bank  | 500,000   | 9 June 2017                         | 9 December 2017                                     | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Raised funds /   |                                     |
| Guangzhou Dongfeng Sub-branch of China Everbright Bank                                  | Structured deposit   | 20,000  | 8 February 2017                     | 8 August 2017                                       | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Guangzhou Dongfeng Sub-branch of China Everbright Bank                                  | Structured deposit   | 10,000  | 12 April 2017                       | 22 October 2017                                     | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Guangzhou Dongfeng Sub-branch of China Everbright Bank                                  | Structured deposit   | 20,000  | 4 November 2016                     | 4 February 2017                                     | Fixed return                      | 20,000                                 | 295                                  | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Guangzhou Longkou Sub-branch of China Merchants Bank                                    | Structured deposit   | 20,000  | 26 May 2017                         | 26 June 2017  | Fixed return                      | 20,000                                 | 57                                   | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |
| Guangzhou Jiangnan Avenue Central Sub-branch of Industrial and Commercial Bank of China | 182-day RMB wealth management product of ICBC for legal person with stable income                          | 20,000  | 27 July 2016                        | 23 January 2017                                     | Fixed return                      | 20,000                                 | 274                                  | Yes  | 0                               | No                         | No                      | Internal funds /   |                                     |

| Trustee   | Types of entrusted wealth management   | Commencement                                    |                                     | Manner of determination of return | Amount of principal returned (RMB'000) | Amount of return collected (RMB'000) | Have legal procedures been gone through or not | Amount withdrawn for impairment | Related transaction or not | Lawsuit involved or not | Source of funds and indication of whether it is raised funds | Relationship of the related parties |
|---|--|---|-------------------------------------|-----------------------------------|--|--------------------------------------|--|---------------------------------|----------------------------|-------------------------|--|-------------------------------------|
|   |  | Amount of entrusted wealth management (RMB'000) | date of entrusted wealth management |                                   |  |                                      |  |                                 |                            |                         |  |                                     |
| Guangzhou Jiangnan Avenue Central Sub-branch of Industrial and Commercial Bank of China | 35-day RMB wealth management product of ICBC for legal person with stable income | 10,000  | 3 February 2017                     | 9 March 2017                      | Fixed return                           | 10,000                               | 25   | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Jiangnan Avenue Central Sub-branch of Industrial and Commercial Bank of China | 35-day RMB wealth management product of ICBC for legal person with stable income | 10,000  | 5 May 2017                          | 12 June 2017                      | Fixed return                           | 10,000                               | 29   | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Minsheng Banking  | Structured deposit of China Minsheng Banking                                     | 50,000  | 29 March 2017                       | 29 June 2017                      | Floating return                        | 50,000                               | 498  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Zhongshan Second Road Sub-branch of China Merchants Bank Co., Ltd.            | Corporate structured deposit of China Merchants Bank                             | 30,000  | 30 March 2017                       | 30 June 2017                      | Floating return                        | 30,000                               | 246  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 100,000   | 23 November 2016                    | 23 February 2017                  | Fixed return                           | 100,000                              | 742  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 100,000   | 11 January 2017                     | 11 April 2017                     | Fixed return                           | 100,000                              | 903  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 30,000  | 5 April 2017                        | 5 July 2017                       | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 100,000   | 14 April 2017                       | 14 July 2017                      | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 100,000   | 6 January 2017                      | 6 July 2017                       | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Guangzhou Branch of China Everbright Bank Company Limited                               | Structured deposit   | 50,000  | 3 March 2017                        | 3 September 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Conghua Sub-branch of Guangzhou Rural Commercial Bank                                   | Structured deposit   | 30,000  | 29 December 2016                    | 29 December 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Conghua Sub-branch of Guangzhou Rural Commercial Bank                                   | Structured deposit   | 30,000  | 29 December 2016                    | 29 December 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Conghua Sub-branch of Guangzhou Rural Commercial Bank                                   | Structured deposit   | 40,000  | 29 December 2016                    | 29 December 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Conghua Sub-branch of Guangzhou Rural Commercial Bank                                   | Structured deposit   | 50,000  | 17 February 2017                    | 17 November 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |
| Yangji Sub-branch of China Everbright Bank  | Structured deposit   | 50,000  | 24 February 2017                    | 24 November 2017                  | Fixed return                           | 0                                    | 0  | Yes                             | 0                          | No                      | No   | Internal funds /                    |

| Trustee   | Types of entrusted wealth management | Commencement                                    |                                     | Ending date of entrusted wealth management activity | Manner of determination of return | Amount of principal returned (RMB'000) | Amount of return collected (RMB'000) | Have legal procedures been gone through or not | Amount withdrawn for impairment | Related transaction or not | Lawsuit involved or not | Source of funds and indication of whether it is raised funds | Relationship of the related parties |
|---|--------------------------------------|---|-------------------------------------|---|-----------------------------------|--|--------------------------------------|--|---------------------------------|----------------------------|-------------------------|--|-------------------------------------|
|   |                                      | Amount of entrusted wealth management (RMB'000) | date of entrusted wealth management |   |                                   |  |                                      |  |                                 |                            |                         |  |                                     |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 50,000  | 24 February 2017                    | 24 November 2017                                    | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 30,000  | 23 January 2017                     | 23 July 2017  | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 30,000  | 6 January 2017                      | 6 July 2017   | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 20,000  | 6 January 2017                      | 6 July 2017   | Fixed return                      | 0                                      | 0                                    | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 30,000  | 21 December 2016                    | 21 June 2017  | Fixed return                      | 30,000                                 | 480                                  | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| Yangji Sub-branch of China Everbright Bank                      | Structured deposit                   | 20,000  | 22 December 2016                    | 22 June 2017  | Fixed return                      | 20,000                                 | 320                                  | Yes  | 0                               | No                         | No                      | Internal funds   | /                                   |
| <b>Total</b>  | /                                    | <b>2,554,900</b>                                | /                                   | /   | /                                 | <b>411,300</b>                         | <b>3,877</b>                         | /  | <b>0</b>                        | /                          | /                       | /  | /                                   |
| Total amount of principal and return due but not received (RMB) |                                      |   |                                     |   |                                   |  |                                      |  | 0                               |                            |                         |  |                                     |
| Descriptions for entrusted wealth management activities         |                                      |   |                                     |   |                                   |  |                                      |  | /                               |                            |                         |  |                                     |

#### 4.4 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 (RMB'000) | Shares equity directly held by the Company (%) | Total assets (RMB'000) | Net assets (RMB'000) | Net profit (RMB'000) |
|--------------------|-----------------|--|------------------------------|--|------------------------|----------------------|----------------------|
|                    |                 |  |                              |  |                        |                      |                      |
| <i>Subsidiary</i>  |                 |  |                              |  |                        |                      |                      |
| WLJ Great Health   | Manufacturing   | Production and sales of pre-packaged food, dairy products, etc | 100,000                      | 100.00   | 5,062,001              | 1,907,204            | 358,877              |

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

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

## 4.5 Analysis on Financial Conditions

### 4.5.1 Liquidity

As at 30 June 2017, the current ratio of the Group was 2.69 (31 December 2016: 2.63), and its quick ratio was 2.37 (31 December 2016: 2.25). Accounts receivable turnover rate was 21.19 times, representing an increase of 18.58% as compared with the corresponding period of 2016. Inventory turnover rate was 5.27 times, representing a decrease of 5.20% as compared with the corresponding period of 2016.

