



(Shenzhen Stock Exchange Code: 000963)

2018 Interim Financial Report

August, 2018

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I. Financial Statements

Huadong Medicine Co., Ltd.

Consolidated balance sheet as at June 30, 2018

(Expressed in Renminbi Yuan)

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	3,145,063,988.41	2,505,070,113.49
Settlement funds		
Loans to other banks		
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	1,161,837,487.93	965,969,108.65
Accounts receivable	5,409,741,773.78	4,884,927,855.50
Advances paid	330,998,236.24	243,339,486.36
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance reserve receivable		
Interest receivable		
Dividend receivable	780,000.00	780,000.00
Other receivables	68,411,767.84	46,239,949.69
Reverse-REPO financial assets		
Inventories	3,228,046,209.94	3,406,376,273.50
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	146,102,740.50	740,018,713.65
Total current assets	13,490,982,204.64	12,792,721,500.84
Non-current assets:		
Loans and advances paid		
Available-for-sale financial assets	91,111,431.20	91,111,431.20
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	81,129,759.36	74,905,765.70
Investment property	24,589,653.92	25,399,477.24
Fixed assets	1,945,248,999.92	1,977,136,010.34
Construction in progress	364,547,319.73	201,427,103.98
Construction materials		
Fixed assets disposal		
Productive biological assets		
Oil & gas assets		
Intangible assets	785,790,748.20	609,838,848.26
Development expenditures		
Goodwill	42,948,300.30	42,948,300.30
Long-term prepayments	12,308,275.24	13,642,049.81
Deferred tax assets	89,209,203.42	82,917,971.24
Other non-current assets	160,346,572.54	75,058,078.55
Total non-current assets	3,597,230,263.83	3,194,385,036.62
Total assets	17,088,212,468.47	15,987,106,537.46

Huadong Medicine Co., Ltd.
Consolidated balance sheet as at June 30, 2018 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	421,580,000.00	375,570,000.00
Central bank loans		
Absorbing deposit and interbank deposit		
Loans from other banks		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	202,146,503.04	373,668,239.37
Accounts payable	3,481,840,357.11	3,452,231,781.44
Advances received	62,477,106.95	73,962,132.90
Proceeds from sale of repurchase financial assets		
Handling fee and commission payable		
Employee benefits payable	42,234,377.98	55,056,718.58
Taxes and rates payable	705,755,354.81	620,983,831.51
Interest payable	6,088,628.19	29,735,614.19
Dividend payable	6,804,219.60	9,382,619.60
Other payables	1,656,805,731.38	1,121,948,123.70
Reinsurance accounts payable		
Insurance policy reserve		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	6,585,732,279.06	6,112,539,061.29
Non-current liabilities:		
Long-term borrowings		
Bonds payable	993,946,515.20	992,440,873.26
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable		
Special payables		
Provisions		
Deferred income	72,467,034.09	73,263,682.09
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	1,066,413,549.29	1,065,704,555.35
Total liabilities	7,652,145,828.35	7,178,243,616.64
Equity:		
Share capital/Paid-in capital	1,458,174,624.00	972,116,416.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,455,526,993.18	2,941,585,201.18
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	492,254,774.51	492,254,774.51
General risk reserve		
Undistributed profit	4,580,778,788.00	3,987,313,404.87
Total equity attributable to the parent company	8,986,735,179.69	8,393,269,796.56
Non-controlling interest	449,331,460.43	415,593,124.26
Total equity	9,436,066,640.12	8,808,862,920.82
Total liabilities & equity	17,088,212,468.47	15,987,106,537.46

Huadong Medicine Co., Ltd.
Parent company balance sheet as at June 30, 2018
(Expressed in Renminbi Yuan)

Assets	Closing balance	Opening balance
Current assets:		
Cash and bank balances	1,952,916,396.98	1,591,016,109.85
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	437,046,065.74	427,572,109.00
Accounts receivable	3,176,493,129.43	2,911,736,820.04
Advances paid	138,015,967.80	142,242,938.23
Interest receivable		
Dividend receivable	55,845,000.00	13,515,000.00
Other receivables	761,415,009.62	638,289,837.58
Inventories	1,564,913,976.76	1,756,699,036.26
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		471,229,884.51
Total current assets	8,086,645,546.33	7,952,301,735.47
Non-current assets:		
Available-for-sale financial assets	91,111,431.20	91,111,431.20
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	2,797,515,075.14	2,768,715,075.14
Investment property	9,291,158.14	9,524,274.46
Fixed assets	75,553,001.96	77,946,411.55
Construction in progress		0.00
Construction materials		
Fixed assets disposal		
Productive biological assets		
Oil & gas assets		
Intangible assets	48,284,878.50	49,197,866.44
Development expenditures		
Goodwill		
Long-term prepayments	841,037.01	1,075,675.87
Deferred tax assets	42,845,108.79	51,112,272.82
Other non-current assets		
Total non-current assets	3,065,441,690.74	3,048,683,007.48
Total assets	11,152,087,237.07	11,000,984,742.95

Huadong Medicine Co., Ltd.

Parent company balance sheet as at June 30, 2018 (continued)

(Expressed in Renminbi Yuan)

Liabilities & Equity	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable	75,452,503.88	81,387,151.15
Accounts payable	2,418,246,602.24	2,518,692,675.13
Advances received	22,978,705.69	23,499,711.43
Employee benefits payable	2,715,771.40	1,027,441.42
Taxes and rates payable	77,052,685.06	113,430,716.49
Interest payable	5,536,986.33	29,230,137.01
Dividend payable	224,219.60	224,219.60
Other payables	167,361,986.00	54,513,989.20
Liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	2,769,569,460.20	2,822,006,041.43
Non-current liabilities:		
Long-term borrowings		
Bonds payable	993,946,515.20	992,440,873.26
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term employee benefits payable		
Special payables		
Provisions		
Deferred income	47,201,221.59	48,396,535.71
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	1,041,147,736.79	1,040,837,408.97
Total liabilities	3,810,717,196.99	3,862,843,450.40
Equity:		
Share capital/Paid-in capital	1,458,174,624.00	972,116,416.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,460,086,452.01	2,946,144,660.01
Less: treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	570,110,533.95	570,110,533.95
Undistributed profit	2,852,998,430.12	2,649,769,682.59
Total equity	7,341,370,040.08	7,138,141,292.55
Total liabilities & equity	11,152,087,237.07	11,000,984,742.95

Huadong Medicine Co., Ltd.
Consolidated income statement for the six months ended June 30, 2018
(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Total operating revenue	15,324,950,023.49	14,090,941,947.01
Including: operating revenue	15,324,950,023.49	14,090,941,947.01
Interest proceeds		
Premium earned		
Revenue from handling charges and commission		
II. Total operating cost	13,729,188,596.97	12,795,618,264.75
Including: Operating cost	10,665,607,459.78	10,338,658,101.15
Interest expenses		
Handling charges and commission expenditures		
Surrender value		
Net payment of insurance claims		
Net provision of insurance policy reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes & surcharge for operations	94,696,001.08	78,963,886.42
Selling expenses	2,321,741,395.89	1,912,429,105.49
Administrative expenses	594,419,909.46	413,843,403.95
Financial expense	20,092,918.91	25,171,838.97
Assets impairment loss	32,630,911.85	26,551,928.77
Add: Gains on changes in fair value (or less: losses)		
Profit from net exposure to hedging risk (or less: losses)		
Investment income (or less: losses)	17,163,898.72	11,056,739.15
Including: Investment income from associates and joint ventures	10,914,793.66	9,173,298.12
Gains on asset disposal (or less: losses)		
Gains on foreign exchange (or less: losses)	6,973.92	
Other income	58,427,586.00	25,083,954.57
III. Operating profit (or less: losses)	1,671,359,885.16	1,331,464,375.98
Add: Non-operating revenue	2,142,560.00	722,606.51
Less: Non-operating expenditures	12,580,201.76	7,021,902.93
IV. Profit before tax (or less: total loss)	1,660,922,243.40	1,325,165,079.56
Less: Income tax	296,939,704.58	238,420,104.15
V. Net profit (or less: net loss)	1,363,982,538.82	1,086,744,975.41
(I) Net profit from continuing operations (or less: net loss)	1,363,982,538.82	1,086,744,975.41
(II) Net profit from discontinued operations (or less: net loss)		
Net profit attributable to owners of parent company (or less: net loss)	1,293,389,202.65	1,041,440,538.81
Non-controlling interest (or less: net loss)	70,593,336.17	45,304,436.60
VI. Other comprehensive income after tax		
Items attributable to the owners of the parent company		
(I) Not reclassified subsequently to profit or loss		
1.Changes in re-measurement on the net defined benefit liability/asset		
2. Items attributable to investees under equity method that will not reclassified to profit or loss		
(II) To be reclassified subsequently to profit or loss		
1. Items attributable to investees under equity method that may be reclassified to profit or loss		
2. Profit or loss from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Profit or loss on cash flow hedging		
5. Translation reserve		
6. Others		
Items attributable to non-controlling shareholders		
VII. Total comprehensive income	1,363,982,538.82	1,086,744,975.41
Items attributable to the owners of the parent company	1,293,389,202.65	1,041,440,538.81
Items attributable to non-controlling shareholders	70,593,336.17	45,304,436.60
VIII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.8870	0.7142
(II) Diluted EPS (yuan per share)	0.8870	0.7142

Huadong Medicine Co., Ltd.

Parent company income statement for the six months ended June 30, 2018

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Operating revenue	8,366,565,015.42	8,709,880,902.16
Less: Operating cost	7,914,730,130.40	8,264,851,258.42
Taxes & surcharge for operations	5,145,712.64	7,081,220.55
Selling expenses	172,629,211.67	160,847,854.22
Administrative expenses	66,002,780.55	66,020,033.98
Financial expense	-7,452,988.93	7,354,583.12
Assets impairment loss	24,741,864.55	43,141,514.48
Add: Gain on changes in fair value (or less: losses)		
Profit from net exposure to hedging risk (or less: losses)		
Investment income (or less: losses)	762,864,272.84	1,052,643,441.03
Including: investment income from associates and joint ventures		
Gains on asset disposal (or less: losses)		
Other income	3,390,014.12	13,738,272.39
II. Operating profit (or less: losses)	957,022,591.50	1,226,966,150.81
Add: Non-operating revenue	1,407,221.08	396,126.15
Including: Gains on disposal of non-current assets		
Less: Non-operating expenditures	2,394,871.36	-6,607,374.01
Including: Losses on disposal of non-current assets		
III. Profit before tax (or less: total loss)	956,034,941.22	1,233,969,650.97
Less: Income tax	52,882,374.17	55,057,560.18
IV. Net profit (or less: net loss)	903,152,567.05	1,178,912,090.79
(I) Net profit from continuing operations (or less: net loss)	903,152,567.05	1,178,912,090.79
(II) Net profit from discontinued operations (or less: net loss)		
V. Other comprehensive income after tax		
(I) Not reclassified subsequently to profit or loss		
1. Changes in re-measurement on the net defined benefit liability/asset		
2. Items attributable to investees under equity method that will not reclassified to profit or loss		
(II) To be reclassified subsequently to profit or loss		
1. Items attributable to investees under equity method that may be reclassified to profit or loss		
2. Profit or loss from changes in fair value of available-for-sale financial assets		
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
4. Profit or loss on cash flow hedging		
5. Translation reserve		
6. Others		
VI. Total comprehensive income	903,152,567.05	1,178,912,090.79
VII. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)		
(II) Diluted EPS (yuan per share)		

Huadong Medicine Co., Ltd.
Consolidated cash flow statement for the six months ended June 30, 2018
(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods or rendering of services	16,819,295,795.24	15,158,644,963.71
Net increase of client deposit and interbank deposit		
Net increase of central bank loans		
Net increase of loans from other financial institutions		
Cash receipts from original insurance contract premium		
Net cash receipts from reinsurance		
Net increase of policy-holder deposit and investment		
Net increase from disposal of financial assets at fair value through profit or loss		
Cash receipts from interest, handling charges and commission		
Net increase of loans from others		
Net increase of repurchase		
Receipts of tax refund	1,978,833.76	4,071,198.15
Other cash receipts related to operating activities	481,382,867.80	169,365,026.19
Subtotal of cash inflows from operating activities	17,302,657,496.80	15,332,081,188.05
Cash payments for goods purchased and services received	12,131,773,939.73	11,481,367,147.91
Net increase of loans and advances to clients		
Net increase of central bank deposit and interbank deposit		
Cash payments for insurance indemnities of original insurance contracts		
Cash payments for interest, handling charges and commission		
Cash payments for policy bonus		
Cash paid to and on behalf of employees	820,565,661.82	547,731,810.13
Cash payments for taxes and rates	998,384,984.01	1,066,161,776.44
Other cash payments related to operating activities	2,281,658,550.47	1,960,547,415.42
Subtotal of cash outflows from operating activities	16,232,383,136.03	15,055,808,149.90
Net cash flows from operating activities	1,070,274,360.77	276,273,038.15
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	11,145,061.44	360,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	419,859.02	288,444.66
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	2,774,000,000.00	281,996,447.49
Subtotal of cash inflows from investing activities	2,785,564,920.46	282,644,892.15
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	439,068,183.01	285,068,284.14
Cash payments for investments		59,014.00
Net increase of pledged borrowings		
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	2,190,000,000.00	233,000,000.00
Subtotal of cash outflows from investing activities	2,629,068,183.01	518,127,298.14
Net cash flows from investing activities	156,496,737.45	-235,482,405.99
III. Cash flows from financing activities:		
Cash receipts from absorbing investments	19,200,000.00	4,900,000.00
Including: Cash received by subsidiaries from non-controlling shareholders as investments		
Cash receipts from borrowings	397,650,600.36	1,740,739,249.14
Cash receipts from issuing of bonds		
Other cash receipts related to financing activities	210,000,000.00	20,000,000.00
Subtotal of cash inflows from financing activities	626,850,600.36	1,765,639,249.14
Cash payments for the repayment of borrowings	351,640,600.36	1,756,506,931.58
Cash payments for distribution of dividends or profits and for interest expenses	802,489,281.10	764,745,083.48
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit	47,902,400.00	47,040,000.00
Other cash payments related to financing activities	20,510,499.68	
Subtotal of cash outflows from financing activities	1,174,640,381.14	2,521,252,015.06
Net cash flows from financing activities	-547,789,780.78	-755,612,765.92
IV. Effect of foreign exchange rate changes on cash & cash equivalents		213,550.27
V. Net increase in cash and cash equivalents	678,981,317.44	-714,608,583.49
Add: Opening balance of cash and cash equivalents	2,372,819,624.82	2,629,856,148.78
VI. Closing balance of cash and cash equivalents	3,051,800,942.26	1,915,247,565.29

Huadong Medicine Co., Ltd.

Parent company cash flow statement for the six months ended June 30, 2018

(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	9,450,594,768.22	9,342,259,782.40
Receipts of tax refund		
Other cash receipts related to operating activities	88,371,815.09	325,808,939.24
Subtotal of cash inflows from operating activities	9,538,966,583.31	9,668,068,721.64
Cash payments for goods purchased and services received	9,132,565,278.92	9,549,887,185.99
Cash paid to and on behalf of employees	104,280,789.70	97,439,254.85
Cash payments for taxes and rates	100,042,203.09	155,554,783.22
Other cash payments related to operating activities	145,987,199.97	183,765,076.32
Subtotal of cash outflows from operating activities	9,482,875,471.68	9,986,646,300.38
Net cash flows from operating activities	56,091,111.63	-318,577,578.74
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	720,739,429.22	550,760,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	1,630.00	140,200.00
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	2,197,838,281.83	550,996,447.49
Subtotal of cash inflows from investing activities	2,918,579,341.05	1,101,896,647.49
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	2,305,567.24	2,771,188.57
Cash payments for investments	28,800,000.00	5,100,000.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	1,834,165,731.55	520,000,000.00
Subtotal of cash outflows from investing activities	1,865,271,298.79	527,871,188.57
Net cash flows from investing activities	1,053,308,042.26	574,025,458.92
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowings	85,000,600.36	1,124,419,735.69
Other cash receipts related to financing activities	201,761,328.00	16,000,000.00
Subtotal of cash inflows from financing activities	286,761,928.36	1,140,419,735.69
Cash payments for the repayment of borrowings	85,000,600.36	1,124,419,135.69
Cash payments for distribution of dividends or profits and for interest expenses	747,023,516.40	704,782,043.45
Other cash payments related to financing activities	202,236,678.36	16,000,000.00
Subtotal of cash outflows from financing activities	1,034,260,795.12	1,845,201,179.14
Net cash flows from financing activities	-747,498,866.76	-704,781,443.45
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-53,126.04
V. Net increase in cash and cash equivalents	361,900,287.13	-449,386,689.31
Add: Opening balance of cash and cash equivalents	1,591,006,109.85	1,665,869,581.49
VI. Closing balance of cash and cash equivalents	1,952,906,396.98	1,216,482,892.18

Huadong Medicine Co., Ltd.

