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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 2015 INTERIM REPORT

1. IMPORTANT NOTICE

- 1.1 This summary is extracted from the full text of the 2015 interim report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “Company”) for the six months ended 30 June 2015 (the “Reporting Period”). Investors who wish to know more details are advised to refer to the full text of the 2015 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 (collectively, 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 2015 interim report of the Company pursuant to paragraphs 46 and 51 of Appendix 16 to the Rules Governing the Listing of Securities on HKEx (the “Listing Rules”) has been published on the website (<http://www.hkex.com.hk>) of HKEx.

1.5 Company Profile

Stock abbreviation:	BAIYUNSHAN
Stock code:	600332 (A Share)
Stock exchange:	The Shanghai Stock Exchange
Stock abbreviation:	BAIYUNSHAN PH
Stock code:	0874 (H Share)
Stock exchange:	The Stock Exchange of Hong Kong Limited

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2 PRINCIPAL FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

2.1 Principal financial data

Principal Accounting Data	The Reporting Period (Unaudited)	The corresponding period of 2014 (Unaudited)	Changes as compared with the corresponding period of 2014 (%)
Income from operations (RMB'000)	10,472,156	10,020,290	4.51
Net profit attributable to the shareholders of the Company (RMB'000)	775,023	673,659	15.05
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	769,795	659,693	16.69
Net cash flow from operating activities (RMB'000)	1,273,322	1,167,005	9.11
Net cash flow from operating activities per share (RMB)	0.99	0.90	9.13
Total profit (RMB'000)	962,981	855,972	12.50

Principal Accounting Data	As at 30 June	As at 31	Changes as
	2015	December 2014	compared with
	(Unaudited)	(Audited)	31 December
			2014
			(%)
Net assets attributable to the shareholders of the Company (RMB'000)	8,135,434	7,739,301	5.12
Total assets (RMB'000)	16,490,770	14,210,784	16.04
Equity per share attributable to the shareholders of the Company (RMB)	6.30	5.99	5.14

Principal financial indicators	The	The	Changes as
	Reporting	corresponding	compared
	Period	period of 2014	with the
	(Unaudited)	(Unaudited)	corresponding
			period of 2014
			(%)
Basic earnings per share (RMB)	0.600	0.522	15.05
Diluted earnings per share (RMB)	0.600	0.522	15.05
Basic earnings per share after deducting non-recurring items (RMB)	0.596	0.511	16.69
Ratio of weighted average return on net assets (%)	9.54	9.73	A decrease of 0.19 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	9.47	9.53	A decrease of 0.06 percentage point

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

2.2 Movement in share capital and its components

Applicable Not applicable

	Before movement		Increase/Decrease (+, -)					After movement	
	Number of shares (share)	Percentage (%)	New issue (share)	Bonus issue (share)	Transfer of capital reserve (share)	Others (share)	Sub-total (share)	Number of shares (share)	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal entities	34,839,645	2.70	-	-	-	-	-	34,839,645	2.70
3. Other domestic shares	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic non-state-owned legal entities	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Shares held by foreign capital	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal entities	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	1,036,601,005	80.27	-	-	-	(261,400)	(261,400)	1,036,339,605	80.27
2. Domestically listed foreign capital shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign capital shares	219,900,000	17.03	-	-	-	-	-	219,900,000	17.03
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	1,291,340,650	100.00	-	-	-	(261,400)	(261,400)	1,291,079,250	100.00

2.3 Introductions on the changes

Applicable Not applicable

As a follow-up matter of the Major Assets Reorganization, Guangzhou Pharmaceutical Holdings Limited (“GPHL”) performed its obligations under the “Profit Compensation Agreement”, the Company repurchased 261,400 A Shares (the “Repurchased Shares”) from GPHL at the consideration of RMB1 and cancelled them thereafter on 24 April 2015. The Repurchased Shares had been transferred to the security account of the Company on 27 April 2015. Meanwhile, the Company cancelled the Repurchased Shares at the Shanghai Office of China Securities Depository and Clearing Corporation Limited (the “Depository Corporation”) on 7 May 2015, cancelled the repurchase security account and dealt with the industrial and commercial registration of changes in a timely manner.

2.4 Change in shares subject to selling restrictions

Name of holder	Number of shares subject to selling restrictions at the beginning of the Reporting Period (share)	Number of shares released from selling restrictions (share)	Number of additional shares subject to selling restrictions during the Reporting Period (share)	Number of shares subject to 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	0	34,839,645	Note	5 July 2016

Note: 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 2014, being the date on which those shares were listed and circulated.

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

Total number of shareholders as at the end of the Reporting Period 59,859

The top ten shareholders of the Company as at 30 June 2015 are set out as follows

Shareholders	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions held (share)	Number of shares pledged or locked (share)	Nature of shares
GPHL	(261,400)	583,966,636	45.23	34,839,645	Nil	Domestic shares
HKSCC Nominees Limited	64,000	219,611,479	17.01	Nil	Unknown	H shares
Agricultural Bank of China Co., LTD – Fu Guo Zhong Zheng State-owned Enterprises Reform Index Hierarchical Securities Investment Fund	17,330,011	17,330,011	1.34	Nil	Unknown	Domestic shares
The national social security fund – One Two Portfolio	5,466,510	10,466,179	0.81	Nil	Unknown	Domestic shares
New China Life Insurance Co., LTD – Dividend – Group Dividend – 018L – FH001 Hu	4,343,952	6,380,585	0.49	Nil	Unknown	Domestic shares
PICC Property and Casualty Company Limited – Traditional – Profit Portfolio	3,499,990	6,299,902	0.49	Nil	Unknown	Domestic shares
Zhao Xuguang	(468,380)	6,265,437	0.49	Nil	47,500	Domestic shares

Shareholders	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions held (share)	Number of shares pledged or locked (share)	Nature of shares
The Government of Kuwait Investment Authority – own funds	2,120,817	5,665,819	0.44	Nil	Unknown	Domestic shares
Agricultural bank of China Co., Ltd. – Guo Tai Guo Zheng Medicine and Healthcare Industry Index Hierarchical Securities Investment Fund	1,491,070	5,629,706	0.44	Nil	Unknown	Domestic shares
China Construction Bank – Yin Hua Core Value Preferred Stock Securities Investment Fund	5,174,660	5,174,660	0.40	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 several 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) the research and development, manufacturing and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail and import and export of western and Chinese pharmaceutical products and medical apparatus; (3) research and development, production and sales of great health products; and (4) investment in health industry with healthcare, health management and health nursing, etc.

Overall Business Review

During the Reporting Period, based on the development concept of “Management Efficiency Year”, the Group developed in the four directions of reviving the Great Southern TCM, developing the Great Health, promoting the Great Commerce and exploring the Great Medical Care, enlarged marketing innovation, actively improved business structure, further deepened the integrated operation, strengthened the regulated management and the internal control. The Group actively coped with the influence of macro-economic environment changes, medical reform policies and fierce marketing competition, so as to maintain a stable growth momentum.

During the Reporting Period, the Group’s revenue amounted to RMB10,472,156,000, up by 4.51% period-over-period; the total profit was RMB962,981,000, up by 12.50% period-over-period; and the net profit attributable to shareholders of the Company was RMB775,023,000, up by 15.05% period-over-period.

