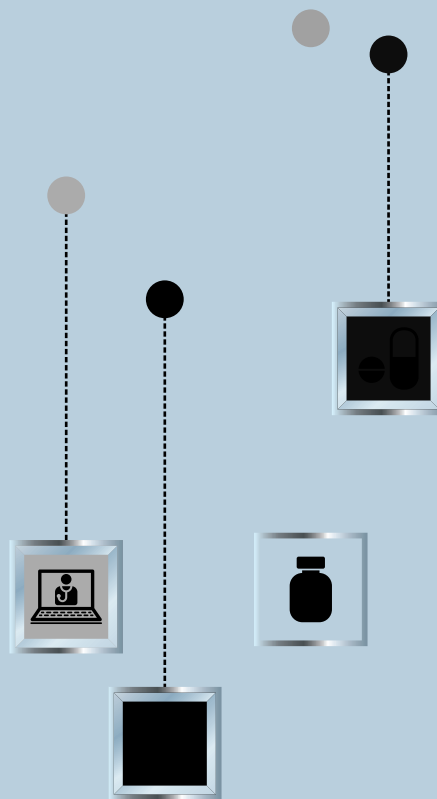


OUR MISSION:  
**FOR EVERYONE'S  
HEALTH**

INTERIM REPORT  
中期報告

**2018**

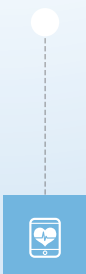


**YiChang HEC Changjiang Pharmaceutical Co., Ltd.**  
**宜昌東陽光長江藥業股份有限公司**

(A joint stock limited company incorporated in the People's Republic of China)

(在中華人民共和國註冊成立之股份有限公司)

Stock Code 股份代號 : 1558







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Financially sound and strong, we have achieved a record performance in 2019. Our revenue increased by 10.1% year-over-year to RMB1.5 billion. Our net profit increased by 15.2% year-over-year to RMB180 million. Our operating profit increased by 12.5% year-over-year to RMB150 million. Our cash and cash equivalents increased by 18.5% year-over-year to RMB1.2 billion. Our total assets increased by 12.5% year-over-year to RMB2.5 billion. Our total liabilities increased by 10.1% year-over-year to RMB1.3 billion. Our equity increased by 15.2% year-over-year to RMB1.2 billion. Our return on equity increased by 1.5 percentage points to 15.2%. Our return on assets increased by 1.0 percentage points to 6.5%. Our operating margin increased by 1.0 percentage points to 10.0%. Our net profit margin increased by 1.0 percentage points to 12.0%. Our cash conversion cycle decreased by 5.0 days to 45.0 days. Our working capital increased by 10.0% year-over-year to RMB100 million. Our capital expenditure decreased by 5.0% year-over-year to RMB50 million. Our free cash flow increased by 15.0% year-over-year to RMB100 million. Our dividend per share increased by 10.0% year-over-year to RMB0.50. Our earnings per share increased by 15.0% year-over-year to RMB1.50. Our book value per share increased by 10.0% year-over-year to RMB10.00. Our market value per share increased by 15.0% year-over-year to RMB15.00. Our market capitalization increased by 10.0% year-over-year to RMB150 billion. Our enterprise value increased by 15.0% year-over-year to RMB180 billion. Our debt-to-equity ratio decreased by 0.10 to 0.15. Our interest coverage ratio increased by 0.10 to 1.10. Our operating leverage ratio increased by 0.10 to 1.10. Our financial leverage ratio decreased by 0.10 to 0.15. Our credit rating was upgraded from AAA to AA+. Our ESG score increased by 10.0% year-over-year to 80.0. Our carbon footprint decreased by 5.0% year-over-year to 100,000 tons. Our water footprint decreased by 5.0% year-over-year to 100,000 tons. Our waste footprint decreased by 5.0% year-over-year to 100,000 tons. Our employee turnover rate decreased by 5.0 percentage points to 10.0%. Our employee satisfaction score increased by 5.0 percentage points to 80.0. Our customer satisfaction score increased by 5.0 percentage points to 80.0. Our brand awareness score increased by 5.0 percentage points to 80.0. Our innovation score increased by 5.0 percentage points to 80.0. Our social responsibility score increased by 5.0 percentage points to 80.0. Our overall performance score increased by 5.0 percentage points to 80.0.

Our research and development efforts have resulted in the successful completion of Phase I clinical trials for our new drug, Yimitasvir Phosphate. We have also completed Phase II clinical trials for our existing drug, G. Our research and development pipeline is strong and diverse, with several promising candidates in various stages of development. We have also established strategic partnerships with leading academic institutions and research organizations to accelerate our research and development efforts. Our research and development expenses increased by 15.0% year-over-year to RMB100 million. Our research and development productivity increased by 10.0% year-over-year to 1.0. Our research and development success rate increased by 5.0 percentage points to 10.0%. Our research and development cycle time decreased by 5.0% year-over-year to 10.0%. Our research and development risk management score increased by 5.0 percentage points to 80.0. Our research and development innovation score increased by 5.0 percentage points to 80.0. Our research and development social responsibility score increased by 5.0 percentage points to 80.0. Our research and development overall performance score increased by 5.0 percentage points to 80.0.