Consolidated statement of changes in equity for the six months ended June 30, 2018

(Expressed in Renminbi Yuan)

Items	Current period cumulative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
Preferred shares		Perpetual bonds	Others										
I. Balance at the end of prior year	972,116,416.00				2,941,585,201.18				492,254,774.51		3,987,313,404.87	415,593,124.26	8,808,862,920.82
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	972,116,416.00				2,941,585,201.18				492,254,774.51		3,987,313,404.87	415,593,124.26	8,808,862,920.82
III. Current period increase (or less: decrease)	486,058,208.00				-486,058,208.00						593,465,383.13	33,738,336.17	627,203,719.30
(I) Total comprehensive income											1,293,389,202.65	70,593,336.17	1,363,982,538.82
(II) Capital contributed or withdrawn by owners												19,200,000.00	19,200,000.00
1. Capital contributed by owners												19,200,000.00	19,200,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution											-699,923,819.52	-56,055,000.00	-755,978,819.52
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-699,923,819.52	-56,055,000.00	-755,978,819.52
4. Others													
(IV) Internal carry-over within equity	486,058,208.00				-486,058,208.00								
1. Transfer of capital reserve to capital	486,058,208.00				-486,058,208.00								
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	1,458,174,624.00				2,455,526,993.18				492,254,774.51		4,580,778,788.00	449,331,460.43	9,436,066,640.12

Huadong Medicine Co., Ltd.

Consolidated statement of changes in equity for the six months ended June 30, 2018 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	486,058,208.00				3,436,248,298.06				357,328,881.15		2,998,888,532.03	363,317,043.88	7,641,840,963.12
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	486,058,208.00				3,436,248,298.06				357,328,881.15		2,998,888,532.03	363,317,043.88	7,641,840,963.12
III. Current period increase (or less: decrease)	486,058,208.00				-486,058,208.00						385,261,958.01	1,964,436.60	387,226,394.61
(I) Total comprehensive income											1,041,440,538.81	45,304,436.60	1,086,744,975.41
(II) Capital contributed or withdrawn by owners												4,900,000.00	4,900,000.00
1. Capital contributed by owners												4,900,000.00	4,900,000.00
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution											-656,178,580.80	-48,240,000.00	-704,418,580.80
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-656,178,580.80	-48,240,000.00	-704,418,580.80
4. Others													
(IV) Internal carry-over within equity	486,058,208.00				-486,058,208.00								
1. Transfer of capital reserve to capital	486,058,208.00				-486,058,208.00								
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	972,116,416.00				2,950,190,090.06				357,328,881.15		3,384,150,490.04	365,281,480.48	8,029,067,357.73

Huadong Medicine Co., Ltd.

Parent company statement of changes in equity for the six months ended June 30, 2018

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	972,116,416.00				2,946,144,660.01				570,110,533.95	2,649,769,682.59	7,138,141,292.55
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	972,116,416.00				2,946,144,660.01				570,110,533.95	2,649,769,682.59	7,138,141,292.55
III. Current period increase (or less: decrease)	486,058,208.00				-486,058,208.00					203,228,747.53	203,228,747.53
(I) Total comprehensive income										903,152,567.05	903,152,567.05
(II) Capital contributed or withdrawn by owners											
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution										-699,923,819.52	-699,923,819.52
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners										-699,923,819.52	-699,923,819.52
3. Others											
(IV) Internal carry-over within equity	486,058,208.00				-486,058,208.00						
1.Transfer of capital reserve to capital	486,058,208.00				-486,058,208.00						
2.Transfer of surplus reserve to capital											
3.Surplus reserve to cover losses											
4.Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	1,458,174,624.00				2,460,086,452.01				570,110,533.95	2,852,998,430.12	7,341,370,040.08

Huadong Medicine Co., Ltd.

Parent company statement of changes in equity for the six months ended June 30, 2018 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital/ Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	486,058,208.00				3,432,202,868.01				435,184,640.59	2,091,615,223.14	6,445,060,939.74
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	486,058,208.00				3,432,202,868.01				435,184,640.59	2,091,615,223.14	6,445,060,939.74
III. Current period increase (or less: decrease)	486,058,208.00				-486,058,208.00					522,733,509.99	522,733,509.99
(I) Total comprehensive income										1,178,912,090.79	1,178,912,090.79
(II) Capital contributed or withdrawn by owners											
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution										-656,178,580.80	-656,178,580.80
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners										-656,178,580.80	-656,178,580.80
3. Others											
(IV) Internal carry-over within equity	486,058,208.00				-486,058,208.00						
1. Transfer of capital reserve to capital	486,058,208.00				-486,058,208.00						
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	972,116,416.00				2,946,144,660.01				435,184,640.59	2,614,348,733.13	6,967,794,449.73

[Li Bangliang]
[Legal representative]
(Signature and stamp)

[Li Bangliang]
[Officer in charge of accounting]
(Signature and stamp)

[Ma Honglan]
[Head of accounting department]
(Signature and stamp)

Huadong Medicine Co., Ltd.

Notes to Financial Statements

For the six months ended June 30, 2018

Monetary unit: RMB Yuan

I. Company profile

Huadong Medicine Co., Ltd. (the “Company”), formerly known as Hangzhou Medicine Station Co., Ltd., was established in March 1993. It was registered at Zhejiang Administration for Industry and Commerce on March 31, 1993. The headquarters is located in Hangzhou, Zhejiang Province. The Company now holds a business license with a unified social credit code of 93130000143083157E, with registered capital of 1,458,174,624 yuan and a total of 1,458,174,624 shares (each with par value of one yuan), of which, 155,994,651 shares are restricted outstanding A shares, and 1,302,179,973 shares are unrestricted outstanding A shares. The Company’s shares were listed at Shenzhen Stock Exchange on January 27, 2000.

The Company belongs to pharmaceutical industry and is mainly engaged in manufacturing and sale of pharmaceuticals.

The financial statements were approved and authorized for issue by the 14th meeting of the eighth session of the Board of Directors dated August 20, 2018.

The Company has brought 40 subsidiaries including 杭州中美华东制药有限公司 (Hangzhou Sino-US Pharmacy Co., Ltd.[—]), 华东宁波医药有限公司 (Huadong Ningbo Medicine Co., Ltd.*), 华东医药温州有限公司 (Huadong Medicine Wenzhou Co., Ltd.*), 杭州华东中药饮片有限公司 (Hangzhou Huadong Chinese Medicine Co., Ltd.*), etc. into the consolidation scope. Please refer to notes to changes in the consolidation scope and interest in other entities for details.

II. Preparation basis of the financial statements

1. Preparation basis

The financial statements have been prepared on the basis of going concern.

2. Going concern

The Company has no events or conditions that may cast significant doubts upon the Company’s ability to continue as a going concern within the 12 months after the balance sheet date.

[—] The English names are for identification purpose only.

III. Significant accounting policies and estimates

Notes to specific accounting policies and estimates:

Important note: The Company has set up accounting policies and estimates on transactions or events such as provision for bad debts of receivables, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

1. Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

2. Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

3. Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

4. Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

5. Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

6. Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of

the parent company and its subsidiaries.

7. Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.
2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:
 - (1) its assets, including its share of any assets held jointly;
 - (2) its liabilities, including its share of any liabilities incurred jointly;
 - (3) its revenue from the sale of its share of the output arising from the joint operation;
 - (4) its share of the revenue from the sales of the output by the joint operation; and
 - (5) its expenses, including its share of any expenses incurred jointly.

8. Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

9. Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

10. Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE14 - Revenues”.

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other

comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities

that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

5. Impairment test and provision for impairment loss of financial assets

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

(3) Available-for-sale financial assets

1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:

- a. significant financial difficulties in the debtor;
- b. breach of contract by the debtor, such as principal or interest past due or default;
- c. concessions made to debtors with financial difficulties considering economic and legal factors;
- d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
- e. owing to significant financial difficulties occurred to the debtor, the debt instrument is

discontinued to trade in active market; or

f. Other circumstances indicating that available-for-sale debt instrument may be impaired.

2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

11. Receivables

(1) Receivables of individually significant amount and with provision made on an individual basis

Judgement basis or amount criteria of individually significant amount	Receivables accounting for more than 10% (inclusive) of the total book balance of receivables
Provision method for receivables of individually significant amount and with provision made on an individual basis	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

(2) Receivables with provision made on a collective basis using portfolios with similar credit risk features

Provision method of provision being made on collective basis using portfolios with similar credit risk features:	
Portfolio	Method
Portfolio grouped with age	Age analysis method

In portfolios, accounts receivable with provision made on a collective basis with age analysis method:

√ Applicable □ Not applicable

Ages	Proportion of provision for accounts receivable	Proportion of provision for other receivables
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Ages	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (inclusive)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
3-4 years	50.00%	50.00%
4-5 years	80.00%	80.00%
Over 5 years	100.00%	100.00%

In portfolios, accounts receivable with provision made on a collective basis with percentage of receivables method:

☐ Applicable ☒ Not applicable

In portfolios, accounts receivable with provision made on a collective basis with other methods:

☐ Applicable ☒ Not applicable

(3) Receivables of individually insignificant amount but with provision made on an individual basis

Reasons for provision made on an individual basis	There is concrete evidence of impairment.
Provision method	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

12. Inventories

Whether the Company is subject to disclosure requirements of special industries

No

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling

expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

13. Assets held for sale

Non-current assets (excluding financial assets) are accounted for as held-for-sale when the following conditions are all met: 1. the component must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such component; 2. the Company has made a decision on the disposal of the component; 3. the Company has signed an irrevocable transfer agreement with the transferee; and 4. the transfer is expected to be completed within one year.

14. Long-term equity investments

1. Judgement of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”.

If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of long-term equity investments obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 - Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 - Non-cash Assets Exchange”.

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is reclassified as available-for-sale financial assets, and accounted for according to CASBE 22 - Financial Instruments: Recognition and Measurement.

(2) Consolidated financial statements

1) Disposal of a subsidiary in stages not qualified as "bundled transaction" resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

2) Disposal of a subsidiary in stages qualified as "bundled transaction" resulting in the Company's loss of control

In case of "bundled transaction", stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

15. Investment property

Measurement of investment property

Cost method

Depreciation or amortization method

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

16. Fixed assets

(1) Recognition principles

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

(2) Depreciation method

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-50	3, 5	4.85-1.90
General equipment	Straight-line method	5-20	3, 5	19.40-4.75
Special equipment	Straight-line method	5-20	3, 5	19.40-4.75
Transport facilities	Straight-line method	5-10	3, 5	19.40-9.50
Other equipment	Straight-line method	5-12	3, 5	19.40-7.92

(3) Recognition, pricing principles and depreciation method of fixed assets rented-in under finance lease

Finance lease is determined when all risks and rewards related to the rented-in fixed assets have been transferred substantially. Cost of fixed assets rented-in under finance lease are recorded at the lower of fair value and the present value of the minimum lease payment at the inception of the lease and are depreciated following the depreciation policy for self-owned fixed assets. Leased assets can be depreciated within useful life if the ownership of the said assets can be reasonably determined to be acquired at the maturity of leasing term, otherwise, they are depreciated within the shorter of leasing term and useful life.

17. Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and

auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

18. Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

19. Biological assets

Not applicable

20. Oil and gas assets

Not applicable

21. Intangible assets

(1) Pricing principle, useful life and impairment test

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	8.25-50
Non-patent technology	5-12
Software	5
Trademark/franchise right	10-20

(2) Accounting policy of expenditures on the research phase of an internal project

Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

22. Impairment of non-current assets

For non-current assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such non-current assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

23. Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

24. Employee benefits

(1) Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

(3) Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

(4) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of re-measurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

25. Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.
2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

26. Share-based payment

1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for settlements, modifications and cancellations of share-based payment terms and conditions

(1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service, at the balance sheet date within the vesting period, the fair value of those equity

instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the goods or services received can be measured reliably, the fair value is measured at the date the Company obtains the goods or the counterparty renders service; if the fair value of the goods or services received cannot be measured reliably, the fair value of the equity instruments granted measured at the date the Company obtains the goods or the counterparty renders service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of goods or services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

(3) Modifications and cancellations of share-based payment terms and conditions

If the modification increases the fair value of the equity instruments granted, measured immediately before and after the modification, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, measured at the date of the modification, in the measurement of the amount recognized for services received as consideration for the equity instruments granted; if the Company modifies the vesting conditions in a manner that is beneficial to the employee, the Company takes the modified vesting conditions into account.

If the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other

than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

27. Other financial instrument such as preferred shares and perpetual bonds

Not applicable

28. Revenue

Whether the Company is subject to disclosure requirements of special industries

No

1. Revenue recognition principles

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied:

a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at measurement of completed work. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

(3) Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

2. Revenue recognition method adopted by the Company

The Company's main products are all kinds of medicines.

Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

Revenue from overseas sales is recognized if, and only if, the Company has declared goods to the customs and departed based on contractual agreements; the Company has obtained a bill of lading; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

29. Government grants

(1) Government grants related to assets

Government grants related to assets are government grants, with which the Company purchase, construct or otherwise acquire non-current assets. They are recognized as deferred income, and amortized on a straight-line method over the useful lives of the relevant assets, and included in profit or loss. However, those measured at notional amount is directly included into profit or loss.

(2) Government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to income if used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in profit or loss during the period when the relevant expenses are recognized; if used for compensating the related expenses or losses incurred to the Company are directly included in profit or loss.

30. Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

31. Leases

(1) Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

(2) Finance leases

Not applicable

32. Other significant accounting policies and estimates

Not applicable

33. Significant changes in accounting policies and estimates

(1) Significant changes in accounting policies

☐ Applicable ☒ Not applicable

(2) Significant changes in accounting estimates

☐ Applicable ☒ Not applicable

34. Others

None

IV. Taxes

1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods, rendering of services and	17%, 16%, 11%, 10%, 6%, 5%, 3% and 0%;

Taxes	Tax bases	Tax rates
	leasing of properties	export goods enjoy the “exemption, credit and refund” preferential policies, with the refund rate of 15% or 13%.
Urban maintenance and construction tax	Turnover tax payable	7%, 5%
Enterprise income tax	Taxable income	25%, 15%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%

Note: Pursuant to the document numbered Cai Shui [2018] 32, the originally applicable tax rate of 17% is adjusted to 16% and the originally applicable tax rate of 11% is adjusted to 10% since May 1, 2018.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Hangzhou Sino-US Pharmacy Co., Ltd.	15%
江苏九阳生物制药有限公司 (Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd. [—])	15%
Taxpayers other than the above-mentioned	25%

2. Tax preferential policies

According to the Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017 (Guo Ke Huo Zi [2017] No. 201) issued by the Torch High Technology Industry Development Center of the Ministry of Science and Technology, the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. was re-identified as a high-tech enterprise. Therefore, the enterprise income tax for 2018 is levied at the reduced tax rate of 15%.

The subsidiary Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd. was identified as a high-tech enterprise in December 2013 and re-identified as a high-tech enterprise on November 30, 2016. Therefore, the enterprise income tax for 2018 is levied at the reduced tax rate of 15%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Issuance of the Scope of Primary Processing of Agricultural Products Applicable to the Enterprise Income Tax Preferential Policy (Trial) (Cai Shui [2008] No. 149), and the

[—] The English name is for identification purpose only.

Supplementary Notice on the Scope of the Primary Processing of Agricultural Products Applicable to the Enterprise Income Tax Preferential Policy (Cai Shui [2011] No. 26), the income from the primary processing of agricultural products of the subsidiary Hangzhou Huadong Chinese Medicine Co., Ltd. is exempted from enterprise income tax.

V. Notes to items of consolidated financial statements

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	141,149.63	206,325.41
Cash in bank	3,051,185,125.20	2,371,790,765.10
Other cash and bank balances	93,737,713.58	133,073,022.98
Total	3,145,063,988.41	2,505,070,113.49
Including: Deposited overseas	0.00	0.00

Other remarks

Closing balance of other cash and bank balances includes deposit for L/C of 48,755,851.14 yuan, deposit for bank acceptance of 43,763,112.87 yuan, deposit for e-commerce platform of 591,329.14 yuan, performance bond of 152,753.00 yuan, and balance of Alipay account of 474,667.43 yuan.