### 4.5.2 Financial resources

As at 30 June 2017, cash and cash equivalents of the Group amounted to RMB11,568,573,000 (31 December 2016: RMB12,586,470,000), of which approximately 99.94% and 0.06% were denominated in Renminbi and foreign currencies, such as Hong Kong dollar, respectively.

As at 30 June 2017, the Group had bank borrowings of RMB43,347,000 (31 December 2016: RMB58,718,000), including short-term borrowings of RMB10,841,000 (31 December 2016: RMB25,216,000) current portion of non-current liabilities of RMB32,506,000 (31 December 2016: RMB0), and long-term borrowings of RMB0 (31 December 2016: RMB33,502,000).

### 4.5.3 Capital structure

As at 30 June 2017, the Group's current liabilities amounted to RMB7,507,954,000 (31 December 2016: RMB7,422,448,000), representing an increase of 1.15% as compared with the beginning of 2017, and its long-term liabilities was RMB783,804,000 (31 December 2016: RMB820,932,000), with a decrease of 4.61% as compared with the beginning of 2017. Shareholders' equity attributable to the shareholders of the Company amounted to RMB18,047,163,000 (31 December 2016: RMB17,345,080,000), with an increase of 4.05% as compared with the beginning of 2017.

### 4.5.4 Capital expenditure

The Group expects that the capital expenditure for 2017 to be approximately RMB987 million among which the expenditure in the first half of 2017 amounted to RMB135 million (in the first half of 2016: RMB135 million), which was mainly applied in the construction of production sites and information system. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc.

#### 4.5.5 Assets and liabilities

| Item                                       | As at<br>30 June<br>2017<br>(RMB'000) | % of<br>the total<br>assets<br>(%) | As at<br>31 December<br>2016<br>(RMB'000) | % of the<br>total assets<br>(%) | Increase/<br>(Decrease)<br>as compared<br>with the end<br>of 2016<br>(%) | Reasons for changes  |
|--|---------------------------------------|------------------------------------|---|---------------------------------|--|--|
| Other current assets                       | 2,273,822                             | 8.52                               | 520,191                                   | 2.01                            | 337.11   | This is mainly due to the increase in the structured deposits and financing products purchased by the Group, and the decrease in enterprise income taxes prepaid by the subsidiaries as at 30 June 2017. |
| Development costs                          | 1,700                                 | 0.01                               | 3,017                                     | 0.01                            | (43.65)  | This is mainly due to the partial transferred-out of the Group's development costs for the Reporting Period as at 30 June 2017.  |
| Other non-current assets                   | 0                                     | 0.00                               | 35,970                                    | 0.14                            | (100.00)   | This is mainly due to the property transfer procedures of the purchase of assets of the Company's subsidiaries have been completed as at 30 June 2017.   |
| Short-term borrowings                      | 10,841                                | 0.04                               | 25,215                                    | 0.10                            | (57.01)  | This is mainly due to the decrease in bank borrowings as the Company's subsidiaries gradually repaid their banks loans as at 30 June 2017.   |
| Notes payable                              | 223,079                               | 0.84                               | 320,812                                   | 1.24                            | (30.46)  | This is mainly due to the decrease in the amount of notes payable by the Group for the purchase of raw materials as at 30 June 2017.   |
| Advance from customers                     | 789,221                               | 2.96                               | 1,552,886                                 | 6.00                            | (49.18)  | This is mainly due to the decrease in advances for goods from distributors by the Company's subsidiaries as at 30 June 2017.   |
| Dividends payable                          | 502,627                               | 1.88                               | 57,302                                    | 0.22                            | 777.16   | This is mainly due to dividends of 2016 not yet paid by the Company as at 30 June 2017.  |
| Current portion of non-current liabilities | 32,506                                | 0.12                               | 0   | 0.00                            | 100.00   | As at 30 June 2017, the long-term borrowings of the Company's subsidiaries due within one year measured at this account item.  |
| Long-term borrowings                       | 0                                     | 0.00                               | 33,502                                    | 0.13                            | (100.00)   | As at 30 June 2017, the long-term borrowings of the Company's subsidiaries due within one year measured at current portion of non-current liabilities.   |

#### 4.5.6 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.

#### 4.5.7 Contingent liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

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

As at 30 June 2017, Guangyao Baiyunshan Hong Kong Company, a subsidiary of the Company, obtained overdraft amounted to HKD300,000, letter of credit and 90 days credit total amounted to HKD100,000,000 from Bank of China (Hong Kong) Co., Ltd. secured by the original value amounted to HKD8,893,000, the net value HKD6,381,000 of the buildings of fixed assets and the original value amounted to HKD6,843,000, the net value amounted to HKD3,819,000 of investment properties, and the issued but undue L/C amounted to USD384,000, YEN92,262,000.

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

As at 30 June 2017, the bank loans of the Group amounted to RMB43,347,000 (31 December 2016: RMB58,718,000), with a decrease of RMB15,371,000 as compared with the beginning of 2017. The above bank loans included short-term loans of RMB10,841,000, current portion of non-current liabilities of RMB32,506,000.

#### 4.5.10 Gearing ratio

As at 30 June 2017, the Group's gearing ratio (total liabilities/total assets×100%) was 31.05% (31 December 2016: 31.83%).

#### 4.5.11 Material investment

As at 30 June 2017, the Group did not have any other material additional investment.

### 4.6 Plan for profit distribution and increase in share capital 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<br>( <i>RMB</i> ) (inclusive of tax) | /  |
| Number of shares to be transferred into share capital for every ten shares<br>( <i>shares</i> ) | /  |

#### 4.7 Issues and difficulties in operations and plans for the second half of 2017

In the first half of 2017, in the face of implementing and promoting new policies such as acceleration of medical and health reform, GPO pilot, integrated medical system, two-invoice system, removal of the price markups on medicine, medical expense growth control, restriction on adjuvant drugs, price adjustment for medical insurance payments, Medical Insurance Catalogue leaned toward innovative medicine with high performance price ratio, intensified secondary price negotiation and medicine price checking became normal, the traditional business development of the Group remained challenging.

