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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 0874)

SUMMARY OF 2013 ANNUAL REPORT

1. IMPORTANT NOTICE

- 1.1** This summary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “Company”) is extracted from the full text of the 2013 annual report of the Company for the year ended 31 December 2013 (the “Reporting Period” or the “Year”). Investors who wish to know more details are advised to refer to the full text of the 2013 annual report published on the website (<http://www.sse.com.cn>) of The Shanghai Stock Exchange (“SSE”), and on the website (<http://www.hkex.com.hk>) of The Stock Exchange of Hong Kong Limited (“HKEx”) or other websites designated by China Securities Regulatory Commission (the “CSRC”) carefully.
- 1.2** This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.
- 1.3** The financial reports of the Company and its subsidiaries (the “Group”) and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which is audited by BDO China Shu Lun Pan Certified Public Accountant LLP which had issued an unqualified auditors’ reports in respect thereof.
- 1.4** The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the twelve months ended 31 December 2013 have been restated to include the operating results and cash flows of Guangzhou Baiyunshan Pharmaceutical Company Limited (“Baiyunshan”) and Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited. The consolidated balance sheet as at 1 January 2013 and the notes have been restated and adjusted.
- 1.5** All the information required to be contained in the summary of 2013 annual report of the Company pursuant to paragraph 45 of Appendix 16 to the Rules Governing the Listing of Securities on HKEx (the “Listing Rules”) will be published on the website of HKEx in due course.

1.6 COMPANY PROFILE

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

	Secretary to the Board	Representative of securities affairs
Name	Chen Jing	Huang Xuezheng
Address	45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC")	
Telephone	(8620) 6628 1217	(8620) 6628 1219
Fax	(8620) 6628 1229	
E-mail	chenj@gybys.com.cn	huangxz@gybys.com.cn

2 SUMMARY OF FINANCIAL DATA AND BUSINESS DATA

2.1 Principal financial data

Principal accounting data	2013	2012		Year on year increase/ (decrease) (%)	2011		2010		2009	
		After restatement	Before restatement		After restatement	Before restatement	After restatement	Before restatement	After restatement	Before restatement
Income from operations (RMB'000)	17,608,193	12,062,642	8,229,059	45.97	8,869,704	5,439,612	7,523,493	4,486,067	6,511,671	3,881,938
Net profit attributable to the shareholders of the Company (RMB'000)	980,045	729,040	395,278	34.43	542,763	287,531	469,216	267,112	301,634	210,989
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	891,802	706,882	377,425	26.16	509,456	265,742	397,109	233,168	190,395	156,584
Net cash flow from operating activities (RMB'000)	1,339,140	999,230	506,530	34.02	83,079	(185,040)	402,565	73,218	734,786	439,393
Total profit (RMB'000)	1,229,190	881,063	457,839	39.51	656,121	334,993	575,572	321,341	344,613	231,331

Principal accounting data	As at 31 December 2013	As at 31 December 2012		Year on year increase/ (decrease) (%) After restatement	As at 31 December 2011		As at 31 December 2010		As at 31 December 2009	
		After restatement	Before restatement		After restatement	Before restatement	After restatement	Before restatement	After restatement	Before restatement
Shareholder's equity attributable to the shareholders of the Company (RMB'000)	6,831,768	5,566,352	4,096,589	22.73	4,943,960	3,781,652	4,471,669	3,539,369	4,050,086	3,304,186
Total assets (RMB'000)	12,249,123	9,394,208	6,235,394	30.39	7,742,904	4,851,266	7,250,778	4,477,892	6,912,847	4,226,137
Total liabilities (RMB'000)	5,226,886	3,638,244	2,011,073	43.67	2,626,151	956,094	2,622,278	836,351	2,712,959	824,561
Total equity per share attributable to shareholders of the Company (RMB)	5.29	4.41	5.05	19.87	3.92	4.66	3.55	4.36	3.21	4.07

2.2 Principal financial indicators

Principal accounting data	2013	2012		Year on year increase/ (decrease) (%) After restatement	2011		2010		2009	
		After restatement	Before restatement		After restatement	Before restatement	After restatement	Before restatement	After restatement	Before restatement
Basic earnings per share (RMB)	0.768	0.578	0.487	32.84	0.430	0.355	0.372	0.329	0.239	0.260
Diluted earnings per share (RMB)	0.768	0.578	0.487	32.84	0.430	0.355	0.372	0.329	0.239	0.260
Basic earnings per share after deducting non-recurring items (RMB)	0.699	0.560	0.465	24.67	0.404	0.328	0.315	0.288	0.151	0.193
Weighted average return on net assets ratio (%)	15.71	13.89	10.05	An increase of 1.82 percentage points	11.50	7.84	11.01	7.81	7.76	6.56
Ratio of weighted return on net assets after deducting non-operating items (%)	14.30	13.47	9.60	An increase of 0.83 percentage point	10.80	7.25	9.32	6.82	4.90	4.87
Return on total equity attributable to shareholders of the Company (%)	14.35	13.10	9.65	An increase of 1.25 percentage points	10.98	7.60	10.49	7.55	7.45	6.39
Ratio on total equity attributable to shareholders of the Company to total assets (%)	55.77	59.25	65.70	A decrease of 3.48 percentage points	63.85	77.95	61.67	79.04	58.59	78.18
Gearing ratio (%) (note)	42.67	38.73	32.25	An increase of 3.94 percentage points	33.92	19.71	36.17	18.68	39.25	19.51

Note: Gearing ratio = Total liabilities / Total assets × 100%

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

2.3 Movement in share capital and its components

	Before movement		Change (+, -)					After movement	
	Number of shares held (share)	Percentage (%)	New issues (share)	Bonus issued (share)	Reserves (share)	Others (share)	Sub-total (share)	Number of shares held (share)	Percentage (%)
I. Shares with selling restrictions									
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. Shares held by State-owned legal entities	—	—	34,839,645	—	—	—	34,839,645	34,839,645	2.70
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: Shares held by domestic legal entities	—	—	—	—	—	—	—	—	—
Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Shares held by foreign capital	—	—	—	—	—	—	—	—	—
Including: Shares held by overseas legal entities	—	—	—	—	—	—	—	—	—
Shares held by overseas natural persons	—	—	—	—	—	—	—	—	—
II. Shares without selling restrictions									
1. Reminbi-denominated ordinary shares	591,000,000	72.88	—	—	—	445,601,005	445,601,005	1,036,601,005	80.27
2. Domestically listed foreign capital shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign capital shares	219,900,000	27.12	—	—	—	—	219,900,000	219,900,000	17.03
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	810,900,000	100.00	34,839,645	—	—	445,601,005	480,440,650	1,291,340,650	100.00

2.4 Explanation for the change in shares capital

The Company absorbed and merged Baiyunshan through share swap of additional A shares. Each share of Baiyunshan could exchange for 0.95 A share of the Company. During the Reporting Period, the Company has already issued an aggregate of 445,601,005 A shares of the Company to the Baiyunshan Shareholders, all of which are not subject to any selling restrictions and listed on the SSE on 23 May 2013.

The Company has issued 34,839,645 ordinary shares of nominal value of RMB1 to Guangzhou Pharmaceutical Holdings Limited (“GPHL”) according to Agreement on Assets Acquisition through Issuing Shares and its supplementary agreement. These 34,839,645 A shares are non-publicly issued shares of the Company, the circulation of which are conditional. The date on which these newly issued A shares were listed and circulated was 5 July 2013.

2.5 Change of shares with selling restrictions

Name of holders	The initial number of shares with selling restrictions at the beginning of the Reporting Period (share)	The number of lifted shares with selling restrictions for the Reporting Period (share)	The number of additional shares with selling restrictions for the Reporting Period (share)	The number of shares with selling restrictions at the end of the Reporting Period (share)	Reasons for selling restrictions	Lifted date for selling restrictions
GPHL	0	0	34,839,645	34,839,645	note	5 July 2016

Note: According to the Agreement on Assets Acquisition through Issuing Shares and the relevant supplementary agreement, the 34,839,645 A shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed for circulation.