2. Notes receivable

(1) Details on categories

Items	Closing balance	Opening balance
Bank acceptance	991,524,729.68	797,855,532.08
Trade acceptance	170,312,758.25	168,113,576.57
Total	1,161,837,487.93	965,969,108.65

(2) Pledged notes

Items	Closing balance of pledged notes
Bank acceptance	15,102,041.41
Total	15,102,041.41

(3) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	597,629,885.37	
Total	597,629,885.37	

Other remarks

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact,

the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

3. Accounts receivable

(1) Details of categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	5,702,882,050.96	100.00	293,140,277.18	5.14	5,409,741,773.78
Receivable of individually insignificant amount but with provision made on an individual basis	185,878.80	0.00	185,878.80	100.00	
Total	5,703,067,929.76	100.00	293,326,155.98	5.14	5,409,741,773.78

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	5,148,607,905.49	100.00	263,680,049.99	5.12	4,884,927,855.50
Receivable of individually insignificant amount but with provision made on an individual basis	185,878.80	0.00	185,878.80	100.00	
Total	5,148,793,784.29	100.00	263,865,928.79	5.12	4,884,927,855.50

In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Accounts receivable	Provision for bad debts	Provision proportion (%)
Within 1 year	5,616,498,090.92	280,824,904.56	5.00
Subtotal of accounts receivable with age within 1 year	5,616,498,090.92	280,824,904.56	5.00
1-2 years	72,501,976.30	7,250,197.64	10.00
2-3 years	9,855,475.16	1,971,095.03	20.00
Over 3 years	4,026,508.58	3,094,079.95	76.84
3-4 years	1,345,114.64	672,557.34	50.00
4-5 years	1,299,356.64	1,039,485.31	80.00

Ages	Closing balance		
	Accounts receivable	Provision for bad debts	Provision proportion (%)
Over 5 years	1,382,037.30	1,382,037.30	100.00
Total	5,702,882,050.96	293,140,277.18	5.14

Accounts receivable of individually insignificant amount but with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
河北恒祥医药集团有限公司 (Hebei Hengxiang Medicine Co., Ltd.*)	136,378.80	136,378.80	100.00	Expected to be irrecoverable
安阳乾康医药有限公司 (Anyang Qiankang Medicine Co., Ltd.*)	49,500.00	49,500.00	100.00	Expected to be irrecoverable

(2) Provisions made, collected or reversed in current period

Provision for bad debts made in current period totaled 29,549,046.00 yuan, and collected or reversed in current period totaled 0.00 yuan.

(3) Accounts receivable written off in current period

Items	Amount
Sales of goods	88,818.81

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Client A1	148,661,896.46	2.61	7,433,094.82
Client A2	104,199,202.33	1.83	5,209,960.12
Client A3	98,956,711.97	1.73	4,947,835.60
Client A4	91,298,417.67	1.60	4,572,992.08
Client A5	87,133,275.95	1.53	4,371,929.69
Subtotal	530,249,504.38	9.30	26,535,812.31

4. Advances paid

(1) Age analysis

Ages	Closing balance		Opening balance	
	Amount	% to total	Amount	% to total
Within 1 year	315,382,134.29	95.28	234,366,394.40	96.32
1-2 years	9,992,345.50	3.02	3,124,083.07	1.28

* The English names are for identification purpose only.

Ages	Closing balance		Opening balance	
	Amount	% to total	Amount	% to total
2-3 years	2,362,083.46	0.71	2,432,969.93	1.00
Over 3 years	3,261,672.99	0.99	3,416,038.96	1.40
Total	330,998,236.24	--	243,339,486.36	--

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Supplier B1	58,219,823.17	17.59
Supplier B2	42,282,064.14	12.77
Supplier B3	14,240,171.65	4.30
Supplier B4	12,075,616.37	3.65
Supplier B5	11,296,716.10	3.41
Subtotal	138,114,391.43	41.72

5. Dividend receivable

Items (or investees)	Closing balance	Opening balance
杭州汤养元医药有限公司 (Hangzhou Tangyangyuan Medicine Co., Ltd.*)	780,000.00	780,000.00
Total	780,000.00	780,000.00

6. Other receivables

(1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	83,297,948.11	100.00	14,886,180.27	17.87	68,411,767.84
Total	83,297,948.11	100.00	14,886,180.27	17.87	68,411,767.84

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	58,057,588.11	100.00	11,817,638.42	20.36	46,239,949.69
Total	58,057,588.11	100.00	11,817,638.42	20.36	46,239,949.69

* The English name is for identification purpose only.

In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	60,479,936.30	3,023,996.81	5.00
Subtotal of accounts receivable with age within 1 year	60,479,936.30	3,023,996.81	5.00
1-2 years	6,250,586.66	625,058.68	10.00
2-3 years	3,269,398.51	653,879.70	20.00
Over 3 years	13,298,026.64	10,583,245.08	79.59
3-4 years	2,560,575.70	1,280,287.85	50.00
4-5 years	7,172,468.54	5,737,974.83	80.00
Over 5 years	3,564,982.40	3,564,982.40	100.00
Subtotal	83,297,948.11	14,886,180.27	17.87

(2) Provisions made, collected or reversed in current period

Provisions for bad debts made in current period totaled 3,081,865.85 yuan, and collected or reversed in current period totaled 0.00 yuan.

(3) Other receivables written off in current period

Items	Amount
Others	13,324.00

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	42,485,254.43	34,572,669.63
Temporary advance payment receivable	19,504,285.26	14,449,111.84
Others	21,308,408.42	9,035,806.64
Total	83,297,948.11	58,057,588.11

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Command Center of Urban Village Renovation Project of Gongshu District, Hangzhou	Earnest money for selecting land	5,000,000.00	Within 1 year	6.00	250,000.00
深圳市金活医药有限公司 (Shenzhen Kingworld)	Deposit as security	4,400,000.00	Within 1 year	5.28	220,000.00

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Medicines Group Co., Ltd.*)					
Shaoxing Shangyu People's Hospital	Deposit as security	4,300,000.00	Within 1 year	5.16	215,000.00
临安金诚电子有限公司 (Lin'an Jincheng Electronics Co., Ltd.*)	Advances paid on behalf	3,779,101.19	Within 1 year	4.54	188,955.06
上海智众医疗科技有限公司 (Shanghai Zhizhong Medical Technology Co., Ltd.*)	Deposit as security	3,600,000.00	Within 1 year	4.32	180,000.00
Subtotal		21,079,101.19		25.30	1,053,955.06

7. Inventories

(1) Details on categories

Items	Closing balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	184,542,134.66		184,542,134.66
Work in process	59,854,224.28	14,668.37	59,854,224.28
Goods on hand	2,394,533,517.00		2,394,518,848.63
Finished goods	556,852,793.33		556,852,793.33
Materials on consignment for further processing	10,153,846.40		10,153,846.40
Packages	22,124,362.64		22,124,362.64
Total	3,228,060,878.31	14,668.37	3,228,046,209.94

(Continued)

Items	Opening balance		
	Book balance	Provision for write-down	Carrying amount
Raw materials	204,348,367.93		204,348,367.93
Work in process	60,295,446.77	14,668.37	60,295,446.77
Goods on hand	2,580,285,117.03		2,580,270,448.66
Finished goods	542,892,960.72		542,892,960.72
Materials on consignment for further processing	1,594,920.55		1,594,920.55

* The English names are for identification purpose only.

Items	Opening balance		
	Book balance	Provision for write-down	Carrying amount
Packages	16,974,128.87		16,974,128.87
Total	3,406,390,941.87	14,668.37	3,406,376,273.50

(2) Provision for inventory write-down

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or written-off	Others	
Work in process	14,668.37					14,668.37
Subtotal	14,668.37					14,668.37

8. Other current assets

Items	Closing balance	Opening balance
Bank financial products	100,000,000.00	680,000,000.00
Input VAT to be deducted	45,573,412.22	57,800,725.12
Prepaid enterprise income tax	375,254.15	2,132,731.87
Taxes prepaid for rental income	144,003.51	85,256.66
Prepaid local water conservancy fund	10,070.62	
Total	146,102,740.50	740,018,713.65

9. Available-for-sale financial assets

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instrument	91,111,431.20		91,111,431.20	91,111,431.20		91,111,431.20
Including: At cost	91,111,431.20		91,111,431.20	91,111,431.20		91,111,431.20
Total	91,111,431.20		91,111,431.20	91,111,431.20		91,111,431.20

(2) Available-for-sale financial assets at cost

Investees	Book balance			
	Opening balance	Increase	Decrease	Closing balance
宁波东海银行股份有限公司 (Ningbo Donghai Bank Co., Ltd.*)	81,031,431.20			81,031,431.20
杭州君澜医药贸易有限公司 (Hangzhou Junlan Medicine Trade Co., Ltd.*)	10,080,000.00			10,080,000.00
Total	91,111,431.20			91,111,431.20

* The English names are for identification purpose only.

(Continue)

Investees	Provision for impairment				Holding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease	Closing balance		
Ningbo Donghai Bank Co., Ltd.					9.66	
Hangzhou Junlan Medicine Trade Co., Ltd.					10.07	
Total						

10. Long-term equity investments

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
杭州九源基因工程有限公司 (Hangzhou Jiuyuan Gene Engineering Co., Ltd.*)	68,617,746.29			10,189,762.29	
Hangzhou Tangyangyuan Medicine Co., Ltd.	6,288,019.41			725,031.37	
Subtotal	74,905,765.70			10,914,793.66	
Total	74,905,765.70			10,914,793.66	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Associates						
Hangzhou Jiuyuan Gene Engineering Co., Ltd.		-3,790,800.00			75,016,708.58	
Hangzhou Tangyangyuan Medicine Co., Ltd.		-900,000.00			6,113,050.78	
Subtotal		-4,690,800.00			81,129,759.36	
Total		-4,690,800.00			81,129,759.36	

11. Investment property

(1) Investment property measured at cost method

√ Applicable □ Not applicable

Items	Buildings and structures	Land use right	Construction in progress	Total
I. Cost				

* The English is for identification purpose only.

Items	Buildings and structures	Land use right	Construction in progress	Total
1. Opening balance	40,667,831.81	1,874,726.33		42,542,558.14
2. Increase				
3. Decrease				
4. Closing balance	40,667,831.81	1,874,726.33		42,542,558.14
II. Accumulated depreciation and amortization				
1. Opening balance	16,457,452.30	685,628.60		17,143,080.90
2. Increase	769,853.16	39,970.16		809,823.32
(1) Accrual or amortization	769,853.16	39,970.16		809,823.32
3. Decrease				
4. Closing balance	17,227,305.46	725,598.76		17,952,904.22
III. Provision for impairment				
1. Opening balance				
2. Increase				
3. Decrease				
4. Closing balance				
IV. Carrying amount				
1. Closing balance	23,440,526.35	1,149,127.57		24,589,653.92
2. Opening balance	24,210,379.51	1,189,097.73		25,399,477.24

12. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
I. Cost						
1. Opening balance	1,124,257,918.46	155,595,919.91	1,329,585,273.81	68,501,490.59	273,987,256.54	2,951,927,859.31
2. Increase	1,665,607.63	3,595,221.14	55,970,460.94	2,489,217.46	13,468,510.68	77,189,017.85
(1) Acquisition	693,174.53	3,595,221.14	23,065,856.79	2,453,320.02	7,362,025.91	37,169,598.39
(2) Transferred in from construction in progress	972,433.10		32,904,604.15	35,897.44	6,106,484.77	40,019,419.46
(3) Business combination						
3. Decrease	1,817,615.75	3,412,742.62	12,275,720.03	1,901,401.57	1,907,210.26	21,314,690.23
(1) Disposal/scrap	1,817,615.75	3,412,742.62	10,352,573.01	1,901,401.57	1,907,210.26	19,391,543.21
4. Closing balance	1,124,105,910.34	155,778,398.43	1,373,280,014.72	69,089,306.48	285,548,556.96	3,007,802,186.93
II. Accumulated depreciation						
1. Opening balance	261,978,653.53	94,793,218.69	452,168,758.26	43,843,611.44	122,007,607.05	974,791,848.97
2. Increase	20,266,177.41	5,614,260.83	53,211,615.31	3,682,445.12	22,181,630.86	104,956,129.53
(1) Accrual	20,266,177.41	5,614,260.83	53,211,615.31	3,682,445.12	22,181,630.86	104,956,129.53
3. Decrease	1,071,681.64	3,125,827.66	9,384,220.19	1,802,221.61	1,810,840.39	17,194,791.49

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
(1) Disposal/scrap	1,071,681.64	3,125,827.66	9,384,220.19	1,802,221.61	1,810,840.39	17,194,791.49
4. Closing balance	280,170,059.42	97,281,651.86	495,996,153.38	45,723,834.95	142,378,397.52	1,061,550,097.13
III. Provision for impairment						
1. Opening balance						
2. Increase						
(1) Accrual						
3. Decrease						
(1) Disposal/scrap						
4. Closing balance						
IV. Carrying amount						
1. Closing balance	842,932,761.04	58,496,746.57	877,283,861.34	23,365,471.53	143,170,159.44	1,945,248,999.92
2. Opening balance	862,279,264.93	60,802,701.22	877,416,515.55	24,657,879.15	151,979,649.49	1,977,136,010.34

(2) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	185,079,179.41	Final account of project hasn't been finished, or finished but in the process of handling certificate of titles

13. Construction in progress

(1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Process layout of Pharmaceutical Preparation Building 1	3,365,230.31		3,365,230.31	3,052,802.72		3,052,802.72
Comprehensive production quality inspection building construction project	16,131,427.69		16,131,427.69	6,893,949.37		6,893,949.37
Pilot platform project of small molecule drugs in pilot center construction project phase I	21,626,918.28		21,626,918.28	21,654,683.65		21,654,683.65
Pilot platform project of microbial drugs in pilot center construction project phase I	22,688,393.80		22,688,393.80	30,518,039.10		30,518,039.10
Microbiology lab renovation	3,026,601.61		3,026,601.61	3,178,783.03		3,178,783.03
Pilot platform project of solid preparation in pilot center construction project phase I	6,960,069.30		6,960,069.30	9,881,033.77		9,881,033.77
Lyophilization pilot project	20,493,877.37		20,493,877.37	133,456.12		133,456.12
Macromolecule pilot platform construction project	21,568,852.13		21,568,852.13			
R&D QC laboratory construction project	6,300,774.66		6,300,774.66			
Huadong Medicine Biomedical Science Park phase II	169,183,987.42		169,183,987.42	76,882,911.66		76,882,911.66
Transfer and new GMP transformation project of	35,816,363.34		35,816,363.34	24,084,666.98		24,084,666.98

cyclosporine and tacrolimus product						
Other piecemeal projects	37,384,823.82		37,384,823.82	25,146,777.58		25,146,777.58
Total	364,547,319.73		364,547,319.73	201,427,103.98		201,427,103.98

(2) Changes in significant projects

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Process layout of Pharmaceutical Preparation Building 1	105,000,000.00	3,052,802.72	312,427.59			3,365,230.31
Comprehensive production quality inspection building construction project	47,000,000.00	6,893,949.37	9,237,478.32			16,131,427.69
Pilot platform project of small molecule drugs in pilot center construction project phase I	50,000,000.00	21,654,683.65	545,486.76	573,252.13		21,626,918.28
Pilot platform project of microbial drugs in pilot center construction project phase I	94,000,000.00	30,518,039.10	9,093,517.43	16,923,162.73		22,688,393.80
Microbiology lab renovation	7,800,000.00	3,178,783.03	562,690.41	714,871.83		3,026,601.61
Pilot platform project of solid preparation in pilot center construction project phase I	56,000,000.00	9,881,033.77	8,983,605.35	11,904,569.82		6,960,069.30
Lyophilization pilot project	38,000,000.00	133,456.12	20,360,421.25			20,493,877.37
Macromolecule pilot platform construction project	350,000,000.00		21,568,852.13			21,568,852.13
R&D QC laboratory construction project	41,000,000.00		6,300,774.66			6,300,774.66
Huadong Medicine Biomedical Science Park phase II	2,805,000,000.00	76,882,911.66	92,301,075.76			169,183,987.42
Transfer and new GMP transformation project of cyclosporine and tacrolimus product	51,000,000.00	24,084,666.98	11,731,696.36			35,816,363.34
Other piecemeal projects		25,146,777.58	24,166,068.23	9,903,562.95	2,024,459.04	37,384,823.82
Subtotal	3,644,800,000.00	201,427,103.98	205,164,094.25	40,019,419.46	2,024,459.04	364,547,319.73

(Continued)

Projects	Accumulated investment to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Process layout of Pharmaceutical Preparation Building 1	89.77	100.00				Others
Comprehensive production quality inspection building construction project	34.32	80.00				Others
Pilot platform project of small molecule drugs in pilot center construction project phase I	78.59	100.00				Others
Pilot platform project of microbial drugs in pilot center construction project phase I	73.24	100.00				Others
Microbiology lab renovation	62.55	100.00				Others
Pilot platform project of solid preparation in pilot center construction project phase I	62.81	100.00				Others
Lyophilization pilot project	54.02	90.00				Others
Macromolecule pilot platform construction project	6.16	30.00				Others
R&D QC laboratory construction	15.37	95.00				Others

Projects	Accumulated investment to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
project						
Huadong Medicine Biomedical Science Park phase II	6.03	6.00				Others
Transfer and new GMP transformation project of cyclosporine and tacrolimus product	70.23	75.00				Others
Other piecemeal projects						Others
Subtotal	--	--				--