In the second half of 2017, the Group will continue to implement various works of the “13th Five-year” Plan and the “year of quality and benefits”:

1. Establish strong foundation for brand product, make advantageous variety stronger and enhance the quality benefits of the Great Southern TCM: polish up famous brands, continuously enhancing the brand awareness and impact; cultivate key variety to make good product echelon design; develop fashionable Chinese medicine, and increase the promotion efforts to famous and superior-quality proprietary Chinese medicine; strengthen the resource integration to give full play to the synergistic effect of the manufacturing enterprises and the trade enterprises and establish the marketing advantage of the Great Southern TCM.
2. Continuing the adherence to the “Triangle” strategy of “fashion, science and technology, culture”, promoting the construction of “popularization, mass-orientation, modernization and internationalization” of WLJ Great Health industry: accelerating the implementation and construction of Wang Lao Ji museum project to make the Wang Lao Ji brand to be more popular; promoting the pop culture of drinking healthy beverage, and promoting the Wang Lao Ji product to be mass-oriented; strengthening the scientific works on functional research, product quality improvement, new product development of Wang Lao Ji, and realizing the Wang Lao Ji brand to be modernized; setting “aggregation and optimization” as the main line, and by leveraging on grand international gatherings such as the Fortune Global Forum to expand the brand impact and build up the internationalized “Chinese characteristics” of Wang Lao Ji brand.

3. Speeding up transformation, optimizing the modern medicine logistics extension services, terminal delivery services, retail service, pharmaceutical e-commerce services and logistics services to enhance the quality benefits of Great Commerce.
4. Further promoting the upgrading and reconstruction of Guangzhou Baiyunshan Hospital, actively expanding and exploring the health maintenance and elderly care market and incubation development of medical equipment industry to enhance the quality benefits of the Great Medical.
5. Set innovative medicine as the core, integrating generic medicine and innovative medicine, further promoting the cooperation of scientific resource integration and scientific project, improving the quality management level to enhance the quality benefits of science and technology.
6. Improving the management, making progress while ensuring stability, continuing to promote investment and acquisition projects of four major segments, and improving the investment management system to enhance the quality of the Great Capital benefits.
7. Scientifically planning and organizing the layout, further improving the capacity layout, strengthening the centralized management on the overall capacity development of the Group and speeding up the construction of production base projects.
8. Managing the Group strictly, reducing cost and increase the benefits to enhance the quality benefits of great management: improving the system, standardizing management; controlling expenses, improving centralized purchasing, integrating various resources, strengthening expenses control, reduce cost and increasing the benefits; increasing the efforts on resource integration, continuing the staging integration operation in a planned and systematic way; vigorously promoting the information construction to enhance the benefits.
9. Pooling resources, adopting dual innovation, taking the initiative to “go out” and actively “introduce” to promote the progress of internationalization.
10. Promoting innovation, encourage startup, speeding up the implementation of mass innovation projects, exploring innovation and business start-up modes like shareholding by operators and internal crowd fund raising, speeding up development of institutional mechanisms for internal innovation and startup.

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

## 4.9 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 Mr. Chen Mao, Ms. Liu Juyan, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu, all being the executive directors of the Company, Mr. Wong Lun Tak Patrick and Mr. Chu Xiaoping, both independent non-executive directors of the Company, were unable to attend the 2016 annual general meeting due to business matters which constituted a deviation from code provision A.6.7

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

## 4.10 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 the 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.

## 4.11 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 2017.

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

- (1) At the 2016 annual general meeting of the Company held on 23 June 2017, Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu were elected as the executive directors of the seventh session of the Board, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong were elected as the independent non-executive directors of the seventh session of the Board. Mr. Xian Jiexiong and Ms. Gao Yanzhu were elected as the supervisors representing the shareholders of the seventh session of the Supervisory Committee, and Ms. Li Jinyun was elected as the supervisor representing the employees of the seventh session of the Supervisory Committee at the meeting (enlarged) of the trade union committee of the Company.

The term of office of each director and supervisor of the Company commenced from the date of their respective appointments up to the date on which the new session of the Board and the Supervisor Committee are elected.

Mr. Wong Lung Tak Patrick and Mr. Qiu Hongzhong, formerly the members of the sixth session of the Board ceased to be the directors of the Company from 23 June 2017. Ms. Wu Yan, formerly a member of the sixth session of the Supervisory Committee, ceased to be a supervisor of the Company from 23 June 2017.

- (2) At the first meeting of the seventh session of the Board held on 23 June 2017, Mr. Li Chuyuan was elected as the chairperson of the Company, and Mr. Chen Mao was elected as the vice chairperson of the Company.

At the same meeting, Mr. Li Hong was appointed as the general manager of the Company, Mr. Wu Changhai was appointed as the standing vice general manager of the Company, Mr. Zhang Chunbo was appointed as the vice general manager of the Company, and Ms. Huang Xuezheng was appointed as the secretary to the Board.

The term of office for the above persons commenced from the date of their respective appointments up to the date on which the members of new session of the Board are elected.

- (3) At the first meeting of the seventh session of the Supervisory Committee held on 23 June 2017, Mr. Xian Jiexiong was elected as the chairperson of the seventh session of the Supervisory Committee, his term of office commenced from the date of his appointment up to the date on which the members of new session of the Supervisory Committee are elected.

Pursuant to Rule 13.51B(1) of the Listing Rules of HKEx, it is disclosed that after the publication of the annual report of the Company for the year ended on 31 December 2016, Mr. Wang Wenchu, an executive director of the Company, ceased to be a vice general manager of the Company from 23 June 2017.

**4.13 At the end of the Reporting Period, the number of employees on the payroll register of the group was 21,334. The remuneration of the employees had no significant change as compared with the previous Reporting Period. The total salary payment for the first half of 2017 was approximately RMB1,041 million.**

#### **4.14 Other major matters**

##### *4.14.1 The Group's purchase and disposal of assets or enterprise merger and other transactions during the Reporting Period*

1. According to the arrangements of the industrial structure adjustment, 11 enterprises under the Company planned to relocate to the Baiyun base in the Biological Medicine Town of GPLL ("Baiyun base"), which covers a gross area of about 2,460 mu (of which an area of about 2,000 mu meets land planning requirements). The government of Baiyun district will provide integrated land plots for industrial use in four phases within the Guangzhou Pharmaceutical Industry Zone. A total land area of 474.41 mu (of which an area of 303.09 mu can be used for construction) will be provided in the first phase.

Ming Xing (98.8 mu), He Ji Gong (36 mu), HYBYS (99.7 mu) and GP Corp. (68.5 mu), which are under the Group, have obtained the land use rights of the land available for construction (303 mu) in the first phase, with a total land bidding price of about RMB221.29 million. The relevant work mentioned above is currently in progress.