2.6 The Company's top ten shareholders

Total number of shareholders as at the end of the Reporting Period **79,494**

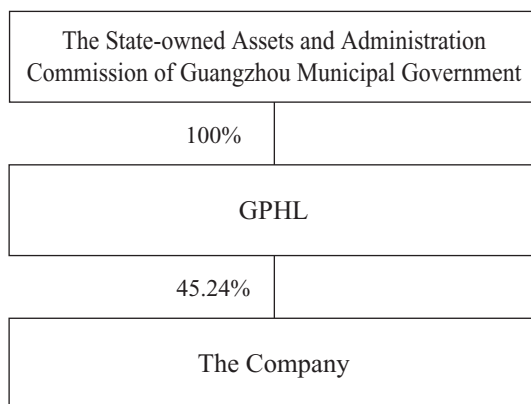
Total number of shareholders as at the end of the fifth trading day before the publication of the 2013 annual report **81,168**

Shareholders	Nature of shares	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate % of the total issued share capital (%)	Number of shares with selling restrictions held (share)	Number of pledged or locked shares (share)
GPHL	Domestic shares	193,394,645	584,228,036	45.24	34,839,645	Nil
HKSCC Nominees Limited	H shares	136,090	219,591,479	17.00	Nil	Unknown
Zhao Xuguang	Domestic shares	6,560,000	6,560,000	0.51	Nil	5,747,500
China Construction Bank Co., Ltd. – Morgan Stanley Huaxin Quality of Life Featured Securities Investment Fund	Domestic shares	4,900,000	4,900,000	0.38	Nil	Unknown
Tibet Danhong Investment Consulting Co., Ltd.	Domestic shares	4,662,328	4,662,328	0.36	Nil	Unknown
Zhao Zhihong	Domestic shares	4,493,732	4,493,732	0.35	Nil	Unknown
Bank of China-Easy Positive Growth Securities Investment Fund	Domestic shares	3,600,192	4,400,000	0.34	Nil	Unknown
Huaxia Bank Co., Ltd.-RCM Equity Securities Investment Fund	Domestic shares	3,900,000	3,900,000	0.30	Nil	Unknown
Shenzhen Chongde Television Media Co., Ltd.	Domestic shares	3,695,800	3,695,800	0.29	Nil	Unknown
Industrial and Commercial Bank of China-Shanghai 50 Index Securities Investment Fund	Domestic shares	3,541,656	3,541,656	0.27	Nil	Unknown

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

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

2.7 Relationship between the Company and its beneficial owner as at the end of the Reporting Period



2.8 Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the Year.

2.9 Public float

Based on the publicly available information and to the best knowledge of the board of directors of the Company (the “Director”), the Company has maintained sufficient public float as at the latest practicable date prior to the date of this summary.

2.10 Pre-emptive rights

According to the Articles of Association of the Company and the laws of the PRC, there is no pre-emptive right, which would oblige the Company to issue new shares to existing shareholders on a pro-rata basis.

3. REPORT OF THE DIRECTORS

3.1 Management Discussion and Analysis

3.1.1 Business Scope

The Group is mainly engaged in: (1) the research and development, manufacturing and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail and import and export of western and Chinese pharmaceutical products and medical apparatus; and (3) research and development, production and sales of great health products.

3.1.2 Analysis of Operating Results

Business Review

During the Reporting Period, the Major Assets Reorganization has been successfully implemented. In May 2013, the Company had completed the absorption and merger of Baiyunshan. The trading of the additional shares issued by the Company for absorption and merger of Baiyunshan officially commenced on 23 May 2013. On 30 June 2013, the Company and GPLH signed the Assets Settlement Agreement in relation to the issuance of A shares for acquisition of assets. Registration formalities in respect of the newly issued shares have been completed on 5 July 2013. At this point, the Company's Major Assets Reorganization was basically completed, setting up the first-ever reorganization precedent which involved stock exchanges in Shanghai, Shenzhen and Hong Kong in the history of Chinese securities industry. According to the data provided by China Center for Market Value Management (中國上市公司市值管理研究中心), the Company ranked first in terms of the growth in total market capitalization in pharmaceutical sector. In addition, the Company received many accolades, such as "100 Best Market Capitalization Management" ("市值管理百佳") and "100 Strong Brands with Capital Value" ("資本品牌價值百強") and "The Most Competitive Advantage of Listing Corporation" ("最具競爭優勢上市公司") etc. for its outstanding performance in value creation and materialization and its great market influence. In July 2013, upon the approval of domestic administration for industry and commerce, the Company officially changed its name to "Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited". In August 2013, the Company officially completed relevant filing formalities for the change of the Company's name in Hong Kong. On 29 August 2013, the short name of the securities of the Company in Shanghai was formally changed into "BAIYUNSHAN" and in Hong Kong was formally changed into "BAIYUNSHAN PH".

During the Reporting Period, with respect to the manufacturing operations, firstly, the Group handled supplementing of basic medic catalog in various provinces, and strived to maintain the prices and carry out the medicine bidding. During the Reporting Period, the exclusive medicine, namely Kou Yan Qing Ke Li, Xiao Ke Wan, Zhang Yan Ming Pian, Hua Tuo Zai Zao Wan and Wang Lao Ji Bao Ji Kou Fu Ye were successfully selected for inclusion in the “2012 National Basic Medicine Catalog” (2012 版國家基藥目錄). Secondly, we carried out the integration of propaganda and accelerated the marketing innovation. During the Reporting Period, the activity of collecting expired medicine in families that went on for nearly ten years was expanded to 185 cities around the country, and drop-in collection service was provided in fixed points, receiving good appraises and made a Guinness World Records as The World Largest Public Service Activities of Collecting Expired Medicine in Families as at the end of the Reporting Period; Huthison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (“HWBYS”) promoted the public micro film “Let Love Go Home” and Wang Lao Ji promoted the inspirational film “Allure Love”, organically integrating the commercialization of brand with the artistic nature of films and realizing marketing innovation with new media to promote brands. Thirdly, the Group vigorously conducted brand, culture and academic marketing activities and promoted the reputation of brands and products. During the Reporting Period, the Company’s subsidiaries contributed to the society through various public benefit activities through donation of money and medicine, representing the civic responsibilities of the enterprises. Guangzhou Baigunshan Chen Li Ji Pharmaceutical Factory (“Chen Li Ji”) established a “Chen Li Ji Golden Image Outlet” which integrated the sales of Chinese medicine and brand display in one outlet, and it was the sole pharmaceutical company in Guangzhou chosen as representative to participate in the exhibition of the “the 3rd Cantonese Cultural Festival” organized by Guangzhou City. Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (“Zhong Yi”) evidence-based medical research for Xiao Ke Wan, made great breakthroughs in the scientific research such as Modern Research and Application of Xiao Ke Wan, and drove the academic marketing; Zhong Yi Exhibition Hall of Zhong Yi was officially commenced, serving as a medical culture platform in addition to Chen Li Ji Museum and Shen Nong Cottage. Guangzhou Wang Lao Ji Pharmaceutical Company Limited (“Wang Lao Ji”) released “*San Gongzai • Love Children in a Proper Way-A White book for Medication Security for Children*”, the first report for children’s medication security, successfully integration public benefit activities with brand communication. Fourthly, vigorously promoted the great health products industry and opened up the domestic great health products market through establishing great health platform. In June of 2013, during the “Conference of Wan Lao Ji Herbal Tea of International Standards and Latest Scientific Results under Wang Lao Ji Herbal Tea National 863 Plan”, an agreement with Swiss SGS and Murad Translational Medicine Center was signed for kicking off the first international standard for herbal research in the world, in order to further accelerate the process of internationalization of herbal tea; accelerated the construction of herbal tea production base and set up production bases in Ya’an of Sichuan, Dapu of