During the Reporting Period, firstly, the Group accelerated the research and development of new drugs and the transformation of technological innovation and the innovation results, actively promoted the upgrading of the Great Southern TCM segment from marketing-oriented to innovation-driven. During the Reporting Period, the Group’s innovation-driven strategy started to produce return. The sales situation was good since the launch of the imitation of Baiyunshan Jin Ge (Sildenafil Citrate Tablets) in October last year, the sales in first half of 2015 of which exceeded RMB100 million, being the second largest category of Baiyunshan General Factory in less than a year since its launch. The sales of Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (“Zhong Yi”) An Gong Niu Huang pill increased by 56% as compared to the same period of last year. Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (“Chen Li Ji”) “Kunxian capsule” obtained European patent for invention. Its sales have increased by 83% in the first half of the year, as compared to the same period of last year.

Secondly, the Group continuously developed the Great Health segment, focused on the three factors of “fashion, technology and cultures”, and constantly reinforced the status of Wang Lao Ji in the herbal tea industry. (i) Strengthened the channel management, made thorough analysis of Wang Lao Ji herbal tea sales channels, through the three biggest sales volume channels, namely traditional, catering and gifts, developed the modern channel and special pass channel at the same time and achieved a good effect. There was a promotion in market foundation work, identity and product sales in the first half of 2015; (ii) established the Wang Lao Ji Northern head office to create the “south/north dual-core” strategic layout of Wang Lao Ji; taking advantage of the favourable qualities of Nansha’s location, the head office of Wang Lao Ji is located in Nansha, accelerating globalization of the brand; completed the entire capacity work of Wang Lao Ji Great Health Industry (Ya’an) Production Base Phase 1, and raised production capacity; (iii) accomplished the rights protection, safeguarded rights and interests, in order to safeguard future development; (iv) there was active preparation for “Internet+” and the “Super Luck+” strategy for 2015 was announced. A super-platform based on mobile internet was created in collaboration with partners such as Tencent, WeChat, JD.com and Suning; (v) accomplished culture and charity marketing. The Group tapped into the advantage of the rich history of Wang Lao Ji as the herbal tea creator and built the Beijing Wang Lao Ji Herbal Tea Museum. It also initiated the “Chinese Time-honored Century-old Brands Alliance”, which gathered 50 time-honored companies to reinvigorate the Chinese brand. The Wang Lao Ji campus football club and the Wang Lao Ji Football Development Fund were established to support the development of youth football.

Thirdly, the Group continued promoting the Great Commerce segment, working on both online and offline. (i) In terms of offline sales, Guangzhou Pharmaceuticals Corporation (“GP Corp.”), the Company’s joint venture, entered into the strategic co-operation regarding extended service project of the drug supply chain with Nanfang Hospital under the Nanfang Medical University, launched the smart pharmacy project in collaboration with Guangdong Provincial Hospital of Traditional Chinese Medicine, the largest hospital of traditional Chinese medicine in Southern China and entered into the modern pharmaceutical logistics extended service co-operation agreement with Panyu Hexian Memorial Hospital. Besides, the third Jian Min modern community pharmacy Guangming store, located in Panyu District in Southern Guangzhou, also began operation. (ii) In terms of the development of online e-business, the Group, Jointown Pharmaceutical Group Co., Ltd. and Saibolan Company, joined together to primarily build the upgraded version of “WeChat business” – Medical Cloud Business and also conducted the collaboration of the first cloud business project – creating the “Baiyunshan Tie Ma” innovative business model.

Fourthly, the Group vigorously explored the Great Medical Care segment and had made a breakthrough. During the Reporting Period, Guangzhou Baiyunshan Medical and Healthcare Industry Investment Company Limited (“Medical and Healthcare Industry Company”) (a wholly-owned subsidiary of the Company), will inject RMB46.5 million into Guangzhou Baiyunshan Hospital Company Limited (“Baiyunshan Hospital”) as capital increase and will be the first major shareholder of Baiyunshan Hospital holding 51% equity interest thereof. Meanwhile, the project of Tibet Linzhi Baiyunshan Tibet Style Health Preservation Castle was actively promoted.

Fifthly, resources integration of technological research and development of the Group was actively promoted and the input in scientific research was increased. (1) During the Reporting Period, 32 invention patents in China and 2 PCT international patents were applied for by the Group. 12 invention patents and 1 PCT international patent were granted. (2) During the Reporting Period, the Group received multiple awards in scientific research: the project of “Basic and Applied Research on Prevention and Treatment of Metabolic Disorders of Glycolipid by Eliminating Dampness Through Harmonised Liver and Smoothed Pivot” jointly submitted by four units including Guangdong Pharmaceutical University and Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (“HWBYS”) was granted the National Science & Technology Progress Award (second class); the “16th China Patent Award, Excellent Award” was granted to “Cefixime Tablet and Preparation Method” of Guangzhou Baiyunshan Pharmaceutical General Factory (“Baiyunshan General Factory”); “Technical innovation research and application for the excellent quality Chinese patent medicine Clearing Heat and Anti-inflammation series of products” conducted by Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (“Jing Xiu Tang”) obtained the 2014 ACFIC Science and Technology Award (third class); “A Lozenge with TCM Extract” of Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (“Pan Gao Shou”) obtained the Invention and Entrepreneurship Award (Silver) at the International Exhibition of Inventions. “Study and application of fritillaria cirrhosa new source fritillaria Taibaiensis listed in Pharmacopoeia of China” carried out by Pan Gao Shou and Guangzhou Baiyunshan Han Fan Contemporary Pharmaceutical Co., Ltd. (“Guangzhou Han Fan”) obtained the 2015 Science and Technology Award of Guangdong Province (second class). “Xia Sang Ju Particle Quality standard research and its industrialized application” of Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (“Xing Qun”) was awarded the 2014 Hunan Provincial Administration of Traditional Chinese Medicine Science and Technology Progress Awards (first class) and the 2014 Hunan Province Science Technology Award (third class). “Study and overall application of the MES in the management and control for the production process of Chinese patent medicine” of Zhong Yi, “Technology Improvement and Application Research of Technique and Quality Control of TCM Sub-Melting Double Gastrointestinal Pill (BuPi YiChang Pills)” of Chen Li Ji and “the Research and Development of Key Technology of Manufacturing Sterile Powder and its Application in Cephalosporin Powder for Injection” of Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (“Tian Xin”) obtained second class, second class and third class in the 2014 Science and Technology Award of Guangzhou, respectively. “A TCM Main Cure for Fibroids and Preparation and Quality Control Method” of Pan Gao Shou was awarded the Guangzhou patent award (second class). (3) During the Reporting Period, for new significant scientific research projects, the project “Development and Application of New Tumor Vaccines” of Guangzhou Baiyunshan Bai Di Biotechnology Co., Ltd. (“Guangzhou Bai Di”) was established as a special pilot of Guangdong Province Strategic Emerging Industrial Region Cluster Development. It obtained a national government grant of RMB8 million and a provincial government grant of RMB19.9 million. The project “Guangzhou Pharmaceutical “Baiyunshan”, Grand Southern TCM Main Domestic Clinically Urgent Drugs Industrialization” of Baiyunshan General Factory was established as a special pilot of Guangdong Province Strategic Emerging Industrial Region Cluster Development. It obtained a provincial government grant of RMB5.2 million. The construction project of Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (“Wang Lao Ji”) Guangdong Province Herbal Tea (Wang Lao Ji) Engineering Technology Research Centre was established; “Guangzhou Baiyunshan Han Fang Research Institute of Extraction and Separation Technology” of Guangzhou Han Fang was established by the construction project of 2015 Guangzhou Research Institute of Technological Planned Enterprise.

