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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 2016 INTERIM REPORT

1. IMPORTANT NOTICE

- 1.1** This summary is extracted from the full text of the 2016 interim report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “Company” or “GYBYS”) for the six months ended 30 June 2016 (the “Reporting Period”). Investors who wish to know more details are advised to refer to the full text of the 2016 interim report which will be published on the website (<http://www.sse.com.cn>) of The Shanghai Stock Exchange (“SSE”), and on the website (<http://www.hkex.com.hk>) of The Stock Exchange of Hong Kong Limited (“HKEx”) or other websites designated by China Securities Regulatory Commission (the “CSRC”) carefully.
- 1.2** This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.
- 1.3** The financial reports of the Company and its subsidiaries (the “Group”) and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.4** All the information required to be contained in the summary of the 2016 interim report of the Company pursuant to paragraph 46 of Appendix 16 to the Rules Governing the Listing of Securities on HKEx (the “Listing Rules”) has been published on the website of HKEx in due course.

1.5 Company profile

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

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2 PRINCIPAL FINANCIAL DATA AND CHANGES OF SHAREHOLDERS

2.1 Principal financial data

Principal accounting data	The Reporting Period (unaudited)	The corresponding period of 2015		Changes as compared with the corresponding period of 2015 (%)
		After restatement (unaudited)	Before restatement (unaudited)	
Income from operations (<i>RMB'000</i>)	10,857,269	10,479,664	10,472,156	3.60
Net profit attributable to the shareholders of the Company (<i>RMB'000</i>)	831,807	775,238	775,023	7.30
Net profit attributable to the shareholders of the Company after deducting non-recurring items (<i>RMB'000</i>)	697,330	768,271	769,795	(9.23)
Net cash flow from operating activities (<i>RMB'000</i>)	1,712,991	1,277,382	1,273,322	34.10
Net cash flow from operating activities per share (<i>RMB</i>)	1.33	0.99	0.99	34.10
Total profit (<i>RMB'000</i>)	1,059,136	963,195	962,981	9.96

Principal accounting data	As at 30 June 2016 (unaudited)	As at		Changes as compared with 2015 (%)
		31 December 2015 (audited)	31 December 2015	
Net assets attributable to the shareholders of the Company (RMB'000)	9,292,321	8,450,814		9.96
Total assets (RMB'000)	17,812,149	15,870,577		12.23
Equity per share attributable to the shareholders of the Company (RMB)	7.20	6.55		9.96

Principal accounting data	The Reporting Period (unaudited)	The corresponding period of 2015		Changes as compared with the corresponding period of 2015 (%)
		After restatement (unaudited)	Before restatement (unaudited)	
Basic earnings per share (RMB)	0.644	0.600	0.600	7.33
Diluted earnings per share (RMB)	0.644	0.600	0.600	7.33
Basic earnings per share after deducting non-recurring items (RMB)	0.540	0.595	0.596	(9.24)
Ratio of weighted average return on net assets (%)	9.38	9.58	9.54	A decrease of 0.20 percentage point
Ratio of weighted average return on net assets after deducting non-operating items (%)	7.86	9.49	9.47	A decrease of 1.63 percentage points

Notes:

- (1) *The above financial data and indicators are computed based on the consolidated financial statements.*
- (2) *The Company acquired 100% equity interest in Guangzhou Pharmaceutical Research General Institute Company Limited (“Guangyao General Institute”) under the same parent company in the third quarter of 2015, and restated the financial statements for the first half of 2015 in accordance with the accounting standards.*

2.2 Movement in share capital and its components

Applicable Not applicable

2.3 Introductions on the changes

Applicable Not applicable

2.4 Change in shares with selling restrictions

Name of holder	Number of shares with selling restrictions at the beginning of the Reporting Period (share)	Number of shares released from selling restrictions (share)	Number of additional shares with selling restrictions for the Reporting Period (share)	Number of shares with selling restrictions at the end of the Reporting Period (share)	Reasons for selling restrictions	The date on which shares will be released from selling restrictions
GPHL	34,839,645		0	34,839,645	–	–

Notes:

- (1) According to “Agreement on Purchase of Assets by Issue of Shares” and the relevant supplementary agreements, the 34,839,645 shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed and circulated.
- (2) As the formalities in relation to the trading of 34,839,645 shares subject to selling restrictions held by GPHL have not been completed yet, the above shares are still untradable.

2.5 The top ten shareholders as at the end of the Reporting Period

Total number of shareholders as at the end of the Reporting Period 61,833

Shareholdings of the top ten shareholders of the Company

Shareholders	Increase/ (Decrease) during the Reporting Period <i>(share)</i>	Number of shares held as at the end of the Reporting Period <i>(share)</i>	Approximate percentage of the total issued share capital <i>(%)</i>	Number of shares subject to selling restrictions held <i>(share)</i>	Number of shares pledged or locked <i>(share)</i>	Nature of shares
GPHL	0	583,966,636	45.23	34,839,645	Nil	Domestic shares
HKSCC Nominees Limited	0	219,599,479	17.01	Nil	Unknown	H shares
China Securities Finance Corporation Limited	(3,028,649)	33,378,285	2.59	Nil	Unknown	Domestic shares
China Merchants Bank Company Limited–Hui Tian Fu Medical Service Flexible Configured Mixed Securities Investment Fund	4,526,102	19,587,867	1.52	Nil	Unknown	Domestic shares
Central Huijin Assets Management Co., Ltd.	0	15,260,700	1.18	Nil	Unknown	Domestic shares
The Industrial and Commercial Bank of China Co., Ltd.–Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	0	9,945,228	0.77	Nil	Unknown	Domestic shares
New China Life Insurance Co., Ltd. – Dividend – Group Dividend – 018L – FH001 Hu	0	6,380,585	0.49	Nil	Unknown	Domestic shares
Agricultural Bank of China Co., Ltd. – Fu Guo Zhong Zheng State-owned Enterprises Reform Index Hierarchical Securities Investment Fund	96,400	6,273,521	0.49	Nil	Unknown	Domestic shares
The National Social Security Fund – One Two Portfolio	0	5,000,000	0.39	Nil	Unknown	Domestic shares
Bank of China Co., Ltd – Hua Xia New Economic Flexible Configuration Hybrid Launched Securities Investment Fund	0	4,940,150	0.38	Nil	Unknown	Domestic shares

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

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

2.6 Change of controlling shareholder and beneficial owner of the Company

Applicable Not applicable

3. REPORT OF THE DIRECTORS

3.1 Discussion and analysis of the Board regarding operations

The Group is principally engaged in: (1) Chinese and Western medicine, chemical raw materials, natural medicine, biological medicine, research and development, manufacturing and sales of chemical raw materials intermediates; (2) wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; (3) the research and development, production and sales of great health product; (4) the health industry investment in medical services, health management, health maintenance and elderly care, etc..