Meizhou and Xinxiang of Henan in succession to cope with the capacity demand; launched new low-sugar herbal tea, sugar-free herbal tea and solid herbal tea beverages to satisfy consumers needs for diversified herbal tea products, and provided instantly drinkable herbal tea machines to chain restaurants directly, breaking through the limitation of its traditional product specification; carried out intensive efforts to develop the marketing channels by ramping up its sales force and strengthened the build-up and management of its customer base; enhancing development of catering channels to drive the consumptions of catering; the distribution rate of red-canned and red bottles Wang Lao Ji herbal tea throughout the nation increased rapidly, and realize the rapid sales growth of red-canned Wang Lao Ji. Guangzhou Wang Lao Ji Great Health Industry Company Limited (“WLJ Great Health”) products ranked the first in four indicators such as satisfaction, brand image, cognitive quality and confidence on security in the “2013 Consumer Satisfaction Investigation and Analysis Report of Food Industry (Tea Beverage)” released by China Association for Quality (中國質量協會), and was recognized as the most satisfying tea beverage brand by consumers; WLJ Great Health built a herbal team museum with the largest scale, most abundant collections and highest technological contents---Wang Lao Ji Museum, and set up the first academic institution for herbal tea in China---Wang Lao Ji Culture Institute; enhanced the culture of Wang Lao Ji Brand with “the Real Herbal Tea Wang Lao Ji Handed Down from 185 Years Ago” as the theme of communication; initiated cultural promotion of Chinese “Ji” and set up the Wang Lao Ji Zhonghua “Ji” Culture Research Institute. Fifthly, the Group promoted “special plan for new cash cow”, carried out the strategy of pillar varieties, vigorously improved the market share of the gross profit, high value-added and high technology products, cultivated the “varieties of cows” and improved the comprehensive gross margin. In 2013, the products with great increases in sales income included herbal tea, cefixime, Xiao Ke Wan, Hua Tuo Zai Zao Wan series and Cephathiamidine for Injection etc. Among others, 13 varieties realized sales of over RMB100 million and 13 varieties realized sales of between RMB50 million to RMB100 million. Sixthly, the Group accelerated the development of new GMP authentication of its subsidiaries. During the Year, the Group made good achievements in new GMP authentication. Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Company Limited (“Jing Xiu Tang”), Guangzhou Baiyunshan Guang Hua Pharmaceutical Company Limited (“Guang Hua”), Guangzhou Baxter Qiao Guang Pharmaceutical Company Limited (“Baxter Qiao Guang”), Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Company Limited (“Pan Gao Shou”), Zhong Yi, Guangzhou Baiyunshan Xing Qun Pharmaceutical Company Limited (“Xing Qun”), Guangzhou Baiyunshan Ming Xing Pharmaceutical Company Limited (“Ming Xing”), HWBYS, Guangzhou Promise Biological Products Co., Ltd.(“Nuo Cheng”) and Chen Li Ji all passed GMP authentication, and the authentication coverage reached more than 90%. Guangzhou Baiyunshan Qi Xing Pharmaceutical Company Limited (“Qi Xing”) successfully passed GMP re-authentication of Australian TGA and the on-site examination of Hong Kong Mateway. Meanwhile, by taking the opportunities of new GMP authentication to facilitate resources integration, Guangzhou Baiyunshan Pharmaceutical General Factory (“Baiyunshan General Factory”) acquired a production line of sterile powder for injection and relevant products, in which contained the ceftizoxime sodium with specification of 0.25g.

The specification is for children's medicine and also an exclusive specification in China.

During the Reporting Period, the gross profit margin of the manufacturing operations was 39.36%, representing a decrease of 0.46 percentage point as compared with last year.

During the Reporting Period, the Group adopted effective measures to promote the steady growth of its core business on one hand. On the other hand, it integrated social responsibility and cultural construction, carried out its operation and management embedded with social responsibility, with the aims of demonstrating its civic responsibility and contributing to society. During the Reporting Period, "RMB182.80 Million Wang Lao Ji Love Fund" sponsored 10,000 poor students last year and further provided financial assistance to 1,828 people whose illnesses caused their families fall into poverty; jointly initiated the first charity program in Guangdong province with the Red Cross in Guangdong Province for fighting against H7N9 avian influenza, through which RMB8 million of relief supply and donation was given out, donated RMB3 million of relief supply and pharmaceutical products to affected victims in Ya'an, Sichuan through the Red Cross in Guangdong Province immediately after the occurrence of earthquake on 20 April 2013, and formed a "Back-up Team for Blood Donation" and a "120 Rescue Back-up Team" to jet to the disaster area for aiding the rescue efforts. In addition, WLJ Great Health invested approximately RMB300 million to build a Wang Lao Ji Production Base at the earthquake-stricken area in Ya'an, Sichuan, in order to provide jobs and other long-term supports for post-earthquake rebuilding works. In the Year, the Group achieved initial success in aiding Tibet where the Group has set up a joint venture company for aiding Tibet and constructed GAP bases for planting salvia roots and ganoderma. Qi Xing and the Red Cross in Guangdong Province jointly organized a large-scale charity activity titled "Bringing Brightness to Others, Spreading Love in China" for helping the stroke patients in China who suffered from social isolation. Zhong Yi, Guangzhou City Volunteer Guidance Centre, Youth Daily and Peoples' Dispensary Guangdong Company jointly held an activity called "Healthy Spring and Love Action" for giving medical kits and providing emergency treatment and other services to travelers during the Spring Festival travel season. Volunteers from Wang Lao Ji organized the "Caring for Future, Jili Giving Help" Campaign to show their caring and heart towards the children living in mountain areas of northern Guangdong in practical ways by giving them "love green boxes" and "colorful huts".

Trading operations

During the Reporting Period, with respect to the trading operations, firstly, the Group continuously expanded the sales channels and network, proactively explored new business and vigorously developed the pharmacy trusteeship business. Guangzhou Pharmaceuticals Corporation ("GP Corp.") signed a cooperative agreement for extending services of modern medical logistics with several hospitals such as the Second People's Hospital of Guangdong Province,

Meizhou Dapu People's Hospital, etc. Guangzhou Cai Zhi Lin Pharmaceutical Company Limited ("Cai Zhi Lin") obtained full trusteeship of TCM pharmacy of the community hospital of Liwan District, Haizhu District, Baiyun District, Huangpu District and several grade A hospitals of second class in Guangzhou. Secondly, the Group expanded the financing channel, accelerated the construction of warehousing and logistics and enhanced the terminal distribution. Thirdly, the Group constantly improved the cooperation with the production enterprises on issues such as the list of basic medicine and bidding, strengthened cooperation between industrial and commercial enterprises to facilitate integration of resources. During the Reporting Period, the integrated marketing of Chinese medicine under the core brands namely HWBYS, Zhong Yi and Qi Xing has made smooth progress. Baiyunshan General Factory, Guang Hua and Jing Xiu Tang strengthened communication between industrial and commercial enterprises and promoted the integration of marketing by jointly holding meetings for exchanging industry and commerce information. Fourthly, the Group, relying on the successful implementation of major assets reorganization, accelerated the integration of resources, and set up various purchase platforms for purchases of Chinese herbal medicine materials, large bulk raw and supporting materials, and imported facilities in succession, further enhanced the "integrated operation" of the Group. Fifthly, the Group accelerated the promotion of external investment and merger and acquisition, and construction of GAP planting bases for bulk raw materials of Chinese herbal medicine. During the Reporting Period, the companies merged and acquired by GP Corp. in Guangxi and Jiangmen of Guangdong had started operation; as at the end of the Reporting Period, Cai Zhi Lin had already set up 7 resource companies at the production place and 34 GAP planting bases for bulk raw materials of Chinese herbal medicine. Sixthly, the Group constantly developed e-commerce. The e-commerce of GP Corp. "Guang Yao Jian Min Web" (廣藥健民網) (www.gyjm.com.cn) recorded a new height. Formosa Optical, the largest Chinese chain spectacles company in the world, became the e-commerce partner of GP Corp.; "Cai Zhi Lin Yang Sheng Tang" (廣藥采芝林養生堂) set up by Cai Zhi Lin recorded sales of traditional Chinese medicine decoction pieces of up to RMB1 million after half a year's operation.