2. As approved at the 11th meeting of the Strategic Development and Investment Committee of the Company 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, which could be paid by installment. The first phase of capital increase of RMB58,464,000 has completed on 23 December 2015 and the second phase of capital increase is currently in progress.
3. As approved at the 2nd meeting of the Strategic Development and Investment Committee of the Company in 2016, the Company contributed addition capital of RMB20.4 million to the Company's subsidiary, Guangzhou Guangyao Yigan Biological Products Co., Ltd. ("Yi Gan") according to shareholding ratio. After the capital increase, the registered capital of Yi Gan will be increased to RMB55 million. The capital increase of RMB5.1 million in the second phase has been completed in May 2017 and the aggregate of the first phase additional capital contribution and second phase additional capital contribution was RMB10.2 million.
4. As approved at the 5th meeting of the Strategic Development and Investment Committee of the Company held in 2016, the Company's subsidiary, Guangzhou Baidi, intended to participate in the establishment of Guangzhou Baiyunshan Southern Antitumor Biological Products Co., Ltd. (the "Project Company") for the development and application of novel anti-tumor vaccines. The Project Company's registered capital is expected to be RMB99.50 million and Guangzhou Baidi proposed to hold 50% equity interest in the Project Company through valuation of intangible assets. The above project has been completed.
5. As approved at the 5th meeting of the Strategic Development and Investment Committee of the Company in 2016, Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. ("Chemical & Pharmaceutical Technology Company") and the Management Committee of Zhuhai Fushan Industrial Park ("Fushan Industrial Park") signed the Investment Agreement between the Management Committee of Zhuhai Fushan Industrial Park and Guangzhou Baiyunshan Chemical & Pharmaceutical Technology Co., Ltd. In accordance with the Investment Agreement, upon the approval of the project environmental evaluation, the Fushan Industrial Park will transfer a piece of class-III industrial land of 133,340 square meters (200 mu) to Chemical & Pharmaceutical Technology Company for the construction of the relocated chemical and pharmaceutical plant which will involve a preliminary investment of RMB55 million.

In order to solve the funding issues, as approved at the 1st meeting of the Strategic Development and Investment Committee of the Company held on 24 January 2017, the Company agreed to contribute additional capital of RMB12.47 million in cash to Chemical & Pharmaceutical Technology Company for the purpose of the works related to the design and environment evaluation of the project.

At present, the project has commenced to conduct project planning design, foundation design and environment evaluation.

6. At the 7th meeting of the Strategic and investment Committee of the Company in 2016, it was considered and approved that the Company would establish Medical Instrument Investment Company with a registered capital of RMB10 million. The establishment of Medical Instrument Investment Company has completed.

7. At the 7th meeting of the Strategic and investment Committee of the Company in 2016, it was considered and approved that, the Company's subsidiary, Guangyao Baiyunshan Hong Kong Company would establish a company in Macau with a registered capital of MOP 1 million. At present, the establishment of this company is in progress.
8. At the 7th meeting of the Strategic and investment Committee of the Company in 2016, it was considered and approved that the proposal that the Company's subsidiary, Chen Li Ji, would establish a joint venture named Guangzhou Chen Li Ji Great Health Company ("Chen Li Ji Great Health") with Guangdong Juxiangzhai Great Health Industry Co., Ltd. and Guangzhou PushengDazheng Pharmaceutical Co., Ltd. Chen Li Ji Great Health has a registered capital of RMB15 million, of which Chen Li Ji contributed RMB6.6 million in cash, holding 44% stake. The establishment of Chen Li Ji Great Health has completed.
9. At the 2nd meeting of the Strategic and Investment Committee of the Company in 2017, it was considered and approved that the Company contributed addition capital of RMB10.00 million to WLJ Investment, a wholly-owned subsidiary of the Company for the investment in the establishment of Wang Lao Ji Dazhai Beverages Co., Ltd. The aforesaid capital increase has been completed and the registered capital of WLJ Investment had been increased from RMB10.0 million to RMB20.0 million.
10. At the 2nd meeting of the Strategic and Investment Committee of the Company in 2017, it was considered and approved that the subsidiaries of the Company (the lessee) entered into a new Guangzhou Tenancy Agreement with GPHL (the lessor) in respect of the use of properties including related lands, enterprise operated real estate and employees' housing, the annual property use fee of which shall not exceed RMB20.00 million, with a lease term of three years from 1 January 2017 up to 31 December 2019.
11. At the 2nd meeting of the Strategic and Investment Committee of the Company in 2017, it was considered and approved that the Company (the lessor) entered into a new Guangzhou Tenancy Agreement with GP Corp. (the lessee), a joint venture of the Company, in respect of the use of properties including related lands, enterprise operated real estate and employees' housing, the annual property use fee of which shall not exceed RMB3.50 million, with a lease term of three years from 1 January 2017 up to 31 December 2019.
12. At the 2nd meeting of the Strategic and Investment Committee of the Company in 2017, it was considered and approved that the Company (Buyer) entered into the Purchase Agreement of Additional Legal Properties at Rear Block, 282 Beijing Road with GPHL (Seller) in respect of the purchase of additional legal properties at Rear Block, 282 Beijing Road, the market value of which, the market value of which as at the valuation date and on an "as is" basis was RMB15.273 million, the actual amount of consideration paid was RMB14.5001 million after deducting the land-transferring fees and related taxes paid by GPHL.
13. At the 3rd meeting of the Strategic and Investment Committee of the Company in 2017, it was considered and approved that the Company contributed additional capital of RMB30.00 million, which was by reference to the Company's 75% shareholding, to Xing Zhu, of which the first phase of RMB22.71 million was contributed in cash. At present, the above project is under way.

## 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

| ITEMS  | <i>Note</i> | 30 June 2017<br>(unaudited) | 31 December 2016<br>(audited) |
|--|-------------|-----------------------------|-------------------------------|
| <b>Current assets</b>  |             |                             |                               |
| Cash at bank and on hand                                       |             | 11,758,073,861.04           | 12,821,007,880.23             |
| Financial assets based on fair value to confirm profit or loss |             | 4,831,122.13                | 6,026,123.94                  |
| Notes receivable   |             | 1,939,291,857.86            | 1,604,767,885.21              |
| Accounts receivable  | 5.1.3       | 1,182,115,179.32            | 1,108,363,607.29              |
| Advances to suppliers  |             | 367,279,773.28              | 414,073,610.15                |
| Interest receivable  |             | –                           | –                             |
| Dividends receivable   |             | 49,513,297.59               | 52,938,523.45                 |
| Other receivables  |             | 222,818,280.99              | 205,120,876.85                |
| Inventories  |             | 2,432,199,182.06            | 2,781,495,711.45              |
| Current portion of non-current assets                          |             | –                           | –                             |
| Other current assets   |             | 2,273,822,294.70            | 520,191,094.03                |
| <b>Total current assets</b>                                    |             | <b>20,229,944,848.97</b>    | <b>19,513,985,312.60</b>      |
| <b>Non-current assets</b>                                      |             |                             |                               |
| Available-for-sale financial assets                            |             | 328,890,205.37              | 327,889,324.24                |
| Held-to-maturity investments                                   |             | –                           | –                             |
| Long-term receivables  |             | –                           | –                             |
| Long-term equity investments                                   |             | 2,384,560,951.17            | 2,290,443,462.70              |
| Investment properties  |             | 223,147,016.97              | 228,575,391.31                |
| Fixed assets   |             | 2,055,595,111.00            | 2,107,109,957.69              |
| Construction in progress                                       |             | 256,925,957.23              | 255,276,101.16                |
| Construction materials   |             | –                           | –                             |
| Fixed assets pending for disposal                              |             | –                           | –                             |
| Intangible assets  |             | 726,243,212.33              | 668,305,151.10                |
| Development costs  |             | 1,700,000.00                | 3,017,046.84                  |
| Goodwill   |             | 11,499,562.74               | 11,499,562.74                 |
| Long-term prepaid expenses                                     |             | 44,990,904.41               | 37,939,444.42                 |
| Deferred tax assets  |             | 439,615,683.75              | 417,159,182.77                |
| Other non-current assets                                       |             | –                           | 35,970,282.97                 |
| <b>Total non-current assets</b>                                |             | <b>6,473,168,604.97</b>     | <b>6,383,184,907.94</b>       |
| <b>TOTAL ASSETS</b>  |             | <b>26,703,113,453.94</b>    | <b>25,897,170,220.54</b>      |