Research and development

• Anti-virus therapeutic area: Yimitasvir Phosphate

Our research and development efforts in the anti-virus therapeutic area have resulted in the successful completion of Phase I clinical trials for our new drug, Yimitasvir Phosphate. We have also completed Phase II clinical trials for our existing drug, G. Our research and development pipeline is strong and diverse, with several promising candidates in various stages of development. We have also established strategic partnerships with leading academic institutions and research organizations to accelerate our research and development efforts. Our research and development expenses increased by 15.0% year-over-year to RMB100 million. Our research and development productivity increased by 10.0% year-over-year to 1.0. Our research and development success rate increased by 5.0 percentage points to 10.0%. Our research and development cycle time decreased by 5.0% year-over-year to 10.0%. Our research and development risk management score increased by 5.0 percentage points to 80.0. Our research and development innovation score increased by 5.0 percentage points to 80.0. Our research and development social responsibility score increased by 5.0 percentage points to 80.0. Our research and development overall performance score increased by 5.0 percentage points to 80.0.

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Therapeutic area of endocrine and metabolic diseases: full range of insulin products

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### 4. Gross Profit

For the six months ended 30 June 2018, the Group's Gross Profit was MB1,243.4 million, an increase of 130.0% on the corresponding period of MB540.6 million for the six months ended 30 June 2017. The increase in Gross Profit was primarily due to the increase in sales volume and the increase in the average selling price of the Group's products.

The following table shows the Group's Gross Profit for the six months ended 30 June 2018 and 2017, and the percentage change in Gross Profit for the six months ended 30 June 2018 compared to the corresponding period of 2017.

For the six months ended 30 June						
(MB'000)		2018	%	2017	%	2017
Auto	€	1,136,923	91.4%	454,340	84.0%	150.2%
Industrial and Commercial	€	1,134,211	91.2%	452,651	83.7%	150.6%
Commercial	€	812,750	65.4%	312,480	57.8%	160.1%
Commercial	€	321,461	25.8%	140,171	25.9%	129.3%
Government	€	48,582	3.9%	43,842	8.1%	10.8%
Engineering	€	37,256	3.0%	16,293	3.0%	128.7%
Other	€	20,672	1.7%	26,136	4.8%	20.9%
<b>Total</b>	<b>&lt;</b>	<b>1,243,433</b>	<b>100%</b>	<b>540,611</b>	<b>100.0%</b>	<b>130.0%</b>

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5. Other Revenue

Other revenue (1) ... (2) ...

5. 其他收入

Table with 2 columns: Description and Amount. Rows include 'Other revenue (1)', 'Other revenue (2)', and 'Total'.

6. Expense Analysis

Expenses ... 185.9% ...

6. 费用分析

Table with 2 columns: Description and Amount. Rows include 'Expenses' and 'Total'.

Main comparison table for the six months ended 30 June 2018 vs 2017. Columns include description, 2018 amount, 2017 amount, and percentage change.



8. Profit Before Taxation

For the reporting period ended 30 June 2018, the Group's profit before taxation was RMB746.9 million, an increase of 108.5% compared with RMB358.2 million for the reporting period ended 30 June 2017.

9. Income Tax

For the reporting period ended 30 June 2018, the Group's income tax expense was RMB136.1 million, an increase of 116.1% compared with RMB63.0 million for the reporting period ended 30 June 2017, which was mainly due to the increase in the Group's profit before taxation.

10. Profit for the Reporting Period

For the reporting period ended 30 June 2018, the Group's profit for the reporting period was RMB610.8 million, an increase of 106.9% compared with RMB295.3 million for the reporting period ended 30 June 2017.

11. Profit and total Comprehensive Income for the Period attributable to Equity Shareholders of the Company

For the reporting period ended 30 June 2018, the Company's profit and total comprehensive income attributable to equity shareholders was RMB634.5 million, an increase of 110.2% compared with RMB301.9 million for the reporting period ended 30 June 2017.

8. 税前利润

2018年6月30日  
746.9千元  
2017年6月30日  
358.2千元 108.5%

9. 所得税

2018年6月30日  
136.1千元  
2017年6月30日  
63.0千元 116.1%

10. 归属于母公司股东的净利润

2018年6月30日  
610.8千元  
2017年6月30日  
295.3千元 106.9%

11. 归属于母公司股东的净利润及综合收益总额

2018年6月30日  
634.5千元  
2017年6月30日  
301.9千元 110.2%



## IV. FINANCIAL POSITION

### 1. Overview

As at 30 June 2018, the Group's total assets were MB4,572.3 million, compared with MB1,012.6 million as at 30 June 2017. Total liabilities were MB3,559.7 million as at 30 June 2018, compared with MB1,012.6 million as at 30 June 2017.

### 2. Net Current Assets

The Group's net current assets were MB1,012.6 million as at 30 June 2018, compared with MB1,012.6 million as at 30 June 2017.

(MB'000)

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**As at  
 30 June  
 2018  
 0 2018**



As at 30 June 2018, the total assets of the Group were RMB1,467.5 million, an increase of RMB1,427.9 million or 31.1% from RMB339.0 million as at 30 June 2017. Debt capitalization ratio was 3.2% as at 30 June 2018, an increase from 2.6% as at 30 June 2017.

### 3. Gearing Ratio and Quick Ratio

As at 30 June 2018, the Group's debt capitalization ratio was 3.1%, an increase from 2.4% as at 30 June 2017. The Group's quick ratio was 0.65, an increase from 0.56 as at 30 June 2017.

### 4. Cash Flow Analysis

The Group's cash flow analysis is as follows:

For the six months ended 30 June	For the six months ended 30 June	
	2018	2017
(RMB'000)		
Net cash generated from operating activities	631,882	262,081
Net cash used in investing activities	(89,529)	(489,962)
Net cash (used)/generated from financing activities	(75,158)	17,074
Net change in cash and cash equivalents	467,195	(210,807)

As at 30 June 2018, the total assets of the Group were RMB1,467.5 million, an increase of RMB1,427.9 million or 31.1% from RMB339.0 million as at 30 June 2017. Debt capitalization ratio was 3.2% as at 30 June 2018, an increase from 2.6% as at 30 June 2017.