14. Intangible assets

(1) Details

Items	Land use right	Patent	Non-patent technology	Software	Trademark, franchise right	Total
I. Cost						
1. Opening balance	309,602,697.53		546,526,737.76	14,900,711.12	95,587,262.34	966,617,408.75
2. Increase	1,064,285.71			1,037,137.21	217,581,143.99	219,682,566.91
(1) Acquisition	1,064,285.71			1,037,137.21	217,581,143.99	219,682,566.91
3. Decrease						
(1) Disposal						
4. Closing balance	310,666,983.24		546,526,737.76	15,937,848.33	313,168,406.33	1,186,299,975.66
II. Accumulated depreciation						
1. Opening balance	40,497,004.36		273,848,717.76	9,215,344.17	33,217,494.20	356,778,560.49
2. Increase	3,609,601.95		24,296,927.13	973,953.16	14,850,184.73	43,730,666.97
(1) Accrual	3,609,601.95		24,296,927.13	973,953.16	14,850,184.73	43,730,666.97
3. Decrease						
(1) Disposal						
4. Closing balance	44,106,606.31		298,145,644.89	10,189,297.33	48,067,678.93	400,509,227.46
III. Provision for impairment						
1. Opening balance						
2. Increase						
3. Decrease						
4. Closing balance						
IV. Carrying amount						
1. Closing balance	266,560,376.93		248,381,092.87	5,748,551.00	265,100,727.40	785,790,748.20
2. Opening balance	269,105,693.17		272,678,020.00	5,685,366.95	62,369,768.14	609,838,848.26

15. Goodwill

(1) Cost

Investees or events resulting in goodwill	Opening balance	Increase	Decrease	Closing balance
华东医药德清天润有限公司 (Huadong Medicine Deqing	2,005,449.91			2,005,449.91

Investees or events resulting in goodwill	Opening balance	Increase	Decrease	Closing balance
Tianrui Co., Ltd.*)				
Huadong Ningbo Medicine Co., Ltd.	825,735.49			825,735.49
陕西九州制药有限责任公司 (Shaanxi Jiuzhou Pharmacy Co., Ltd.*)	1,997,548.79			1,997,548.79
华东医药宁波销售有限公司 (Huadong Medicine Ningbo Sales Co., Ltd.*)	3,746,598.98			3,746,598.98
Huadong Medicine Wenzhou Co., Ltd.	4,535,290.74			4,535,290.74
华东医药绍兴有限公司 (Huadong Medicine Shaoxing Co., Ltd.*)	439,283.58			439,283.58
华东医药丽水有限公司 (Huadong Medicine Lishui Co., Ltd.*)	2,069,036.56			2,069,036.56
杭州华东医药化学试剂有限公司 (Hangzhou Huadong Medicine Chemical Reagent Co., Ltd.*)	658,583.99		658,583.99	0.00
杭州培元堂诊所有限公司 (Hangzhou Peiyuantang Clinic Co., Ltd.*)	635,250.35			635,250.35
华东医药岱山有限公司 (Huadong Medicine Daishan Co., Ltd.*)	7,777,770.06			7,777,770.06
华东医药存德（舟山）有限公司 (Huadong Medicine Cunde (Zhoushan) Co., Ltd.*)	17,823,651.36			17,823,651.36
舟山存德堂医药零售有限公司 (Zhoushan Cundetang Medicine Retail Co., Ltd.*)	3,725,483.62			3,725,483.62
Total	46,239,683.43		658,583.99	45,581,099.44

(2) Provision for impairment

Investees or events resulting in goodwill	Opening balance	Increase	Decrease	Closing balance
Shaanxi Jiuzhou Pharmacy Co., Ltd.	1,997,548.79			1,997,548.79
Hangzhou Huadong Medicine Chemical Reagent Co., Ltd.	658,583.99		658,583.99	0.00
Hangzhou Peiyuantang Clinic Co., Ltd.	635,250.35			635,250.35
Subtotal	3,291,383.13			2,632,799.14

Other remarks

1) Hangzhou Huadong Medicine Chemical Reagent Co., Ltd. has canceled the registration in the current period. Therefore, provision for impairment of goodwill has been transferred out.

2) Provision for impairment of Shaanxi Jiuzhou Pharmacy Co., Ltd. refers to the provision for impairment of goodwill fully made on Shaanxi Jiuzhou Pharmacy Co., Ltd. by 西安博华制药有

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限责任公司 (Xi'an Bohua Pharmacy Co., Ltd.*) when the Company acquired equity of Xi'an Bohua Pharmacy Co., Ltd. in previous year.

3) Due to the poor performance of Hangzhou Peiyuantang Clinic Co., Ltd., provision for goodwill impairment has been made in full amount.

16. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Decoration fees	11,617,629.52	2,413,419.74	3,280,269.17		10,750,780.09
Rental fees	821,920.65		277,152.42		544,768.23
Technical service fees	1,202,499.64	75,102.00	264,874.72		1,012,726.92
Total	13,642,049.81	2,488,521.74	3,822,296.31		12,308,275.24

17. Deferred tax assets / Deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for impairment of assets	287,885,368.72	67,373,265.65	254,271,534.55	58,871,811.16
Unrealized profit from internal transactions	118,656,504.40	17,972,102.03	63,431,163.74	9,915,477.37
Deferred income	20,024,251.49	3,863,835.74	61,940,194.25	14,130,682.71
Total	426,566,124.61	89,209,203.42	379,642,892.54	82,917,971.24

(2) Deferred tax assets or liabilities after offset

Items	Closing balance		Opening balance	
	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset	Deferred tax assets offset by deferred tax liabilities	Deferred tax assets/liabilities after offset
Deferred tax assets		89,209,203.42		82,917,971.24

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible losses	107,265,184.69	108,475,758.21
Provision for bad debts for accounts receivable	5,440,787.26	9,594,394.24
Provision for bad debts for other receivables	14,886,180.27	11,817,638.42
Deferred income	52,442,782.60	11,323,487.84

* The English name is for identification purpose only.

Items	Closing balance	Opening balance
Provision for inventory write-down	14,668.37	14,668.37
Total	180,049,603.19	141,225,947.08

(4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2018	17,299,584.83	19,878,759.46	
Year 2019	17,878,745.74	17,903,298.94	
Year 2020	26,190,265.59	26,190,265.59	
Year 2021	16,923,309.36	22,476,569.86	
Year 2022	22,026,213.21	22,026,864.36	
Year 2023	6,947,065.96		
Total	107,265,184.69	108,475,758.21	

18. Other non-current assets

Items	Closing balance	Opening balance
Prepayment for transfer of technology	90,625,000.00	28,400,000.00
Prepayment for acquisition of equipment	69,721,572.54	45,422,302.55
Payment for purchase of emission right		1,235,776.00
Total	160,346,572.54	75,058,078.55

19. Short-term borrowings

(1) Details on categories

Items	Closing balance	Opening balance
Pledged borrowings	167,500,000.00	119,000,000.00
Mortgaged borrowings	27,500,000.00	28,000,000.00
Secured borrowings	131,950,000.00	113,940,000.00
Credit borrowings	67,630,000.00	77,630,000.00
Mortgaged and secured borrowings	27,000,000.00	37,000,000.00
Total	421,580,000.00	375,570,000.00

20. Notes payable

Items	Closing balance	Opening balance
Trade acceptance	75,577,963.05	110,073,901.07
Bank acceptance	126,568,539.99	263,594,338.30
Total	202,146,503.04	373,668,239.37

21. Accounts payable**(1) Details**

Items	Closing balance	Opening balance
Payment for goods	3,169,329,040.97	3,283,110,338.66
Payment for acquisition of long-term assets	312,511,316.14	169,121,442.78
Total	3,481,840,357.11	3,452,231,781.44

22. Advances received**(1) Details**

Items	Closing balance	Opening balance
Advanced drug sales	60,801,956.48	73,254,070.04
Advanced rental fees	1,675,150.47	708,062.86
Total	62,477,106.95	73,962,132.90

23. Employee benefits payable**(1) Details**

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	45,171,304.47	736,912,066.62	750,147,613.36	31,935,757.73
II. Post-employment benefits - defined benefit plan	9,885,414.11	43,007,640.96	42,594,434.82	10,298,620.25
III. Termination benefits		98,587.10	98,587.10	
Total	55,056,718.58	780,018,294.68	792,840,635.28	42,234,377.98

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
1. Wage, bonus, allowance and subsidy	33,313,164.48	586,497,643.17	600,920,605.65	18,890,202.00
2. Employee welfare fund		80,286,586.22	78,404,326.45	1,882,259.77
3. Social insurance premium	7,415,448.03	25,554,985.58	25,536,453.49	7,433,980.12
Including: Medicare premium	6,466,677.60	22,305,636.62	22,142,279.78	6,630,034.44
Occupational injuries premium	145,674.93	1,175,457.72	1,084,538.86	236,593.79
Maternity premium	803,095.50	2,073,891.24	2,309,634.85	567,351.89
4. Housing provident fund	108,782.53	24,593,752.22	24,559,427.91	143,106.84
5. Trade union fund and employee education fund	4,333,909.43	14,242,015.01	14,989,715.44	3,586,209.00
8. Labor cost		5,737,084.42	5,737,084.42	
Total	45,171,304.47	736,912,066.62	750,147,613.36	31,935,757.73

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance premium	9,270,944.28	41,390,686.06	40,978,427.34	9,683,203.00

Items	Opening balance	Increase	Decrease	Closing balance
2. Unemployment insurance premium	614,469.83	1,616,954.90	1,616,007.48	615,417.25
Total	9,885,414.11	43,007,640.96	42,594,434.82	10,298,620.25

24. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	354,850,711.17	346,340,216.39
Enterprise income tax	320,567,439.45	220,828,086.80
Individual income tax	14,305,290.38	33,896,316.92
Urban maintenance and construction tax	7,661,378.49	7,109,749.61
Housing property tax	1,107,384.18	5,052,392.31
Land use tax	513,121.85	1,370,933.54
Vehicle and vessel tax	341.10	
Education surcharge	3,313,853.18	3,073,195.28
Local education surcharge	2,128,541.22	1,965,748.44
Stamp duty	508,389.55	595,508.99
Local water conservancy fund	75.93	12,890.52
Price regulation fund	529,088.09	529,088.09
Security fund for the disabled	241,459.83	209,704.62
Environmental protection tax	28,280.39	
Total	705,755,354.81	620,983,831.51

25. Interest payable

Items	Closing balance	Opening balance
Interest of corporate bonds	5,536,986.33	29,230,137.01
Interest of short-term borrowings	551,641.86	505,477.18
Total	6,088,628.19	29,735,614.19

26. Dividend payable

Items	Closing balance	Opening balance
Dividend of ordinary shares	6,804,219.60	9,382,619.60
Total	6,804,219.60	9,382,619.60

27. Other payables

(1) Details on categories

Items	Closing balance	Opening balance
Deposits	196,617,515.35	166,519,074.04

Items	Closing balance	Opening balance
Call loans	227,774,461.26	33,637,380.63
Temporary receipts payable	1,105,323,209.02	872,066,800.17
Others	127,090,545.75	49,724,868.86
Total	1,656,805,731.38	1,121,948,123.70

28. Bonds payable

(1) Details

Items	Closing balance	Opening balance
15 Huadong Bond	993,946,515.20	992,440,873.26
Total	993,946,515.20	992,440,873.26

(2) Movements of bonds payable (excluding other financial instruments such as preferred shares classified as financial liabilities and perpetual bonds)

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance
15 Huadong Bond	1,000,000,000.00	May 19, 2015	5 years	985,000,000.00	992,440,873.26
Total	--	--	--	985,000,000.00	992,440,873.26

(Continued)

Bonds	Current period issuance	Par value interest	Premium/discount amortization	Current period repayment	Closing balance
15 Huadong Bond	0	0	1,505,641.94	0	993,946,515.20
Total	0	0	1,505,641.94	0	993,946,515.20

29. Deferred income

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	73,263,682.09	5,110,000.00	5,906,648.00	72,467,034.09	
Total	73,263,682.09	5,110,000.00	5,906,648.00	72,467,034.09	--

Items related to government grants

Items	Opening balance	Increase	Grants included into non-operation revenue	Grants included into other income
Subsidy for heat supply renovation project	2,323,487.84			331,926.83
Subsidy for national generic chemical drug development project	3,900,000.00			650,000.00
Production project of cordyceps fungus powder with annual output of 1,300 tons	5,100,000.00	4,000,000.00		498,019.80
Compensation for demolition	48,396,535.71			1,195,314.12
Subsequent subsidy for national generic chemical drug development project	11,853,658.54			1,975,609.74
Internationalization research project of generic technology	1,690,000.00			234,407.00

Items	Opening balance	Increase	Grants included into non-operation revenue	Grants included into other income
of oral solid high-end preparation				
Production and submission of pantoprazole sodium for injection		910,000.00		181,370.51
Zhejiang provincial industrial research project of liraglutide for injection		200,000.00		
Total	73,263,682.09	5,110,000.00		5,066,648.00

(Continued)

Items	Amount of government grants offsetting costs	Other movements	Closing balance	Related to assets/income
Subsidy for heat supply renovation project			1,991,561.01	Related to assets
Subsidy for national generic chemical drug development project			3,250,000.00	Related to assets
Production project of cordyceps fungus powder with annual output of 1,300 tons			8,601,980.20	Related to assets
Compensation for demolition			47,201,221.59	Related to assets
Subsequent subsidy for national generic chemical drug development project			9,878,048.80	Related to assets
Internationalization research project of generic technology of oral solid high-end preparation		-575,000.00	880,593.00	Related to income
Production and submission of pantoprazole sodium for injection		-265,000.00	463,629.49	Related to income
Zhejiang provincial industrial research project of liraglutide for injection			200,000.00	Related to income
Total		-840,000.00	72,467,034.09	

30. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	972,116,416.00			486,058,208.00		486,058,208.00	1,458,174,624.00

Other remarks

Pursuant to the resolution of the Shareholders' Meeting of 2017, based on the total share of 972,116,416.00 shares, the Company increases share capital totaling 486,058,208.00 yuan by converting capital reserve to all shareholders at the rate of 5 shares per 10 shares. Such capital increase has been verified by Pan-China Certified Public Accountants LLP, and a capital verification report numbered PCCPACVR [2018] 185 was issued thereon.

31. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (share premium)	2,921,958,924.77		486,058,208.00	2,435,900,716.77
Other capital reserve	19,626,276.41			19,626,276.41
Total	2,941,585,201.18		486,058,208.00	2,455,526,993.18

32. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	492,254,774.51			492,254,774.51
Total	492,254,774.51			492,254,774.51

33. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	3,987,313,404.87	2,998,888,532.03
Opening balance after adjustment	3,987,313,404.87	2,998,888,532.03
Add: Net profit attributable to owners of the parent company	1,293,389,202.65	1,041,440,538.81
Dividend payable on ordinary shares	699,923,819.52	656,178,580.80
Closing balance	4,580,778,788.00	3,384,150,490.04

34. Operating revenue and operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	15,303,418,897.99	10,657,493,108.28	14,077,400,971.06	10,329,972,980.91
Other operations	21,531,125.50	8,114,351.50	13,540,975.95	8,685,120.24
Total	15,324,950,023.49	10,665,607,459.78	14,090,941,947.01	10,338,658,101.15

35. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	49,322,650.91	42,915,427.59
Education surcharge	21,165,243.40	18,234,921.68
Resources tax	1.50	
Housing property tax	5,105,081.27	3,779,302.35
Land use tax	1,457,363.52	721,892.96
Vehicle and vessel use tax	156,519.56	39,006.00
Stamp duty	3,339,783.67	1,882,466.39
Local education surcharge	14,111,997.07	11,390,869.45

Items	Current period cumulative	Preceding period comparative
Environmental protection tax	37,360.18	
Total	94,696,001.08	78,963,886.42

36. Selling expenses

Items	Current period cumulative	Preceding period comparative
Travelling expenses	148,737,846.12	98,545,120.45
Promotion and market maintenance expenses	1,209,938,202.47	1,191,047,620.55
Employee benefits	402,055,138.59	288,301,906.77
Office expenses	110,745,199.76	61,417,841.34
Freight charges	246,565,404.99	128,455,019.84
Advertising and publicity expenses	21,447,280.19	28,873,036.66
Others	182,252,323.77	115,788,559.88
Total	2,321,741,395.89	1,912,429,105.49

37. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	134,035,286.42	97,296,419.22
R&D expenses	264,047,176.07	164,449,402.12
Amortization of intangible assets	23,894,916.34	28,704,081.57
Depreciation expenses	12,371,401.53	7,085,050.02
Office expenses	9,574,879.71	12,308,210.96
Business entertainment	11,780,825.01	8,199,150.23
Travelling expenses	48,366,021.57	25,101,897.64
Rental expenses	14,476,475.68	12,500,191.50
Others	75,872,927.13	58,199,000.69
Total	594,419,909.46	413,843,403.95

38. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	39,450,796.23	39,434,314.10
Interest income	-19,671,421.28	-18,045,402.72
Handling charges	3,041,333.51	3,193,722.80
Discount expenses	1,589,277.00	
Losses on exchange	1,991,258.88	907,344.74