## Consolidated Balance Sheet (Continued)

| ITEMS   | <i>Note</i> | 30 June 2017<br>(unaudited) | 31 December 2016<br>(audited) |
|---|-------------|-----------------------------|-------------------------------|
| <b>Current liabilities</b>  |             |                             |                               |
| Short-term borrowings   |             | 10,841,330.22               | 25,215,424.88                 |
| Financial liabilities based on fair value to confirm profit or loss |             | —                           | —                             |
| Notes payable   |             | 223,078,749.78              | 320,811,521.98                |
| Accounts payable  | 5.1.4       | 2,386,242,882.72            | 2,267,279,067.87              |
| Advances from customers   |             | 789,221,034.07              | 1,552,885,731.40              |
| Employee benefits payable   |             | 452,351,563.04              | 546,523,380.87                |
| Taxes payable   |             | 292,213,746.82              | 384,192,155.39                |
| Interest payable  |             | 263,829.48                  | 257,658.10                    |
| Dividends payable   |             | 502,626,786.42              | 57,301,541.02                 |
| Other payables  |             | 2,818,607,613.98            | 2,267,981,520.69              |
| Current portion of non-current liabilities                          |             | 32,506,207.76               | —                             |
| Other current liabilities   |             | —                           | —                             |
| <b>Total current liabilities</b>                                    |             | <b>7,507,953,744.29</b>     | <b>7,422,448,002.20</b>       |
| <b>Non-current liabilities</b>                                      |             |                             |                               |
| Long-term borrowings  |             | —                           | 33,502,083.03                 |
| Debentures payable  |             | —                           | —                             |
| Long-term payables  |             | 20,558,783.65               | 20,558,783.65                 |
| Payables for specific projects                                      |             | 16,659,375.74               | 16,842,773.80                 |
| Provisions  |             | 57,275,220.91               | 61,045,873.15                 |
| Deferred income   |             | 598,040,813.52              | 612,084,162.58                |
| Deferred tax liabilities  |             | 90,210,671.97               | 76,581,360.14                 |
| Long-term Employee benefits payable                                 |             | 339,036.11                  | 316,733.72                    |
| <b>Total non-current liabilities</b>                                |             | <b>783,083,901.90</b>       | <b>820,931,770.07</b>         |
| <b>Total liabilities</b>  |             | <b>8,291,037,646.19</b>     | <b>8,243,379,772.27</b>       |
| <b>Shareholders' equity</b>   |             |                             |                               |
| Share capital   |             | 1,625,790,949.00            | 1,625,790,949.00              |
| Capital surplus   |             | 9,875,172,584.68            | 9,875,172,584.68              |
| Less: Treasury share  |             | —                           | —                             |
| Other comprehensive income  |             | 8,952,876.05                | 9,788,066.97                  |
| Surplus reserve   |             | 1,052,034,418.97            | 1,052,034,418.97              |
| Undistributed profits   |             | 5,485,212,311.81            | 4,782,293,720.24              |
| <b>Total equity attributable to shareholders of the Company</b>     |             | <b>18,047,163,140.51</b>    | <b>17,345,079,739.86</b>      |
| Minority interest   |             | 364,912,667.24              | 308,710,708.41                |
| <b>Total shareholders' equity</b>                                   |             | <b>18,412,075,807.75</b>    | <b>17,653,790,448.27</b>      |
| <b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>                 |             | <b>26,703,113,453.94</b>    | <b>25,897,170,220.54</b>      |

## Consolidated Income Statement

| ITEMS  | Note  | For the six month<br>ended 30 June 2017<br>(unaudited) | For the six month<br>ended 30 June 2016<br>(unaudited) |
|--|-------|--|--|
| <b>1. Revenue</b>  | 5.1.5 | <b>11,115,338,459.91</b>                               | 10,857,269,320.09                                      |
| Less: Cost of sales  | 5.1.5 | <b>6,955,444,360.97</b>                                | 6,735,239,535.84                                       |
| Taxes and surcharges   |       | <b>117,008,678.16</b>                                  | 85,932,181.25  |
| Selling and distribution expenses  |       | <b>2,236,809,098.97</b>                                | 2,628,680,980.38                                       |
| General and administrative expenses                                      |       | <b>709,789,679.18</b>                                  | 694,102,526.60   |
| Financial expenses   |       | <b>(85,059,169.79)</b>                                 | (29,832,547.34)  |
| Asset impairment losses  |       | <b>(1,915,856.60)</b>                                  | 1,775,639.95   |
| Add: Profit arising from changes in fair value                           |       | <b>(1,195,001.81)</b>                                  | (983,936.93)   |
| Investment income  |       | <b>150,934,202.49</b>                                  | 145,285,375.91   |
| Including: Share of profit of associates and jointly controlled entities |       | <b>146,838,206.96</b>                                  | 145,271,601.20   |
| Other income   |       | <b>29,495,598.22</b>                                   | -  |
| <b>2. Operating profit</b>   |       | <b>1,362,496,467.92</b>                                | 885,672,442.39   |
| Add: Non-operating income  |       | <b>72,252,526.12</b>                                   | 203,668,662.82   |
| Including: Gain on disposal of non-current assets                        |       | <b>10,800.00</b>                                       | 313,315.04   |
| Less: Non-operating expenses   |       | <b>34,320,902.67</b>                                   | 30,205,246.28  |
| Including: Losses on disposal of non-current assets                      |       | <b>1,170,321.15</b>                                    | 698,504.23   |
| <b>3. Total profit</b>   |       | <b>1,400,428,091.37</b>                                | 1,059,135,858.93                                       |
| Less: Income tax expenses  | 5.1.6 | <b>209,458,422.85</b>                                  | 196,007,762.41   |
| <b>4. Net profit</b>   |       | <b><u>1,190,969,668.52</u></b>                         | <b><u>863,128,096.52</u></b>                           |
| – Attributable to shareholders’ of the Company                           |       | <b>1,158,140,057.29</b>                                | 831,806,521.89   |
| – Minority interest  |       | <b>32,829,611.23</b>                                   | 31,321,574.63  |