During the Reporting Period, the gross profit margin of the trading operations of the Group was 7.25%, representing a decrease of 0.57 percentage point as compared with the corresponding period of last year.

As at 31 December 2013, the Group had 36 retail chain pharmacy outlets, including 35 "Cai Zhi Lin" which specialized in traditional Chinese medicines and one pharmacy named Ying Bang.

(1) Analysis of changes in the financial statement related subjects:

Items	The Reporting Period (RMB'000)	Corresponding period of 2012 (RMB'000) (restated)	Increase/(Decrease) over the same period of 2012 (%)	Reason for change
Revenue	17,608,193	12,062,642	45.97	Increase was mainly due to the effective marketing strategies by the Group, especially WLJ Great Health achieved substantial increase in sales volume in the Year.
Include: income from principal operations	17,463,016	11,914,511	46.57	
Cost of sales	11,806,295	8,231,938	43.42	The operating cost increased with the growth of sales in the Year
Include: cost from principal operations	11,768,412	8,191,130	43.67	
Selling and distribution expenses	3,485,311	1,971,898	76.75	In order to actively carry out marketing activities and increase sales, the Group increased costs of advertising, marketing personnel and transport in the Year.
General and administrative expenses	1,227,255	1,086,928	12.91	Increase was mainly due to the increase in the employee benefits, research and development expenses of the Group in the Year.
Financial expenses	28,305	49,504	(42.82)	The Group strengthened internal capital management and reduced bank borrowings in the Year.
Profit before tax	1,229,190	881,063	39.51	In the Year, it is mainly due to the amplification of the sales revenue and gross profit ratio was greater than the increase in costs.
Net profit attributable to shareholders of the Company	980,045	729,040	34.43	In the Year, it is mainly due to the amplification of the sales revenue and gross profit ratio were greater than the increase in costs.

Items	The Reporting Period (RMB'000)	Corresponding period of 2012 (RMB'000) (restated)	Increase/(Decrease) over the same period of 2012 (%)	Reason for change
Net cash flow from operating activities	1,339,140	999,230	34.02	This is due to the increase in the Group's sales revenue, raise in the capital return and growth in advances from customers received by the Group in the Year.
Net cash flow from investing activities	(323,700)	(66,094)	(389.76)	Increase was mainly due to the increased investments in technical renovation and GMP transformation projects by the Group in the Year.
Net cash flow from financing activities	(211,689)	(446,427)	52.58	Increase was mainly due to the decrease in dividend payment, interests and foreign loans of the Group in the Year.
Research and development expenses	282,195	224,357	25.78	In the Year, increase was mainly due to the manufacturing companies of the Company further accelerated the technology innovation, promoted the capability of independent innovation and increased investment in the research and development.

(2) Revenue

In 2013, the main reasons for the changes in the Group's business revenue are the Group being continuously encountering the challenges of "two-downs-and-one-up" in the pharmaceutical industry, the Group concentrated its resources to vigorously developing the "great health industry" and achieved rapid growth in the sales revenue while maintaining growth in the pharmaceutical industry.

(3) Cost

(i) Analysis of cost

Operation cost	Items of constitute	2013		2012		Percentage of Changes in the proportion (%)
		Amount (RMB'000)	Percentage of the proportion of operation costs (%)	Amount (RMB'000) (restated)	Percentage of the proportion of operation costs (%)	
Manufacturing	Raw materials	3,377,255	40.39	2,535,632	48.30	33.19
	Fuel	98,667	1.18	98,170	1.87	0.51
	Labor costs	310,216	3.71	306,586	5.84	1.18
	Others	4,575,473	54.72	2,309,367	43.99	98.13
Trading	Procurement Costs	3,406,801	100.00	2,941,375	100.00	15.82

(ii) Major suppliers and customers

During the Year, purchases of goods and services from the 5 largest suppliers amounted to RMB1,637,806,000 representing approximately 18.86% of the total purchases. The purchases from the largest supplier amounted to RMB484,239,000 representing 5.58% of the total purchases. Goods and services sold to the 5 largest customers amounted to RMB1,469,063,000 representing 8.41% of the total sales. Sales to the largest customer amounted to RMB438,299,000 representing 2.51% of the total sales of the Group.

To the knowledge of the Directors, none of the Directors, their associates or shareholders holding more than 5% of the Company's total issued share capital had any interest in any of the 5 largest suppliers or customers mentioned above.

(4) Expenses

During the Reporting Period, the Group's selling expense was approximately RMB3,485,311,000 with a growth of 76.75% as compared with last year mainly due to the Group's active marketing efforts to increase sales revenue. The expenses of the Group in advertising, marketing personnel and transport in the Year had increased.

During the Reporting Period, the general and administrative expenses of the Group for the Reporting Period amounted to RMB1,227,255,000, representing an increase of 12.91% as compared with 2012, which was mainly due to the increase in the employee remunerations, research and development expenses of the Group.

During the Reporting Period, the Group's financial expense was approximately RMB28,305,000 representing a decrease of 42.82% as compared with last year, mainly due to the strengthening of the management of funds internally and reduction in bank borrowings.

During the Reporting Period, the Group's income tax expense was approximately RMB222,243,000 with a growth of 94.33% as compared with last year, mainly due to the increase in profit of the Company's subsidiaries.

(5) Research and development expenses:

Current cost of research and development expenses in the Year (RMB'000)	282,191
Current capitalization of research and development expenses in the Year (RMB'000)	4
Total research and development expenses(RMB'000)	282,195
Total research and development expenses accounted for the proportion of net assets (%)	4.02
Research and development expenses to total operating revenue ratio (%)	1.60

In 2013, the Group vigorously promoted scientific and research innovation, strengthened its intellectual property right related works and made remarkable achievements, mainly including:

(1) Grants and approval of patents

During the Reporting Period, the Group obtained 2 clinic approvals of medicine: approvals of the clinic researches on change of formulation and process of cefuroxime axetil tablets and metoprolol tartrate sustained release tablets of Guangzhou Tian Xin Pharmaceutical Company Limited (“Tian Xin”); obtained 2 approvals for production of medicine and 3 approvals of supplementary applications: fasudil hydrochloride injection (chemical medicine category VI) and amikacin sulfate injection (supplementary application for change of formulation and process) of Tian Xin, potassium iodide tablets (chemical medicine category VI) of Guang Hua, and cephalosporin for injection of Baiyunshan Pharmaceutical General Factory (supplementary applications for changes of the packing materials of medicine of direct contacts, 2 specifications); obtained 3 approvals for production of medical equipment: substratum of frozen dry cells of Guangzhou Baryinshan Bai Di Bio-technology Company Limited (“Guangzhou Bai Di”) (exclusive), culture solution for amniotic cells and coupling agent.