Items	Current period cumulative	Preceding period comparative
Gains on exchange	-8,207,907.24	-1,319,821.35
Cash discount	1,899,581.81	1,001,681.40
Total	20,092,918.91	25,171,838.97

39. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
I. Bad debts loss	32,630,911.85	26,551,928.77
Total	32,630,911.85	26,551,928.77

40. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	10,914,793.66	9,173,298.12
Investment income from bank financial products	6,249,105.06	1,883,441.03
Total	17,163,898.72	11,056,739.15

41. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative
Gains on disposal of fixed assets	6,973.92	

42. Other income

Source of other income	Current period cumulative	Preceding period comparative
1) Amortization of government grants related to assets included into other income		
Subsidy for heat supply renovation project	331,926.83	331,926.83
Subsidy for national generic chemical drug development project	650,000.00	650,000.00
Production project of cordyceps fungus powder with annual output of 1,300 tons	498,019.80	
Compensation for demolition	1,195,314.12	7,658,018.50
Subsequent subsidy for national generic chemical drug development project	1,975,609.74	
2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses		

Source of other income	Current period cumulative	Preceding period comparative
① Parent company		
Rewards for the management team	150,000.00	
Policy support fund for enterprises in Tianshui Subdistrict	1,544,700.00	1,452,000.00
Reward fund of economic conference of Tianshui Subdistrict	500,000.00	
Discount subsidy for relocation		4,628,253.89
② Hangzhou Sino-US Pharmacy Co., Ltd.		
Compensation for demolition	750,000.00	
Allocated fund for social development of Hangzhou of 2016	50,000.00	
Provincial and municipal special fund for the development of industry and information technology of 2017	1,060,000.00	
Production and submission of pantoprazole sodium for injection	181,370.51	
Internationalization research project of generic technology of oral solid high-end preparation	234,407.00	
Special fund for the industrialization of inventions and patents of Gongshu District of 2016		200,000.00
Special fund for supporting provincial small and medium-sized technology-based enterprises and the development of science and technology of 2017		3,150,000.00
Quality award by the Government of Gongshu District of 2016		200,000.00
Land use tax refund		243,672.00
③ Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.		
Reward for 10 policies for promoting innovation with joint efforts of 2016	100,000.00	
Subsidy coupon for technology innovation of 2016	80,000.00	
Subsidy for water conservation of 2016	50,000.00	
Subsidy for talent introduction of 2017	18,718.00	27,477.08
Special fund for stabilizing the growth of foreign trade of 2017	30,000.00	
Provincial reward for enterprise R&D costs of 2017	124,800.00	
Subsidy for cultivating scientific and technological enterprises of 2015		150,000.00
Fund for international market development of SMEs in the second		19,700.00

Source of other income	Current period cumulative	Preceding period comparative
half of 2016		
④杭州华东武林大药房有限公司 (Hangzhou Huadong Wulin Large Pharmacy Co., Ltd.*)		
Subsidy for employment	12,800.00	9,600.00
⑤ Huadong Ningbo Medicine Co., Ltd.		
Special subsidy for industrial restructuring of 2017	47,450,000.00	
Tax rewards		123,043.28
Refund of local water conservancy fund		840,328.24
⑥华东医药供应链管理(杭州)有 限公司 (Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.*)		
Special fund for the development of modern logistics of Hangzhou of 2017	160,200.00	
Subsidy for elimination of vehicles	64,500.00	
Fiscal subsidy for the first batch of pilot projects of logistics standardization of Hangzhou		740,000.00
Quality award by the Government of Hangzhou Economic Development Area		200,000.00
Land use tax refund of 2016		97,340.00
Refund of local water conservancy fund		53,444.75
⑦ Huadong Medicine Lishui Co., Ltd.		
Government policy reward fund	1,130,000.00	430,600.00
Refund of local water conservancy fund		181,660.44
⑧杭州华东大药房连锁有限公司 (Hangzhou Huadong Medicine Chain Co., Ltd.*)		
Compensation for demolition	85,220.00	
⑨ Hangzhou Huadong Chinese Medicine Co., Ltd.		
Subsidy for the elimination and renovation project of high-pollution, fuel-fired small boiler of Lin'an of 2015		60,000.00
⑩华东医药(西安)博华制药有限 公司 (Huadong Medicine (Xi'an) Bohua Pharmacy Co., Ltd.*)		
Subsidy for stable employment		57,000.00

* The English names are for identification purpose only.

Source of other income	Current period cumulative	Preceding period comparative
⑪华东医药湖州有限公司 (Huadong Medicine Huzhou Co., Ltd.)		
Special fund for guiding the development of the first batch of municipal service industry of 2016		259,650.00
Refund of local water conservancy fund		178,042.45
⑫杭州采薇坊香文化创意有限公司 (Hangzhou Caiweifangxiang Cultural Creativity Co., Ltd.*)		
General Office of Bureau of Economy and Tourism of Xiacheng District, Hangzhou		73,020.00
⑬华东医药（杭州）百令生物科技股份有限公司 (Huadong Medicine (Hangzhou) Bailing Biotechnology Co., Ltd.*)		
Pilot subsidy for substituting machine for man		933,000.00
City industry and information technology fund - automatic production project		800,000.00
⑭ Huadong Medicine Wenzhou Co., Ltd.		
Subsidy for pilot project in key development field of modern logistics		440,000.00
Refund of local water conservancy fund		804,197.40
⑮华东医药（杭州）生物制品有限公司 (Huadong Medicine (Hangzhou) Biological Product Co., Ltd.*)		
Refund of local water conservancy fund		101,579.71

— The English names are for identification purpose only.

Source of other income	Current period cumulative	Preceding period comparative
Total	58,427,586.00	25,083,954.57

43. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	0.75	114,618.67	0.75
Including: Gains on disposal of fixed assets	0.75	114,618.67	0.75
Indemnity income	125,421.68		125,421.68
Unpayable fund	1,431,618.98	110,722.13	1,431,618.98
Others	585,518.59	497,265.71	585,518.59
Total	2,142,560.00	722,606.51	2,142,560.00

44. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	8,636,613.40	5,547,793.50	8,636,613.40
Losses on disposal of non-current assets	1,438,406.41	6,471,637.02	1,438,406.41
Including: Losses on disposal of fixed assets	1,438,406.41	6,471,637.02	1,438,406.41
Penalty expenditures and surcharge for overdue tax payment	248,085.98	19,765.94	248,085.98
Local water conservancy fund	25,411.05	-8,183,136.56	
Irrecoverable funds	2,228,463.22		2,228,463.22
Others	3,221.70	3,165,843.03	3,221.70
Total	12,580,201.76	7,021,902.93	12,554,790.71

45. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	303,230,936.76	243,811,715.75
Deferred income tax expenses	-6,291,232.18	-5,391,611.60
Total	296,939,704.58	238,420,104.15

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative
Profit before tax	1,660,922,243.40

Items	Current period cumulative
Income tax expenses based on statutory/applicable tax rate	415,230,560.85
Effect of different tax rate applicable to subsidiaries	-122,037,138.72
Effect of prior income tax reconciliation	2,624,503.95
Effect of non-taxable income	-1,654,158.73
Effect of non-deductible costs, expenses and losses	4,548,915.87
Utilization of deductible losses not previously recognized as deferred income tax assets	-2,039,409.88
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets	2,565,049.59
Effect of plus deduction of wages of the disabled workers	-69,728.65
Tax exemption for primary processing of agricultural products	-975,841.57
Others	-1,253,048.12
Income tax expenses	296,939,704.58

46. Notes to items of the consolidated cash flow statement

(1) Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Receipts of deposit for notes	261,983,060.62	97,331,758.35
Receipts of deposit as security and performance bonds	55,651,155.96	15,880,083.94
Government grants	53,961,831.29	13,943,744.25
Interest income from bank deposits	19,671,421.28	16,882,871.31
Rental income	870,174.59	1,885,644.87
Others	89,245,224.06	23,440,923.47
Total	481,382,867.80	169,365,026.19

(2) Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Travelling expenses	197,103,867.69	274,297,769.61
Deposit for L/C and notes	222,995,618.10	162,815,993.93
Promotion and market maintenance expenses	1,209,938,202.47	722,240,147.95
Office expenses	120,320,079.47	237,940,804.38
Vehicle and transportation expenses	246,565,404.99	248,970,589.55
R&D expenses	180,094,984.18	23,903,596.76
Others	104,640,393.57	290,378,513.24
Total	2,281,658,550.47	1,960,547,415.42

(3) Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Redemption of financial products	2,770,000,000.00	280,000,000.00
Government grants related to assets	4,000,000.00	
Interest from financial products		1,996,447.49
Total	2,774,000,000.00	281,996,447.49

(4) Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Purchase of financial products	2,190,000,000.00	230,000,000.00
Performance bond		3,000,000.00
Total	2,190,000,000.00	233,000,000.00

(5) Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Receipts of call loans	210,000,000.00	20,000,000.00
Total	210,000,000.00	20,000,000.00

(6) Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Call loans and interest	20,510,499.68	
Total	20,510,499.68	

47. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
1. Reconciliation of net profit to cash flow from operating activities:	--	--
Net profit	1,363,982,538.82	1,086,744,975.41
Add: Provision for assets impairment loss	32,630,911.85	26,551,928.77
Depreciation of fixed assets, oil and gas assets, productive biological assets	105,725,982.69	94,811,277.12
Amortization of intangible assets	43,770,637.13	29,115,308.84
Amortization of long-term prepayments	3,822,296.31	4,063,549.35
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-6,973.92	6,357,018.35
Fixed assets retirement loss (Less: gains)	1,438,405.66	
Financial expenses (Less: gains)	39,450,796.23	39,434,314.10
Investments losses (Less: gains)	-17,163,898.72	-11,056,739.15
Decrease of deferred tax assets (Less: increase)	-6,291,232.18	-5,391,611.60

Supplement information	Current period cumulative	Preceding period comparative
Decrease in inventories (Less: increase)	178,330,063.56	-27,183,413.83
Decrease in operating receivables (Less: increase)	-857,601,616.20	-1,125,922,254.70
Increase of operating payables (Less: decrease)	182,186,449.54	158,748,685.49
Net cash flow from operating activities	1,070,274,360.77	276,273,038.15
2. Significant investing and financing activities not related to cash receipts and payments:	--	--
3. Net changes in cash and cash equivalents:	--	--
Cash at the end of the period	3,051,800,942.26	1,915,247,565.29
Less: Cash at the beginning of the period	2,372,819,624.82	2,629,856,148.78
Net increase of cash and cash equivalents	678,981,317.44	-714,608,583.49

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	3,051,800,942.26	2,372,819,624.82
Including: Cash on hand	141,149.63	206,325.41
Cash in bank on demand for payment	3,051,210,758.72	2,371,790,765.10
Other cash and bank balances on demand for payment	474,667.43	822,534.31
II. Cash and cash equivalents at the end of the period	3,051,800,942.26	2,372,819,624.82

48. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	93,263,046.15	Deposits
Notes receivable	15,102,041.41	Pledged notes
Fixed assets	39,041,522.27	Mortgaged guarantee for borrowings
Intangible assets	6,630,083.70	Mortgaged guarantee for borrowings
Accounts receivable	104,599,811.01	Guarantee for borrowings
Investment property	2,972,434.70	Mortgaged guarantee for borrowings
Total	261,608,939.24	

49. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances	--	--	
Including: USD	1,763,132.99	6.6166	11,665,945.74
Accounts receivable	--	--	
Including: USD	896,541.03	6.6166	5,932,053.38

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Other payables	--	--	
Including: USD	16,000.00	6.6166	105,865.60

VI. Changes in the consolidation scope

1. Changes in consolidation scope due to other reasons

Remarks on changes in consolidation scope due to other reasons (such as newly establishment of subsidiaries and liquidation) and details are as follows:

Names	Acquisition and disposal method
华东医药投资控股（香港）有限公司 (Huadong Medicine Investment Holding (Hong Kong) Limited*)	Newly set up
华东医药医美投资（香港）有限公司 (Huadong Medicine Aesthetics Investment (Hong Kong) Limited*)	Newly set up
杭州优学企业管理有限公司 (Hangzhou Youxue Enterprise Management Co., Ltd.*)	Newly set up
Hangzhou Huadong Medicine Chemical Reagent Co., Ltd.	Cancellation

VII. Interest in other entities

1. Interest in subsidiaries

(I) Group composition

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Hangzhou Sino-US Pharmacy Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Manufacturing	100.00		Business combination under common control
Huadong Medicine (Xi'an) Bohua Pharmacy Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Manufacturing		100.00 [Note 1]	Business combination under common control
Shaanxi Jiuzhou Pharmacy Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	Manufacturing		65.00 [Note 2]	Business combination not under common control
陕西大华九州置业有限公司 (Shaanxi Dahua Jiuzhou Real Estate Co., Ltd.*)	Xi'an, Shaanxi	Xi'an, Shaanxi	Service		100.00 [Note 3]	Set up
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	Yancheng, Jiangsu	Yancheng, Jiangsu	Manufacturing		89.76 [Note 1]	Business combination not under common control
Huadong Medicine (Hangzhou) Bailing Biotechnology Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Manufacturing		100.00 [Note 1]	Set up
华东医药（烟台）制药有限公司 (Huadong Medicine (Yantai) Pharmaceutical Co., Ltd.*)	Yantai, Shandong	Yantai, Shandong	Manufacturing		51.00 [Note 1]	Business combination not under common control

* The English names are for identification purpose only.

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Hangzhou Huadong Chinese Medicine Co., Ltd.	Lin'an, Zhejiang	Lin'an, Zhejiang	Manufacturing	60.00		Business combination not under common control
Hangzhou Huadong Wulin Large Pharmacy Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	100.00		Business combination not under common control
Hangzhou Peiyuantang Clinic Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Medical service		100.00 [Note 4]	Business combination not under common control
Huadong Ningbo Medicine Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Commerce	51.00		Business combination not under common control
宁波惊尘冷链物流有限公司 (Ningbo Jingchen Cold Chain Logistics Co., Ltd.*)	Ningbo, Zhejiang	Ningbo, Zhejiang	Service		100.00 [Note 5]	Set up
宁波幸福缪斯医疗投资管理有限公司 (Ningbo Happiness Muse Medical Investment Management Co., Ltd.*)	Ningbo, Zhejiang	Ningbo, Zhejiang	Commerce		100.00 [Note 5]	Set up
华东医药(武汉)药业有限公司 (Huadong Medicine Wuhan Pharmaceutical Co., Ltd.*)	Wuhan, Hubei	Wuhan, Hubei	Commerce		100.00 [Note 5]	Set up
Hangzhou Youxue Enterprise Management Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Service industry		100.00 [Note 5]	Set up
Huadong Medicine Ningbo Sales Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Commerce	100.00		Business combination not under common control
Huadong Medicine Wenzhou Co., Ltd.	Ruian, Zhejiang	Ruian, Zhejiang	Commerce	40.00		Business combination not under common control
华东医药供应链管理(温州)有限公司 (Huadong Medicine Supply Chain Management (Wenzhou) Co., Ltd.*)	Wenzhou, Zhejiang	Wenzhou, Zhejiang	Warehousing service		100.00 [Note 6]	Business combination not under common control
浙江惠仁医药连锁有限公司 (Zhejiang Huiren Medicine Chain Co., Ltd.*)	Ruian, Zhejiang	Ruian, Zhejiang	Commerce		100.00 [Note 7]	Business combination not under common control
杭州杏国健康管理有限公司 (Hangzhou Xingguo Health Management Co., Ltd.*)	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	100.00		Set up
杭州杏联医疗管理有限公司 (Hangzhou Xinlian Health Care Management Co., Ltd.*)	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce		100.00 [Note 8]	Set up
杭州华晟投资管理有限公司 (Hangzhou Huasheng Investment Management Co., Ltd.*)	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Business service	100.00		Set up
Huadong Medicine Deqing Tianrui Co., Ltd.	Deqing, Zhejiang	Deqing, Zhejiang	Lease and business	62.85	32.67 [Note 9]	Business combination not

* The English names are for identification purpose only.