## Consolidated Income Statement (Continued)

| ITEMS  | <i>Note</i>  | For the six month<br>ended 30 June 2017<br>(unaudited) | For the six month<br>ended 30 June 2016<br>(unaudited) |
|--|--------------|--|--|
| <b>5. Other comprehensive net income after tax</b>   |              | <b>(832,843.32)</b>                                    | 9,695,211.21   |
| Other comprehensive net income after tax attributable to shareholders' equity of parent company                            |              | <b>(835,190.92)</b>                                    | 9,700,086.99   |
| (1) Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period |              | -  | -  |
| 1) Portion of items will not be classified into profit or loss when under equity method                                    |              | -  | -  |
| (2) Items will be classified into profit or loss when satisfied with certain conditions at following accounting period     |              | <b>(835,190.92)</b>                                    | 9,700,086.99   |
| 1) Portion of items will be classified into profit or loss when under equity method  |              | -  | 76,864.68  |
| 2) Profit or loss arising from changes in fair value of available for sale financial assets                                |              | <b>842,720.43</b>                                      | 7,360,090.00   |
| 3) Differences arising from translation of foreign currency financial statements   |              | <b>(1,677,911.35)</b>                                  | 2,263,132.31   |
| Other comprehensive net income after tax attributable to minority shareholders' equity                                     |              | <b>2,347.60</b>  | (4,875.78)   |
| <b>6. Total comprehensive income</b>   |              | <b>1,190,136,825.20</b>                                | 872,823,307.73   |
| (1) Total comprehensive income attributable to shareholders' equity of parent company                                      |              | <b>1,157,304,866.37</b>                                | 841,506,608.88   |
| (2) Total comprehensive income attributable to minority shareholders' equity   |              | <b>32,831,958.83</b>                                   | 31,316,698.85  |
| <b>7. Earnings per share</b>   |              |  |  |
| – Basic earnings per share   | <i>5.1.7</i> | <b>0.712</b>   | 0.644  |
| – Diluted earnings per share   | <i>5.1.7</i> | <b>0.712</b>   | 0.644  |

### 5.1.1 Foundation of preparation of the financial statements

#### (1) Basis of preparation

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

#### (2) Going concern

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

### 5.1.2 Segment Information

With the strategic management and business development, the Group basically completed the industrial chain layout and internal structure of 4 sectors, which include “Great Southern TCM”, “Great Commerce”, “Great Health”, “Great Medical Care”, according to the requirements of regulatory laws, regulations and company management, 4 sectors are divided into 4 operating segments, as business scale of “Great Medical Care” is fail to 10%, details for other segments are as below:

- “Great Southern TCM”: 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”: Research, development, manufacturing and sales for the products of Great Health;
- “Great Commerce”: Wholesale, retail, import and export for Western medicine, Chinese medicine and medical apparatus and instruments.

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

Assets and liabilities are allocated based on the segment operations, expenses attributable indirectly to each segment are allocated among segments based on the portion of revenue.

- (1) The segment information for the six months ended 30 June 2017 and as of 30 June 2017 are as follows:

|  | Great<br>SouthernTCM | Great<br>Health  | Great<br>Commerce | Other             | Elimination        | Total             |
|--|----------------------|------------------|-------------------|-------------------|--------------------|-------------------|
| Revenue  | 4,043,965,877.28     | 4,999,437,141.51 | 2,024,842,509.84  | 47,092,931.28     | -                  | 11,115,338,459.91 |
| Inter-segment revenue  | 85,704,253.52        | 11,466,366.87    | 2,809,689,627.78  | 79,703,824.57     | (2,986,564,072.74) | -                 |
| Interest income  | (12,351,414.04)      | (22,803,191.94)  | (724,849.57)      | (52,401,628.58)   | -                  | (88,281,084.13)   |
| Interest expenses  | 9,458,489.36         | -                | 22,280,135.33     | 2,992,082.82      | (32,501,724.55)    | 2,228,982.96      |
| Share of profit or loss of<br>associates and jointly<br>controlled entities      | 22,858,258.10        | -                | 1,629,715.87      | 122,861,924.93    | (511,691.94)       | 146,838,206.96    |
| Asset impairment losses  | (4,123,361.93)       | (169,887.43)     | (2,223,644.68)    | (301,949.78)      | 4,902,987.22       | (1,915,856.60)    |
| Depreciation and Amortization  | 102,504,555.15       | 9,013,844.43     | 3,596,052.13      | 10,325,948.56     | (72,223.50)        | 125,368,176.77    |
| Total profit   | 675,980,777.33       | 425,327,297.53   | 35,469,403.84     | 209,317,314.59    | 54,333,298.08      | 1,400,428,091.37  |
| Income tax expenses  | 51,572,973.44        | 69,966,487.98    | 6,826,717.93      | 68,105,420.00     | 12,986,823.50      | 209,458,422.85    |
| Net profit (Including: minority<br>interest)                                     | 624,407,803.89       | 355,360,809.55   | 28,642,685.91     | 141,211,894.59    | 41,346,474.58      | 1,190,969,668.52  |
| Total assets   | 8,844,495,415.21     | 5,096,760,655.84 | 3,883,487,471.88  | 16,807,977,407.97 | (7,929,607,496.96) | 26,703,113,453.94 |
| Total liabilities  | 4,854,726,927.60     | 3,155,612,774.33 | 3,586,378,757.71  | 1,179,221,563.16  | (4,484,902,376.61) | 8,291,037,646.19  |
| Long-term equity investments in<br>associates and jointly<br>controlled entities | 104,814,071.27       | -                | 59,847,193.56     | 2,219,899,686.34  | -                  | 2,384,560,951.17  |
| Additions of non-current assets<br>other than long-term equity<br>investments    | 144,654,583.45       | 35,424,389.25    | 5,321,960.05      | 19,785,240.22     | -                  | 205,186,172.97    |

(2) The segment information for the six months ended 30 June 2016 and as of 31 December 2016 are as follows:

|  | Great<br>SouthernTCM | Great<br>Health  | Great<br>Commerce | Other             | Elimination        | Total             |
|--|----------------------|------------------|-------------------|-------------------|--------------------|-------------------|
| Revenue  | 3,580,998,827.21     | 4,701,508,746.37 | 2,546,297,651.19  | 28,464,095.32     | -                  | 10,857,269,320.09 |
| Inter-segment revenue  | 201,823,834.61       | 8,528,629.53     | 2,658,414,126.93  | 74,395,928.69     | (2,943,162,519.76) | -                 |
| Interest income  | (8,994,717.38)       | (30,859,561.79)  | (2,207,451.97)    | (3,154,435.44)    | 859,830.49         | (44,356,336.09)   |
| Interest expenses  | 10,744,406.95        | -                | 24,492,335.38     | 10,397,678.48     | (32,731,469.58)    | 12,902,951.23     |
| Share of profit or loss of<br>associates and jointly<br>controlled entities      | 11,069,275.50        | -                | -                 | 132,284,947.45    | 1,917,378.25       | 145,271,601.20    |
| Asset impairment losses  | 2,116,313.54         | 78,189.49        | (4,616,764.38)    | 195,366.13        | 4,002,535.17       | 1,775,639.95      |
| Depreciation and Amortization  | 99,652,720.37        | 6,883,602.96     | 3,997,700.86      | 8,520,381.89      | (72,052.50)        | 118,982,353.58    |
| Total profit   | 425,404,305.49       | 404,344,745.89   | 39,585,054.52     | 161,029,706.03    | 28,772,047.00      | 1,059,135,858.93  |
| Income tax expenses  | 37,339,719.21        | 99,183,970.94    | 8,262,155.04      | 43,578,592.35     | 7,643,324.87       | 196,007,762.41    |
| Net profit (Including: minority<br>interest)                                     | 388,064,586.28       | 305,160,774.95   | 31,322,899.48     | 117,451,113.68    | 21,128,722.13      | 863,128,096.52    |
| Total assets   | 8,215,356,021.51     | 4,536,823,808.46 | 4,006,996,218.57  | 16,144,661,530.04 | (7,006,667,358.04) | 25,897,170,220.54 |
| Total liabilities  | 4,671,712,476.03     | 3,777,036,736.50 | 3,737,139,513.69  | 609,593,407.39    | (4,552,102,361.34) | 8,243,379,772.27  |
| Long-term equity investments in<br>associates and jointly<br>controlled entities | 81,955,813.17        | -                | 61,624,075.01     | 2,146,863,574.52  | -                  | 2,290,443,462.70  |
| Additions of non-current assets<br>other than long-term equity<br>investments    | 463,602,322.19       | 105,722,329.63   | 8,500,773.52      | 50,728,219.02     | -                  | 628,553,644.36    |

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

| <b>Revenue from external customers</b> | <b>For the six months<br/>ended 30 June 2017</b> | For the six months<br>ended 30 June 2016 |
|--|--|--|
| PRC                                    | <b>11,108,403,731.00</b>                         | 10,816,225,709.42                        |
| Other countries/regions                | <b>6,934,728.91</b>                              | 41,043,610.67                            |
|  | <b><u>11,115,338,459.91</u></b>                  | <b><u>10,857,269,320.09</u></b>          |
| <br><b>Total non-current assets</b>    | <br><b>30 June 2017</b>                          | <br>31 December 2016                     |
| PRC                                    | <b>5,987,475,977.56</b>                          | 5,920,389,492.25                         |
| Other countries/regions                | <b>19,143,910.95</b>                             | 19,704,081.33                            |
|  | <b><u>6,006,619,888.51</u></b>                   | <b><u>5,940,093,573.58</u></b>           |

### 5.1.3 Accounts receivable

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

(a) The ageing of accounts receivable is analyzed as follows:

|                                   | <b>30 June 2017</b>             | 31 December 2016               |
|-----------------------------------|---------------------------------|--------------------------------|
| Within 1 year                     | <b>1,060,157,608.11</b>         | 982,667,101.58                 |
| 1 to 2 years                      | <b>37,868,562.99</b>            | 36,338,691.74                  |
| 2 to 3 years                      | <b>139,237,113.99</b>           | 138,822,487.95                 |
| 3 to 4 years                      | <b>1,479,813.64</b>             | 9,523,619.45                   |
| 4 to 5 years                      | <b>2,126,837.04</b>             | 2,646,065.97                   |
| Over 5 years                      | <b>12,894,301.19</b>            | 12,868,153.61                  |
|                                   | <b><u>1,253,764,236.96</u></b>  | <b><u>1,182,866,120.30</u></b> |
| <br>Less: Provision for bad debts | <br><b><u>71,649,057.64</u></b> | <br><u>74,502,513.01</u>       |
|                                   | <b><u>1,182,115,179.32</u></b>  | <b><u>1,108,363,607.29</u></b> |

#### 5.1.4 Accounts payable

The ageing of accounts payable is analyzed as follows:

|               | <b>30 June 2017</b>            | 31 December 2016               |
|---------------|--------------------------------|--------------------------------|
| Within 1 year | <b>2,215,617,771.92</b>        | 2,073,358,531.89               |
| Over 1 year   | <b>170,625,110.80</b>          | 193,920,535.98                 |
|               | <b><u>2,386,242,882.72</u></b> | <b><u>2,267,279,067.87</u></b> |

#### 5.1.5 Revenue and cost of sales

|               | <b>For the six months ended 30 June 2017</b> |                        |                          |
|---------------|--|------------------------|--------------------------|
|               | <b>Main operation</b>                        | <b>Other operation</b> | <b>Subtotal</b>          |
| Revenue       | <b>11,033,455,701.37</b>                     | <b>81,882,758.54</b>   | <b>11,115,338,459.91</b> |
| Cost of sales | <b>6,935,669,520.85</b>                      | <b>19,774,840.12</b>   | <b>6,955,444,360.97</b>  |
| Gross profit  | <b>4,097,786,180.52</b>                      | <b>62,107,918.42</b>   | <b>4,159,894,098.94</b>  |
|               | <b>For the six months ended 30 June 2016</b> |                        |                          |
|               | <b>Main operation</b>                        | <b>Other operation</b> | <b>Subtotal</b>          |
| Revenue       | 10,779,756,975.24                            | 77,512,344.85          | 10,857,269,320.09        |
| Cost of sales | 6,715,929,910.96                             | 19,309,624.88          | 6,735,239,535.84         |
| Gross profit  | 4,063,827,064.28                             | 58,202,719.97          | 4,122,029,784.25         |

#### 5.1.6 Income tax expenses

|                     | <b>For the six months<br/>ended June 2017</b> | For the six months<br>ended June 2016 |
|---------------------|---|---------------------------------------|
| Current income tax  | <b>218,441,425.10</b>                         | 223,515,051.50                        |
| Deferred income tax | <b>(8,983,002.25)</b>                         | (27,507,289.09)                       |
|                     | <b><u>209,458,422.85</u></b>                  | <b><u>196,007,762.41</u></b>          |

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

|   | <b>For the six months<br/>ended June 2017</b> | For the six months<br>ended June 2016 |
|---|---|---------------------------------------|
| Total profit  | <b><u>1,400,428,091.37</u></b>                | <u>1,059,135,858.93</u>               |
| Income tax expenses calculated at 25%   | <b>350,107,022.84</b>                         | 264,783,964.73                        |
| Tax effect of different rates applicable to subsidiaries  | <b>(119,441,088.67)</b>                       | (54,033,382.75)                       |
| Adjust effect for income tax of previous period   | <b>(3,408,680.42)</b>                         | (424,602.52)                          |
| Gain or loss belong to associates & joint venture   | <b>(24,412,756.39)</b>                        | (22,610,061.00)                       |
| Non-taxable revenue   | <b>(332,243.91)</b>                           | (202,154.14)                          |
| Expenses not deductible for tax purposes  | <b>2,946,333.23</b>                           | 5,516,803.95                          |
| Effect of opening balance of deferred income tax arising from changes in tax rate                           | -   | -                                     |
| Tax effect of deductible temporary differences & deductible loss which are not recognized in current period | <b>4,104,766.95</b>                           | 3,035,942.08                          |
| Tax effect of unrecognized deferred income tax assets   | <b>(104,930.78)</b>                           | (58,747.94)                           |
| Income tax expenses   | <b><u><u>209,458,422.85</u></u></b>           | <u><u>196,007,762.41</u></u>          |

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

Guangyao Baiyunshan (Hong Kong) Co., Ltd. of the Group, pays the corporation profits tax in accordance with “Hong Kong Inland Revenue Ordinance” at the corporate profit tax rate of 16.5%.