### 3. 资产负债率及速动比率

截至2018年6月30日，本集团的资产负债率为3.1%，较2017年6月30日增加0.65个百分点。截至2018年6月30日，本集团的速动比率为0.65，较2017年6月30日增加0.09个百分点。

### 4. 现金流量分析

本集团的现金流量分析如下：



1. 2018. gada sākumā, G. ... MB631.9 milj., ... MB369.8 milj. ... 2017.

2. 2018. gada sākumā, G. ... MB89.5 milj., ... MB400.4 milj. ... 2017.

3. 2018. gada sākumā, G. ... MB75.2 milj., ... MB92.2 milj., ... MB17.1 milj. ... 2017.

5. Bank Loans

A. 2018. gada 30. jūnijā, G. ... MB20.0 milj. ... 2017. gada 31. decembrī, G. ... MB ...

6. Capital Structure

A. 2018. gada 30. jūnijā, G. ... MB3,306.8 milj., ... MB499.0 milj., ... MB2,807.8 milj. ... 2017.

2018. gada sākumā	631.9 k€
2017. gada sākumā	369.8 k€

2018. gada sākumā	89.5 k€	2017. gada sākumā	400.4 k€
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2018. gada sākumā	75.2 k€
2017. gada sākumā	92.2 k€

% 2017. gada sākumā

5. Obligācijas

2018. gada 30. jūnijā, G. ... 20.0 k€ ... 2017. gada 31. decembrī, G. ...

6. Kapitāls

2018. gada 30. jūnijā, G. ... 3,306.81 milj. ... 2017. gada 31. decembrī, G. ... 2,807.81 milj., ... 499.01 milj.



7. Capital Expenditure

During the reporting period, the Group's capital expenditure was RMB1,300 million, of which RMB1,000 million was for the acquisition of property, plant and equipment, and RMB300 million was for the acquisition of intangible assets. The Group's capital expenditure was RMB1,000 million in the corresponding period of 2017.

8. Contingent Liabilities

As at 30 June 2018, the Group has no contingent liabilities (31 December 2017: nil).

9. Pledge of the Group's Assets

The Group has no assets pledged as at 30 June 2018.

10. Foreign Exchange and Exchange Rate Risk

The Group's operations are primarily in the PRC. The Group's revenue and expenses are primarily denominated in RMB. The Group's assets and liabilities are primarily denominated in RMB.

11. Employee and Remuneration Policies

As at 30 June 2018, the Group employed 3,213 employees, of whom 1,997 employees were full-time employees. As at 31 December 2017, the Group employed 3,213 employees, of whom 1,997 employees were full-time employees. The Group's total remuneration expense for the reporting period was RMB111.5 million, of which RMB111.5 million was for the reporting period. The Group's total remuneration expense for the corresponding period of 2017 was RMB111.5 million. The Group's total remuneration expense for the reporting period was RMB111.5 million, of which RMB111.5 million was for the reporting period. The Group's total remuneration expense for the corresponding period of 2017 was RMB111.5 million.

7. 资本支出

报告期内，本集团的资本支出为人民币1,300百万元，其中人民币1,000百万元用于购置固定资产，人民币300百万元用于购置无形资产。报告期内，本集团的资本支出为人民币1,000百万元。

8. 或有负债

截至2018年6月30日，本集团没有或有负债（截至2017年12月31日：无）。

9. 资产抵押

截至2018年6月30日，本集团没有资产抵押。

10. 外币及汇率风险

本集团的主要经营业务均在境内。本集团的收入和支出主要均以人民币计价。本集团的资产和负债主要均以人民币计价。

11. 员工及薪酬政策

截至2018年6月30日，本集团共有员工3,213名，其中全职员工1,997名。截至2017年12月31日，本集团共有员工3,213名，其中全职员工1,997名。报告期内，本集团薪酬总额为人民币111.5百万元，其中报告期内为人民币111.5百万元。报告期内，本集团薪酬总额为人民币111.5百万元，其中报告期内为人民币111.5百万元。报告期内，本集团薪酬总额为人民币111.5百万元，其中报告期内为人民币111.5百万元。





3. Proposed Issue of H Share Convertible Bonds

On 14 August 2018, the Company announced that it has entered into a subscription agreement with Blackstone Fund SPVs, a special purpose vehicle established by Blackstone Fund SPVs, to issue \$400,000,000 of H Share Convertible Bonds.

The H Share Convertible Bonds will bear an interest rate of 3.0% per annum. The Company will receive net proceeds of approximately HK\$380 million from the issuance of the H Share Convertible Bonds, after deducting the underwriting commission of 18.28% and the estimated expenses of approximately 15.46%.

The net proceeds from the issuance of the H Share Convertible Bonds will be used to repay the bank loans of the Company and for general corporate purposes. The Company will also use the net proceeds to fund its business operations and capital expenditure.

The issuance of the H Share Convertible Bonds will be subject to the approval of the Company's shareholders at a general meeting. The Company will also file a prospectus with the relevant regulatory authorities.

3. ÝDì Hp 7IÀN

Trên 14 tháng 8 năm 2018, Công ty đã thông báo rằng nó đã ký kết thỏa thuận mua bán với Blackstone Fund SPVs, một thực thể đặc biệt được thành lập bởi Blackstone Fund SPVs, để phát hành \$400,000,000 (Hp 7IÀN N) f

Hp 7IÀN N sẽ có lãi suất là 3.0% mỗi năm. Công ty sẽ nhận được tổng thu nhập ròng khoảng 380 triệu HK\$ từ việc phát hành Hp 7IÀN N, sau khi trừ đi phí hoa hồng của nhà môi giới là 18.28% và các chi phí ước tính là 15.46%.