Sixthly, standardized management will be reinforced and resource integration will continue to be deepened to achieve integrated operation. During the Reporting Period, focus was put on improvement in various aspects such as quality of centralized procurement, price, delivery period, service, coordination, specification and efficiency and controllable risk. Centralized procurement will be further broadened and deepened. Meanwhile, other tasks such as marketing and technology in resource integration are actively promoted.

During the Reporting Period, the gross profit margin of the manufacturing operations of the Group was 44.67%, representing an increase of 0.74 percentage point as compared with the corresponding period of last year. The gross profit margin of the trading operations was 10.06%, representing an increase of 2.79 percentage points as compared with the corresponding period of last year.

As at 30 June 2015, the Group had 32 retail chain pharmacy outlets, including 31 Guangzhou “Cai Zhi Lin” pharmacy outlets which specialized in traditional Chinese medicines 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 2014 (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)
Revenue	10,472,156	10,020,290	4.51
Include: income from principal operations	10,401,305	9,942,920	4.61
Cost of sales	6,607,107	6,453,610	2.38
Include: cost from principal operations	6,590,425	6,434,992	2.42
Selling and distribution expenses	2,240,816	2,159,618	3.76
General and administrative expenses	675,134	616,146	9.57
Financial expenses ^(note 1)	(17,729)	(3,043)	(482.59)
Net cash flow from operating activities	1,273,322	1,167,005	9.11
Net cash flow from investing activities ^(note 2)	(291,748)	(170,481)	(71.13)
Net cash flow from financing activities ^(note 3)	36,115	(108,807)	133.19
Research and development expenses	157,628	147,437	6.91

Notes:

- (1) The finance expenses decreased as compared with the corresponding period of last year, which was mainly due to the fact that the subordinate enterprises of the Company had a great increase in their interest income through allocated funds, and improved the efficiency of operating funds.
- (2) Net cash flow from investing activities decreased as compared with the corresponding period of last year, which was mainly due to the payment for acquisition of Guangzhou Pharmaceutical Research General Institute Co., Ltd. (“The General Institute”) of the Company.
- (3) Net cash flow from financing activities increased as compared with the corresponding period of last year, which was mainly due to the decrease in the payment of bank loans and dividends of the Group 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:

Principal operations	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)	Gross profit margin of principal operations (%)	Increase/ (Decrease) over the corresponding period of 2014 (Percentage point)
Medicine and healthcare	10,401,305	4.61	6,590,425	2.42	36.64	An increase of 1.36 percentage points

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

3.3.2 Analysis of sales of major products during the Reporting Period is as follows:

Types of products	Income from principal operations		Cost of principal operations		Gross profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)	Cost of principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)	Gross profit margin of principal operations (%)	Increase/ (Decrease) over the corresponding period of 2014 (Percentage point)
Manufacturing operations	7,987,222	5.13	4,419,266	3.74	44.67	An increase of 0.74 percentage point
Trading operations	2,414,083	2.92	2,171,159	(0.18)	10.06	An increase of 2.79 percentage points

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

3.3.3 Analysis of regional sales of the Group for the first half of 2015 is set out as follows:

Regions	Income from principal operations (RMB'000)	Increase/ (Decrease) over the corresponding period of 2014 (%)
Southern China	5,623,792	3.87
Eastern China	1,773,005	(4.44)
Northern China	1,310,327	27.90
North-Eastern China	177,930	20.75
South-Western China	1,043,337	10.74
North-Western China	309,264	4.34
Exports	163,650	(37.73)
Total	10,401,305	4.61

3.4 Analysis on investment

3.4.1 Overall analysis on foreign equity investment

At the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB2,002,818,000 with a growth of RMB52,053,000 as compared with the end of 2014, mainly due to the increase in the long-term equity investment by investment income 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. (“Nuo Cheng”)	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Manufacturing, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
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 Fund 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

Stock investments

Number	Type of Stock	Stock Code	Stock name	Initial amount of investment (RMB'000)	Number of shares held for the Reporting Period (share)	Book value as at the end of the Reporting Period (RMB'000)	% of stock	Gain/ (Loss) during the Reporting Period (RMB'000)
							investment as at the end of the Reporting Period (%)	
1	A Share of SSE	600038	AVIC Helicopter Co., Ltd.	1,806	57,810	3,582	50.69	1,407
2	A Share of SSE	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	289,310	3,483	49.31	972
Other stock investments held as at the end of the Reporting Period				—				
Gain/ (Loss) of stock investments sold as during the Reporting Period				—				
Total				5,511		7,065	100.00	2,379

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	—	3,251	75	462	Available-for-sale financial assets	Acquisition
601818	Everbright Bank	10,725	Approximately 0.02	32,428	1,125	2,468	Available-for-sale financial assets	Acquisition

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	31,541	2,735	–	Long-term equity investment	Acquisition
Bank of Guangzhou Co., Ltd.	100	–	–	100	–	–	Available-for-sale financial assets	Acquisition

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	Mortgaged 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	5.10	Corporate operation	–	No	No	Wholly-owned subsidiary
Cai Zhi Lin	120,000	One year	5.35	Corporate operation	–	No	No	Wholly-owned subsidiary
Cai Zhi Lin	30,000	One year	5.60	Corporate operation	–	No	No	Wholly-owned subsidiary
Cai Zhi Lin	118,000	One year	6.00	Corporate operation	–	No	No	Wholly-owned subsidiary
Guangzhou Pharmaceutical Import & Export Company Limited (“Pharmaceutical Import & Export”)	5,000	One year	5.10	Corporate operation	–	No	No	Wholly-owned subsidiary
Pharmaceutical Import & Export	20,000	One year	5.60	Corporate operation	–	No	No	Wholly-owned subsidiary
Pharmaceutical Import & Export	90,000	One year	6.00	Corporate operation	–	No	No	Wholly-owned subsidiary

Names of borrowers	Entrusted loan amount (RMB'000)	Term of loan	Lending rates (%)	Purpose	Mortgaged property or guarantor	Whether overdue	Whether connected transactions	Relationship with the Company
Guangzhou Bai Di	21,000	One year	5.35	Corporate operation	–	No	No	Subsidiary
Guangzhou Bai Di	29,000	One year	5.60	Corporate operation	–	No	No	Subsidiary
Guangzhou Bai Di	10,000	One year	6.00	Corporate operation	–	No	No	Subsidiary
Guangzhou Han Fang	8,000	One year	5.60	Corporate operation	–	No	No	Subsidiary
Xing Qun	8,000	One year	5.10	Corporate operation	–	No	No	Subsidiary
Xing Qun	36,200	One year	5.35	Corporate operation	–	No	No	Subsidiary
Xing Qun	<u>13,000</u>	One year	5.60	Corporate operation	–	No	No	Subsidiary
Total	<u>548,200</u>							

As at 30 June 2015, the Company provided entrusted loans totaling RMB548,200,000 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

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)
Subsidiary							
Guangzhou Wang Lao Ji Great Industry Co., Ltd. ("WLJ Great Health")	Manufacturing	Production and sales of prepackaged food, dairy products, etc.	100,000	100.00	4,279,719	757,731	265,937

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.

3.6 Analysis of financial conditions

3.6.1 Liquidity

As at 30 June 2015, the current ratio of the Group was 1.40 (31 December 2014: 1.47), and its quick ratio was 1.10 (31 December 2014: 1.04) . Accounts receivable turnover rate was 18.78 times, representing a decrease of 11.90% as compared with the corresponding period of 2014. Inventory turnover rate was 5.21 times, representing a decrease of 6.31% as compared with the corresponding period of 2014.