During the Reporting Period, in accordance with the development concept of “Year of enhancement in corporate quality”, the Group adopted “capitalization and going-out” strategy to achieve its aim, focused on three main lines including scientific management, risk control and innovation drive, the Group further promoted “Three Upgrades”, i.e. industrial upgrade, asset upgrade and talent upgrade, created “Four Great Sectors”, i.e., Great Southern TCM, Great Health, Great Commerce and Great Medical Care, nurtured “Three New Business Forms”, i.e. e-commerce, capital finance and medical devices, actively improved the industry structure, enhanced industrial quality, improved industrial efficiency, responded effectively to the challenges and maintained steady and rapid growing momentum.

During the Reporting Period, the Group’s revenue amounted to RMB10,857,269,000, increased by 3.60% as compared with the corresponding period of 2015; the total profit was RMB1,059,136,000, increased by 9.96% as compared with the corresponding period of 2015; and the net profit attributable to shareholders of the Company was RMB831,807,000, increased by 7.30% as compared with the corresponding period of 2015.

During the Reporting Period, the Group firstly took active measures to revive the sector of Great Southern TCM. (1) Vigorously promoted the healthy development of its subordinate pharmaceutical manufacturing enterprises by improving the assessment and incentive mechanism and establishing a list of negative work. (2) Further promoted the resources’ integration of its subordinate enterprises. During the Reporting Period, the Group utilized Guangzhou Baiyunshan Pharmaceutical Marketing Company Limited as the marketing integration platform to initially integrate marketing of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited Baiyunshan Pharmaceutical General Factory (“Baiyunshan Pharmaceutical General Factory”),

Guangzhou Baiyunshan Guang Hua Pharmaceutical Company Limited (“Guang Hua”) and Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Company Limited (“Jing Xiu Tang”). (3) Strengthened marketing innovation and focused on nurturing star products, achieving initial results. During the Reporting Period, Zishen Yutai Pills and Angong Niuhuang Pills of Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited, Sildenafil Citrate Tablets (“Jin Ge”) of Baiyunshan General Factory, and Shujin Jianyao Pills of Guangzhou Chen Li Ji Pharmaceutical Company Limited (“Chen Li Ji”) all have achieved a relatively rapid growth of over 60% as compared with the same period of 2015.

Secondly, in accordance with the development concept of the Great Health with “one core, multiple elements”, the Group consolidated and enhanced the brand influence and market position of Wanglaoji herbal tea, actively promoted multiple developments of Great Health product categories and established a Great Health product system. (1) With focus on the theme of “Year of food and beverage marketing”, vigorously expanded catering channels and promoted the new development of the food and beverage market by coordinating with large-scale catering enterprises. (2) Seized the consumption season and created the gift market to win the largest market share of Wanglaoji herbal tea. (3) Consolidated the brand influence and market position of Wanglaoji herbal tea through a number of means including the initiation of China Time-honored Brand Union, development of campus football, establishment of Wanglaoji Scholarship with Tsinghua University, implementation of the activity of “Let Love Return Home in Time”, cooperation with the flagship program of Zhejiang TV, the Challenger League, tying-up with the popular IP “Yes, Boss! Season 2” and promoting cross-field marketing partnership with Taobao and mobile games. (4) Promoted the diversification of Great Health products, seized the opportunity of the Summer Davos Forum to launch low-sugar and sugar-free Wanglaoji herbal tea products and cooperated in exploring and developing the walnut drinks market in order to achieve diversified development of Great Health product categories.

Thirdly, the Group kept up with the pharmaceutical business transformation trends, focused on expanding the sales network with innovative ideas and developed new business to realize the transformation of Great Business. (1) Thoroughly promoted the extension of pharmaceutical services. During the Reporting Period, the GP Corp. cooperated with Jiangmen Wuyi Hospital of Traditional Chinese Medicine, First Affiliated Hospital of Guangzhou University of Chinese Medicine, People’s Hospital of Huadu District, Zhujiang Hospital of Southern Medical University, Jinshazhou Hospital of Guangzhou University of Chinese Medicine, Guangdong No.2 Provincial People’s Hospital, Zhuhai and Shenzhen Luohu Hospital Group (that administers 1 level-B hospital and 22 community health care institutions) in the extension of pharmaceutical logistics services. The GP Corp. has implemented cooperation in extension of pharmaceutical logistics services with a total of 12 level-C hospitals, 7 level-B hospitals and 40 primary-level health care institutions. (2) Promoted the development of innovative business. In terms of online e-commerce, Guangzhou Baiyunshan Pharmaceutical’s e-shop in Tmall was put into operation in March this year and the Jianmin Chain-stores of GP Corp. explored O2O operation with daojia.jd.com; on offline retail, GP Corp. established the 4th new-concept Jianmin Chain-store in Hengfu Road in the end of April this year, which is well welcomed by consumers. Jianmin Chain-stores also have been included in the Top 50 Most Valuable Chinese Drugstores.

Fourthly, the Group continued to expand the Great Medical Care and medical device industries and endeavored to completing major projects. (1) In terms of Great Medical Care industry, during the Reporting Period, the Linzhi Baiyunshan Tibetan-style Health Castle Project in Tibet has been completed basically and the internal decoration is in progress now, and it is expected to be completed at the same time with other projects of Lulang International Tourist Town in October this year; in April 2016, Guangzhou Baiyunshan Medical and Health Industry Investment Company Limited signed a cooperation framework agreement with Capital Bio Med Lab, which is a domestically-leading independent third-party medical lab, to make full use of respective advantages to jointly develop the third-party medical testing based on operations mainly about gene testing and so on. (2) In terms of the medical device industry, the Company has reached cooperation intentions with Time Medical Holdings Co., Ltd. and Guangzhou OSMUNDA Medical Device Technology Inc., Ltd., and would work with Time Medical Holdings Co., Ltd. to jointly build a high-end medical device research and production base with independent intellectual property rights in the Development Zone of Guangzhou, and would jointly build an “international medical device R&D incubation industry platform” with Guangzhou OSMUNDA Medical Device Technology Inc. Ltd., aiming the establishment of strategic emerging medical device industry clusters.

Fifthly, the Group promoted the integration of scientific research and quality management resources and improved the scientific research and management system. Through the building of a scientific research integration platform based on Guangyao General Institute, the Group basically achieved centralized management of group-wide scientific research projects. Meanwhile, the Group had established the Guangzhou Wanglaoji Great Health Research Institute to carry out the Group’s Great Health research. During the Reporting Period, the Group has obtained 10 clinical approvals, 4 production approvals, 30 authorized domestic invention patents, 2 utility models and 9 appearance designs and two newly added 2 provincial key laboratories and 4 technological innovation alliances. The invention patents of the “Application of Sarcandra Glabra Extract in Reducing Susceptibility to Influenza Viruses” of Jing Xiu Tang and the “Xiasangju Preparation Making Method” of Guangzhou Xing Qun Pharmaceutical Company Limited (“Xing Qun”) have won the 17th China Patent Award of Excellence; the “Research and Application of Online Blending and Other Key Technologies of Wanglaoji Herbal Drinks” of Gaungzhou Wang Lao Ji Pharmaceutical Company Limited (“Wang Lao Ji”) won the Third-class Award of Technological Progress granted by China National Light Industry Council; the “R&D of Key Fine Powder Making Technology and Its Application in Cephalosporin Powder for Injection” of Guangzhou Tian Xin Pharmaceutical Company Limited (“Tian Xin”) has won the Third-class Science & Technology Award of Guangdong Province; Chen Li Ji has been certified as “Pilot Innovative Enterprise of Guangdong Province”. In addition, by strengthening internal quality inspections, carrying out QC activities, implementing standardized technical transformation and promoting the construction of standardized Chinese herbal medicine plating bases, the Group have enhanced its quality management level.