Thu nhập ròng từ việc phát hành Hp 7IÀN N sẽ được sử dụng để trả lại các khoản vay ngân hàng của Công ty và cho các mục đích kinh doanh chung. Công ty cũng sẽ sử dụng thu nhập ròng để tài trợ cho các hoạt động kinh doanh và chi tiêu vốn của mình.

Việc phát hành Hp 7IÀN N sẽ phụ thuộc vào sự phê duyệt của các cổ đông Công ty tại một cuộc họp đại hội đồng. Công ty cũng sẽ nộp hồ sơ prospectus cho các cơ quan quản lý liên quan.





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## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a result of the Company's compliance with the Corporate Governance Code, the Company has been awarded the "A" rating by the Global Vantage Group (GVG) in the 14th Annual Global Vantage Awards for 2018. (Listing Rules) 30 July 2018.

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## COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS

The Company's Model Code is in full compliance with the Model Code for Directors and Senior Management (Model Code) set out in Appendix 10 to the Listing Rules. The Company's Director(s) are in full compliance with the Code for Securities Transactions set out in Appendix 10 to the Listing Rules. The Company's Director(s) are in full compliance with the Code for Securities Transactions set out in Appendix 10 to the Listing Rules. 30 July 2018, the Company's Director(s) are in full compliance with the Model Code.

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## AUDIT COMMITTEE

The Company's Audit Committee (Audit Committee) consists of three independent non-executive directors, including Mr. ANG (Chairman), Mr. LEE and Mr. M. ANG (Member). Mr. ANG is a former Chairman of the Audit Committee. The Audit Committee is responsible for overseeing the Company's financial reporting process and internal control systems.

The Audit Committee has met on 12 July 2018 to review the Company's financial statements for the period ended 30 June 2018. The Audit Committee has approved the financial statements for release to the public.



### SHARE CAPITAL

A 30 J. 2018, ... C n... MB452,022,850, ... 452,022,850 ... MB1.00 ... ( ... 226,200,000 ... ( Domestic Share(s) ... 225,822,850 H. ... ( H Share(s) ).

### INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

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## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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As at 30 June 2018, the following persons (including discretionary trusts controlled by them) held 1% or more of the issued share capital of the Company, being 2,336,000 shares, being 50.04% of the issued share capital of the Company.

As at 30 June 2018, the following persons (including discretionary trusts controlled by them) held 1% or more of the issued share capital of the Company, being 2,336,000 shares, being 50.04% of the issued share capital of the Company.

Name of shareholders	Types of shares	Capacity	Number of shares/ underlying shares held (shares)	Approximate percentage of relevant class of share capital (%)	Approximate percentage of total issued share capital (%)
HEC (HONG KONG) LIMITED	Ordinary shares	Beneficial owner	226,200,000 (1)	100% (1)	50.04% (1)
Living HEC (HONG KONG) LIMITED	Ordinary shares	Beneficial owner	226,200,000 (1)	100% (1)	50.04% (1)
Living HECI (HONG KONG) LIMITED	Ordinary shares	Beneficial owner	226,200,000 (1)	100% (1)	50.04% (1)
Living HECII (HONG KONG) LIMITED	Ordinary shares	Beneficial owner	226,200,000 (1)	100% (1)	50.04% (1)
Living HECIII (HONG KONG) LIMITED	Ordinary shares	Beneficial owner	226,200,000 (1)	100% (1)	50.04% (1)



Name of shareholders	Types of shares	Capacity	Number of shares/ underlying shares held (shares)	Approximate percentage of relevant class of share capital (%)	Approximate percentage of total issued share capital (%)
M. HANG	Preferred	Individual	226,200,000 (I)	100% (I)	50.04% (I)
M. GOM	Preferred	Individual	226,200,000 (I)	100% (I)	50.04% (I)
N. & B. (H.K.) Company Limited	Preferred Common	Body Corporate	75,000,000 (I)	33.21% (I)	16.59% (I)
	Preferred	Body Corporate	67,500,000 (I)	29.89% (I)	14.93% (I)
N. & B. (H.K.) Company Limited	Preferred	Individual	75,000,000 (I)	33.21% (I)	16.59% (I)
	Preferred	Individual	67,500,000 (I)	29.89% (I)	14.93% (I)
M. MOKI	Preferred	Individual	75,000,000 (I)	33.21% (I)	16.59% (I)
	Preferred	Individual	67,500,000 (I)	29.89% (I)	14.93% (I)
N. & B. (H.K.) Company Limited	Preferred	Body Corporate	15,503,000 (I)	6.87% (I)	3.43% (I)
N. & B. (H.K.) Company Limited	Preferred	Individual	15,503,000 (I)	6.87% (I)	3.43% (I)





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2018, 8Ü 24Ü



YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.



Review report to the board of directors of YiChang HEC ChangJiang Pharmaceutical Co., Ltd.

(A Joint Stock Limited Company Incorporated in the People's Republic of China)

YICHANG HEC CHANGJIANG PHARMACEUTICAL CO., LTD.



(A Joint Stock Limited Company Incorporated in the People's Republic of China)

INTRODUCTION

Our audit opinion is based on the audit of the interim financial statements of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. for the period from June 30, 2018 to September 30, 2018. The interim financial statements are prepared in accordance with the Accounting Standards for Enterprises in China. The audit was conducted in accordance with the Standards on Auditing in China. The audit opinion is that the interim financial statements are true and fair in all material aspects.