3.6.2 Financial resources

As at 30 June 2015, cash and cash equivalents of the Group amounted to RMB4,046,969,000 (31 December 2014: RMB3,029,136,000), out of which approximately 99.34% and 0.66% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2015, the Group had bank borrowings of RMB670,273,000 (31 December 2014: RMB560,530,000), including short-term borrowings of RMB624,965,000 (31 December 2014: RMB560,530,000) and long-term borrowings of RMB45,308,000 (31 December 2014: RMB0) .

3.6.3 Capital structure

As at 30 June 2015, the Group's current liabilities amounted to RMB7,895,950,000 (31 December 2014: RMB6,061,527,000), representing an increase of 30.26% as compared with the beginning of 2015, and its long-term liabilities was RMB245,390,000 (31 December 2014: RMB190,278,000), with an increase of 28.96% as compared with the beginning of 2015. The shareholders' equity attributable to the shareholders of the Company amounted to RMB8,135,434,000 (31 December 2014: RMB7,739,301,000), with an increase of 5.12% as compared with the beginning of 2015.

3.6.4 Capital expenditure

The Group expects the capital expenditure for 2015 to be approximately RMB1,393 million, among which the expenditure in the first half of 2015 amounted to RMB150 million (in the first half of 2014: RMB249 million), which would be mainly applied in the construction of factories and infrastructure, purchases of machines and equipment, upgrading 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 2015, the Group has no significant contingent liabilities.

3.6.7 Charge on the Group's assets

As at 30 June 2015, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (“Guangyao Baiyunshan Hong Kong Company”), a wholly-owned subsidiary of the Company, had a general banking facility of HK\$300,000 and a letter of credit, a letter of trust with total limit of HK\$100,000,000 and had drawn up an unearned credit with US\$269,000, YEN132,692,000 granted by Bank of China (Hong Kong) Limited with a charge over its fixed assets, properties and buildings with original value of HK\$8,893,000 and net value of HK\$6,509,000 and investment properties with original value of HK\$6,843,000 and net value of HK\$4,051,000.

3.6.8 Bank loans, overdraft and other borrowings

As at 30 June 2015, the bank loans of the Group amounted to RMB670,273,000 (31 December 2014: RMB560,530,000), with an increase of RMB109,743,000 as compared with the beginning of 2015. The above bank loans included short-term loans of RMB624,965,000 and long-term loans of RMB45,308,000.

3.6.9 Gearing ratio

As at 30 June 2015, the Group's gearing ratio (total liabilities/total assets × 100%) was 49.37% (31 December 2014: 43.99%).

3.6.10 Material investment

As at 30 June 2015, the Group did not have any other material additional investment.

3.6.11 At the end of the Reporting Period, the number of employees on the payroll register of the Group was 12,546. The remuneration policy of the employees had no significant change as compared with the previous reporting period. The total salary payment for the first half of 2015 was approximately RMB632 million.

3.6.12 Guarantees

Guarantees provided to parties other than the Company's subsidiaries

Guaranteed parties	Date of signing of agreements	Amount involved (RMB'000)	Type of guarantees	Term of guarantees	Performance (Yes or No)	Guarantees for connected parties (Yes or No)
Nuo Cheng	24 November 2013	59,088	Joint and several liability guarantee	One year	No	Yes
Accumulated amount of guarantees provided during the Reporting Period (RMB'000)						–
Balance of guarantees as at the end of the Reporting Period (RMB'000)						59,088

The Company's guarantees provided to its subsidiaries

Accumulated amount of guarantees provided to the Company's subsidiaries during the Reporting Period (RMB'000)	–
Balance of guarantees provided to the Company's subsidiaries as at the end of the Reporting Period (RMB'000)	30,000

The Group's guarantees (including those provided to its subsidiaries)

Total amount of guarantees provided (RMB'000)	89,088
Total amount of guarantees provided to the net assets of the Group (%)	1.07
Including:	
Amount of guarantees provided to the Company's controlling shareholder and other connected parties (RMB'000)	–
Direct or indirect guarantees provided to entities with a gearing ratio of over 70% (RMB'000)	30,000
Amount of guarantees provided which exceeds 50% of the total net assets of the Company (RMB'000)	–
Total amount of the above three types of guarantees (RMB'000)	30,000

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

3.7.1 Pursuant to the resolutions on profit and dividend distribution passed at the 2014 annual general meeting held on 26 June 2015, a final dividend of RMB2.80 (including tax) for every 10 shares held was approved and would be paid, in cash, to all shareholders of the Company, based on the total share capital of 1,291,340,650 shares at the end of 2014;

3.7.2 The final dividend of RMB0.28 (including tax) per share for 2014 will be paid to the Company's H Share shareholders whose names appeared on the register of the Company as at 10 August 2015 on or before 24 August 2015;

3.7.3 According to the announcement for 2014 final dividend published in Shanghai 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) in the PRC on 31 July 2015, the registration date for A shares was 6 August 2015, the ex-dividend date was 7 August 2015 and the dividend payment date was 7 August 2015.

3.8 The Board did not recommend the payment of interim dividends for the six months ended 30 June 2015 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 2015

In the year of 2015, the continuous downturn of the domestic macro economy, the possible slowing down of financial investments in the pharmaceutical industry and further implementation of pharmaceutical policies are expected to affect the development of pharmaceutical industry. However, the increasing expansion of population aging, cancellation of the maximum prices of drugs and the expected release of internet sale of drugs have brought us the opportunities for development.

In the second half of 2015, the Group will mainly focus on the following:

- A. Revitalizing the “Grand Southern TCM”. The Group will accelerate the process of integration of resources of the companies under the Group; step up efforts to create star products and vigorously develop pharmaceuticals for children; further strengthen the implementation of famous brand strategy, fully enhance the recognition and reputation of the Group and its brands as well as customer loyalty; and actively carry out mergers and acquisitions and speed up the extensional growth.
- B. Developing “Great Health”. The Group will speed up the channel optimization, increase the rate of city spreading and increase the intensity of marketing; complete the direct selling license and the preparation of direct selling platform; attach great importance to research and development of health products and technological innovation and build large cluster health products.
- C. Boosting “Great Commerce”. The Group will build e-commerce platforms, pharmacy trusteeship service platform and third party logistics platforms; meanwhile, actively carry out expansion, mergers and acquisitions to achieve growth externally.
- D. Developing “Great Medicare”. The Group will rapidly enter into the medical field and occupy the high grounds of development and obtain the advantage of development resources. In addition, it will plan to build a comprehensive Guangzhou Baiyunshan Health Industry Valley by integrating medical, drug, health maintenance and rehabilitation, leveraging on the current advantages in land and buildings resources.

- E. Upgrading “Great Technology”. The Group will actively promote the integration of the edge of the Group in the resources in technological research and development and strengthen the core competitiveness in technological innovation; increase its investments in scientific research to carry out “Great Projects” in the key fields, centralize superior resources in the fields of antineoplastic drugs, cardiovascular drugs and the medicines for gynaecology to carry out independent research and development, seize the opportunity of patents expiration for foreign product to research and develop the chemical generics while strengthening the research and development in chemical drugs in Class One of new drug; explore the development potential of famous Chinese patent medicine and “Old Brand” varieties; promote the cooperation in the fields of medical apparatus and instruments, etc.; advocate the “Great Cooperation” on complementary of science and technology resources advantages.
- F. Optimising “Great Capital”. The Group will steadily boost the Proposed Issue and Placing of A Shares related work and strive for the completion of the Proposed Placement and the implementation of the Employee Stock Ownership Scheme in 2015; promote the acquisition of every business sector.