As at 30 June 2016, the Group and its jointly controlled entities had 61 retail chain pharmacy outlets, including 30 “Cai Zhi Lin” pharmacy outlets which specialized in traditional Chinese medicines, 30 “Jian Min”pharmacy outlets which specialized in western medicine, medical apparatus and instruments, and one pharmacy named Ying Bang.

3.2 Analysis of principal operations

3.2.1 Analysis of changes in the financial statement related subjects:

Items	The Reporting Period (RMB'000)	The corresponding period of 2015 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2015 (%)
Revenue	10,857,269	10,479,664	3.60
Include: income from principal operations	10,779,757	10,406,013	3.59
Cost of sales	6,735,240	6,611,675	1.87
Include: cost from principal operations	6,715,930	6,594,721	1.84
Selling and distribution expenses	2,628,681	2,240,812	17.31
General and administrative expenses	694,103	679,772	2.11
Financial expenses ^{note1}	(29,833)	(17,964)	(66.07)
Net cash flow from operating activities ^{note2}	1,712,991	1,277,382	34.10
Net cash flow from investing activities ^{note3}	(160,548)	(366,625)	56.21
Net cash flow from financing activities ^{note4}	(173,287)	106,115	(263.30)
Research and development expenses	153,050	157,628	(2.90)

Notes:

- (1) *The finance expenses decreased as compared with the corresponding period of last year, which was mainly because: on the one hand, the Company's subsidiaries reasonably allocated funds, made full use of idle funds, optimized the deposit types to make sharp increase in interest income during the Reporting Period; on the other hand, interest expenses decreased as compared with the corresponding period of last year, owing to decrease in bank borrowings of the Group and fall in interest rate during the Reporting Period.*
- (2) *Net cash flow from operating activities for the Reporting Period increased as compared with the corresponding period of last year, which was mainly due to the increase in demolition compensation and government subsidies received by the Company's subsidiaries during the Reporting Period as compared with the corresponding period of 2015.*
- (3) *Net cash flow from investing activities for the Reporting Period increased as compared with the corresponding period of last year, which was mainly due to the decrease in the Company's capital payment for investment projects during the Reporting Period as compared with the corresponding period of last year.*
- (4) *Net cash flow from financing activities for the Reporting Period decreased as compared with the corresponding period of last year, which was mainly because the Group's bank borrowings fell compared with the corresponding period of last year, as it gradually repaid bank borrowings during the Reporting Period.*

3.3 Industry, product and regional analysis of operation results

3.3.1 A Breakdown of the operational results of the principal operations of the Group during the Reporting Period is set out as follows:

Operations	Principal operations by industry					Profit margin of principal operations Increase/(Decrease) over the corresponding period of 2015 (Percentage point)
	Income from principal operations		Cost from principal operations		Profit margin of principal operation (%)	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2015 (%)	Cost from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2015 (%)		
Great Southern TCM	3,526,248	(7.92)	1,926,960	(8.38)	45.35	An increase of 0.27 percentage point
Great Health	4,701,483	7.62	2,404,490	(1.78)	48.86	An increase of 4.90 percentage points
Great Commerce	2,535,696	14.86	2,372,547	16.13	6.43	A decrease of 1.03 percentage points
Others	16,330	4,877.24	11,933	3,383.18	26.93	An increase of 31.35 percentage points
Total	10,779,757	3.59	6,715,930	1.84	37.70	An increase of 1.07 percentage points

Types of products	Results of principal operations on products					Profit margin of principal operations Increase/(Decrease) over the corresponding period of 2015 (Percentage point)
	Income from principal operations		Cost from principal operations		Profit margin of principal operation (%)	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2015 (%)	Cost from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2015 (%)		
Chinese patent medicine	1,450,157	(10.75)	785,462	(7.83)	45.84	A decrease of 1.71 percentage points
Chemical medicine	2,076,091	(5.84)	1,141,498	(8.76)	45.02	An increase of 1.77 percentage points
Total of Great Southern TCM	3,526,248	(7.92)	1,926,960	(8.38)	45.35	An increase of 0.27 percentage point

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

3.3.2 Analysis of regional sales of the Group for the first half of 2016 is set out as follows:

Regions	Income from principal operations (RMB'000)	Increase/(Decrease) over the corresponding period of 2015 (%)
Southern China	5,690,766	1.11
Eastern China	1,931,021	8.91
Northern China	1,266,962	(3.31)
North-Eastern China	169,925	(4.50)
South-Western China	1,321,186	26.63
North-Western China	358,853	16.03
Exports	41,044	(74.92)
Total	10,779,757	3.59

3.4 Analysis on investment

3.4.1 Overall analysis in external equity investment

As at the end of the Reporting Period, the external equity investment of the Group amounted to RMB2,201,169,000, with a growth of RMB89,956,000 as compared with the end of last year. It is 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 Group, and no significant change occurred.

Invested units	Principal business	Shares equity directly held by the Company (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Wang Lao Ji	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Guangzhou Promise Biological Products Co., Ltd.	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Production, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00

Invested units	Principal business	Shares equity directly held by the Company (%)
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd.	Production of large capacity injection, imports and wholesales of medicine	50.00
Hangzhou Zhe Da Han Fang Chinese Medicine Information Engineering Company Limited	Development of technology and technology service	44.00
Golden Eagle Asset Management Co., Ltd. ("Golden Eagle Fund")	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Guangzhou Baiyunshan Wei Yi Medical Investment Management Co., Ltd.	Medical investment management	50.50

(1) Stock investments

Number	Type of stock	Stock code	Stock name	Initial amount of investment (RMB'000)	Number of	Book value	% of stock	Gain/(Loss) during the Reporting Period (RMB'000)
					shares held as at the end of the Reporting Period (share)	as at the end of the Reporting Period (RMB'000)	investment as at the end of the Reporting Period (%)	
1	A Shares of SSE	600038	AVIC Helicopter Co., Ltd	1,806	57,810	2,398	43.47	(650)
2	A Shares of SSE	600664	Harbin Pharmaceutical Group Co., Ltd	3,705	376,103	3,118	56.53	(334)
Other stock investments held as at the end of the Reporting Period				-				
Gain/(Loss) of stock investments sold as at the end of the Reporting Period				-				
Total				5,511		5,516	100.00	(984)