The audit opinion is based on the audit of the interim financial statements of YiChang HEC ChangJiang Pharmaceutical Co., Ltd. for the period from June 30, 2018 to September 30, 2018. The interim financial statements are prepared in accordance with the Accounting Standards for Enterprises in China. The audit was conducted in accordance with the Standards on Auditing in China. The audit opinion is that the interim financial statements are true and fair in all material aspects.

Key

Key audit matters identified during the audit of the interim financial statements for the period from June 30, 2018 to September 30, 2018. The key audit matters are: 1. Revenue recognition, 2. Inventory valuation, 3. Impairment of financial assets, 4. Impairment of non-financial assets, 5. Provisions for contingencies and losses.



## SCOPE OF REVIEW

... H. K. ...  
 ... E n. 2410, Review of interim financial information  
 performed by the independent auditor of the entity ...  
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## CONCLUSION

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2018, 8Ü 24Ü



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND OTHER COMPREHENSIVE INCOME



截至2018年6月30日止六个月的  
 2018年6月30日止  
 (未经审计)  
 附注

		<b>Six months ended 30 June</b>	
		2018	2017
		2018 年	2017 年
		(人民币)	(美元)
		N	W
		RMB'000	US\$'000
		[Omit]	[omit]
<b>Revenue</b>	8 X	<b>1,482,428</b>	662,253
Cost of sales	Ø	<b>(238,995)</b>	(121,642)
<b>Gross profit</b>	ã;	<b>1,243,433</b>	540,611
Other income	ê	<b>9,291</b>	8,669
Depreciation and amortization	ð	<b>(332,759)</b>	(117,961)
Administrative expenses	ñ	<b>(174,490)</b>	(57,374)
Other income/(expense)	ê & X	<b>1,908</b>	(13,454)
<b>Profit from operations</b>	¼ P;	<b>747,383</b>	360,491
Financial expenses	ó	<b>(520)</b>	(2,258)
<b>Profit before taxation</b>	ö Æ P;	<b>746,863</b>	358,233
Income tax	ø	<b>(136,072)</b>	(62,961)
<b>Profit for the period</b>	¸ P;	<b>610,791</b>	295,272
<b>Profit and total comprehensive income for the period attributable to:</b>	¸ ñ ò ø h ° f Y, « P; ; ç CE & x B < X j		
Earnings of ordinary shareholders	ß	<b>634,544</b>	301,860
Non-controlling interests	þ	<b>(23,753)</b>	(6,588)
<b>Profit and total comprehensive income for the period</b>	¸, « P; ; ç CE & x B < X	<b>610,791</b>	295,272
<b>Basic and diluted earnings per share</b>	Ê p ? I ; Å [®;	<b>1.40</b>	0.67

Notes: 1. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable amendments.

2. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable amendments.

3. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable amendments.

4. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable amendments.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



As at 30 June 2018  
 2018, 截至 2018 年 6 月 30 日  
 (Expressed in million RMB)  
 以人民币百万元列示

		At 30 June 2018	At 31 Dec 2017
		截至 2018 年 6 月 30 日	截至 2017 年 12 月 31 日
		(RMB'000)	(RMB'000)
		[O AEW]	[O AEW]
<b>Non-current assets</b>			
Fixed assets	固定资产	873,646	590,390
Intangible assets	无形资产	81,794	79,835
		<b>955,440</b>	670,225
Loans receivable	应收贷款	405,302	374,170
Goodwill	商誉	75,896	75,896
Derivative financial instruments	衍生金融资产	682,960	558,811
		45,093	28,243
<b>Total non-current assets</b>	<b>非流动资产</b>	<b>2,164,691</b>	1,707,345



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018  
 and for the period ended  
 30 June 2018  
 (Expressed in million  
 RMB)

		At 30 June 2018	At 30 June 2017
	RMB'000	RMB'000	US\$'000
<b>Non-current liabilities</b>			
Deferred tax liabilities	10,000	10,000	
Other non-current liabilities	62,454	64,642	
<b>Total non-current liabilities</b>		<b>72,454</b>	<b>74,642</b>





CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

截至2018年6月30日止六个月  
 2018年1月1日至2018年6月30日  
 (人民币千元)

Attributable to equity shareholders of the Company

(人民币千元)

		Share capital	Capital reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]	[0.00]
Balance at 1 January 2018	2018年1月1日	452,023	1,476,578	132,374	746,861	2,807,836	252,750	3,060,586
Changes in equity for the six months ended 30 June 2018:	2018年1月1日至6月30日							
Dividend paid	派息	-	-	-	-	-	23,957	23,957
Share-based payment	股权激励	-	-	-	634,544	634,544	(23,753)	610,791
Dividend payable	应付股息	-	-	-	(135,607)	(135,607)	-	(135,607)
Balance at 30 June 2018	2018年6月30日	452,023	1,476,578	132,374	1,245,798	3,306,773	252,954	3,559,727



# CONDENSED CONSOLIDATED CASH FLOW

# STATEMENT



2018年6月30日止六个月的  
 2018年6月30日止  
 (人民币千元)

**Six months ended 30 June**  
 2018年6月30日止六个月的

		2018	2017
	N W	RMB'000	RMB'000
		[O A E w ©]	[O A E w ©]
<b>Operating activities</b>	3/4 z		
经营活动产生的现金流量净额 (Net cash generated from operating activities)	7 0	<b>746,417</b>	323,373
经营活动使用的现金流量 (Cash used in operating activities)	7 0	<b>(114,535)</b>	(61,292)
<b>Net cash generated from operating activities</b>	3/4 z * [Y \$ - =	<b>631,882</b>	262,081

## Investing activities



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## 1 BASIS OF PREPARATION

The interim financial information was prepared by the Group in accordance with the Interim Financial Reporting (IA) 34, Interim Financial Reporting and the Accounting Standards for Business (IASB) (IA B). I... .. 24 A... .. 2018.