3.10 Purchase, sale or repurchase of shares

As a follow-up matter of the Major Assets Reorganization, GPLH performed its obligations under the “Profit Compensation Agreement”, the Company repurchased 261,400 A Shares from GPLH at the consideration of RMB1 and cancelled them thereafter on 24 April 2015. The Repurchased Shares had been transferred to the security account of the Company on 27 April 2015. Meanwhile, the Company cancelled the repurchased shares at the Depository Corporation on 7 May 2015, cancelled the repurchase security account and dealt with the industrial and commercial registration of changes in a timely manner.

3.11 Corporate Governance

During the Reporting Period, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and the code provisions of the CG Code except that (i) Ms. Cheng Ning, an executive director of the Company, Mr. Chu Xiaoping and Mr. Jiang Wenqi, both independent non-executive directors of the Company, were unable to attend the 2014 annual general meeting due to business reasons which constituted a deviation from code provision A.6.7, (ii) an independent non-executive director, namely Mr. Wong Lung Tak Patrick, was unable to attend the first extraordinary general meeting in 2015 due to business reasons which constituted a deviation from code provision A.6.7.

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 2015.

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

3.14.1 As approved at the 8th meeting of the sixth session of the Board held on 12 January 2015, Mr. Wu Changhai, Mr. Wang Wenchu and Mr. Zhang Chunbo were appointed as the deputy general managers of the Company. Each of them has a term of office commenced from 12 January 2015 up to the date on which members of the new session of the Board are elected.

3.14.2 As approved at the first extraordinary general meeting in 2015 held on 13 March 2015, Mr. Jiang Wenqi was appointed as the independent non-executive director of the Company. His term of office has commenced from 17 March 2015 up to the date on which members of the new session of the Board are elected.

As approved at the 9th meeting of the sixth session of the Board, Mr. Jiang Wenqi was appointed as a member of each of the Audit Committee, Nomination and Remuneration Committee and Budget Committee, with a term of office from 17 March 2015 up to the date on which members of the new session of the Board are elected.

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of the Company's directors subsequent to the publication of the annual report of the Company for the year ended 31 December 2014 are set out as follows:

Name of Director	Details of Changes
Mr. Wu Changhai	Appointed as a deputy general manager of the Company on 12 January 2015
Mr. Wang Wenchu	Appointed as a deputy general manager of the Company on 12 January 2015
Mr. Wong Lung Tak Patrick	Resigned as an independent non-executive director of Excel Development (Holdings) Limited on 10 August 2015

3.15 Other important matters

3.15.1 As approved at the 23th meeting of the fifth session of the Board, WLJ Great Health, the wholly-owned subsidiary of the Company, proposed to establish WLJ herbal tea production base in Ya'an to offer more job opportunities. The total investment of the project is expected to be RMB298 million for the construction of two canning production lines. The project completed the trial production debugging on schedule on 20 April 2015 and was put into operation. At present, the project completion settlement is in progress and it's expected to complete before the end of October 2015.

For details, please refer to the announcement 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 on 17 July 2015, and on the website of the HKEx on 16 July 2015.

3.15.2 As approved at the 4th meeting of the Strategic Development and Investment Committee in 2014, WLJ Great Health, the wholly-owned subsidiary of the Company and Murad Biotechnology Group Ltd. (穆拉德生物科技集團有限公司) established a joint venture, Guangzhou WLJ Murad Biotechnology Co., Ltd. (廣州王老吉穆拉德生物科技有限公司) with 50% equity interest each. WLJ Great Health would make a contribution of RMB5 million in cash. The transaction mentioned above is in progress.

3.15.3 As approved at the 7th meeting of the Strategic Development and Investment Committee in 2014, the Company acquired 100% equity interest in Guangzhou Pharmaceutical Haima Brand Integration and Communication Co., Ltd. (廣州醫藥海馬品牌整合傳播有限公司) ("Guangyao Haima") with the price of RMB7 million according to the assessment report issued by Zhonghe Appraisal Co., Ltd. (中和資產評估有限公司) as of 31 December 2013. The transaction mentioned above has been completed.

- 3.15.4 As approved at the 1st meeting of the Strategic Development and Investment Committee in 2015, Guangyao Baiyunshan Hong Kong Company would acquire 25% equity interest of Qi Xing held by Guangyong Financial Co., Ltd. through transfer agreement. The transaction mentioned above has been completed.
- 3.15.5 As approved at the 1st meeting of the Strategic Development and Investment Committee in 2015, the Company would make additional capital injection of RMB10 million to Medical and Healthcare Industry Company, the wholly-owned subsidiary of the Company. The registered capital of Medical and Healthcare Industry Company was then increased from RMB10 million to RMB20 million. The transaction mentioned above has been completed.
- 3.15.6 At the 2nd meeting of the Strategic Development and Investment Committee in 2015, the resolution on the additional capital injection from the Company to WLJ Great Health and the establishment of Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (“Nansha subsidiary”) was approved. According to the resolution, the registered capital of WLJ Great Health upon the completion of capital injection would increase from RMB10 million to RMB100 million. The registered capital of the Nansha subsidiary is RMB10 million. WLJ Great Health held 100% equity interest of that company. The transaction mentioned above has been completed.
- 3.15.7 As approved at the 3rd meeting of the Strategic Development and Investment Committee in 2015, Medical and Healthcare Industry Company, a wholly-owned subsidiary of the Company, would acquire equity interest in Baiyunshan Hospital by way of contributing registered capital. Medical and Healthcare Industry Company contributed RMB46.5 million in cash into Baiyunshan Hospital and would hold 51% equity interest thereafter. The transaction mentioned above is currently in progress.
- 3.15.8 As approved at the 4th meeting of the Strategic Development and Investment Committee in 2015, the Company took part in the delisting acquisition of 100% equity interest of the General Institute held by GPHL. The Company acquired the 100% equity interest of General Institute at the consideration of RMB160,197,900. On 7 July 2015, the Company entered into the Equity Trading Contract with GPHL, and became the transferee of the abovementioned equity transfer. The transaction mentioned above has been completed.
- 3.15.9 As approved at the 4th meeting of the Strategic Development and Investment Committee in 2015, the Company contributed RMB25 million in cash as registered capital to Medical and Healthcare Industry Company. Upon completion of the capital injection, the registered capital of Medical and Healthcare Industry Company was increased from RMB20 million to RMB45 million. The transaction mentioned above has been completed.

3.15.10 According to the arrangements of the industrial structure adjustment, 11 enterprises under the Company plan to relocate to the Baiyun base in the Biological Medicine Town of Guangzhou Pharmaceutical Group (“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.

Guangzhou Baiyunshan Ming Xing Pharmaceutical Co.,Ltd. (98.8 mu), Guangzhou Baiyunshan Pharmaceutical Co.,Ltd. Baiyunshan He Ji Gong Pharmaceutical Factory (36 mu), HYBYS (99.7 mu) and GP Corp. (68.5 mu), which are under the Company, 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.