(2) 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 as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
601328	Bank of Communications	525	-	2,221	-	(260)	Available-for-sale financial assets	Purchase
601818	Everbright Bank	10,725	approximately 0.02	22,748	-	(2,468)	Available-for-sale financial assets	Purchase
02289	Chuang Mei Pharmaceutical Company Limited	57,540	7.30	59,466	-	11,243	Available-for-sale financial assets	Purchase

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

Name	Initial investment amount (RMB'000)	Number of shares held (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
Golden Eagle Fund	50,000	-	20.00	39,235	3,052	-	Long-term equity investment	Purchase
Bank of Guangzhou Co., Ltd	100	-	-	100	-	-	Available-for-sale financial assets	Purchase
Shenzhen Zhong Lian Guangshen Pharmaceutical Group Co., Ltd.	312	-	0.30	312	-	-	Available-for-sale financial assets	Purchase
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,678	-	13.00	7,678	-	-	Available-for-sale financial assets	Purchase

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

3.4.3 The Company entrusted loans during the Reporting Period

Names of borrowers	Entrusted loan amount (RMB'000)	Term of loan	Lending rates (%)	Purpose	Pledged property or guarantor	Whether overdue	Whether connected transactions	Relationship with the Company
Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. ("Cai Zhi Lin")	40,000	One year	4.85%	Corporate operation	-	No	No	Wholly-owned subsidiary
Cai Zhi Lin	85,000	One year	4.60%	Corporate operation	-	No	No	Wholly-owned subsidiary
Cai Zhi Lin	293,000	One year	4.35%	Corporate operation	-	No	No	Wholly-owned subsidiary
Guangzhou Pharmaceutical Import & Export Company Limited	115,000	One year	4.35%	Corporate operation	-	No	No	Wholly-owned subsidiary
Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd.	60,000	One year	4.35%	Corporate operation	-	No	No	Subsidiary
Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd.	8,000	One year	5.60%	Corporate operation	-	No	No	Subsidiary
Xing Qun	10,000	One year	4.60%	Corporate operation	-	No	No	Subsidiary
Xing Qun	57,200	One year	4.35%	Corporate operation	-	No	No	Subsidiary
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	8,080	One Year	4.35%	Corporate operation	-	No	No	Wholly-owned subsidiary
Guangzhou Baiyunshan Pharmaceutical Marketing Co., Ltd.	9,920	One Year	4.60%	Corporate operation	-	No	No	Wholly-owned subsidiary
Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. ("Ming Xing")	45,000	One Year	4.35%	Corporate operation	-	No	No	Wholly-owned subsidiary
Total	731,200							

As at 30 June 2016, the Company provided entrusted loans totaling RMB731,200,000 to its subsidiaries.

3.4.4 Use of Proceeds from the issue of A shares

Applicable Not applicable

3.4.5 The fund-raising project

Applicable Not applicable

3.5 The principal subsidiaries and companies in which the Company has shareholding interest during the Reporting Period

Names of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Shares equity directly held by the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
<i>Subsidiary</i>							
Guangzhou WLJ Great Health Industry Co., Ltd. ("WLJ Great Health")	Manufacturing	Production and sales of prepackaged food, dairy products, etc	100,000	100.00	4,432,987	913,632	305,161

Except as mentioned in the above table, the Company had not derived 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 had not engaged in any other operations which had significant impact on the net profit of the Group.

3.6 Analysis of financial conditions

3.6.1 Liquidity

As at 30 June 2016, the current ratio of the Group was 1.57 (31 December 2015: 1.44), and its quick ratio was 1.26 (31 December 2015: 1.06). Accounts receivable turnover rate was 17.87 times, representing a decrease of 4.60% as compared with the corresponding period of 2015. Inventory turnover rate was 5.56 times, representing an increase of 6.69% as compared with the corresponding period of 2015.

3.6.2 Financial resources

As at 30 June 2016, cash and cash equivalents of the Group amounted to RMB5,216,578,000 (31 December 2015: RMB3,837,604,000), out of which approximately 99.72% and 0.28% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2016, the Group had bank borrowings of RMB517,942,000 (31 December 2015: RMB669,439,000), including short-term borrowings of RMB485,932,000 (31 December 2015: RMB629,684,000) and long-term borrowings of RMB32,010,000 (31 December 2015: RMB39,755,000).

3.6.3 Capital structure

As at 30 June 2016, the Group's current liabilities amounted to RMB7,356,229,000 (31 December 2015: RMB6,828,500,000), representing an increase of 7.73% as compared with the corresponding period of 2015, and its long-term liabilities was RMB862,971,000 (31 December 2015: RMB358,144,000), with an increase of 140.96% as compared with the corresponding period of 2015. The shareholders' equity attributable to the shareholders of the Company amounted to RMB9,292,321,000 (31 December 2015: RMB8,450,814,000), with an increase of 9.96% as compared with the corresponding period of 2015.

3.6.4 Capital expenditure

The Group expects the capital expenditure for 2016 to be approximately RMB907 million, among which the expenditure in the first half of 2016 amounted to RMB135 million (in the first half of 2015: RMB150 million), which would be mainly applied in the construction of factories and infrastructure and the information system, etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

3.6.5 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.

3.6.6 Contingent liabilities

As at 30 June 2016, the Group has no significant contingent liabilities.

3.6.7 Charge on the Group's assets

As at 30 June 2016, Guangyao Baiyunshan Hong Kong Company Limited ("Guangyao Baiyunshan Hong Kong Limited"), a wholly-owned subsidiary of the Company, acquired the comprehensive credit loan amounted to HKD300,000, letter of credit and the total amount of trust letter amounted to HKD100,000,000 from Bank of China (Hong Kong) Co Ltd, by the original value amounted to HKD8,893,000, the net value HKD6,453,000 of the buildings of fixed assets and the original value amounted to HKD6,843,000, the net value HKD3,935,000 of investment properties as a pledge, and Trust Certificate and USD52,000, JPY200,971,000 Letter of Credit issued and undue respectively.

3.6.8 Bank loans, overdraft and other borrowings

As at 30 June 2016, the bank loans of the Group amounted to RMB517,942,000 (31 December 2015: RMB669,439,000), with a decrease of RMB151,497,000 as compared with the beginning of 2016. The above bank loans included short-term loans of RMB485,932,000 and long-term loans of RMB32,010,000.

3.6.9 Gearing ratio

As at 30 June 2016, the Group's gearing ratio (total liabilities/total assets ×100%) was 46.14% (31 December 2015: 45.28%).

3.6.10 Material investment

As at 30 June 2016, the Group did not have any other material additional investment.

3.6.11 As at the end of the Reporting Period, the number of employees on the payroll register of the Group was 21,116. The remuneration policy of the employees had no significant change compared with the previous reporting period. The total salary payment for the first half of 2016 was approximately RMB948 million.