(2) Science and technology awards

During the Year, Zhong Yi obtained the title of “Model Enterprise of Independent Innovation of Guangdong Province in 2013” granted by the Federation of Enterprises of Guangdong Province, obtained the first quality award of district director of Luogang District of the development zone, the award of nomination of quality award of the mayor of Guangzhou. “Modern Research and Application of Xiao Ke Wan” was awarded the first class prize of science and technology award of China Association of Chinese Medicine; “Research and Application of Key Technologies for Quality Control in the Process of Production of Chinese Traditional Medicine Pills (Xiao Ke Wan)” was granted the second class prize of technology innovation achievements of China Association of Quality Assessment in 2013; the research findings of evidence-based medicine of Xiao Ke Wang was released on PLoS one, a leading international core journal in the field of biological medicine. The findings showed that, compared with glibenclamide, Xiao Ke Wan was much safer and more efficient in treating diabetes; Zi Shen Yu Tai Wan became the first Chinese patent medicine in gynecology, for which the evidence-based medical research was conducted. Mr. Li Chuyuan, the General Manager of HWBYS, won the twelfth Ding Ying Technology Award of Guangdong Province. The project of “Improvement of Quality Standards of the Famous Chinese Patent Medicine of Nao Xin Pian and Industrialization of Key Technology for Quality Control” obtained the second class prize of Technology Progress Award of Guangzhou City. The “Shan” trademark of Baiyunshan General Factory was recognized as the famous brand of Guangdong Province; the trademark of “Xian Li Su” was determined to be the famous brand of Guangzhou City, and Baiyunshan General

Factory was entitled the model enterprise for credit construction with reliable medical quality in the pharmaceutical industry of China, and again obtained the first prize of QC Release of National pharmaceutical industry and the award of best release. Chen Li Ji was recognized as among the third batch of innovative (pilot) enterprises of Guangzhou City and the sixth batch of innovative enterprise of Guangzhou City. A scientific research project titled “Research and Development on Mulberry Resource’s Functional Substance and Its Edible and Medicinal Uses”, which Cai Zhi Lin took part in, won the “Guangdong Provincial Science and Technology First Award”. Pan Gao Shou was recognized as the research and development center of Guangzhou for the engineering technology of agents for lung caring and treatment, the sixth batch of innovative enterprise of Guangzhou, the research and development center of Guangzhou for the engineering technology of antineoplastic medicine, and the fourth batch of enterprise technical center of Guangzhou at the municipal level; the project of “Research and Application on Industrialization of Asparaginase (Erwinia)----Medicine for Curing Leucocythemia” won the second prize of Technology Progress Award of Guangzhou City. Wang Lao Ji was recognized as the research and development center of Guangdong Province for engineering technology of herbal tea (Wang Lao Ji), the seventh innovative pilot enterprise of Guangdong Province and the enterprise with advantages in intellectual property rights in the pharmaceutical industry in Guangzhou. Tian Xin was recognized as the research and development center of Guangdong Province for the engineering technology of sterile agent (Tian Xin), the sixth batch of innovative enterprise of Guangdong Province, and the model enterprise for upgrading and transformation of manufacturing industry of Guangzhou in 2013. Guangzhou Baujanshan Han Fang Contemporary Pharmaceutical Company Limited (“Guangzhou Han Fang”) was recognized as the enterprise of Guangdong Province for cultivation of strategic emerging industry in 2013, the fourth batch of enterprise technical center at the municipal level of Guangzhou. Jing Xiu Tang was recognized as the fourth batch of enterprise technical center at the municipal level of Guangzhou. Guang Hua was recognized as the model enterprise for upgrading and transformation of manufacturing industry of Guangzhou in 2013. The project of “Systematic Research and Improvement of Standards of Quality of Xia Sang Ju Granule” was recognized by Guangzhou Technology and Information Bureau as having “reached domestic advanced level”. The key research and development project of “Therapeutic Double Plasmid HBV DNA Vaccine” undertaken by Guangzhou Bai Di completed the clinic research for I Ib phase and was unbound. The research and development project obtained funding supports from the special funding for national key technology of “Prevention of Major Infectious Diseases such as AIDS and Virus Hepatitis” of the Ministry of Health and the Ministry of Science and Technology of China.

(3) Intellectual property rights

During the Reporting Period, the subsidiaries of the Group had applied for 46 invention patents in total and obtained 17 authorizations for domestic invention patents. HWBYS was selected as one of the first batch of pilot enterprises for cultivation of abilities for application of industrial intellectual property rights in China organized by the Ministry of Industry and Information Technology and Application of Kou Yan Qing Granules” obtained the award of excellence in the fifteenth term of the Chinese patent. Among others, Zhong Yi became the first batch of enterprise of national level with advantages in intellectual property rights in the pharmaceutical industry. The successful case of “protection of the rights of Wang Lao Ji” obtained the third class prize of the Second Mayor Award of Protection of Intellectual Property Rights of Guangzhou. 13 subsidiaries of the Company were entitled the enterprises with advantages in intellectual property rights in the pharmaceutical industry in Guangzhou.

(6) Cash flow

Items	For the Reporting Period (RMB'000)	For the corresponding period of 2012 (RMB'000) (restated)	Increase/(Decrease) over the same period of 2012 (%)	Reason
Net cash flow generated from operating activities	1,339,140	999,230	34.02	This is due to the increase in the Group's sales revenue, raise in the capital return and growth in advances from customers received by the Group in the Year.
Net cash flow generated from investing activities	(323,700)	(66,094)	(389.76)	Increase was mainly due to the increased investments in technical innovation and GMP transformation projects by the Group in the Year.
Net cash flow generated from financing activities	(211,689)	(446,427)	52.58	Increase was mainly due to the decrease in dividend payment, interests and foreign loans of the Group in the Year.

3.2 Industry, product and regional analysis of operation result

3.2.1 Breakdown of the operational results of the overall and principal operations of the Group during the Reporting Period is set out as follows:

Principal operations	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations	Increase/ (Decrease) over 2012	Cost of principal operations	Increase/ (Decrease) over 2012	Profit margin of principal operations	Increase/ (Decrease) over 2012
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(Percentage point)
Overall operations	17,463,016	46.57	11,768,412	43.67	32.61	An increase of 1.36 percentage points
Include: Manufacturing	13,789,907	58.08	8,361,611	59.28	39.36	A decrease of 0.46 percentage point
Trading	3,673,109	15.11	3,406,801	15.82	7.25	A decrease of 0.57 percentage point

Gross profit margin of principal operations = (Income from principal operations - Cost of principal operations) / Income from principal operations × 100%

3.2.2 Analysis of sales of major products for the manufacturing operations in the Reporting Period is as follows:

Types of products	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations	Increase/ (Decrease) over 2012	Cost of principal operations	Increase/ (Decrease) over 2012	Profit margin of principal operations	Increase/ (Decrease) over 2012
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(Percentage point)
Chinese patent medicine	3,895,394	0.59	2,276,184	3.68	41.57	A decrease of 1.74 percentage points
Western medicine	3,429,196	11.69	2,175,040	10.64	36.57	An increase of 0.60 percentage point
Other products	6,465,317	263.03	3,910,387	259.27	39.52	An increase of 0.63 percentage point

Gross profit margin = (Income from principal operations - Cost of principal operations) / Income from principal operations × 100%

3.2.3 Regional analysis of sales of the Group for the year 2013 is set out as follows:

Regions	Income from principal operations (RMB '000)	Increase/ (Decrease) over 2012 (%)
Southern China	9,457,011	32.36
Eastern China	3,159,358	70.62
Northern China	1,927,841	84.61
North-Eastern China	336,460	13.67
South-Western China	1,628,816	77.47
North-Western China	512,190	63.17
Exports	441,340	27.65
Total	17,463,016	46.57

3.3 Investment situation

3.3.1 External equity investment in the overall analysis

At the end of the Reporting Period, the external equity investment of the Group amounted to RMB1,977,044,000 with a growth of RMB255,943,000 as compared with last year. This is mainly due to the increase in the long-term equity investment by investment revenue calculated using the joint venture equity method as adopted by the Group, and no significant change has occurred.