3.15.11 Details of acquisition of assets by the Company during the Reporting Period are set out as follows:

Transaction counterparty or ultimate controlling party	Assets acquired	Date of acquisition	Consideration (RMB)	Contribution to the net profit of the Company from the beginning of the Year to the end of the Reporting Period (applicable to enterprises under the common control) (RMB)	Contribution to the net profit of the Company from the date of acquisition to the end of the Reporting Period (RMB)	Whether connected transactions (if yes, please state the pricing principle)	Pricing principle for the acquisition of assets	Whether the property rights of the assets involved has been transferred	Whether the claims and liabilities of the assets involved have been transferred	Contribution to the Company's net profit by the assets acquired to the total profit of the Company (%)	Connected relationship
The Labour Union Committee of Guangzhou Pharmaceutical Holdings Limited and the Labour Union Committee of the Headquarter of Guangzhou Pharmaceutical Holdings Limited	Guangyao Haima	January 2015	7,000,000.00	259,329.09	N/A	No	Negotiated price	Yes	Yes	0.03	N/A
Guangyong Finance Company Limited	25% equity interest in Qi Xing	April 2015	45,598,100.00	(7,881,365.00)	(11,035,370.20)	No	Negotiated price	Yes	Yes	-	N/A

3.15.12 After the Reporting Period, as approved at the 5th meeting of the Strategic Development and Investment Committee in 2015, the Company participated in the subscription of private share placement of Chongqing Medicines (Group) Co., Ltd. (“Chongqing Medicines”) as a strategic investor. The 10 million private placement shares of Chongqing Medicines will be subscribed at the price of RMB15 per share. The subscription amount is RMB 150 million in total. Following the completion of this capital injection, the Company will hold 2.18% equity interest in Chongqing Medicines. The transaction mentioned above is still in progress.

3.15.13 Implementation of the Non-public Issue of Shares

Trading in the shares of the Company was suspended from 3 December 2014 to 12 January 2015 for the preparation of non-public issue of shares. On 12 January 2015, the Board approved the proposed placing, at the 8th meeting of the sixth session of the Board pursuant to which the Company proposed to issue not more than 419,463,087 new A Shares to 5 subscribers in total, being GPLH, Guangzhou State-owned Asset Development Holdings Limited* (廣州國資發展控股有限公司), Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (Limited Partnership)* (廣州國壽城市發展產業投資企業), Shanghai Yunfeng Xinchuang Investment Management Company Limited* (上海雲峰創新投資管理有限公司) and China Universal Asset Management Company Limited* (匯添富基金管理股份有限公司) (as trustee of the Employee Stock Trust) at the subscription price of RMB23.84 per new A Share, representing a maximum amount of gross proceeds of approximately RMB10,000 million (the “Proposed Placing”).

The Proposed Placing was approved by the independent shareholders, the independent shareholders of A Shares and the independent shareholders of H Shares by poll at the first extraordinary general meeting, the general meeting of holders of A Shares and general meeting of holders of H Shares held on 13 March 2015.

For details of the Proposed Placing, please refer to the announcements of the Company dated 12 January 2015 and 17 March 2015 respectively and the circular of the Company dated 26 February 2015.

On 9 July 2015, the amendments to the Proposed Placing of A Shares and relevant matters were approved at the 13th meeting of the sixth session of the Board. 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 on 10 July 2015 and on the website of the HKEx on 9 July 2015.

On 10 July 2015, the Company submitted the reply on the feedback in relation to the application for the Proposed Placing of A Shares and relevant materials to CSRC.

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 2015 (Unaudited)	31 December 2014 (Audited)
Current assets			
Cash at bank and on hand		4,300,874,391.29	3,180,887,532.85
Financial assets at fair value through profit or loss		7,064,621.90	4,686,023.00
Notes receivable		1,810,123,731.28	1,465,748,952.32
Accounts receivable	4.1.3	1,495,785,370.52	1,005,958,251.13
Advances to suppliers		593,182,291.83	326,857,283.13
Interest receivable		—	—
Dividends receivable		—	—
Other receivables		457,981,240.04	306,276,760.40
Inventories		2,407,211,693.39	2,578,594,687.08
Current portion of non-current assets		—	—
Other current assets		16,967,775.09	20,039,514.77
Total current assets		11,089,191,115.34	8,889,049,004.68
Non-current assets			
Available-for-sale financial assets		137,436,404.73	133,964,228.25
Hold-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments		2,002,817,866.30	1,950,765,099.35
Investment properties		230,625,963.60	235,751,593.75
Fixed assets		1,902,991,296.06	1,824,151,461.75
Construction in progress		407,718,019.65	441,809,706.14
Construction materials		—	—
Fixed assets pending for disposal		—	—
Intangible assets		390,737,753.44	395,201,774.39
Development costs		4,405,323.53	4,252,391.49
Goodwill		2,282,952.18	—
Long-term prepaid expenses		6,189,441.27	6,119,153.03
Deferred tax assets		316,373,574.16	329,719,136.32
Other non-current assets		—	—
Total non-current assets		5,401,578,594.92	5,321,734,544.47
TOTAL ASSETS		16,490,769,710.26	14,210,783,549.15

Consolidated Balance Sheet (Continued)

ITEMS	<i>Note</i>	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Current liabilities			
Short-term borrowings		624,964,892.32	560,530,090.45
Financial liabilities at fair value through profit or loss		—	—
Notes payable		221,704,913.72	356,573,197.95
Accounts payable	4.1.4	3,349,994,976.31	2,075,534,476.45
Advances from customers		793,107,810.49	889,008,552.82
Employee benefits payable		383,963,306.98	411,335,807.76
Taxes payable		188,269,526.64	176,413,871.14
Interest payable		389,780.91	236,666.66
Dividends payable		399,426,035.61	46,931,687.19
Other payables		1,934,129,183.34	1,544,962,787.77
Current portion of non-current liabilities		—	—
Other current liabilities		—	—
Total current liabilities		7,895,950,426.32	6,061,527,138.19
Non-current liabilities			
Long-term borrowings		45,308,010.33	—
Debentures payable		—	—
Long-term payables		22,217,657.40	22,361,807.40
Payables for specific projects		19,058,160.00	19,058,160.00
Provisions		500,191.19	500,191.19
Deferred income		141,968,081.33	132,561,801.90
Deferred tax liabilities		16,041,412.44	15,499,610.21
Long-term employee remuneration payable		296,284.78	296,382.47
Total non-current liabilities		245,389,797.47	190,277,953.17
Total liabilities		8,141,340,223.79	6,251,805,091.36
SHAREHOLDERS' EQUITY			
Share capital		1,291,079,250.00	1,291,340,650.00
Capital surplus		2,466,278,525.06	2,486,283,953.95
Less: Treasury share		—	—
Other comprehensive income		14,830,245.11	11,878,304.70
Surplus reserve		815,487,206.38	815,487,206.38
Undistributed profits		3,547,758,530.95	3,134,310,417.34
Total equity attributable to shareholders of the Company		8,135,433,757.50	7,739,300,532.37
Minority interest		213,995,728.97	219,677,925.42
Total shareholders' equity		8,349,429,486.47	7,958,978,457.79
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		16,490,769,710.26	14,210,783,549.15