3.6.12 Guarantees

Applicable Not applicable

3.7 Plan for profit distribution and increase in share capital from capital reserve in the Reporting Period

The Company initiated the non-public A Shares offering and employee stock ownership started up in December 2014, and the Company received the Approval on the Non-public Offering of Shares by Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (CSRC Approval [2016] No.826) from the CSRC on 3 May 2016. To avoid the impact of distribution of dividend on the progress of the Company's non-public offering of A shares, the Board of Directors of the Company proposed: (1) not to distribute dividend for year 2015 or carrying over reserved funds to equity shares; and (2) after completion of the non-public offering of A shares, the Company will consider a special dividend.

The profit distribution plan has been approved at the 2015 Annual General Meeting of Shareholders of the Company.

3.8 The Board did not recommend the payment of interim dividends for the six months ended 30 June 2016 nor propose any increase in share capital from the capitalization of capital reserve.

3.9 Issues and difficulties encountered in operations and plans for the second half of 2016

Potential challenges and risks that the Group faces include: (1) the global economy is expected to deliver sluggish performance, while the national economy will enter into the new normal state, which will be accompanied by the lack of activity of the capital market; (2) the overall growth rate of pharmaceutical and healthcare industry will see further slowdown due to a number of factors, such as more restriction on the spending on medical insurance, reform on tendering policies, and more stringent regulation on the approval of new drugs, etc.; (3) the over capacity and high level of inventory in the society lead to continuous fall in the prices of industrial products; (4) the growing tendency of deep integration of industrial capital and cross-sectional expansion, along with both the pharmaceutical companies and the non-pharmaceutical companies seeking to secure a greater share in the healthcare industry, has intensified the competition in the industry; (5) continuous decrease in the purchasing power of consumers, and the stalling of growth momentum in consumer products.

In the second half of 2016, the Group will continue to implement the 13th Five-year plan and various work of the “Year of enhancement in corporate quality”:

1. Great Southern TCM industry revitalization project: focus on promoting the sales integration and deepen the operating mode of “industrial operation + commercial platform” of the Company’s manufacturing and trading enterprises; actively implement approvals acquisition and corporate merger and acquisition to accelerate extensive growth; create big product categories and stimulate the sleep category; strengthen the implementation of brand strategy, increase brand investment and promotion efforts in Chinese famous trademarks and time-honored brands to comprehensively raise the market recognition, reputation and loyalty of Guangzhou Baiyunshan Pharmaceutical.
2. Great Health industry development project: maintain the industry leadership of Wanglaoji and continue to strengthen the catering channel construction; strive for complete victory in protection of legal rights, which will provide powerful legal support for Wanglaoji marketing efforts; accelerate Wanglaoji’s presence in the Southeast Asian market; develop Great Health product clusters, standardize Great Health brand and product licensing management to build Great Health product clusters with “one core, multiple elements”.
3. Great Commerce industrial upgrading project: accelerate deep integration with “Internet +”, strengthen cooperation with e-commerce platforms, upgrade the Guangyao Jianmin Website, establish a unified e-commerce platform; accelerate the coverage breadth of extended services of modern pharmaceutical logistics and continue to develop this extended services; accelerate the expansion of the width of the terminal network and speed up the multi-dimensional construction of modern logistics.
4. Great Medical Care industry expansion project: plan scientifically to upgrade the Baiyunshan Hospital; with the leading of projects, constantly consolidate the sector development foundation, pragmatically promote the joint construction of the Chain Medical Diagnostic Center with Siemens and the third-party testing center with OSMUNDA; explore the development and gradually open up the health maintenance and senior care industry.
5. Medical device industry nurturing project: actively promote the projects of Time Medical large imaging equipment production base construction, etc. and vigorously expand the share in medical products.
6. Capital operation project: continue to promote the Four Great Sectors investment, mergers and acquisitions and explore the establishment of a scientific investment management system to attain scientific, standardized and systematic project operation management.
7. Science & technology upgrading project: according to the main task of “integration”, establish a group scientific research integration and innovation platform; by means of “cooperation”, promote the completion of a batch of major scientific research and innovation projects; with “management” as a lever, enhance the quality management level.
8. Management refinement project: strengthen standardized management, refined management, integrated management and information-based management to enhance corporate governance and reduce operating costs.

9. Internationalization project: promote industrial output, capital output and cultural output to drive industrial development.
10. Innovation and entrepreneurship project: rely on the “Internet +” to create the Group’s internal platform of crowd creating, crowd contracting, crowd supporting and crowd funding; explore innovation and entrepreneurship models to add new impetus to corporate development; accelerate the internal innovation and entrepreneurship systems & mechanisms establishment.

3.10 During the Reporting Period, the Company and its subsidiaries have not purchased, sold or repurchased any of the company’s listed shares.

3.11 Corporate Governance

For the six months of the Reporting Period ended 30 June 2016, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and the code provisions of the CG Code except that (i) Ms. Liu Juyan and Mr. Wang Wenchu, executive directors of the Company, were unable to attend the 2015 annual general meeting due to business matters which constituted a deviation from code provision A.6.7, and (ii) executive directors of the company, namely Mr. Chen Mao and Mr. Wang Wenchu, independent non-executive directors of the Company, namely Mr. Wong Lun Tak Patrick and Mr. Qiu Hongzhong, were unable to attend the first extraordinary general meeting in 2016, the first class meeting of holders of domestic shares in 2016 and the first class meeting of holders of overseas listed shares in 2016 due to business matters which constituted a deviation from code provision A.6.7.

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

3.12 Model Code for Securities Transactions by directors and supervisors

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

3.13 The Audit Committee of the sixth 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, internal controls and financial report with the management, including the unaudited interim report for the six months ended 30 June 2016.

3.14 Appointment and resignation of directors, supervisors and senior management of the Company during and after the Reporting Period

The Supervisory Committee of the Company had received the written resignation tendered by Ms. Wu Yan, a supervisor of the Company. Ms. Wu Yan tendered her resignation as a supervisor of the Company in order to comply with the requirements of the organization in which she is employed as a full-time employee.

As the number of members of the Supervisory Committee of the Company will be less than three (being the minimum number prescribed by the Articles of Association of the Company) upon the resignation of Ms. Wu Yan, the resignation of Ms. Wu Yan will become effective after the new supervisor has been elected at the general meeting of the Company to be held to fill the vacancy. Ms. Wu Yan shall continue to perform her duties as a supervisor in accordance with the applicable laws, regulations and the Articles of Association of the Company until her successor is elected. The Supervisory Committee of the Company will complete the election of the new supervisor as soon as practicable in accordance with the relevant requirements.

For details, please refer to the announcement of the Company published in Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報), on the website of the SSE and the website of the HKEx (www.hkex.com.hk) on 4 February 2016.

3.15 Other important matters

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

- (i) As approved at the 23rd meeting of the fifth session of the Board, Wang Lao Ji Great Health, a wholly-owned subsidiary of the Company, proposed to establish Wang Lao Ji herbal tea production base in Ya'an, Si Chuan province to offer more jobs opportunities, the total investment of the project was expected to be RMB298 million for the construction of two canning production lines. The project had succeeded in production line debugging as planned on 20 April 2015 and entered the stage of quantity production. At present, the project is at the stage of auditing in relation to its completion and it's expected to complete before the end of October 2016.