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

The following subsidiaries of the Group enjoy preferential tax rate of 15% at current period, including: the Company (No.GR201444000590), Zhong Yi (No.GR201444000836), Guangzhou Han Fang (No.GR201444000631), Jing Xiu Tang (No.GR201444001464), Qi Xing (No.GR201444001047), Chen Li Ji (No.GR201444001125), TianXin (No. GR201444000895), GuangHua (No. GR201544000485), Ming Xing (No.GR201444001349), Guangxi Ying Kang (No.GR201545000083), WLJ Great Health (No. GR201644006480).

The certificates of the 8 companies, were issued in 2014 with 3 year's term of validity. Since the certificates have expired in the year of 2016, the 8 companies have applied for renewal. Preferential enterprise income tax rate of 15% is applicable temporarily. Including the Company, Zhong Yi, Guangzhou Han Fang, Jing Xiu Tang, Qi Xing, Chen Li Ji, Tian Xin, Ming Xing.

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. has 15% of tax preference.

### 5.1.7 Earnings per share

#### (a) Basic earnings per share

##### (i) Weighted Average Basis Earnings per share

Weighted average basis earnings per share is calculated by dividing consolidated net profit for current year attributable to ordinary shareholders of the company by the weighted average number of ordinary share outstanding:

|  | <b>For the<br/>six months<br/>ended June 2017</b> | For the<br>six months<br>ended June 2016 |
|--|---|--|
| Consolidated net profit attributable to ordinary shareholders of the Company | <b>1,158,140,057.29</b>                           | 831,806,521.89                           |
| Weighted average number of ordinary shares outstanding                       | <b>1,625,790,949</b>                              | 1,291,079,250                            |
| Weighted average basic earnings per share                                    | <b>0.712</b>                                      | 0.644                                    |

(ii) Overall diluted Basic earnings per share

Overall diluted basic earnings per share is calculated by dividing consolidated net profit for current year attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding at the end of the period.

|  | <b>For the<br/>six months<br/>ended June 2017</b> | For the<br>six months<br>ended June 2016 |
|--|---|--|
| Consolidated net profit attributable to ordinary shareholders of the Company | <b>1,158,140,057.29</b>                           | 831,806,521.89                           |
| Number of ordinary share outstanding   | <b>1,625,790,949</b>                              | 1,291,079,250                            |
| Overall diluted basic earnings per share                                     | <b>0.712</b>                                      | 0.644                                    |

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing adjusted consolidated net profit for the current period attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. For the six months ended 30 June 2017, there were no potential ordinary shares (For the six months ended 30 June 2016: nil), diluted earnings per share is equal to basic earnings per share.

*5.1.8 Dividends*

Pursuant to the resolution of the 2016 annual general meeting at 23 June 2017, the Group distributed cash dividends amounted to RMB455,221 thousand which was calculated by issued shares at the end of 2016 amounted to 1,625,790,949 to all shareholders; total distributed cash dividends was RMB0.28 per share.

## 5.2 Explanation on changes in accounting policies as compared with the previous annual report

### 5.2. *Implement Accounting Standards for Enterprises No. 42 – Non-Current Assets Held for Sale, Disposal Groups and Discontinued Operations and Accounting Standards for Enterprises No. 16– Government Grants*

The Chinese Ministry of Finance issued *Accounting Standards for Enterprises No. 42 – Non-Current Assets Held for Sale, Disposal Groups and Discontinued Operations* in year 2017 and it has been performed since 28 May 2017, the non-current assets held for sale, disposal groups and discontinuing operation which existed since implementation date are required to be dealt with prospective application.

The Chinese Ministry of Finance revised *Accounting Standards for Enterprises No. 36 – Government Grants* in year 2017 and it has been performed since 12 June 2017, the government grants which existed since 1 January 2017 are required to be dealt with future method; the government grants which existed during the period from 1 January 2017 to implementation date are required to be dealt with this revised accounting standards. The main impact of the Group's implementation of the provisions is as follows:

| <b>Content and changes of accounting policies</b>  | <b>Vetting process</b>         | <b>Affected item and amount</b>   |
|--|--------------------------------|-----------------------------------|
| Government grants related to the ongoing activities are measured into other income instead of non-operating income | Approved by board of directors | Other income:<br>RMB29,495,598.22 |

### 5.3 **There is no significant change in accounting estimation and audit method when compared with the previous annual report.**

### 5.4 **There is no major correction of accounting error during the Reporting Period.**

### 5.5 **Explanation on changes in scope of consolidation as compared with the previous annual report**

#### 5.5.1 *Changes in scope of consolidation arising from other reason:*

The reason for the addition of the 3 companies in scope of consolidation comparing to the previous period are:

- (a) Chen Li Ji, a subsidiary of the Company, Guangdong Ju Xiang Zhai Great Health Industry Holdings Co., Ltd. and Guangzhou Pu Sheng Da Zheng Pharmaceutical Co., Ltd. established Guangzhou Chen Li Ji Great Health Industry Co., Ltd. in January 2017, capital contribution of Chen Li Ji accounts for 44% of registered capital of Guangzhou Chen Li Ji Great Health Industry Co., Ltd which amounted to RMB15 million. Guangzhou Chen Li Ji Great Health Industry Co., Ltd. is in the scope of consolidation as Chen Li Ji has the control right to it.

- (b) The 2 subsidiaries of the Company including WLJ Great Health and WLJ Investment, established Wang Lao Ji Dazhai Beverages Co., Ltd. with Shanxi Dazhai Beverages Co., Ltd. in January 2017, capital contribution of WLJ Great Health and WLJ Investment accounts for 40% and 20% of the registered capital of Wang Lao Ji Dazhai Beverages Co., Ltd which respectively amounted to RMB50 million.
- (c) Wang Lao Ji Dazhai Beverages Co., Ltd., a subsidiary of the Company, established Guangzhou Wang Lao Ji Dazhai Beverages Co., Ltd. in February 2017, and capital contribution of Wang Lao Ji Dazhai Beverages Co., Ltd. accounts for 100% of the registered capital of Guangzhou Wang Lao Ji Dazhai Beverages Co., Ltd which amounted to RMB35 million.

**5.6 There is no explanation from the Board and the Supervisory Committee on any non-standard audit report issued by the auditors during the Reporting Period.**

The Board of  
**Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited**

Guangzhou, the PRC, 18 August 2017

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