Invested units	Principal business	Proportion in the entity being invested (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Wang Lao Ji	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Nuo Cheng	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Manufacturing, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
Baxter Qiao Guang	Production of large capacity injection, imports and wholesales of medicine	50.00

Invested units	Principal business	Proportion in the entity being invested (%)
Hangzhou Zhe Da Han Fang Chinese Medicine Information Engineering Company Limited	Development of technology and technology service	44.00
Golden Eagle Fund Management Co., Ltd.	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Guangzhou Baiyunshan Wei Yi Medical Investment Management Co., Ltd.	Medical investment management	50.50
Shanghai Jiu He Tang Chinese medicine Co., Ltd.	Wholesales of medicine	9.53
Beijing Imperial Court Cultural Development Company Ltd.	Development of Chinese traditional cultural art	10.00
Qi Xing Ma Zhong Pharmaceutical Company Limited	Sales of medicine	40.00
Indonesia San You Industrial Co., Ltd.	Sales of medicine	50.00
Guangzhou Pharmaceutical products Company Bei Jing Road Pharmaceutical products Market	Sales of medical apparatus, cosmetics, dry Aquatic animal products	20.00
South China Center for Innovative Pharmaceuticals	Research and development of new medicine, technology service, project investment	11.12
Guangzhou China-UK Cambridge Technology Venture Park Co., Ltd.	Incubatory, advisory and intermediary services	9.97
Northeast Pharmaceutical General Factory	Production and sales of medicine	—

Invested units	Principal business	Proportion in the entity being invested (%)
Wuhan Pharmaceutical Inc.	Sales of medicine	2.80
Securities of Corporate Events Centre	–	–
Guangzhou Dongning Pharmaceutical Co., Ltd.	Production and sales of medicine	5.00
Guangzhou Nanxin Pharmaceutical Co., Ltd.	Production and sales of medicine	13.00
Guangzhou Yufa Medical Devices Co., Ltd.	Production of medical devices	10.00
Baxter Healthcare (Guangzhou) Co., Ltd.	Production and sales of medicine	12.50
Bank of Guangzhou Co., Ltd (formerly known as GuangZhou Commercial Bank Co., Ltd.)	Financial service	–
China Associate (Group) Co., Ltd.	Production and sales of medicine and health care products	–

Stock Investments

Number	Type of Stock	Stock Code	Stock name	The initial amount of investment (RMB'000)	Number of shares held for the Reporting Period (share)	Book value as at the end of the Reporting Period (RMB'000)	% of stock investment for the Reporting Period (%)	Gain/(Loss) during the Reporting Period (RMB'000)
1	A Share of SSE	600038	Hafei	1,806	57,810	1,589	47.26	510
2	A Share of SSE	600664	Harbin.	3,705	289,310	1,774	52.74	(14)
Other stock investments held as at the end of the Reporting Period				—				
Gain/(Loss) of stock investments sold during the Reporting Period				—				
Total				5,511		3,363	100.00	496

Information on the Company's Interests in Shares of Other Listed Companies

Stock Code	Stock name	The initial investment amount (RMB'000)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
601328	Bank of Communications	525	—	1,515	91	(409)	Available-for-sale financial assets	Acquisition
601818	Everbright Bank	10,725	approximately 0.02	16,093	351	(1,233)	Available-for-sale financial assets	Acquisition

Information on the Company's Interests in Non-Listed Financial Institutions

Name	The initial Investment amount (RMB'000)	Number of sharesheld (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
Golden Eagle Fund Management Co., Ltd.	50,000	—	20.00	28,565	(7,732)	—	Long-term equity investment	Acquisition
Bank of Guangzhou Co., Ltd.	100	—	—	100	18	—	Long-term equity investment	Acquisition

3.3.2 During the Reporting Period, the Company did not have any entrusted investment activities.

3.3.3 During the Reporting Period, the Group's entrusted loans are set out below:

Borrower name	Entrusted loan amount (RMB'000)	Term of the loan	Lending rates	Whether overdue	Whether the connected transactions	Relationship with the Company
Guangzhou Pharmaceutical Import & Export Company Limited	45,000	1 year	5.10%	No	No	wholly-owned subsidiary
Cai Zhi Lin	278,000	1 year	5.10%	No	No	wholly-owned subsidiary
Total	323,000					

As at 31 December 2013, the Company provide its subsidiaries with entrusted loan amounting to RMB323,000,000.

3.3.4 Use of Proceeds from the issue of A shares

Applicable Not applicable

3.3.5 Fund-raising project

Applicable Not applicable

3.4 Details of the main subsidiaries and joint ventures of the Company

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Shares equity directly held by the Company (%)	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
(1) Subsidiaries							
WLJ Great Health	Manufacturing	Production and sales of prepackaged food, dairy products, etc	10,000	100.00	2,122,702	243,589	227,397

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

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

3.5 Analysis of Financial Conditions

3.5.1 Liquidity

As at 31 December 2013, the current ratio of the Group was 1.45 (31 December 2012: 1.54), and its quick ratio was 1.00 (31 December 2012: 0.95). Accounts receivable turnover rate was 22.56 times, representing an increase of 24.65% as compared with 2012. Inventory turnover rate was 5.42 times, representing an increase of 20.95% as compared with 2012.

3.5.2 Financial resources

As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB1,918,952,000 out of which approximately 98.63% and 1.37% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 31 December 2013, the Group had bank borrowing of RMB518,279,000 (31 December 2012: RMB681,218,000), including short-term borrowings of RMB509,652,000 (31 December 2012: RMB681,218,000) and long-term borrowings of RMB8,627,000 (31 December 2012: Nil).

3.5.3 Capital structure

As at 31 December 2013, the Group's current liabilities amounted to RMB5,050,078,000 (31 December 2012: RMB3,474,351,000), representing an increase of 45.35% as compared with 2012, and its long-term liabilities was RMB176,808,000 (31 December 2012: RMB163,894,000), with an increase of 7.88% as compared with 2012. The shareholders' equity attributable to the shareholders of the Company amounted to RMB6,831,768,000 (31 December 2012: RMB5,566,352,000), with an increase of 22.73% as compared with 2012.

3.5.4 Capital expenditure

The Group expects the capital expenditure for 2014 to be approximately RMB1,173 million (2013: RMB695 million), which will be mainly applied in the construction of factories and infrastructure, GMP authentication and innovation, purchases of machines, equipment, upgrading the information system etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

3.5.5 Assets and liabilities

Items	As at	Proportion of total assets (%)	As at	% of the total assets (%)	Increase/ (Decrease) as compared as with the end of 2012 (%)	Reason
	31 December 2013 (RMB'000)		31 December 2012 (RMB'000) (restated)			
Cash	1,935,682	15.80	1,135,435	12.09	70.48	The increase was mainly due to the increase in the Group's sales revenue, improve of capital return and the increase in advances from customers in the Year.
Notes receivable	1,326,354	10.83	844,429	8.99	57.07	In the Year, under the influence of tight liquidity of domestic monetary market, the Group received the bankers' acceptances settlement by selling products.
Accounts receivables	973,185	7.94	734,069	7.81	32.57	In the Year, the Group actively carried out marketing, expanded sales channels, and its sales revenue increased and receivables increased accordingly.
Advance to suppliers	613,882	5.01	446,668	4.75	37.44	The increase was mainly due to the increase in prepayments by the Company's subsidiaries for the purchase of pharmaceutical raw materials and packagings in the Year.
Other receivables	181,146	1.48	120,692	1.28	50.09	As at 31 December 2013, the increase was mainly due to the increase in the borrow business dealings of the Group.
Other current assets	19,348	0.16	1,599	0.02	1,110.01	As at 31 December 2013, the Group's deductible input tax decreased.
Investment property	246,309	2.01	136,194	1.45	80.85	The Company purchased investment properties from GPLH through issuing shares in the Year.
Construction in progress	335,423	2.74	140,078	1.49	139.45	Increase was mainly due to the increase in the investments in technology improvements and GMP reformation by the Group in the Year.
Deferred tax assets	266,950	2.18	119,690	1.27	123.03	Increase was mainly due to the increase in the temporary differences of employee benefits payable and accrued expenses in the Year.