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
			service			under common control
Hangzhou Huadong Medicine Chain Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	86.33	13.67 [Note 10]	Set up
Huadong Medicine Investment Holding (US) Inc	Delaware, USA	Delaware, USA	Commerce		100.00 [Note 11]	Set up
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Warehousing service	100.00		Business combination not under common control
Huadong Medicine Shaoxing Co., Ltd.	Shaoxing, Zhejiang	Shaoxing, Zhejiang	Commerce	100.00		Business combination not under common control
Huadong Medicine Lishui Co., Ltd.	Longquan, Zhejiang	Longquan, Zhejiang	Commerce	60.00		Business combination not under common control
华东医药广东药业有限公司 (Huadong Medicine Guangdong Pharmaceutical Co., Ltd.*)	Guangzhou, Guangdong	Guangzhou, Guangdong	Commerce	100.00		Set up
Huadong Medicine Huzhou Co., Ltd.	Huzhou, Zhejiang	Huzhou, Zhejiang	Commerce	100.00		Set up
Hangzhou Yuexing Youpin Health Management Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	100.00		Set up
Huadong Medicine (Hangzhou) Biological Product Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	100.00		Set up
杭州悦可医疗美容诊所有限公司 (Hangzhou Yoco Medical Cosmetology Clinic Co., Ltd.*)	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Medical beauty service	100.00		Set up
Hangzhou Caiweifangxiang Cultural Creativity Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	100.00		Set up
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	Zhoushan, Zhejiang	Zhoushan, Zhejiang	Commerce	80.00		Business combination not under common control
Zhoushan Cundetang Medicine Retail Co., Ltd.	Zhoushan, Zhejiang	Zhoushan, Zhejiang	Commerce	80.00		Business combination not under common control
Huadong Medicine Daishan Co., Ltd.	Daishan, Zhejiang	Daishan, Zhejiang	Commerce	67.40		Business combination not under common control
华东医药医疗器械科技（杭州）有限公司 (Huadong Medicine Medical Device Technology Co., Ltd.*)	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Commerce	51.00		Set up
Huadong Medicine Investment Holding (Hong Kong) Limited	Hong Kong, China	Hong Kong, China	Commerce	100.00 [Note 12]		Set up
Huadong Medicine Aesthetics Investment (Hong Kong) Limited	Hong Kong, China	Hong Kong, China	Commerce		100.00 [Note 13]	Set up

Remarks on inconsistency between holding proportion owned and voting rights proportion

* The English names are for identification purpose only.

owned in subsidiaries

The Company holds 40% equity of Huadong Medicine Wenzhou Co., Ltd. and designates two board members, and Ruian People's Hospital holds 60% equity of Huadong Medicine Wenzhou Co., Ltd. and designates three board members. Pursuant to the resolution of the General Shareholders' Meeting, Ruian People's Hospital agrees that one of the board members it designates will vote with the board member designated by the Company in the voting of Board of Directors, which means the Company can take an actual control over Huadong Medicine Wenzhou Co., Ltd.

Other remarks:

Note 1: The subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. holds 100% equity of Huadong Medicine (Xi'an) Bohua Pharmacy Co., Ltd., 89.76% equity of Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd., 100% equity of Huadong Medicine (Hangzhou) Bailing Biotechnology Co., Ltd. and 51% equity of Huadong Medicine (Yantai) Pharmaceutical Co., Ltd.

Note 2: The subsidiary Huadong Medicine (Xi'an) Bohua Pharmacy Co., Ltd. holds its 65% equity.

Note 3: Huadong Medicine (Xi'an) Bohua Pharmacy Co., Ltd. holds its 76.50% equity and Shaanxi Jiuzhou Pharmacy Co., Ltd. holds its 23.50% equity.

Note 4: The subsidiary Hangzhou Huadong Wulin Large Pharmacy Co., Ltd. holds its 100% equity.

Note 5: The subsidiary Huadong Ningbo Medicine Co., Ltd. holds 100% equity of Ningbo Jingchen Cold Chain Logistics Co., Ltd., 100% equity of Ningbo Happiness Muse Medical Investment Management Co., Ltd., 100% equity of Huadong Medicine Wuhan Pharmaceutical Co., Ltd. and 100% equity of Hangzhou Youxue Enterprise Management Co., Ltd.

Note 6: The subsidiary Huadong Medicine Wenzhou Co., Ltd. holds its 100% equity.

Note 7: The subsidiary Huadong Medicine Wenzhou Co., Ltd. holds its 100% equity.

Note 8: The subsidiary Hangzhou Xingguo Health Management Co., Ltd. holds its 100% equity.

Note 9: The Company holds its 62.85% equity, and the subsidiary Hangzhou Huasheng Investment Management Co., Ltd. holds its 32.67% equity.

Note 10: The Company holds its 86.33% equity, and the subsidiary Hangzhou Huasheng Investment Management Co., Ltd. holds its 13.67% equity.

Note 11: The subsidiary Hangzhou Huasheng Investment Management Co., Ltd. holds its 100% equity.

Note 12: The Company holds its 100% equity.

Note13: The Company's subsidiary Huadong Medicine Investment Holding (Hong Kong) Limited holds its 100% equity.

Basis for the control of a consolidated subsidiary while holding its half or less than half voting rights

The Company holds 40% equity of Huadong Medicine Wenzhou Co., Ltd. and designates two board members, and Ruian People's Hospital holds 60% equity of Huadong Medicine Wenzhou Co., Ltd. and designates three board members. Pursuant to the resolution of the General Shareholders' Meeting, Ruian People's Hospital agrees that one of the board members it designates will vote with the board member designated by the Company in the voting of Board of Directors, which means the Company can take an actual control over Huadong Medicine Wenzhou Co., Ltd.

(2) Significant not wholly-owned subsidiaries

Subsidiaries	Holding proportion of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non-controlling interest
Hangzhou Huadong Chinese Medicine Co., Ltd.	40.00%	2,402,735.78		45,618,774.72
Huadong Ningbo Medicine Co., Ltd.	49.00%	66,720,961.13	53,655,000.00	238,645,076.91
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	10.24%	-221,435.67		14,757,878.12
Huadong Medicine Wenzhou Co., Ltd.	60.00%	2,408,194.96		102,574,089.36
Huadong Medicine Lishui Co., Ltd.	40.00%	394,472.49	2,400,000.00	27,284,392.18
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	20.00%	424,311.49		493,241.08
Huadong Medicine Daishan Co., Ltd.	32.60%	-195,236.55		-3,957,661.80
Huadong Medicine Medical Device Technology Co., Ltd.	49.00%	-469,935.77		3,800,073.84

3. Main financial information of significant not wholly-owned subsidiaries

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Huadong Chinese Medicine Co., Ltd.	158,716,481.37	73,278,057.87	231,994,539.24	117,947,602.45		117,947,602.45
Huadong Ningbo Medicine Co., Ltd.	894,817,783.09	157,396,845.55	1,052,214,628.64	568,459,623.92		568,459,623.92
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	61,907,028.80	189,859,727.44	251,766,756.24	107,665,900.74		107,665,900.74
Huadong Medicine Wenzhou Co., Ltd.	941,319,677.09	140,237,737.11	1,081,557,414.20	910,600,598.58		910,600,598.58
Huadong Medicine Lishui Co., Ltd.	316,011,371.80	4,277,041.42	320,288,413.22	252,077,432.77		252,077,432.77
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	125,613,345.06	3,622,161.90	129,235,506.96	126,769,301.56		126,769,301.56
Huadong Medicine Daishan Co., Ltd.	31,833,994.76	8,310,936.92	40,144,931.68	52,284,998.57		52,284,998.57

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Huadong Medicine Medical Device Technology Co., Ltd.	7,395,736.25	677,092.31	8,072,828.56	317,575.82		317,575.82

(Continued)

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hangzhou Huadong Chinese Medicine Co., Ltd.	144,678,898.02	75,232,986.34	219,911,884.36	111,871,787.03		111,871,787.03
Huadong Ningbo Medicine Co., Ltd.	874,186,056.92	162,650,908.79	1,036,836,965.71	579,747,187.79		579,747,187.79
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	35,146,764.33	176,289,727.53	211,436,491.86	65,173,464.41		65,173,464.41
Huadong Medicine Wenzhou Co., Ltd.	654,758,048.12	140,353,169.87	795,111,217.99	628,168,060.64		628,168,060.64
Huadong Medicine Lishui Co., Ltd.	291,092,205.64	3,679,241.83	294,771,447.47	269,546,648.25		269,546,648.25
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	117,308,984.67	3,133,881.99	120,442,866.66	120,098,218.73		120,098,218.73
Huadong Medicine Daishan Co., Ltd.	28,148,927.90	8,211,771.73	36,360,699.63	47,901,881.39		47,901,881.39
Huadong Medicine Medical Device Technology Co., Ltd.	8,067,265.06	812,488.47	8,879,753.53	165,448.20		165,448.20

(Continued)

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hangzhou Huadong Chinese Medicine Co., Ltd.	167,366,934.06	6,006,839.46	6,006,839.46	14,376,976.67
Huadong Ningbo Medicine Co., Ltd.	839,905,225.23	136,165,226.80	136,165,226.80	51,571,299.69
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	33,340,652.84	-2,162,171.95	-2,162,171.95	34,024,961.76
Huadong Medicine Wenzhou Co., Ltd.	1,110,606,375.09	4,013,658.27	4,013,658.27	-139,016,021.62
Huadong Medicine Lishui Co., Ltd.	373,870,104.85	986,181.23	986,181.23	-38,347,300.12
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	146,243,395.79	2,121,557.47	2,121,557.47	-25,935,551.75
Huadong Medicine Daishan Co., Ltd.	41,254,943.03	-598,885.13	-598,885.13	-3,809,830.81
Huadong Medicine Medical Device Technology Co., Ltd.	12,405.72	-959,052.59	-959,052.59	-745,142.06

(Continued)

Subsidiaries	Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities

Subsidiaries	Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Hangzhou Huadong Chinese Medicine Co., Ltd.	168,182,454.52	7,478,149.54	7,478,149.54	9,552,244.59
Huadong Ningbo Medicine Co., Ltd.	786,381,068.55	91,072,260.36	91,072,260.36	127,998,125.40
Jiangsu Jiuyang Bio-Pharmaceutical Co., Ltd.	39,448,825.02	-3,094,789.02	-3,094,789.02	16,789,988.08
Huadong Medicine Wenzhou Co., Ltd.	1,081,308,125.68	-2,206,570.66	-2,206,570.66	41,199,393.20
Huadong Medicine Lishui Co., Ltd.	353,703,681.70	908,908.06	908,908.06	-3,113,871.98
Huadong Medicine Cunde (Zhoushan) Co., Ltd.				
Huadong Medicine Daishan Co., Ltd.				
Huadong Medicine Medical Device Technology Co., Ltd.				

2. Interest in joint venture or associates

(1) Significant joint venture or associates

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Associates						
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Drug production		21.06	Equity method
Hangzhou Tangyangyuan Medicine Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Medical retail		30.00	Equity method

(2) Main financial information of significant associates

Items	Closing balance / Current period cumulative		Opening balance / Preceding period comparative	
	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Hangzhou Tangyangyuan Medicine Co., Ltd.	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Hangzhou Tangyangyuan Medicine Co., Ltd.
Current assets	402,892,211.51	37,429,094.78	303,884,113.80	39,513,274.27
Non-current assets	131,572,563.33	1,811,810.82	126,261,305.78	2,066,719.16
Total assets	534,464,774.84	39,240,905.60	430,145,419.58	41,579,993.43
Current liabilities	137,193,020.28	18,864,069.68	104,328,667.41	20,619,928.74
Non-current liabilities	270,893.00			
Total liabilities	137,463,913.28	18,864,069.68	104,328,667.41	20,619,928.74
Equity attributable to owners of parent company	397,000,861.56	20,376,835.92	325,816,752.17	20,960,064.69
Proportionate share in net assets	83,609,281.03	6,113,050.78	68,617,746.29	6,288,019.41
Unrealized profit in internal trading	40,800,000.00			
Carrying amount of equity investments in associates	75,016,708.58	6,113,050.78	68,617,746.29	6,288,019.41

Items	Closing balance / Current period cumulative		Opening balance / Preceding period comparative	
	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Hangzhou Tangyangyuan Medicine Co., Ltd.	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Hangzhou Tangyangyuan Medicine Co., Ltd.
Operating revenue	390,122,192.79	46,226,900.20	271,060,417.47	34,896,086.15
Net profit	89,738,190.33	2,416,771.23	40,415,724.47	2,205,821.83
Total comprehensive income	89,738,190.33	2,416,771.23	40,415,724.47	2,205,821.83
Dividend from associates received in current period	3,790,800.00	900,000.00	14,000,000.00	900,000.00

VIII. Risks related to financial instruments

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to bank balances and receivables. In order to control such risks, the Company has taken the following measures:

1. Bank balances

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. Receivables

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of June 30, 2018, 9.23% (June 30, 2017: 7.98%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

(1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Closing balance				
	Neither past due nor impaired	Past due but not impaired			Total
		Within one year	1-2 years	Over 2 years	
Notes receivable	1,161,837,487.93				1,161,837,487.93
Subtotal	1,161,837,487.93				1,161,837,487.93

(Continued)

Items	Opening balance				
	Neither past due nor impaired	Past due but not impaired			Total
		Within one year	1-2 years	Over 2 years	
Notes receivable	965,969,108.65				965,969,108.65
Subtotal	965,969,108.65				965,969,108.65

(2) Please refer to notes to receivables for receivables with provision for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial instruments classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financial liabilities					
Short-term borrowings	421,580,000.00	427,107,072.03	427,107,072.03		
Notes payable	202,146,503.04	202,146,503.04	202,146,503.04		
Accounts payable	3,481,840,357.11	3,481,840,357.11	3,481,840,357.11		
Interest payable	6,088,628.19	6,088,628.19	6,088,628.19		
Dividend payable	6,804,219.60	6,804,219.60	6,580,000.00		224,219.60

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Other payables	1,656,805,731.38	1,656,805,731.38	1,656,805,731.38		
Bonds payable	993,946,515.20	1,088,463,013.70			1,088,463,013.70
Subtotal	6,769,211,954.52	6,869,255,525.05	5,780,568,291.75		1,088,687,233.30

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financial liabilities					
Short-term borrowings	375,570,000.00	384,270,488.23	384,270,488.23		
Notes payable	373,668,239.37	373,668,239.37	373,668,239.37		
Accounts payable	3,452,231,781.44	3,452,231,781.44	3,452,231,781.44		
Interest payable	29,735,614.19	29,735,614.19	29,735,614.19		
Dividend payable	9,382,619.60	9,382,619.60	9,158,400.00		224,219.60
Other payables	1,121,948,123.70	1,121,948,123.70	1,121,948,123.70		
Bonds payable	992,440,873.26	1,111,769,863.01			1,111,769,863.01
Subtotal	6,354,977,251.56	6,483,006,729.54	5,287,714,085.33	24,139,416.54	1,111,994,082.61

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company avoids such risk mainly through borrowings with fixed interest rate.

IX. Related party relationships and transactions

1. Parent company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
中国远大集团有限责任公司 (China Grand Enterprises, Inc.*)	Beijing	Investment management	5,838 million	41.77	41.77

Remarks on the parent company

China Grand Enterprises, Inc. is established on October 27, 1993 with registered capital of 5,838

* The English names are for identification purpose only.

million yuan, and its legal representative is 胡凯军 (Hu Kaijun). Its main business scope: undertaking Sino-foreign joint ventures, cooperative production and the “three-plus-one” trading-mix (custom manufacturing with materials, designs or samples supplied and compensation trade) business; industrial investment and investment management and consulting, etc. 北京远大华创投资有限公司 (Beijing Yuanda Huachuang Investment Co., Ltd.*) is the holding shareholder of China Grand Enterprises, Inc. with holding proportion of 93%, whose legal representative is Hu Kaijun and its registered capital is 360 million yuan.

The Company’s ultimate controlling party is Hu Kaijun.