For details, please refer to the announcement dated 17 July 2013 published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報) and on the website of the SSE and the announcement dated 16 July 2013 published in the HKEx.

- (ii) 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.

- (iii) As approved at the 7th meeting of the Strategic Development and Investment Committee of the Company in 2015, the Company invested RMB150,000,000 to subscribe LP Shares in Guangzhou Sino-Israel Bio-industry Investment Fund (LLP) (the “Sino-Israel Fund”) and contributed RMB500,000 (representing 10%) to the establishment of Guangzhou Elim Biotech Industrial Venture Capital Management Company (“Elim Biotech”). Elim Biotech has been established and the Company has paid the first contribution of RMB50 million for shares of the limited partnership fund in accordance with the agreement.

For more details, please refer to the announcement published by the Company in Shanghai Securities News, Securities Times, China Securities journal, Securities Daily and on the website of the SSE and HKEx on 29 October 2015.

- (iv) As approved at the 8th meeting of the Strategic Development and Investment Committee of the Company in 2015, Cai Zhi Lin, a wholly-owned subsidiary of the Company, increased capital of RMB19,199,000 in cash to its wholly-owned enterprise Guangzhou Medicine Company Chinese Herbal Pieces Factory. After the capital increase, the registration capital of Guangzhou Medicine Company Chinese Herbal Pieces Factory will increase to RMB20,000,000. Currently, the above transaction is in progress.
- (v) 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 was injected into Guangyao Baiyunshan Hongkong Company by the Company, which could be paid by installment. The first phase of capital increase of RMB58,464,000 had completed on 23 December 2015.
- (vi) As approved at the 2nd Strategic Development and Investment Committee Meeting of the Company in 2016, the Company contributed addition capital of RMB20.4 million to its controlled subsidiary Guangzhou Yigan Biological Products Co., Ltd. (“Yi Gan”). After the capital increase, the registered capital of Yi Gan had been increased to RMB55 million. The capital increase of RMB5.1 million in the first phase has been completed.
- (vii) As approved at the 3rd Strategic Development and Investment Committee Meeting of the Company in 2016, the Company’s subsidiary, Xing Qun, participated in the publicly listed auction for 28 proprietary pharmaceutical production technologies of eight dosage forms from Guangzhou Zhujiang Pharmaceutical Company at a price of no more than RMB38 million. The Company obtained the aforementioned 28 proprietary pharmaceutical manufacturing technologies with RMB34.35 million.

3.15.2 The Group's purchase and disposal of assets or enterprise mergers and other transactions after the Reporting Period

- (i) As approved at the 5th Strategic Development and Investment Committee Meeting of the Company held in 2016, the Company and GPLH have signed an Office Lease Contract in relation with the lease of the office located on the 5th Floor, No. 45, North Shamian Street, Liwan District, Guangzhou (with an area of 531 square metres) to GPLH. The term of the lease of the above property is three years, commenced from 1 July 2016 to 30 June 2019, and the rent for the lease for three years totals RMB1,240,800.
- (ii) As approved at the 5th Strategic Development and Investment Committee Meeting of the Company held in 2016, the Company's subsidiary, Xing Qun, intended to invest RMB3 million to establish a wholly-owned subsidiary Guangzhou Baiyunshan Xing Qun Health Technology Co., Ltd. ("Xing Qun Health Technology"), which will mainly focus on operating the Great Health products of Xing Qun. The above project is under way.
- (iii) As approved at the 5th Strategic Development and Investment Committee Meeting 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 by way of contributing the value of intangible assets according to valuation. The above project is under way.
- (iv) As approve at the 5th Meeting of the Company's Strategic Development and Investment Committee held in 2016, the Company intended to contribute additional capital of RMB15 million in cash to its wholly-owned subsidiary, Medical and Healthcare Industry Company will inject such amount of capital into Tibet Linzhi Baiyunshan Tibetan-style Health Castle Management Company Limited (the "Tibet Company"). Upon completion of the above capital increase, the registered capital of the Tibet Company will be RMB50 million. The above project is under way.
- (v) As approved at the 5th Meeting of the Company's Strategic Development and Investment Committee held 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") intended to sign 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 metres (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. The above project is under way.

3.15.3 Progress on the Company's non-public offering of A shares

The Company's plans of non-public A shares offering and employee stock ownership have been reviewed and adopted at the 8th Meeting of the 6th session of the Board of Directors and the Company's 1st Extraordinary General Meeting, A Shareholders' Meeting and H Shareholders' Meeting in 2015. The 13th, 16th and 18th Meeting of the 6th session of the Board of Directors that held respectively on 9 July, 28 October and 26 November of year 2015 have reviewed and adopted the plan for non-public A shares offering and other related matters. The 20th Meeting of the 6th Board of Directors held on 15 January 2016 has reviewed and adopted the Proposal to Extend the Validity Period of the Shareholder Meeting's Resolution on Non-public A Shares Offering, which was then reviewed and adopted by the Company's 1st Extraordinary General Meeting, A Shareholders' Meeting and H Shareholders' Meeting in 2016. On 3 May, 2016, the Company received the Approval on the Non-public Offering of Shares by Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (CSRC Approval [2016]No.826) from the CSRC.

The Company has raised a total of RMB7,885,807,628.44 from the non-public A shares offering. After deduction of the issuance expenses of approximately RMB22,361,100.11, the actual net amount of approximately RMB7,863,446,528.33 has been raised and has been transferred to the account of the Company. The share registration procedure regarding the issue of new shares is currently under way. An announcement will be made by the Company after completion of the share registration procedure.

4. FINANCIAL REPORTS

4.1 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 2016 (unaudited)	31 December 2015 (audited)
Current assets			
Cash at bank and on hand		5,545,882,814.27	4,118,291,426.52
Financial assets based on fair value to confirm profit or loss		5,515,852.67	6,499,789.60
Notes receivable		1,625,767,798.24	1,450,035,581.39
Accounts receivable	4.1.3	1,623,866,963.31	1,051,642,996.39
Advances to suppliers		184,399,442.80	316,795,764.49
Interest receivable		-	-
Dividends receivable		52,938,523.45	-
Other receivables		216,924,034.35	209,264,412.47
Inventories		2,244,008,810.61	2,543,866,145.35
Current portion of non-current assets		-	-
Other current assets		22,919,645.64	108,317,835.73
		<hr/>	<hr/>
Total current assets		11,522,223,885.34	9,804,713,951.94
		<hr/>	<hr/>
Non-current assets			
Available-for-sale financial assets		386,392,130.38	328,372,231.24
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments		2,201,169,000.53	2,111,212,976.44
Investment properties		235,501,227.74	234,615,086.24
Fixed assets		1,953,246,023.12	1,933,901,738.15
Construction in progress		507,062,476.39	555,906,380.17
Construction materials		-	-
Fixed assets pending for disposal		-	-
Intangible assets		534,419,017.69	540,174,651.69
Development costs		3,017,046.84	5,509,098.53
Goodwill		11,499,562.74	2,282,952.18
Long-term prepaid expenses		57,600,238.74	24,112,146.30
Deferred tax assets		363,951,240.90	329,776,054.32
Other non-current assets		36,067,500.00	-
		<hr/>	<hr/>
Total non-current assets		6,289,925,465.07	6,065,863,315.26
		<hr/>	<hr/>
TOTAL ASSETS		17,812,149,350.41	15,870,577,267.20
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Balance Sheet (Continued)