Items	As at	Proportion of total assets (%)	As at	% of the total assets (%)	Increase/ (Decrease) as compared as with the end of 2012 (%)	Reason
	31 December 2013 (RMB'000)		31 December 2012 (RMB'000) (restated)			
Notes payable	130,774	1.07	75,970	0.81	72.14	The Company trading subsidiaries adopted a bankers' acceptances settlement method for short term fund facilities to reduce finance costs in the Year.
Accounts payable	1,470,361	12.00	1,080,598	11.50	36.07	The increase was mainly due to the longer credit term granted by suppliers to the Company's subsidiaries in the Year.
Advance payable	875,580	7.15	608,782	6.48	43.82	In the Year, the increase mainly due to the increase in the advance payment from its dealers of the Company's subsidiaries.
Employee benefits payable	334,428	2.73	192,467	2.05	73.76	As at 31 December 2013, the increase was mainly due to the increase in payable but unpaid year-end salary.
Taxes payable	403,384	3.29	154,532	1.64	161.04	As at 31 December 2013, the increase was mainly due to the increase in value-added tax and corporate income tax which had not been paid by the Group.
Interests payable	675	0.01	1,069	0.01	(36.86)	As at 31 December 2013, the decrease was mainly due to the decrease in the bank loans.
Dividends payable	113,513	0.93	25,444	0.27	346.13	Mainly due to the special dividend distribution of the Group as at the end of 2013.
Other payables	1,211,713	9.89	654,272	6.96	85.20	As at 31 December 2013, increase in other payables was mainly due to increase in the Group's advanced payment advertising costs and transportation costs.
Deferred income tax liabilities	3,475	0.03	5,609	0.06	(38.05)	As at 31 December 2013, it is mainly due to the decrease in the difference of the income tax payable in the future.

3.5.6 Exposure to fluctuations in exchange rates

As the majority of the revenue, expenses, assets and liabilities of the Group are denominated or settled in Renminbi, the Group did not have significant risks in exposure to fluctuations in exchange rates.

3.5.7 Main cash resources and applications

As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB1,918,952,000 with an increase of RMB804,606,000 as compared with the beginning of 2013. The net cash inflow derived from operating activities amounted to RMB1,339,140,000 with an increase of RMB339,910,000 as compared with 2012 due to increase in sales revenue, return of funds and customers' payments in advance of the Group in the Year.

3.5.8 Contingent liabilities

As at 31 December 2013, the Group has no significant contingent liabilities.

3.5.9 Charge on the Group's assets

As at 31 December 2013, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited, a wholly-owned subsidiary of the Company, had a general banking facility of HK\$8,893,000, and a letter of credit and a letter of trust with total limit of HK\$6,616,000 granted by Bank of China (Hong Kong) Limited with a charge over its fixed assets, properties and buildings with original value of HK\$6,843,000 and net value of HK\$4,225,000 and investment properties with original value of HK\$300,000 and net value of HK\$100,000,000 and a letter of credit in the amount of US\$155,000 which has not yet expired has been issued.

3.5.10 Material investment

As at 31 December 2013, the Group did not have any other material additional investment.

3.5.11 Employees of the Group

As at 31 December 2013, the number of employees on the payroll register of the Group was 11,284 including:

Production and supporting staff	5,083
Sales personnel	2,159
Technical, research and engineering staff	2,465
Finance and statistics staff	357
Other administrative staff	1,220

A total of 293 employees were holders of master degree and a total of 3,321 were holders of a bachelor degree. The number of retirees was 9,562. The total salary payment of the Group for the Year was approximately RMB980 million.

The remuneration of the employees of the Group included salaries, bonuses and other fringe benefits. The Group, in compliance with the relevant PRC laws and regulations, paid different rates of remuneration to different employees, based on the employees' performance, experience, position and other factors.

The Group put emphasis on enhancing the overall quality of its employees, and formulated trainings for different talents to constantly improve our management standard and competitiveness. During 2013, the Group organised relevant trainings basing on the practical situation of its management systems to ensure the proper operation of its various systems as required.

The training plans of the Group for 2014 are set out below, which is aimed at implementing the upgrade of professional and technical expertise, enhancing corporate management, raising the overall quality of employees that will satisfy the need of our development and growth: The Group further improves the management of CEO EMBA training of ShenNong College, and cultivate high-level inter-disciplinary talents with capacity of solving practical problems by strengthening cooperation with universities and institutions. The Group continues to conduct management and examination of its internal trainers in a better way, and recruit those staffs that devote to engaging in internal training to the team of internal trainers. The Group organises trainings for all staffs in our department, setting up a harmonious and efficient team; to continue to do well in college students' entry and trainings towards various kinds of persons such as cadres, secretary of party branch, probationary party member and activist of party application, fostering a good atmosphere filled with enthusiasm for learning and constantly improvement within the Group.

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

As audited by BDO China Shu Lun Pan Certified Public Accountant LLP, net profit attributable to shareholders of the Company for year 2013 amounted to RMB980,045,077.10, as a cardinal number of net profit of 2013 amounted to RMB550,834,619.89, extract 10% of the statutory surplus reserve by RMB55,083,461.99, with the addition of the undistributed profit carried over of last year by RMB1,329,205,080.02, and reduced the cash dividends of last year by RMB77,480,439.00, the actual distributable profits amounted to RMB1,747,475,798.92.

According to the actual situation of the Company and considering that the Company is at the expansion stage and has a material capital expenditures, it is proposed that a dividend of RMB2.30 (including tax) for every 10 shares on the basis of 1,291,340,650 shares in issue as at the end of 2013 will be distributed. The total amount of dividend to be distributed will be RMB297,008,349.50, the remaining undistributed dividend would be preserved for the next distribution. There will be no increase in share capital by transferring from capital reserve.

The profit distribution will be submitted to the annual general meeting of the Company for year 2013 for consideration and approval.

During the Reporting Period, the Company had distributable profits but had not proposed any distribution of profits in cash proposal.

Applicable Not applicable

3.7 Future Prospects and Plans

1. *The competitive patterns and development trend of the industry*

In 2014, there were both opportunities and challenges in the pharmaceuticals industry.

The opportunities were mainly shown in the following: (1) with the continuous growth in the investments in medical reform, further aging of the population, persistent increase in the incidence rate of chronic diseases, the need for healthcare continued to grow. Factors such as the State's strong support for the health service industry have brought new opportunities in speeding up the overall development of the Group; (2) the State encouraged and supported the production of medicine, circulation enterprises to be strengthened and expanded through various approaches such as acquisition, merger, trusteeship, equity participation and holding and achieve scale, intensive and international operation. The continuous rise in the level of concentration of the industry has brought new opportunities for the group to expand the scale of the pharmaceutical business; (3) as 2015 is the deadline for the new GMP, there will be a reshuffle in the pharmaceutical industry. This has brought new opportunities for the Group to develop its competitors across the pharmaceutical industry through merger and acquisition.

The major challenges include: (1) the condition of “two-downs-and-one-up” in the pharmaceuticals industry will continue. Under the current bidding system, the price of medicine will continue to experience a spiral decrease; (2) the pharmaceutical industry is currently at a key stage of merger and reorganization with competitors competing for resources, causing greater pressure in competition.

2. *Development strategies and annual work plans for 2014*

In 2014, the Group will carry out its resource scale project according to the development strategies of “building up the Grand Southern TCM, developing Grand Health, and promoting Grand Commerce”.

In 2014, the key tasks of the Group will mainly include:

- (1) to continue to push on the “integration works” in an all-round manner, accelerate the implementation of strategy of centralized and integration of acquisition, and meanwhile, accelerate the injection of assets such as the trademark “Wang Lao Ji” and Guangzhou Pharmaceutical Industrial Research Institute, which the Group undertook to inject during the re-organization.

- (2) to actively respond to the bidding policies for basic medicine, seize the opportunities for investment in basic medicine and vigorously promote the rapid sales growth of basic medicine in medical institutions.
- (3) to fully utilize various opportunities, strive to explore the pharmacy trusteeship business, and construct the new situation of the grand commerce; and meanwhile, to vigorously create the e-commerce platform of medicine and health and expand new marketing channels.
- (4) to exploit the power of resources of brands such as “Wang Lao Ji” by deepening the channels, enhancing the research and development of products, strengthening the propaganda of brands, strictly controlling the product quality and costs and improving the supervision etc., and accelerate the promotion of the development of the chancing the Grand Health industry; and meanwhile, to make overall arrangements and planning for the resources of the sector of Grand Health inside the Group.
- (5) to increase input in innovation, focus on new research and development project; accelerate the research and development, technical innovation of new medicine and transfer of innovation achievements; promote the change of product structure from general medicine to high value-added innovative medicine; exploit the new functions of “old” medicine and actively promote the transformation of key special technology and variety of medicine; focus on conduct of research and formulation for standards of products of 2015 Pharmacopoeia; comprehensive implementation of strategies for pharmaceutical standards; actively explore the new mode of external scientific research and cooperation.
- (6) to constantly promote the progress of pillar varieties with value over RMB100 million, strive to cultivate product group and potential varieties and projects with high sales growth rate and high market share; and cultivate more general products with value over RMB100 million; to promote the market development of “cash cow” products such as “specially priced” varieties, exclusive varieties and varieties with high gross margin, which are less affected by policies or greatly supported by the policies.
- (7) relying on the opportunities of the authentication of new GMP, to enhance the construction of software and hardware, improve the production process, raise the technical levels, improve the quality management system, focus on the quality management, and ensure the quality security; and meanwhile, to seize the opportunities of new GMP modification to continue to accelerate the promotion of the mergers and investments of subordinate manufacturing enterprises and trading enterprises.
- (8) to promote the management innovation, research and explore the equity incentive mechanism, raise level of scientific management, refine the management with respect to risk control, budget and information and lower the operation risks of the enterprise.