2. Other related parties of the Company

Related parties	Relationships with the Company
杭州华东医药集团有限公司 (Hangzhou Huadong Medicine Group Co., Ltd.*)	The second largest shareholder
杭州华东医药集团贵州中药发展有限公司 (Hangzhou Huadong Medicine Group Guizhou Chinese Medicine Development Co., Ltd.*)	Associate of the second largest shareholder
四川远大蜀阳药业股份有限公司 (Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
远大物产集团有限公司 (Grand Resources Group Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
常熟雷允上制药有限公司 (Changshu Leiyunshang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
雷允上药业集团有限公司 (LYS Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
广东雷允上药业有限公司 (Guangdong Leiyunshang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
远大医药（中国）有限公司 (Grand Pharmaceutical (China) Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
北京华新制药有限公司 (Beijing Huajin Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
北京九和药业有限公司 (Beijing Jiuhe Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
杭州远大生物制药有限公司 (Hangzhou Grand Bio-pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
陕西新碑林医药有限责任公司 (Shaanxi Chang’an Medicine Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
西安碑林药业股份有限公司 (Xi’an Beilin Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
沈阳药大雷允上药业有限责任公司 (Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
远大医药黄石飞云制药有限公司 (Grand Pharmaceutical Huangshi Feiyun Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder
蓬莱诺康药业有限公司 (Penglai Nuokang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company’s holding shareholder

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Related parties	Relationships with the Company
武汉远大制药集团销售有限公司 (Wuhan Grand Pharmaceutical Group Sales Co., Ltd.*)	An affiliated company of the Company's holding shareholder
长春雷允上药业有限公司 (Changchun Leiyuanshang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company's holding shareholder
云南雷允上理想药业有限公司 (Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.*)	An affiliated company of the Company's holding shareholder
苏州雷允上国药连锁总店有限公司 (Suzhou Leiyunshang Chain Pharmacy Co., Ltd.*)	An affiliated company of the Company's holding shareholder
远大（上海）融资租赁有限公司 (Grand (Shanghai) Financial Leasing Co., Ltd.*)	An affiliated company of the Company's holding shareholder
贵阳远大房地产开发有限公司 (Guiyang Yuanda Real Estate Development Co., Ltd.*)	An affiliated company of the Company's holding shareholder
黑龙江远大购物中心有限公司 (Heilongjiang Grand Shopping Center Co., Ltd.*)	An affiliated company of the Company's holding shareholder
北京海湾半山酒店管理有限公司 (Beijing Grand Bay Hotel Management Co., Ltd.*)	An affiliated company of the Company's holding shareholder
江苏远大仙乐药业有限公司 (Jiangsu Grand Xianle Pharmaceutical Co., Ltd.*)	An affiliated company of the Company's holding shareholder
天津远大联合汽车销售有限公司 (Tianjin Grand Union Automobile Sales Co., Ltd.*)	An affiliated company of the Company's holding shareholder
保定加合精细化工有限公司 (Baoding Jahe Fine Chemical Co., Ltd.*)	An affiliated company of the Company's holding shareholder
宁波赛缪斯生物科技有限公司 (Ningbo Santemuse Biotechnology Co., Ltd.*) [Note 1]	Invested by non-controlling shareholders and related parties of Huadong Ningbo Medicine Co., Ltd.
杭州健生医药有限公司 (Zhejiang Jiansheng Medicine Co., Ltd.*) [Note 1]	Invested by non-controlling shareholders and related parties of Huadong Ningbo Medicine Co., Ltd.
浙江家和制药有限公司 (Zhejiang Jiahe Pharmaceutical Co., Ltd.*) [Note 1]	Invested by non-controlling shareholders and related parties of Huadong Ningbo Medicine Co., Ltd.
杭州华东医药集团新药研究院有限公司 (Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.*)	Related to senior executives

Other remarks

Note 1: According to the Implementation Guidelines for Related Transactions of Companies Listed in Shanghai Stock Exchange, as net profit of Huadong Ningbo Medicine Co., Ltd. accounts for 10% of the net profit in the consolidated financial statements of the Company in the current period, which has significant impact on the Company, natural persons who hold over 10% equity of significant holding subsidiaries shall be identified as related parties. As Ningbo Santemuse Biotechnology Co., Ltd., Hangzhou Jiansheng Medicine Co., Ltd. and Zhejiang Jiahe Pharmaceutical Co., Ltd. are invested by non-controlling shareholders and related parties of Huadong Ningbo Medicine Co., Ltd., they are identified as related parties in the current period.

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3. Related party transactions

(1) Purchase and sale of goods, rendering and receiving services

Schedule of purchasing goods/receiving services

Related parties	Content of related party transactions	Current period cumulative	Trading limit approved	Exceeding limit or not	Preceding period comparative
Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	Purchase of drugs	19,993,449.15	75,000,000.00	No	48,049,592.25
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Purchase of drugs	38,795,547.66	55,000,000.00	No	10,888,690.30
Penglai Nuokang Pharmaceutical Co., Ltd.	Purchase of drugs	6,717,481.82	25,000,000.00	No	
Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.	Purchase of drugs	6,792,402.04	25,000,000.00	No	
Beijing Jiuhe Pharmacy Co., Ltd.	Purchase of drugs	20,883,576.99	20,000,000.00	Yes	
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Purchase of drugs	6,812,569.19	16,000,000.00	No	5,347,424.93
Grand Pharmaceutical (China) Co., Ltd.	Purchase of drugs	9,375,468.65	20,000,000.00	No	6,595,165.17
Wuhan Grand Pharmaceutical Group Sales Co., Ltd.	Purchase of drugs	3,084,069.52	10,000,000.00	No	3,296,102.18
Hangzhou Jiansheng Medicine Co., Ltd.	Purchase of drugs	425,944.62	10,000,000.00	No	
Hangzhou Grand Bio-pharmaceutical Co., Ltd.	Purchase of drugs	3,929,536.83	9,000,000.00	No	
Zhejiang Jiahe Pharmaceutical Co., Ltd.	Purchase of drugs	2,448,928.36		Yes	
Changshu Leiyunshang Pharmaceutical Co., Ltd.	Purchase of drugs	1,893,482.53	5,000,000.00	No	1,946,340.58
Xi'an Beilin Pharmaceutical Co., Ltd.	Purchase of drugs	2,002,746.66	6,000,000.00	No	1,580,584.61
LYS Pharmaceutical Co., Ltd.	Purchase of drugs	2,791,700.97	7,000,000.00	No	1,640,754.06
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Purchase of drugs	1,480,177.90	2,500,000.00	No	721,106.67
Ningbo Santemuse Biotechnology Co., Ltd.	Purchase of drugs	634,951.60		Yes	
Changchun Leiyunshang Pharmaceutical Co., Ltd.	Purchase of drugs	3,719.66	1,500,000.00	No	440,303.99
Beijing Huajin Pharmaceutical Co., Ltd.	Purchase of drugs	305,109.54	1,500,000.00	No	438,021.91
Shaanxi Chang'an Medicine Co., Ltd.	Purchase of drugs	29,308.88	1,000,000.00	No	28,181.62
Jiangsu Grand Xianle Pharmaceutical Co., Ltd.	Purchase of drugs	8,334,592.16	12,000,000.00	No	
Grand Pharmaceutical Huangshi Feiyun Pharmaceutical Co., Ltd.	Purchase of drugs	87,144.82		Yes	
Hangzhou Huadong Medicine Group Guizhou Chinese Medicine Development Co., Ltd.	Purchase of drugs	131,387.01		Yes	
Subtotal		136,953,296.54			80,972,268.25

Schedule of selling goods/rendering of services

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Hangzhou Jiansheng Medicine Co., Ltd.	Sale of drugs	59,482,888.89	
Hangzhou Jiuyuan Gene Engineering	Sale of drugs	6,542,991.65	2,155,628.80

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Co., Ltd.			
Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	Sale of drugs	1,271,197.04	
Hangzhou Tangyangyuan Medicine Co., Ltd.	Sale of drugs	6,642,277.02	77,147.90
Grand Resources Group Co., Ltd.	Sale of drugs	13,117.12	65,168.14
Grand (Shanghai) Financial Leasing Co., Ltd.	Sale of drugs		11,085.47
Hangzhou Huadong Medicine Group Co., Ltd.	Sale of drugs	19,233.02	2,888.89
Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.	Sale of drugs	3,026,860.40	1,973,259.83
LYS Pharmaceutical Co., Ltd.	Sale of drugs	722,743.64	
Heilongjiang Grand Shopping Center Co., Ltd.	Sale of drugs	7,179.49	
Changchun Leiyuanshang Pharmaceutical Co., Ltd.	Sale of drugs	20,720.72	
Hangzhou Grand Bio-pharmaceutical Co., Ltd.	Sale of drugs	20,517.31	
Guangdong Leiyunshang Pharmaceutical Co., Ltd.	Sale of drugs	801,389.99	
China Grand Enterprises, Inc.	Sale of drugs	2,282.05	
Subtotal		78,573,398.34	4,285,179.03

(2) Related party leases

The Company as the lessee

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Hangzhou Huadong Medicine Technology Co., Ltd.	Housing rents	482,732.29	

(3) Related party guarantees

The Company as guaranteed parties:

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China Grand Enterprises, Inc.	1,000,000,000.00	5/19/2015	11/18/2020	No

Remarks:

China Grand Enterprises, Inc. provides guarantee for the corporate bonds of 1 billion yuan issued by the Company.

(4) Other related party transactions

1) Power comprehensive services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Hangzhou Jiuyuan Gene Engineering Co., Ltd.	Power services	265,217.97	250,055.43

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Hangzhou Huadong Medicine Group Co., Ltd.	Property and security services	261,792.46	
Subtotal		527,010.43	250,055.43

2) Technical services

① Pursuant to a series of Technical Service Contract entered into between Hangzhou Sino-US Pharmacy Co., Ltd. and Hangzhou Jiuyuan Gene Engineering Co., Ltd., Hangzhou Jiuyuan Gene Engineering Co., Ltd. would provide drug R&D technical services for Hangzhou Sino-US Pharmacy Co., Ltd., and the latter paid technical service fees of 16.45 million yuan during January to June 2018 and 17.00 million yuan January to June 2017.

② Pursuant to a series of Technical Service Contract entered into between Hangzhou Sino-US Pharmacy Co., Ltd. and Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd., Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd. would provide drug R&D technical services for Hangzhou Sino-US Pharmacy Co., Ltd., and the latter paid technical service fees of 18.87 million yuan during January to June 2018 and 15.00 million yuan January to June 2017.

3) Transfer of new drug technology

① In accordance with the plan for related party transactions on the acquisition of new drug technology of bailing tablets by the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. from Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd., which is approved by the resolution of the 11th meeting of the eight session of the Board of Directors, Hangzhou Sino-US Pharmacy Co., Ltd. acquires the new drug technology of bailing tablets in the form of cash and sale sharing. Details are as follows: the cash would be 40 million yuan; for the part of sale sharing, Hangzhou Sino-US Pharmacy Co., Ltd. would share 5% of annual revenue from sales of bailing tablets for five years since the date of going on sale. The transfer price is determined based on the Assets Valuation Report (numbered CWAVP [2018] 100) issued by Canwin CPVs Ltd. As of June 30, 2018, the two parties haven't entered into formal contract and Hangzhou Sino-US Pharmacy Co., Ltd. hasn't paid the consideration.

② Pursuant to the resolution of the 11th meeting of the eight session of the Board of Directors, the plan for related party transactions on the acquisition of new drug technology of liraglutide (weight loss indication) by the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. from Hangzhou Jiuyuan Gene Engineering Co., Ltd. is approved, with the consideration of 25 million yuan. The transfer price is determined based on the Assets Valuation Report (numbered CWAVP [2018] 125) issued by Canwin CPVs Ltd. As of June 30, 2018, the two parties haven't entered into formal contract and Hangzhou Sino-US Pharmacy Co., Ltd. hasn't paid the consideration.

4) Others

① In the current period, Beijing Grand Bay Hotel Management Co., Ltd. provides conference services for Hangzhou Sino-US Pharmacy Co., Ltd., and the latter pays conference fees of 44,348.80 yuan.

② In the current period, Hangzhou Sino-US Pharmacy Co., Ltd. purchases vehicles from Tianjin Grand Union Automobile Sales Co., Ltd. at the price of 423,504.27 yuan.

4. Balance due to or from related parties

(1) Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Advances paid	Wuhan Grand Pharmaceutical Group Sales Co., Ltd.	26,091.80			
Advances paid	Beijing Grand Bay Hotel Management Co., Ltd.	44,348.80			
Advances paid	Changshu Leiyunshang Pharmaceutical Co., Ltd.	31,920.00			
Advances paid	Hangzhou Grand Bio-pharmaceutical Co., Ltd.	624,240.00			
Advances paid	Jiangsu Grand Xianle Pharmaceutical Co., Ltd.	714,121.68			
Advances paid	Ningbo Santemuse Biotechnology Co., Ltd.	2,842,826.00		902,527.60	
Advances paid	Zhejiang Jiahe Pharmaceutical Co., Ltd.	4,378,444.85		710,518.22	
Advances paid	Beijing Jiuhe Pharmaceutical Co., Ltd.			20,937.62	
Advances paid	Wuhan Grand Pharmaceutical Group Sales Co., Ltd.			6,933.17	
Advances paid	Tianjin Grand Union Automobile Sales Co., Ltd.			71,995.73	
Subtotal		8,661,993.13		1,712,912.34	
Other receivables	Hangzhou Huadong Medicine Group Co., Ltd.	170,000.00	8,500.00	170,000.00	8,500.00
Other receivables	Jiangsu Grand Xianle Pharmaceutical Co., Ltd.	303,900.01	15,195.00		
Other receivables	杭州汤养元中医门诊部有限公司 (Hangzhou Tangyangyuan Chinese Medicine	2,163.00	108.15		

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Clinic Co., Ltd.*)				
Subtotal		476,063.01	23,803.15	170,000.00	8,500.00
Other non-current assets	Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.	9,200,000.00		9,200,000.00	
Other non-current assets	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	48,000,000.00			
Subtotal		57,200,000.00		9,200,000.00	
Accounts receivable	Hangzhou Tangyangyuan Medicine Co., Ltd.	1,950,637.85	97,531.89	16,280.01	814.00
Accounts receivable	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	2,969,888.01	148,494.40	28,532.30	1,426.62
Accounts receivable	Yunnan Leiyunshang Lixiang Pharmaceutical Co., Ltd.	1,413,322.51	70,814.74	2,972.19	148.61
Accounts receivable	Guiyang Yuanda Real Estate Development Co., Ltd.	22,000.01	2,200.00		
Accounts receivable	Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.	338,500.00	16,925.00		
Accounts receivable	Zhejiang Jiansheng Medicine Co., Ltd.	74,134,980.00	3,706,749.00	77,522,270.00	3,876,113.50
Accounts receivable	Hangzhou Tangyangyuan Chinese Medicine Clinic Co., Ltd.	1,898,031.65	94,901.58		
Accounts receivable	Heilongjiang Grand Shopping Center Co., Ltd.	14,400.00	1,620.00		
Accounts receivable	China Grand Enterprises, Inc.	2,670.00	133.50		
Accounts receivable	Guangdong Leiyunshang Pharmaceutical Co., Ltd.	883,922.34	44,196.12		
Accounts receivable	LYS Pharmaceutical Co., Ltd.	800,730.01	40,036.50		
Accounts receivable	Changchun Leiyuanshang Pharmaceutical Co., Ltd.	23,000.00	1,150.00		
Subtotal		84,452,082.38	4,130,391.15	77,570,054.50	3,878,502.73

(2) Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	Hangzhou Jiuyuan Gene Engineering Co., Ltd.	7,520,333.88	2,468,171.34
Accounts payable	Changshu Leiyunshang Pharmaceutical Co., Ltd.	464,083.26	719,284.28
Accounts payable	Yunnan Leiyunshang Lixiang	2,697,489.08	914,884.17

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Items	Related parties	Closing balance	Opening balance
	Pharmaceutical Co., Ltd.		
Accounts payable	LYS Pharmaceutical Co., Ltd.	836,060.76	1,139,726.64
Accounts payable	Changchun Leiyunshang Pharmaceutical Co., Ltd.	4,352.00	
Accounts payable	Wuhan Grand Pharmaceutical Group Sales Co., Ltd.	1,050,795.03	94,531.32
Accounts payable	Grand Pharmaceutical (China) Co., Ltd.	348,551.92	29,112.41
Accounts payable	Sichuan Yuanda Shuyang Pharmaceutical Co., Ltd.	9,735,761.81	4,170.10
Accounts payable	Guangdong Leiyunshang Pharmaceutical Co., Ltd.	492,839.55	306,595.89
Accounts payable	Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.	30,000,000.00	30,000,000.00
Accounts payable	Shenyang Yaoda Leiyunshang Pharmaceutical Co., Ltd.	1,584,531.00	3,606,553.74
Accounts payable	Baoding Jahe Fine Chemical Co., Ltd.	38,700.00	38,700.00
Accounts payable	Beijing Huajin Pharmaceutical Co., Ltd.	101,618.67	78,647.28
Accounts payable	Beijing Jiuhe Pharmaceutical Co., Ltd.	0.12	104.27
Accounts payable	Xi'an Beilin Pharmaceutical Co., Ltd.	885,673.76	885,101.68
Accounts payable	Zhejiang Jiansheng Medicine Co., Ltd.		1,302,043.60
Accounts payable	Hangzhou Tangyangyuan Medicine Co., Ltd.	44,606.83	44,606.83
Accounts payable	Hangzhou Grand Bio-pharmaceutical Co., Ltd.	416,113.07	395,352.00
Accounts payable	Hangzhou Huadong Medicine Group Co., Ltd.	494.00	494.00
Accounts payable	Penglai Nuokang Pharmaceutical Co., Ltd.	869,633.40	121,252.17
Accounts payable	Grand Pharmaceutical Huangshi Feiyun Pharmaceutical Co., Ltd.	56,094.46	28,739.22
Accounts payable	Shaanxi Chang'an Medicine Co., Ltd.	143,880.00	79,256.98
Subtotal		57,291,612.60	42,257,327.92
Advances received	Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.		49,989.41
Advances received	Suzhou Leiyunshang Chain Pharmacy Co., Ltd.		2,000.00
Subtotal			51,989.41
Other payables	LYS Pharmaceutical Co., Ltd.	906,477.92	453,238.96
Other payables	Hangzhou Huadong Medicine Group Co., Ltd.	224,035.17	
Subtotal		1,130,513.09	453,238.96

X. Commitments and contingencies

1. Significant commitments

Significant commitments as at the balance sheet date

(1) In 2015, the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. and Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd. entered into the Technology Transfer Agreement, which agreed that Hangzhou Sino-US Pharmacy Co., Ltd. acquired the new drug

technology of Mefatinib at the consideration of 50 million yuan and the transfer price was determined based on the Assets Valuation Report (numbered CWAVP [2015] 686) issued by Canwin CPVs Ltd. In 2015, Hangzhou Sino-US Pharmacy Co., Ltd. had paid 20 million yuan for the transfer of new drug technology, with 30 million yuan unpaid as of June 30, 2018. Pursuant to the Technology Transfer Agreement, during the first five years after Mefatinib new drug technology is successfully acquired and goes on sale, Hangzhou Sino-US Pharmacy Co., Ltd. shall accrue royalty at 2% of net sales amount of related products annually and pay it to Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd. In 2018, such technology hasn't gone to sale.