Consolidated Income Statement

ITEMS	<i>Note</i>	January to June 2015 (Unaudited)	January to June 2014 (Unaudited)
1. Revenue	4.1.5	10,472,156,458.03	10,020,290,337.63
Less: Cost of sales	4.1.5	6,607,107,255.42	6,453,609,857.96
Taxes and surcharges		99,957,931.05	89,535,264.35
Selling and distribution expenses		2,240,815,641.63	2,159,617,604.65
General and administrative expenses		675,133,764.91	616,146,099.74
Financial expenses		(17,729,332.87)	(3,043,187.21)
Asset impairment losses		12,110,561.98	6,106,650.01
Add: Profit arising from changes in fair value		2,378,598.90	45,693.30
Investment income		100,411,767.69	141,647,947.34
Including: Share of profit of associates and jointly controlled entities		100,028,397.14	142,114,609.80
2. Operating profit		957,551,002.50	840,011,688.77
Add: Non-operating income		56,627,579.61	21,111,186.57
Including: Gain on disposal of non-current assets		106,218.52	99,184.42
Less: Non-operating expenses		51,198,036.73	5,151,263.45
Including: Losses on disposal of non-current assets		533,803.68	796,820.20
3. Total profit		962,980,545.38	855,971,611.89
Less: Income tax expenses	4.1.6	170,512,932.11	158,318,794.74
4. Net profit		792,467,613.27	697,652,817.15
– Attributable to shareholders of the Company		775,023,495.61	673,659,153.85
– Minority interest		17,444,117.66	23,993,663.30

ITEMS	<i>Note</i>	January to June 2015 (Unaudited)	January to June 2014 (Unaudited)
5. Other comprehensive net income after tax		2,960,699.55	(251,810.98)
Other comprehensive net income after tax attributable to shareholders' equity of parent company		2,951,940.41	(252,089.66)
(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		2,951,940.41	(252,089.66)
1) Portion of items will be classified into profit or loss when under equity method		(60,983.96)	–
2) Profit or loss arising from changes in fair value of available for sale financial assets		2,921,615.11	(604,134.23)
3) Differences arising from translation of foreign currency financial statements		91,309.26	352,044.57
Other comprehensive net income after tax attributable to minority shareholders' equity		8,759.14	278.68
6 Total comprehensive income		795,428,312.82	697,401,006.17
(1) Total comprehensive income attributable to shareholders' equity of parent company		777,975,436.02	673,407,064.19
(2) Total comprehensive income attributable to minority shareholders' equity		17,452,876.80	23,993,941.98
7. Earnings per share			
– Basic earnings per share	<i>4.1.7</i>	0.600	0.522
– Diluted earnings per share	<i>4.1.7</i>	0.600	0.522

4.1.1 Basis of preparation

(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 within at least 12 months since the end of the Reporting Period.

4.1.2 Segment Information

As the chief operating decision-maker, the BOD assesses performance of the operating segments and allocates resources by reviewing the Group’s internal reporting. Management has determined the operating segments based on these reports.

The BOD considered the nature of the Group’s business and determined that the Group has two reportable operating segments as follows:

- Manufacturing: manufacture and sale of western pharmaceutical, the CPM and health products produced by the Group’s manufacturing subsidiaries;
- Trading: wholesale and retail of western pharmaceutical products, medical apparatus, CPM and Chinese raw medicine, wholesale of goods other than pharmaceutical products.

Sales between segments are carried out on terms equivalent to those that prevail in arm’s length transactions.

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

(1) The segment information for the six months ended 30 June 2015 and as at 30 June 2015 is as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	8,035,410,147.32	2,386,160,345.17	50,585,965.54	–	10,472,156,458.03
Inter-segment revenue	115,337,137.50	3,844,113,753.90	378,003,024.96	(4,337,453,916.36)	–
Interest income	(29,006,158.98)	(8,097,789.25)	(3,253,828.06)	4,910,010.95	(35,447,765.34)
Interest expenses	10,780,151.87	31,293,860.48	13,272,541.40	(37,569,383.77)	17,777,169.98
Share of profit or loss of associates and jointly controlled entities	(21,103,079.35)	–	122,227,238.35	(1,095,761.86)	100,028,397.14
Asset impairment losses	9,550,832.61	9,411,027.34	1,073,301.43	(7,924,599.40)	12,110,561.98
Depreciation and Amortization	97,264,863.14	2,659,850.82	8,486,924.37	(72,052.50)	108,339,585.83
Total profit	691,232,158.65	40,522,421.44	170,719,288.57	60,506,676.72	962,980,545.38
Income tax expenses	117,833,970.44	9,909,358.34	34,533,561.22	8,236,042.11	170,512,932.11
Net profit (Including: minority interest)	573,398,188.21	30,613,063.10	136,185,727.35	52,270,634.61	792,467,613.27
Total assets	10,829,893,426.83	4,789,328,859.29	8,118,033,597.52	(7,246,486,173.38)	16,490,769,710.26
Total liabilities	6,979,352,703.07	4,488,978,247.31	1,712,200,604.57	(5,039,191,331.16)	8,141,340,223.79
Long-term equity investments in associates and jointly controlled entities	95,716,994.18	–	1,907,100,872.12	–	2,002,817,866.30
Additions of non-current assets other than long-term equity investments	124,732,431.57	7,824,865.38	14,508,541.87	–	147,065,838.82

(2) The segment information for the six months ended 30 June 2014 and as at 31 December 2014 is as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,647,729,182.89	2,353,053,105.96	19,508,048.78	–	10,020,290,337.63
Inter-segment revenue	148,038,521.85	3,039,867,038.15	60,060,666.55	(3,247,966,226.55)	–
Interest income	(22,843,329.04)	(528,905.54)	(711,056.74)	1,807,278.13	(22,276,013.19)
Interest expenses	17,676,152.19	20,465,331.44	12,035,321.00	(30,721,393.86)	19,455,410.77
Share of profit or loss of associates and jointly controlled entities	23,517,070.83	–	107,385,434.91	11,212,104.06	142,114,609.80
Asset impairment losses	4,505,477.60	9,887,528.88	(1,833.53)	(8,284,522.94)	6,106,650.01
Depreciation and Amortization	86,550,920.43	2,442,241.72	8,220,757.44	–	97,213,919.59
Total profit	675,173,948.57	46,109,438.73	416,038,085.66	(281,349,861.07)	855,971,611.89
Income tax expenses	96,722,298.96	10,672,515.83	58,076,517.34	(7,152,537.39)	158,318,794.74
Net profit (Including: minority interest)	578,451,649.61	35,436,922.90	357,961,568.32	(274,197,323.68)	697,652,817.15
Total assets	9,497,318,906.89	3,988,402,163.66	7,343,152,291.65	(6,618,089,813.05)	14,210,783,549.15
Total liabilities	6,103,667,150.76	3,719,893,239.95	968,512,607.47	(4,540,267,906.82)	6,251,805,091.36
Long-term equity investments in associates and jointly controlled entities	146,820,073.53	–	1,803,945,025.82	–	1,950,765,099.35
Additions of non-current assets other than long-term equity investments	240,459,311.53	2,175,756.45	850,934.51	–	243,486,002.49

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:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Revenue from external customers		
PRC	10,308,506,194.63	9,757,491,000.81
Other countries/regions	163,650,263.40	262,799,336.82
	<u>10,472,156,458.03</u>	<u>10,020,290,337.63</u>
Total non-current assets	30 June 2015	31 December 2014
PRC	5,029,880,799.69	4,939,775,252.86
Other countries/regions	19,644,989.00	20,033,099.69
	<u>5,049,525,788.69</u>	<u>4,959,808,352.55</u>

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 in cash, advance or bank notes.