The interim financial information was prepared in accordance with the Accounting Standards for Business (IASB) (IA B). I... .. 2017... .. 2018... .. 2.

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# 1 BASIS OF PREPARATION (Cont'd)

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# 2 CHANGES IN ACCOUNTING POLICIES

## (a) Overview

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IF... 9, Financial instruments

IF... 15, Revenue from contracts with customers

IF... IC 22, Foreign currency transactions and advance consideration

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

### (a) Overview(Cont'd)

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### (b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 ... IA 39, Financial instruments: recognition and measurement ...

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Cont'd)

### (i) Classification of financial assets and financial liabilities (Cont'd)

The Group's financial assets and liabilities are classified in accordance with IAS 39 and IFRS 9.

The Group's financial assets and liabilities are classified in accordance with IAS 39 and IFRS 9.

The Group's financial assets and liabilities are classified in accordance with IAS 39 and IFRS 9.

### (ii) Credit losses

IFRS 9 requires the Group to measure the expected credit losses (ECL) on financial assets and financial liabilities. The Group's financial assets and liabilities are classified in accordance with IAS 39.

The Group's financial assets and liabilities are classified in accordance with IAS 39 and IFRS 9.

The Group's financial assets and liabilities are classified in accordance with IAS 39 and IFRS 9.

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Cont'd)

### (ii) Credit losses (Cont'd)

#### Measurement of ECLs

ECLs are measured on a general basis, and are determined based on the expected credit losses over the life of the financial instrument. The measurement of ECLs is based on the expected credit losses over the life of the financial instrument. The measurement of ECLs is based on the expected credit losses over the life of the financial instrument.

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

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(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Cont'd)

### (ii) Credit losses (Cont'd)

#### Significant increases in credit risk (Cont'd)

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Cont'd)

### (ii) Credit losses (Cont'd)

Basis of calculation of interest income on credit-impaired financial assets

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (Cont'd)

### (iii) Transition

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

### (c) IFRS 15, Revenue from contracts with customers

IFRS 15, Revenue from contracts with customers, was adopted by the Company on January 1, 2018. IFRS 15, Revenue from contracts with customers, is a new standard that sets out the principles for recognizing revenue from contracts with customers. It is effective for annual periods beginning on or after January 1, 2018.

The Company has adopted IFRS 15, Revenue from contracts with customers, on January 1, 2018. The adoption of IFRS 15, Revenue from contracts with customers, has resulted in a change in the Company's accounting policy for revenue recognition. The Company has adopted IFRS 15, Revenue from contracts with customers, on January 1, 2018. The adoption of IFRS 15, Revenue from contracts with customers, has resulted in a change in the Company's accounting policy for revenue recognition.

For the year ended December 31, 2018, the Company's revenue from contracts with customers was RMB 1,000,000,000.

#### (i) Timing of revenue recognition

The Company's revenue from contracts with customers is recognized when the customer obtains control of the goods or services. The Company's revenue from contracts with customers is recognized when the customer obtains control of the goods or services.

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# 2 CHANGES IN ACCOUNTING POLICIES 2 6 A

(c) IFRS 15, Revenue from contracts with customers (Cont'd)

(i) Timing of revenue recognition (Cont'd)

IFRS 15, Revenue from contracts with customers, requires an entity to recognize revenue when it satisfies the performance obligation in the contract. IFRS 15 requires an entity to recognize revenue when it satisfies the performance obligation in the contract. IFRS 15 requires an entity to recognize revenue when it satisfies the performance obligation in the contract.

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## 2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

### (c) IFRS 15, Revenue from contracts with customers (Cont'd)

#### (iii) Presentation of contract assets and liabilities (Cont'd)

To reflect this change in presentation, contract liabilities, including receipts in advance from customers with amount of RMB7,632,000 are now separately presented under trade and other payables at 30 June 2018, as a result of the adoption of IFRS 15.

### (d) IFRIC 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that the date of the transaction is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

## 3 REVENUE AND SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

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### 4 SEASONALITY OF OPERATIONS

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### 5 PROFIT BEFORE TAXATION

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#### (a) Finance costs

		Six months ended 30 June	
		Ú 6 Ü30 Ú ß - H Ü	
		2018	2017
		2018 È	2017,
		RMB'000	, MB'000
		[ O Æ w ©	W
Finance costs	Ö	520	2,258

#### (b) Staff costs

		Six months ended 30 June	
		Ú 6 Ü30 Ú ß - H Ü	
		2018	2017
		2018 È	2017,
		RMB'000	, MB'000
		[ O Æ w ©	W
Salaries and wages	£	111,523	42,809
Contractual bonuses	£	13,901	3,220
		125,424	46,029

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		Six months ended 30 June	
		Ú 6 Ü30 Ú ß - H Ü	
		2018	2017
		2018 È	2017,
		RMB'000	, MB'000
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Finance costs	Ö	520	2,258

#### (b) p Ó

		Six months ended 30 June	
		Ú 6 Ü30 Ú ß - H Ü	
		2018	2017
		2018 È	2017,
		RMB'000	, MB'000
		[ O Æ w ©	W
Salaries and wages	£	111,523	42,809
Contractual bonuses	£	13,901	3,220
		125,424	46,029





## 6 INCOME TAX

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Six months ended 30 June

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	2018	2017
	2018 È	2017,
	RMB'000	MB'000
	[ O Æ w ©	Ø
<b>Current tax</b>		
Current tax expense	151,882	66,984
Current tax credit	1,040	402
<b>Deferred tax</b>		
Deferred tax expense	152,922	67,386
Deferred tax credit	(16,850)	(4,425)
	<b>136,072</b>	<b>62,961</b>

(i) Current tax expense is 25%.