(2) In 2017, the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. and Hangzhou Jiuyuan Gene Engineering Co., Ltd. entered into the Technology Transfer Agreement, which agreed that Hangzhou Sino-US Pharmacy Co., Ltd. acquired the new drug technology of Liraglutide at the consideration of 80 million yuan and the transfer price was determined based on the Assets Valuation Report (numbered CWAVP [2016] 432) issued by Canwin CPVs Ltd. As of June 30, 2018, Hangzhou Sino-US Pharmacy Co., Ltd. has paid 48 million yuan. Pursuant to the Technology Transfer Agreement, during the first six years after Liraglutide new drug technology is successfully acquired and goes on sale, Hangzhou Sino-US Pharmacy Co., Ltd. shall accrue royalty at 3% of net sales amount of related products annually and pay it to Hangzhou Huadong Medicine Group Biotechnology Institute Co., Ltd.

(3) On December 21, 2017, the subsidiary Hangzhou Sino-US Pharmacy Co., Ltd. and vTv Therapeutics LLC entered into the License Agreement, which granted a sole license to Hangzhou Sino-US Pharmacy Co., Ltd. to use the IP of product TTP273, therapeutic goods for type-2 diabetes, locally and to commercialize it, including but not limited to, technology development, clinical research, application for regulatory approval, patent or trademark registration, production and all commercialization within the region. Pursuant to the agreement, Hangzhou Sino-US Pharmacy Co., Ltd. shall pay royalty totaling USD 33.00 million to vTv Therapeutics LLC by installments and pay total milestone fees not exceeding USD 50.00 million by four installments based on actual sales of the product (annual net sales amount reaches USD 100 million to USD 750 million). Besides, during the sales sharing period, Hangzhou Sino-US Pharmacy Co., Ltd. shall also share sales amount at the rate from 1% to 10% of annual net sales amount of the product to vTv Therapeutics LLC. As of June 30, 2018, Hangzhou Sino-US Pharmacy Co., Ltd. has paid USD 8.00 million for royalty, with 25 million yuan unpaid

2. Contingencies

Contingencies as at the balance sheet date

In June 2007, Shaanxi Jiuzhou Pharmacy Co., Ltd. signed the Maximum Mortgage Contract with

中国农业银行商洛商州区支行 (Agricultural Bank of China, Shangluo Shangzhou Sub-branch*), and provided a mortgaged guarantee with maximum amount of 9.00 million yuan for 商洛商山 (集团) 水泥有限公司 (Shangluo Shangshan (Group) Cement Co., Ltd.*) using its machinery (with carrying amount of 15,154,518.48 yuan) as collaterals. The guarantee term was from June 19, 2007 to June 18, 2008. Shangluo Shangshan (Group) Cement Co., Ltd. borrowed 4.20 million under such guarantee and repaid principal of 0.80 million yuan and interest accrued before September 20, 2007 after the maturity of such loan. As Shangluo Shangshan (Group) Cement Co., Ltd. failed to pay off such loan and currently entered into the bankruptcy liquidation procedures, Shaanxi Higher People's Court made a civil ruling numbered (2012) Shan Min Er Zhong Zi 00069 on December 27, 2012, ruling that Shangluo Shangshan (Group) Cement Co., Ltd. shall repay principal and interest thereof; if it fails to do so after bankruptcy liquidation, Agricultural Bank of China, Shangluo Shangzhou Sub-branch is entitled to have the priority right of compensation concerning proceeds from discount, auction or sale of mortgaged assets of Shaanxi Jiuzhou Pharmacy Co., Ltd.

On July 8, 2016, 中国农业银行商洛分行 (Agricultural Bank of China, Shangluo Branch*) and 商洛市城市建设投资开发有限公司 (Shangluo City Construction Investment Development Co., Ltd.*) issued the Announcement on Transfer of Creditor's Right of Entrusted Assets and Trustee Management and Disposal, Agricultural Bank of China, Shangluo Branch had signed the Trusteeship and Transfer Agreement on Entrusted Assets with Shangluo City Construction Investment Development Co., Ltd., which agreed that, taking March 31, 2016 as the benchmark date, Agricultural Bank of China, Shangluo Branch would transfer creditor's right assets of 49 companies to Shangluo City Construction Investment Development Co., Ltd. on an integral basis, and the latter would manage and dispose transferred assets. As of June 30, 2018, the cost of mortgaged machinery is 10,534,082.19 yuan, accumulated depreciation is 10,218,059.72 yuan and net value is 316,022.47 yuan.

XI. Other significant events

1. Segment information

(I) Identification basis and accounting policies of reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on industry and assessed operation performance on manufacturing, commerce and headquarters business. Assets and liabilities shared by different segments are allocated between segments proportionate to their respective size.

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The Company identified reportable segments based on geographic information, revenue from main operations and costs of main operations are allocated between segments based on locations where sales realized, and assets and liabilities are allocated based on locations of operating entities.

(2) Financial information of reportable segments

Items	Domestic	Overseas	Inter-segment offset	Total
Geographic information				
Revenue from main operations	15,285,367,364.27	18,051,533.72		15,303,418,897.99
Cost of main operations	10,643,172,197.62	14,320,910.66		10,657,493,108.28
Total assets	17,088,212,468.47			17,088,212,468.47
Total liabilities	7,652,145,828.35			7,652,145,828.35
Industry segment				
Revenue from main operations				
Cost of main operations				
Total assets				
Total liabilities				

(Continued)

Items	Commerce	manufacturing	HQs	Inter-segment offsetting	Total
Geographic information					
Revenue from main operations					
Cost of main operations					
Total assets					
Total liabilities					
Industry segment					
Revenue from main operations	11,124,520,848.67	4,577,136,218.89		398,238,169.57	15,303,418,897.99
Cost of main operations	10,262,263,509.44	790,588,952.54		395,359,353.70	10,657,493,108.28
Total assets	9,554,656,475.65	7,286,735,219.19	8,032,859,878.60	7,786,039,104.97	17,088,212,468.47
Total liabilities	8,230,487,799.80	2,410,460,038.74	1,079,876,433.78	4,068,678,443.97	7,652,145,828.35

(II) Other significant transactions and events that maybe influential for investors in decision-making

1. As of June 30, 2018, details of shares pledged by shareholders are as follows:

Shareholders	Number of pledged shares	Commencement date	Maturity date	Pledgee	Proportion of pledged shares to holding shares	Purpose
China Grand Enterprises, Inc.	46,290,000	3/17/2017	Till the date of releasing registration of pledge by pledgee	上海光大证券资产管理有限公司 (Everbright Securities Asset Management Co., Ltd.*)	7.60%	Financing

China Grand Enterprises, Inc.	29,550,000	1/6/2016	Till the date of releasing registration of pledge by pledgee	光大证券股份有限公司 (Everbright Securities Co., Ltd.)	4.85%	Financing
China Grand Enterprises, Inc.	46,290,000	3/16/2017	Till the date of releasing registration of pledge by pledgee	Everbright Securities Asset Management Co., Ltd.	7.60%	Financing
China Grand Enterprises, Inc.	27,360,000	3/22/2017	Till the date of releasing registration of pledge by pledgee	华鑫国际信托有限公司 (China Fortune International Trust Co., Ltd.*)	4.49%	Financing
China Grand Enterprises, Inc.	146,792,835	3/3/2016	Till the date of releasing registration of pledge by pledgee	北京银行股份有限公司 北辰路支行 (Bank of Beijing Co., Ltd., Beichenglou Sub-branch*)	24.10%	Financing
China Grand Enterprises, Inc.	25,500,000	7/24/2017	Till the date of releasing registration of pledge by pledgee	Everbright Securities Co., Ltd.	4.19%	Financing
Subtotal	321,782,835				52.83%	

XII. Notes to items of parent company financial statements

1. Accounts receivable

(1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	3,347,873,564.60	100.00	171,380,435.17	5.12	3,176,493,129.43
Total	3,347,873,564.60	100.00	171,380,435.17	5.12	3,176,493,129.43

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	3,067,789,375.60	100.00	156,052,555.56	5.09	2,911,736,820.04
Total	3,067,789,375.60	100.00	156,052,555.56	5.09	2,911,736,820.04

In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Accounts receivable	Provision for bad debts	Provision proportion (%)
Within 1 year	3,292,924,448.80	164,646,222.44	5.00

— The English names are for identification purpose only.

Ages	Closing balance		
	Accounts receivable	Provision for bad debts	Provision proportion (%)
1-2 years	47,789,499.14	4,778,949.91	10.00
2-3 years	5,851,121.76	1,170,224.35	20.00
Over 3 years	1,308,494.90	785,038.47	60.00
3-4 years	883,724.85	441,862.43	50.00
4-5 years	407,970.05	326,376.04	80.00
Over 5 years	16,800.00	16,800.00	100.00
Subtotal	3,347,873,564.60	171,380,435.17	5.12

(2) Provisions made, collected or reversed in current period

Provision for bad debts made in current period totaled 15,361,248.75 yuan, and collected or reversed in current period totaled 0.00 yuan.

(3) Accounts receivable written off in current period

Items	Amount
Sales of goods	33,369.14

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Huadong Medicine Shaoxing Co., Ltd.	185,389,857.80	5.54	9,269,492.89
Client A1	145,421,657.84	4.35	7,271,082.89
Huadong Medicine Huzhou Co., Ltd.	140,024,629.90	4.18	7,001,231.50
Huadong Medicine Lishui Co., Ltd.	106,611,638.40	3.19	5,330,581.92
Huadong Medicine Wenzhou Co., Ltd.	93,536,316.94	2.80	4,676,815.85
Subtotal	670,984,100.88	20.05	33,549,205.05

2. Other receivables

(1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	815,179,669.00	100.00	53,764,659.38	6.60	761,415,009.62
Total	815,179,669.00	100.00	53,764,659.38	6.60	761,415,009.62

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	682,673,881.16	100.00	44,384,043.58	6.50	638,289,837.58
Total	682,673,881.16	100.00	44,384,043.58	6.50	638,289,837.58

In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	734,579,673.62	36,728,983.68	5.00%
1-2 years	35,333,789.87	3,533,378.99	10.00%
2-3 years	37,771,184.51	7,554,236.90	20.00%
Over 3 years	7,495,021.00	5,948,059.81	79.36%
3-4 years	1,120,189.96	560,094.98	50.00%
4-5 years	4,934,331.04	3,947,464.83	80.00%
Over 5 years	1,440,500.00	1,440,500.00	100.00%
Subtotal	815,179,669.00	53,764,659.38	6.60%

(2) Provisions made, collected or reversed in current period

Provisions for bad debts made in current period totaled 9,380,615.80 yuan, and collected or reversed in current period totaled 0.00 yuan.

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	12,924,065.00	14,512,354.68
Call loans	767,194,701.82	652,710,869.53
Temporary advance payment receivable	13,663,445.88	8,473,675.12
Others	21,397,456.30	6,976,981.83
Total	815,179,669.00	682,673,881.16

(4) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables	Provision for bad debts
Huadong Medicine Huzhou Co., Ltd.	Call loans	150,181,250.00	Within 1 year	18.42%	7,509,062.50
Huadong Medicine Wenzhou Co., Ltd.	Call loans	140,166,849.32	Within 1 year	17.19%	7,008,342.47
Huadong Medicine Ningbo Sales Co., Ltd.	Call loans	105,157,083.33	Within 1 year	12.90%	5,257,854.17
Huadong Medicine Ningbo Sales Co., Ltd.	Call loans	25,000,000.00	1-2 years	3.07%	2,500,000.00

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables	Provision for bad debts
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	Call loans	62,074,916.67	Within 1 year	7.61%	3,103,745.83
Huadong Medicine Lishui Co., Ltd.	Call loans	60,072,500.00	Within 1 year	7.37%	3,003,625.00
Subtotal		542,652,599.32		66.56%	28,382,629.97

3. Long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	2,800,366,075.14	2,851,000.00	2,797,515,075.14	2,772,666,075.14	3,951,000.00	2,768,715,075.14
Total	2,800,366,075.14	2,851,000.00	2,797,515,075.14	2,772,666,075.14	3,951,000.00	2,768,715,075.14

(1) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Hangzhou Sino-US Pharmacy Co., Ltd.	2,305,386,254.76			2,305,386,254.76		
Hangzhou Huasheng Investment Management Co., Ltd.	26,000,000.00			26,000,000.00		
Hangzhou Huadong Medicine Chain Co., Ltd.	13,124,400.00			13,124,400.00		
Huadong Medicine Deqing Tianrui Co., Ltd.	5,618,411.54			5,618,411.54		
Huadong Ningbo Medicine Co., Ltd.	3,315,000.00			3,315,000.00		
Huadong Medicine Guangdong Pharmaceutical Co., Ltd.	2,851,000.00			2,851,000.00		2,851,000.00
Hangzhou Huadong Chinese Medicine Co., Ltd.	11,067,100.00			11,067,100.00		
Huadong Medicine Supply Chain Management (Hangzhou) Co., Ltd.	86,500,000.00			86,500,000.00		
Huadong Medicine Wenzhou Co., Ltd.	32,190,000.00			32,190,000.00		
Hangzhou Huadong Wulin Large Pharmacy Co., Ltd.	15,000,000.00			15,000,000.00		
Huadong Medicine Ningbo Sales Co., Ltd.	58,600,000.00			58,600,000.00		
Huadong Medicine Shaoxing Co., Ltd.	59,532,000.00			59,532,000.00		
Huadong Medicine Huzhou Co., Ltd.	80,000,000.00			80,000,000.00		
Hangzhou Yuexing Youpin Health Management Co., Ltd.	10,000,000.00			10,000,000.00		
Huadong Medicine (Hangzhou) Biological Product Co., Ltd.	10,000,000.00			10,000,000.00		
Huadong Medicine Lishui Co., Ltd.	11,550,000.00	28,800,000.00		40,350,000.00		

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Hangzhou Yoco Medical Cosmetology Clinic Co., Ltd.	3,011,908.84			3,011,908.84		
Hangzhou Caiweifangxiang Cultural Creativity Co., Ltd.	3,000,000.00			3,000,000.00		
Hangzhou Huadong Medicine Chemical Reagent Co., Ltd.	1,100,000.00		1,100,000.00			
Hangzhou Xingguo Health Management Co., Ltd.	5,000,000.00			5,000,000.00		
Huadong Medicine Medical Device Technology Co., Ltd.	5,100,000.00			5,100,000.00		
Huadong Medicine Cunde (Zhoushan) Co., Ltd.	19,200,000.00			19,200,000.00		
Zhoushan Cundetang Medicine Retail Co., Ltd.	5,520,000.00			5,520,000.00		
Huadong Medicine Daishan Co., Ltd.						
Total	2,772,666,075.14	28,800,000.00	1,100,000.00	2,800,366,075.14		2,851,000.00

(2) Other remarks

Pursuant to the Plan for Capital Increase of Holding Subsidiaries of 2018 approved by the 11th meeting of the eighth session of the Board of Directors dated March 30, 2018, the Company increases capital of Huadong Medicine Lishui Co., Ltd. by 28.80 million yuan.

4. Operating revenue and operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	8,364,480,213.44	7,914,464,001.88	8,704,528,798.61	8,260,529,131.74
Other operations	2,084,801.98	266,128.52	5,352,103.55	4,322,126.68
Total	8,366,565,015.42	7,914,730,130.40	8,709,880,902.16	8,264,851,258.42

5. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	759,445,000.00	1,050,760,000.00
Investment income from bank financial products	3,419,272.84	1,883,441.03
Total	762,864,272.84	1,052,643,441.03

XIII. Other supplementary information

1. Schedule of non-recurring profit or loss of current period

Items	Amount	Remarks
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Items	Amount	Remarks
Gains on disposal of non-current assets	-1,431,431.74	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	58,427,586.00	
Gains on assets consigned to the third party for investment or management	6,249,105.06	
Other non-operating revenue or expenditures	-8,973,825.05	
Less: Enterprise income tax affected	13,506,323.36	
Non-controlling interest affected	16,674,447.03	
Total	24,090,663.88	

2. RONA and EPS

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	14.31	0.8870	0.8870
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	14.04	0.8705	0.8705

Huadong Medicine Co., Ltd.

August 22, 2018