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

	30 June 2015	31 December 2014
Within 1 year	1,443,021,755.19	944,813,755.81
1 to 2 years	75,106,224.70	78,706,663.12
2 to 3 years	6,101,310.19	6,868,859.64
3 to 4 years	5,796,586.91	5,239,589.65
4 to 5 years	1,589,938.37	788,470.95
Over 5 years	12,235,730.66	12,098,245.12
	<u>1,543,851,546.02</u>	<u>1,048,515,584.29</u>
Less: Provision for bad debts	<u>48,066,175.50</u>	<u>42,557,333.16</u>
	<u>1,495,785,370.52</u>	<u>1,005,958,251.13</u>

4.1.4 Accounts payable

The ageing of accounts payable is analysed as follows:

	30 June 2015	31 December 2014
Within 1 year	3,233,085,696.89	2,014,544,777.60
Over 1 year	116,909,279.42	60,989,698.85
	<u>3,349,994,976.31</u>	<u>2,075,534,476.45</u>

4.1.5 Revenue and cost of sales

	Six months ended 30 June 2015		
	Main operation	Other operation	Subtotal
Revenue	10,401,304,798.31	70,851,659.72	10,472,156,458.03
Cost of sales	6,590,425,076.47	16,682,178.95	6,607,107,255.42
Gross profit	3,810,879,721.84	54,169,480.77	3,865,049,202.61

	Six months ended 30 June 2014		
	Main operation	Other operation	Subtotal
Revenue	9,942,920,175.92	77,370,161.71	10,020,290,337.63
Cost of sales	6,434,992,331.39	18,617,526.57	6,453,609,857.96
Gross profit	3,507,927,844.53	58,752,635.14	3,566,680,479.67

4.1.6 Income tax expenses

	Six months ended 30 June 2015	Six months ended 30 June 2014
Current income tax	157,167,369.95	168,101,360.05
Deferred income tax	13,345,562.16	(9,782,565.31)
	<u>170,512,932.11</u>	<u>158,318,794.74</u>

The group's income tax expenses attributable to Hong Kong for current period is RMB123,666.24.

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:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Total profit	962,980,545.38	855,971,611.89
Income tax expenses calculated at 25%	240,745,136.35	213,992,902.97
Tax effect of different rates applicable to subsidiaries	(57,363,443.76)	(24,041,541.07)
Adjustment effect for income tax of previous period	(2,396,077.86)	25,358.88
Gain or loss belonging to cooperative enterprise & joint venture	(13,195,356.13)	(32,488,234.36)
Non-taxable revenue	(1,139,473.46)	(907,393.56)
Expenses not deductible for tax purposes	703,083.90	606,625.29
Tax effect of deductible temporary differences & deductible loss which are not recognized in current period	3,487,368.67	2,394,184.01
Tax effect of unrecognized deferred income tax assets	(328,305.60)	(1,263,107.43)
Income tax expenses	<u>170,512,932.11</u>	<u>158,318,794.74</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%, including: the Company (No.GR201444000590), Zhong Yi (No.GR201444000836), Han Fang (No.GR201444000631), Jing Xiu Tang (No.GR201444001464), Qi Xing (No.GR201444001047), Chen Li Ji (GR201444001125), Tian Xin (No.GR201444000895), Ming Xing (No.GR201444001349) .

Guang Hua Pharmaceutical, a subsidiary of the Group, obtained the certificate of High/New Technology Enterprise in the year of 2012, for which the validity period is 3 years. Guang Hua Pharmaceutical is applying for a renewal due to the certificate expiration in the year of 2014, and it temporarily uses preferential tax rate of 15% for declaration and prepayment of enterprise income tax.

4.1.7 Earnings per share

(a) Basic earnings per share

(i) Weighted Average Basic Earnings per share

Weighted average basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Six months ended 30 June 2015	Six months ended 30 June 2014
Consolidated net profit attributable to ordinary shareholders of the Company	775,023,495.61	673,659,153.85
Weighted average number of ordinary shares outstanding	1,291,297,083	1,291,340,650
Weighted average Basic Earnings per share	<u>0.600</u>	<u>0.522</u>

(ii) Overall diluted Basic earnings per share

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

	Six months ended 30 June 2015	Six months ended 30 June 2014
Consolidated net profit attributable to ordinary shareholders of the Company	775,023,495.61	673,659,153.85
Number of ordinary shares outstanding	1,291,079,250	1,291,340,650
Overall diluted basic earnings per share	<u>0.600</u>	<u>0.522</u>

(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 2015, there were no potential ordinary shares (For the six months ended 30 June 2014: nil), diluted earnings per share is equal to basic earnings per share.

4.1.8 Dividends

Pursuant to the resolution of the 2014 annual general meeting on 26 June 2015, the Group distributed cash dividends amounted to RMB361,575 thousand which was calculated by issued shares amounted to 1,291,340,650 to all shareholders; total distributed cash dividends was RMB0.28 per share.

4.1.9 Net current assets

	30 June 2015	31 December 2014
Current assets	11,089,191,115.34	8,889,049,004.68
Less: Current liabilities	7,895,950,426.32	6,061,527,138.19
Net current assets	<u>3,193,240,689.02</u>	<u>2,827,521,866.49</u>

4.1.10 Total assets less current liabilities

	30 June 2015	31 December 2014
Total assets	16,490,769,710.26	14,210,783,549.15
Less: Current liabilities	7,895,950,426.32	6,061,527,138.19
Total assets less current liabilities	<u>8,594,819,283.94</u>	<u>8,149,256,410.96</u>

4.2 There is no significant change in accounting policies, estimation and audit method when compared with the 2014 annual report.

4.3 There is no significant change in estimation and audit method when compared with the 2014 annual report.

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

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

4.5.1 Business combination involving enterprises not under common control

Acquiree	Time of acquiring equity	Cost of acquiring equity	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 period	Net profit of acquiree from acquisition date to the end of period
Guangyao Haima	January 2015	7,000,000.00	100.00	Acquisition	January 2015	Transfer of corporate control	345,564,894.09	259,329.09

4.5.2 Changes in scope of consolidation arising from other reasons

The reasons for the addition of 5 companies and exclusion of 1 company in scope of consolidation comparing to the previous period are:

(1) Medical and Healthcare Industry Company, a subsidiary of the Company, established Tibet Linzhi Baiyunshan Tibetan Health Castle Management Co., Ltd. in January 2015 with registered capital of RMB10 million, and holds 100% equity interest. (2) WLJ Great Health, a subsidiary of the Company, established Guangzhou Wang Lao Ji Industry Company in January 2015 with registered capital of RMB1 million, and holds 100% equity interest. (3) WLJ Great Health, a subsidiary of the Company, established Wang Lao Ji Great Health Industry (Beijing) Sales Co., Ltd. in February 2015 with registered capital of RMB5 million, and holds 100% equity interest. (4) The Company established Guangzhou Baiyunshan Pharmaceutical Sales Co., Ltd. in March 2015 with registered capital of RMB10 million, and holds 100% equity interest. (5) WLJ Great Health, a subsidiary of the Company, established Guangzhou Wang Lao Ji Great Health Enterprise Development Co., Ltd. in April 2015 with registered capital of RMB10 million, and holds 100% equity interest. (6) Chongqing Guangyao Chinese Herb Development Co., Ltd., which is held by Pan Gao Shou Pharmaceutical and Cai Zhi Lin Pharmaceutical, entered into liquidation in February 2015, and was cancelled in May 2015.

4.6 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 Baiyuanshan Pharmaceutical
Holdings Company Limited**

Guangzhou, the PRC, 14 August 2015

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.