(i) 25%

(ii) Current tax credit is related to the income tax of the subsidiaries in Hubei, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, and Zhejiang (HN E), which are subject to a corporate income tax rate of 15%. Current tax credit is related to the income tax of the subsidiaries in Hubei, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, and Zhejiang (HN E), which are subject to a corporate income tax rate of 15% in 2017, 2019 and 2020, and 15% in 2018 and 2020. Current tax credit is related to the income tax of the subsidiaries in Hubei, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, and Zhejiang (HN E), which are subject to a corporate income tax rate of 15% in 2017, 2019 and 2020, and 15% in 2018 and 2020.

(ii) Current tax credit is related to the income tax of the subsidiaries in Hubei, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, and Zhejiang (HN E), which are subject to a corporate income tax rate of 15% in 2017, 2019 and 2020, and 15% in 2018 and 2020. Current tax credit is related to the income tax of the subsidiaries in Hubei, Hunan, Jiangxi, Shaanxi, Sichuan, Yunnan, and Zhejiang (HN E), which are subject to a corporate income tax rate of 15% in 2017, 2019 and 2020, and 15% in 2018 and 2020.





# 8 PROPERTY, PLANT AND EQUIPMENT

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Plant and Buildings	Machinery	Office equipment and others	Motor vehicles	Construction in progress	Sub-total	Interests in leasehold land held for own use under operating leases	Total
@ Ò ç } Á	Ú œ	@ £ ê ç l ü	Û	- ^ û	f	5* \~ a# z @ Æ B	<
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
[0Æw@	[0Æw@	[0Æw@	[0Æw@	[0Æw@	[0Æw@	[0Æw@	[0Æw@

Cost: Ólj  
 A 10. 2017 i 2017, 1Ü1Ü







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Year  
 2017  
 2018  
 9% p/y

IW

2017

2018, 60



## 12 INVENTORIES

## 12 À. -

		<b>At 30 June 2018</b>	At 31 Dec 2017
		<b>6 Ü30 Ú</b>	12Ü 31Ü
		<b>RMB'000</b>	, MB'000
		[ O Æ w ©	W
	@	<b>38,458</b>	43,481
	Ü	<b>29,325</b>	26,148
	Ö	<b>42,229</b>	18,338
		<b>110,012</b>	87,967

... ..

		<b>Six months ended 30 June</b>	
		<b>Ú 6 Ü30 Ú ß - H Ü</b>	
		<b>2018</b>	2017
		<b>2018 È</b>	2017,
		<b>RMB'000</b>	, MB'000
		[ O Æ w ©	W







## 16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

## 16 1e-ê ç p<sup>1</sup>

(a) p<sup>1</sup>

(i) ð•, ,æÐùÆBp Yp<sup>1</sup>

		Six months ended 30 June	
		Ú 6 Ü30 Ú ß - H Ü	
		2018	2017
		2018 È	2017, È
		RMB'000	, MB'000
		[ O Æ w ©	Ù
<p>1. In 2018, the Board of Directors proposed to pay a dividend of RMB0.40 per share (interim dividend) to the equity shareholders of the Company for the period from 30 June 2017 to 30 June 2018.</p>			
		0.40	2017, 6Ü 30Ú
		0.40	
		<b>180,809</b>	180,809

2. On 24 August 2018, the Board of Directors proposed to pay a dividend of RMB0.40 per share (interim dividend) to the equity shareholders of the Company for the period from 30 June 2018 to 30 June 2019.

2018, 8Ü 24 Ú ß  
 2018, 6Ü  
 30 Ú ß  
 0.40' Ú 2017, 6Ü  
 30 Ú ß  
 0.40' Ú ß  
 Æ

3. In 2018, the Board of Directors proposed to pay a dividend of RMB0.40 per share (interim dividend) to the equity shareholders of the Company for the period from 30 June 2018 to 30 June 2019.

3. 2018, 6Ü 30 Ú ß  
 0.40' Ú ß  
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## 18 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

### (a) Transactions with related parties

During the period ended 30 June 2018 and 2017, the Group has entered into the following transactions with related parties:

		Six months ended 30 June	
		2018	2017
		RMB'000	MB'000
		(O) (w) (c)	(w) (c)
(i) ... ..	(i) ... ..		
HEC ... ..	...	7,348	4,198
... .. HEC ... ..	...	9,910	4,386
HEC ... ..	...	3,808	1,655
		<b>21,066</b>	10,239
(ii) ... ..	(ii) ... ..		
... ..	...	494	2,595
(iii) O... ..	(iii) ... ..		
... ..	...	140,285	
HEC ... ..	...	1,286	1,197
		<b>141,571</b>	1,197

### (b) Balances with related parties

#### (i) Amounts due from related parties

		At 30 June	
		2018	2017
		RMB'000	MB'000
		(O) (w) (c)	(w) (c)
... ..	...	460,000	400,000
... ..	...	576	

## 18 } ë L Û t ø

### (a) ~ ° L Û t †

Ú 2018, 2017, 6 Ü 30 Ü

### (b) ~ ° L Û Y q

#### (i) ð × ë L Û › °



## 18 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(b) Balances with related parties (Cont'd)  
 (ii) Amounts due to related parties