ITEMS	<i>Note</i>	30 June 2016 (unaudited)	31 December 2015 (audited)
Current liabilities			
Short-term borrowings		485,932,527.99	629,683,464.69
Financial liabilities based on fair value to confirm profit or loss		—	—
Notes payable		152,783,759.23	292,607,099.65
Accounts payable	4.1.4	2,773,310,037.08	2,636,474,108.05
Advances from customers		824,944,774.42	974,514,210.30
Employee benefits payable		368,387,330.72	413,029,738.15
Taxes payable		162,297,046.27	74,514,458.11
Interest payable		272,598.80	359,628.56
Dividends payable		41,481,958.61	52,066,098.91
Other payables		2,546,818,880.77	1,755,251,103.41
Current portion of non-current liabilities		—	—
Other current liabilities		—	—
Total current liabilities		7,356,228,913.89	6,828,499,909.83
Non-current liabilities			
Long-term borrowings		32,009,955.51	39,755,174.34
Debentures payable		—	—
Long-term payables		20,707,855.59	22,219,899.34
Payables for specific projects		19,058,160.00	19,058,160.00
Provisions		61,740,266.73	64,162,534.32
Deferred income		693,915,906.69	183,587,858.83
Deferred tax liabilities		35,236,493.97	29,063,935.23
Long-term Employee benefits payable		302,626.92	296,646.40
Total non-current liabilities		862,971,265.41	358,144,208.46
Total liabilities		8,219,200,179.30	7,186,644,118.29
Shareholders' equity			
Share capital		1,291,079,250.00	1,291,079,250.00
Capital surplus		2,346,435,108.64	2,346,435,108.64
Less: Treasury share		—	—
Other comprehensive income		8,967,408.80	(732,678.19)
Surplus reserve		930,522,262.36	930,522,262.36
Undistributed profits		4,715,317,012.37	3,883,510,490.48
Total equity attributable to shareholders of the Company		9,292,321,042.17	8,450,814,433.29
Minority interest		300,628,128.94	233,118,715.62
Total shareholders' equity		9,592,949,171.11	8,683,933,148.91
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		17,812,149,350.41	15,870,577,267.20

Consolidated Income Statement

ITEMS	<i>Note</i>	For the six month ended 30 June 2016 (unaudited)	For the six month ended 30 June 2015 (unaudited)
1. Revenue	4.1.5	10,857,269,320.09	10,479,663,522.22
Less: Cost of sales	4.1.5	6,735,239,535.84	6,611,675,061.29
Taxes and surcharges		85,932,181.25	100,589,514.32
Selling and distribution expenses		2,628,680,980.38	2,240,812,249.73
General and administrative expenses		694,102,526.60	679,771,800.20
Financial expenses		(29,832,547.34)	(17,964,117.49)
Asset impairment losses		1,775,639.95	12,110,561.98
Add: Profit arising from changes in fair value		(983,936.93)	2,378,598.90
Investment income		145,285,375.91	100,411,767.69
Including: Share of profit of associates and jointly controlled entities		145,271,601.20	100,028,397.14
2. Operating profit		885,672,442.39	955,458,818.78
Add: Non-operating income		203,668,662.82	58,934,935.76
Including: Gain on disposal of non-current assets		313,315.04	106,218.52
Less: Non-operating expenses		30,205,246.28	51,198,436.73
Including: Losses on disposal of non-current assets		698,504.23	533,803.68
3. Total profit		1,059,135,858.93	963,195,317.81
Less: Income tax expenses	4.1.6	196,007,762.41	170,512,932.11
4. Net profit		863,128,096.52	792,682,385.70
– Attributable to shareholders’ of the Company		831,806,521.89	775,238,268.04
– Minority interest		31,321,574.63	17,444,117.66

Consolidated Income Statement (Continued)

ITEMS	<i>Note</i>	For the six month ended 30 June 2016 (unaudited)	For the six month ended 30 June 2015 (unaudited)
5. Other comprehensive net income after tax		9,695,211.21	2,960,699.55
Other comprehensive net income after tax attributable to shareholders' equity of parent company		9,700,086.99	2,951,940.41
(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		9,700,086.99	2,951,940.41
1) Portion of items will be classified into profit or loss when under equity method		76,864.68	(60,983.96)
2) Profit or loss arising from changes in fair value of available for sale financial assets		7,360,090.00	2,921,615.11
3) Differences arising from translation of foreign currency financial statements		2,263,132.31	91,309.26
Other comprehensive net income after tax attributable to minority shareholders' equity		(4,875.78)	8,759.14
6. Total comprehensive income		872,823,307.73	795,643,085.25
(1) Total comprehensive income attributable to shareholders' equity of parent company		841,506,608.88	778,190,208.45
(2) Total comprehensive income attributable to minority shareholders' equity		31,316,698.85	17,452,876.80
7. Earnings per share			
– Basic earnings per share	<i>4.1.7</i>	0.644	0.600
– Diluted earnings per share	<i>4.1.7</i>	0.644	0.600

4.1.1 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.

4.1.2 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 2016 and as of 30 June 2016 areas follows:

	Great Southern TCM	Great Health	Great 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 associates and jointly 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 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	7,928,147,073.64	4,432,986,690.24	4,333,608,210.89	8,759,796,291.54	(7,642,388,915.90)	17,812,149,350.41
Total liabilities	4,510,184,877.88	3,519,355,038.87	4,057,948,382.61	1,332,167,023.27	(5,200,455,143.33)	8,219,200,179.30
Long-term equity investments in associates and jointly controlled entities	86,147,142.39	-	-	2,115,021,858.14	-	2,201,169,000.53
Additions of non-current assets other than long-term equity investments	172,957,726.89	12,599,004.59	3,311,432.21	25,499,644.77	-	214,367,808.46

(2) The segment information for the six months ended 30 June 2015 and as of 31 December 2015 are as follows:

	Great Southern TCM	Great Health	Great Commerce	Other	Elimination	Total
Revenue	3,880,250,789.18	4,368,484,777.90	2,216,622,120.15	14,305,834.99	-	10,479,663,522.22
Inter-segment revenue	1,157,806,414.95	8,332,466.93	2,931,249,847.98	68,672,632.42	(4,166,061,362.28)	-
Interest income	(6,620,957.34)	(23,293,433.71)	(7,467,099.95)	(3,215,989.95)	4,910,010.95	(35,687,470.00)
Interest expenses	14,310,966.42	-	33,020,023.72	13,272,541.40	(42,826,361.56)	17,777,169.98
Share of profit or loss of associates and jointly controlled entities	(21,103,079.35)	-	(40,397.57)	122,227,238.35	(1,055,364.29)	100,028,397.14
Asset impairment losses	9,376,168.95	390,031.53	10,268,960.90	-	(7,924,599.40)	12,110,561.98
Depreciation and Amortization	95,544,052.09	2,625,623.39	3,413,695.68	8,377,236.67	(72,052.50)	109,888,555.33
Total profit	347,245,783.23	354,848,368.79	25,764,603.89	170,325,238.45	65,011,323.45	963,195,317.81
Income tax expenses	32,396,866.21	88,911,130.74	5,538,748.41	34,398,840.19	9,267,346.56	170,512,932.11
Net profit (Including: minority interest)	314,848,917.02	265,937,238.05	20,225,855.48	135,926,398.26	55,743,976.89	792,682,385.70
Total assets	7,704,680,636.46	3,883,794,696.88	4,374,126,249.76	8,017,210,356.26	(8,109,234,672.16)	15,870,577,267.20
Total liabilities	4,442,907,371.01	3,275,323,820.46	4,142,247,157.89	1,067,328,341.52	(5,741,162,572.59)	7,186,644,118.29
Long-term equity investments in associates and jointly controlled entities	128,016,390.34	-	-	1,983,196,586.10	-	2,111,212,976.44
Additions of non-current assets other than long-term equity investments	89,277,388.42	37,803,218.68	7,899,125.15	12,368,401.09	-	147,348,133.34

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:

	The six months ended 30 June 2016	The six months ended 30 June 2015
Revenue from external customers		
PRC	10,816,225,709.42	10,316,013,258.82
Other countries/regions	41,043,610.67	163,650,263.40
	10,857,269,320.09	10,479,663,522.22
Total non-current assets	30 June 2016	31 December 2015
PRC	5,821,890,754.10	5,639,816,203.36
Other countries/regions	19,648,512.34	19,855,998.99
	5,841,539,266.44	5,659,672,202.35

4.1.3 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:

	30 June 2016	31 December 2015
Within 1 year	1,494,983,520.72	895,601,374.31
1 to 2 years	168,910,057.47	188,310,732.65
2 to 3 years	16,035,868.56	16,312,026.02
3 to 4 years	2,541,645.17	4,481,955.06
4 to 5 years	5,018,853.07	3,734,629.21
Over 5 years	14,106,688.89	12,829,505.70
	1,701,596,633.88	1,121,270,222.95
Less: Provision for bad debts	77,729,670.57	69,627,226.56
	1,623,866,963.31	1,051,642,996.39

4.1.4 Accounts payable

The ageing of accounts payable is analyzed as follows:

	30 June 2016	31 December 2015
Within 1 year	2,557,357,292.06	2,452,193,485.28
Over 1 year	215,952,745.02	184,280,622.77
	<u>2,773,310,037.08</u>	<u>2,636,474,108.05</u>

4.1.5 Revenue and cost of sales

	The six months ended 30 June 2016		
	Main operation	Other operation	Subtotal
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
	The six months ended 30 June 2015		
	Main operation	Other operation	Subtotal
Revenue	10,406,013,218.79	73,650,303.43	10,479,663,522.22
Cost of sales	6,594,720,564.55	16,954,496.74	6,611,675,061.29
Gross profit	3,811,292,654.24	56,695,806.69	3,867,988,460.93

4.1.6 Income tax expenses

	The six months ended June 2016	The six months ended June 2015
Current income tax	223,515,051.50	157,167,369.95
Deferred income tax	(27,507,289.09)	13,345,562.16
	<u>196,007,762.41</u>	<u>170,512,932.11</u>

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:

	The six months ended June 2016	The six months ended June 2015
Total profit	1,059,135,858.93	963,195,317.81
Income tax expenses calculated at 25%	264,783,964.73	240,798,829.45
Tax effect of different rates applicable to subsidiaries	(54,033,382.75)	(57,363,443.76)
Adjust effect for income tax of previous period	(424,602.52)	(2,396,077.86)
Gain or loss belong to associates & joint venture	(22,610,061.00)	(13,195,356.13)
Non-taxable revenue	(202,154.14)	(1,139,473.46)
Expenses not deductible for tax purposes	5,516,803.95	703,083.91
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	3,035,942.08	3,487,368.67
Tax effect of unrecognized deferred income tax assets	(58,747.94)	(381,998.71)
Income tax expenses	<u>196,007,762.41</u>	<u>170,512,932.11</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), Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (“Qi Xing”) (No.GR201444001047), Chen Li Ji (No.GR201444001125), Tian Xin (No.GR201444000895), Guang Hua (No. GR201544000485), Ming Xing (No.GR201444001349), Guangxi Ying Kang Pharmaceutical Company Limited (No.GR201545000083).

4.1.7 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:

	The six months ended 30 June 2016	The six months ended 30 June 2015
Consolidated net profit attributable to ordinary shareholders of the Company	831,806,521.89	775,238,268.04
Weighted average number of ordinary shares outstanding	1,291,079,250.00	1,291,297,083.00
Weighted average Basic Earnings per share	<u>0.644</u>	<u>0.600</u>

(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.

	The six months ended 30 June 2016	The six months ended 30 June 2015
Consolidated net profit attributable to ordinary shareholders of the Company	831,806,521.89	775,238,268.04
Number of ordinary share outstanding	1,291,079,250.00	1,291,079,250.00
Overall diluted basic earnings per share	0.644	0.600

(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 2016, there were no potential ordinary shares (For the six months ended 30 June 2015: nil), diluted earnings per share is equal to basic earnings per share.

4.2 There is no significant change in accounting policies, estimation and audit method when compared with the 2015 annual report.

4.3 There is no major correction of accounting error during the Reporting Period.

4.4 Explanation on changes in scope of consolidation as compared with the previous annual report.

4.4.1 Business combination involving enterprises not under common control

Acquiree	Time of acquiring equity	Cost of acquiring equity (RMB)	Ratio of acquiring equity (%)	Mode of acquiring equity	Acquisition date	Determination basis of acquisition date	Income of acquiree from acquisition date to the end of the Reporting Period (RMB)	Net profit of acquiree from acquisition date to the end of the Reporting Period (RMB)
BYS Hospital	April 2016	46,500,000.00	51.00	Additional share	April 2016	Transfer of corporate control	16,329,808.27	1,634,234.39

4.4.2 Changes in scope of consolidation arising from other reason:

The reason for the addition of one company in the scope of consolidation comparing to the previous reporting period is: Xing Qun, a subsidiary of the Company, established Xing Qun Health Technology in May 2016, with a registered capital of RMB3 million, and holds 100% therein.

- 4.5** 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, 17 August 2016

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. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Chu Xiaoping and Mr. Jiang Wenqi as independent non-executive directors.