	At 30 June 2018	At 31 December 2017
	RMB'000	RMB'000
	[O AEW ©]	[O AEW ©]
Accounts receivable	8,977	4,499
Accounts payable	54,809	16,050
	<b>63,786</b>	<b>20,549</b>

(c) Key management personnel compensation  
 Compensation of key management personnel

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	[O AEW ©]	[O AEW ©]
Key management personnel compensation	797	987
Compensation of directors	59	60
	<b>856</b>	<b>1,047</b>



### 19 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 24 July 2018, the Company's wholly owned subsidiary, HEC (incorporated in the Cayman Islands), entered into a share purchase agreement with HEC Capital Limited (a company incorporated in the Cayman Islands) to acquire 600,673 shares of HEC (the "Share Purchase Agreement"). The total consideration for the acquisition is HK\$226,200,000, which represents 50.04% of the total consideration of HK\$450,000,000 for the acquisition of HEC.

(ii) On 10 July 2018, the Company's wholly owned subsidiary, HEC, entered into a share purchase agreement with HEC Capital Limited (a company incorporated in the Cayman Islands) to acquire 252,600,000 shares of HEC (the "Share Purchase Agreement"). The total consideration for the acquisition is MB505,200,000, which represents 50.04% of the total consideration of MB1,010,400,000 for the acquisition of HEC.

(iii) On 14 August 2018, the Company's wholly owned subsidiary, HEC, entered into a share purchase agreement with HEC Capital Limited (a company incorporated in the Cayman Islands) to acquire 400,000,000 shares of HEC (the "Share Purchase Agreement"). The total consideration for the acquisition is HK\$38,000,000, which represents 3.0% of the total consideration of HK\$1,260,000,000 for the acquisition of HEC.

(iv) On 14 August 2018, the Company's wholly owned subsidiary, HEC, entered into a share purchase agreement with HEC Capital Limited (a company incorporated in the Cayman Islands) to acquire 82,631,578 shares of HEC (the "Share Purchase Agreement"). The total consideration for the acquisition is HK\$82,631,578, which represents 18.28% of the total consideration of HK\$450,000,000 for the acquisition of HEC.

### 19 非調整事項

(i) 於2018年7月24日，本公司的全資附屬公司HEC（在開曼群島註冊）與HEC Capital Limited（在開曼群島註冊）訂立一項股份購買協議，以收購HEC 600,673股股份。收購的總代價為226,200,000港元，佔收購HEC總代價450,000,000港元的50.04%。

(ii) 於2018年7月10日，本公司的全資附屬公司HEC與HEC Capital Limited（在開曼群島註冊）訂立一項股份購買協議，以收購HEC 252,600,000股股份。收購的總代價為505,200,000馬元，佔收購HEC總代價1,010,400,000馬元的50.04%。

(iii) 於2018年8月14日，本公司的全資附屬公司HEC與HEC Capital Limited（在開曼群島註冊）訂立一項股份購買協議，以收購HEC 400,000,000股股份。收購的總代價為38,000,000港元，佔收購HEC總代價1,260,000,000港元的3.0%。

(iv) 於2018年8月14日，本公司的全資附屬公司HEC與HEC Capital Limited（在開曼群島註冊）訂立一項股份購買協議，以收購HEC 82,631,578股股份。收購的總代價為82,631,578港元，佔收購HEC總代價450,000,000港元的18.28%。



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## 20 COMPARATIVE FIGURES

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## 21 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

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IF. 16, L... ..  
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# CO., O, A E INFO, MA ION



## REGISTERED NAME

HEC Co., Ltd.

## DIRECTORS

### Executive Directors

M. JIANG J.

M. ANG B.

M. CHEN C.

M. S. H.

M. L.

### Non-executive Director

M. ANG (Chairman)

### Independent Non-executive Directors

M. ANG

M. F.

M. LEE C.

## REMUNERATION AND EVALUATION COMMITTEE

M. F. (Chairman)

M. ANG

M. JIANG J.

## AUDIT COMMITTEE

M. ANG (Chairman)

M. ANG

M. LEE C.

## NOMINATION COMMITTEE

M. LEE C. (Chairman)

M. S. H.

M. F.

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### SUPERVISORS

- M. H ANG
- M. L O
- M. ANG

### JOINT COMPANY SECRETARIES

- M. AN
- M. NG (FC, FCI)

### AUTHORIZED REPRESENTATIVES

- M. ANG
- F, F, B 106
- H N F D
- G

- M. NG
- 40 F
- N. 248
- H, K

### REGISTERED OFFICE

- N. 38 B
- H
- C

### PRINCIPAL PLACE OF BUSINESS IN PRC

- N. 38 B
- H
- C

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

- 40 F
- N. 248
- H, K

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(FC, FCI)

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248†  
40}



### PRINCIPAL BANKER

China Construction Bank Co., Ltd.  
100000 Beijing  
56 Capital Avenue  
Haidian District  
Beijing, P.R. China

### AUDITORS

KPMG  
China Construction Bank Co., Ltd.  
8/F, Unit 8B  
10 Capital Avenue  
Haidian District

### HONG KONG LEGAL ADVISORS

Fennell Blyth & Davidson  
55/F, One Island  
Bank Tower  
H.K.

### PRC LEGAL ADVISORS

Wang, Ouyang  
F408 One  
158 Finance Avenue  
District  
Beijing  
P.R. China

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CO. O. A E INFO. MA ION

### H SHARE REGISTRAR

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1712-1716, 17. E.  
H. C., 183  
H. K.

### STOCK CODE

01558

### COMPANY'S WEBSITE

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### LISTING PLACE

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