3. Potential challenges and risks

The potential challenges and risks of the Group mainly include: (1) the risk that the prices of some medicines may fall; (2) the risk of the prices fluctuation in raw materials such as Chinese medicine; (3) the risk of asset integration not achieving its target; (4) the operation risk in the expansion of new businesses areas such as medicine and health, pharmacy trust and e-business.

4. Has the Company disclosed profit forecast or business plan: Yes

The Group disclosed consolidated profit forecast for 2013 and the consolidated profit forecast for 2013 in relation to the proposed asset acquisition through issuance of shares in the Audit Report on Profit Forecast and Consolidated Profit Forecast Statement for 2013 of Guangzhou Pharmaceutical Company Limited (《廣州藥業股份有限公司2013年度盈利預測審核報告及合併盈利預測表》) and the Audit Report on Profit Forecast and Consolidated Profit Forecast Statement for 2013 in relation to the Proposed Asset Acquisition through Issuance of Shares by Guangzhou Pharmaceutical Company Limited (《廣州藥業股份有限公司擬發行股份購買資產之2013年度盈利預測審核報告及合併盈利預測表》), and the net profit attributable to shareholders of the Company was forecasted to be RMB834,680,000 (please refer to the announcement published on the website of the SSE on 27 August 2012 and the HKEx on 24 August 2012).

In 2013, consolidated net profit attributable to shareholders of the Company of RMB980,050,000, amounting to 117.42% of the forecast profit of RMB834,680,000. In June 2012, since the future development of Wang Lao Ji Great Health was uncertain when the Company prepared the profit forecast, its future results was not taken into account. In accordance with the approach of the profit forecast and after mainly excluding the operational results of Wang Lao Ji Great Health and the assumed applicable income tax rate, the adjusted net profit of the Company for 2013 was RMB765,600,000. Such profit is below the forecast primarily due to: (1) under the influence of the national health care policy and industry competition, the sales of the Company's subsidiaries slow down; and (2) costs of raw materials and labor continued to rise and narrowed the Company's profit margin; (3) The actual profit level of Wang Lao Ji, the joint venture of the Company, was not exceeding the expectation due to the intense market competition of herbal tea; (4) the operation result of the joint venture of the Company, Nuo Cheng, was affected and the actual profit was not exceeding the expectation due to the change of market competition situation.

5. Has the Company prepared and disclosed profit forecast for the new financial year: No

6. The Company has made profit forecast on its assets or projects, and the profit forecast period is within the Reporting Period, and the Company gives explanation on whether its assets or projects has reached its profit forecast.

Assets or projects under the profit forecast	Beginning of the forecast period	End of the forecast period	Forecasted results for the current period (RMB '000)	Actual results for the current period (RMB '000)	Reasons for not reaching the forecast (if applicable)	Date of disclosing the forecast	Link of the original forecast disclosure
Asset Acquisition through Issuance of Shares under Major Assets Reorganization	1 January 2013	31 December 2013	17,982.30	17,240	N/A	27 August 2012	http://www.sse.com.cn

4 MAJOR EVENTS

4.1 Corporate Governance

During the Reporting Period, the Company had complied with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules (“CG Code”) except for the deviations from code provision A.5.6. and A.6.7.

Code provision A.5.6. stipulate that, the Nomination Committee (or the Board) should formulate a policy concerning diversity of board members and disclose that policy or its summary in the corporate governance report. Notwithstanding that the written policy had not been officially adopted before the amended Listing Rules came into effect (1 September 2013), the Board believes that the Company had achieved diversity in its membership. The Board Diversity Policy of the Company had been formulated on 26 September 2013.

On the other hand, independent non-executive Directors, namely Mr. Liu Jinxiang, Mr. Li Shanmin and Mr. Zhang Yonghua were unable to attend the general meetings due to other important matters which constituted a deviation from code provision A.6.7.

4.2 The Audit Committee

In August 1999, the Company established the Audit Committee. Its principal responsibilities include: to review and monitor the quality, quantity and procedure of the Group's financial reporting; to review the completeness and effectiveness of the Company's internal control system; to consider the appointment of independent auditors and to co-ordinate and to review the efficiency and quality of their work.

The Audit Committee of the fifth session of the Board comprised Mr. Wong Lung Tak Patrick (chairman of the Audit Committee), Mr. Liu Jinxiang, Mr. Li Shanmin, Mr. Zhang Yonghua and Mr. Qiu Hongzhong. All five of them were independent non-executive Directors and were qualified under the relevant requirements. The term of office of the members of the Audit Committee commenced from 28 June 2010 to the date of election of the new session of the Board. Major tasks accomplished by the Audit Committee in 2013 including:

- (1) held three meetings in 2013 to review the 2012 annual report and 2013 interim report of the Group as well as the recommendations on management issued by external auditors and the respective response by the Company's management. Each of the members of the committee attended all the meetings;
- (2) reviewed the accounting policies adopted by the Group and the relevant issues regarding accounting practice;
- (3) advised the Board for the re-appointment for auditing firm for the year; and
- (4) advised the Company on major events of the Company or reminding the management of relevant risks.

The term of office of the Audit Committee under the fifth session of the Board expired on 28 January 2014, the Audit Committee under the sixth session of the Board was established on the same date. Mr. Wong Lung Tak Patrick (chairman of the Committee), Mr. Qiu Hongzhong, Mr. Fang Shuting and Mr. Chu Xiaoping were appointed as members of the Audit Committee. Each of the above members is an independent non-executive Director and complied with the relevant requirements. The term of office is from the date of appointment to the date of election of members of the new session of the Board.

The works on the annual audit for 2013 and relevant jobs regarding the preparation of the annual report are as follows:

Following the issue of “the Notice on preparation of the 2013 annual report by Listed Companies in an orderly manner” by the SSE on 31 December 2013, all members of the Audit Committee studied the relevant requirements seriously. The Audit Committee worked in accordance with the Audit Commission’s annual report Guidelines in launching the auditing work for 2013 and preparatory work for the annual report of the Company, which included the following:

- (1) the Audit Committee negotiated with the auditors of the Company and the Company’s Finance Department regarding the time line for audit and the relevant arrangements and set out the “Framework for the Preparation of 2013 Annual Report” and reviewed the audit plan submitted by the auditors.
- (2) The Audit Committee reviewed the draft of the financial reports prepared by the Company on 3 March 2014 and issued written recommendations thereon.
- (3) After completion of the preliminary auditing works by the auditor of the Company, the Audit Committee reviewed the financial reports again and issued written recommendations regarding the audit work. The Audit Committee believed the 2013 Financial Reports of the Company reflected the state of affairs of the Company truly, accurately and fairly, and agreed to submit the reports to the Board for approval.
- (4) On 10 March 2014, the Audit Committee convened the first meeting in 2014 and considered and passed the 2013 Annual Report of the Company and the Company’s 2013 Financial Report and the re-appointments of auditor for year 2013 and the auditor on internal control for 2013. At the same time, the Audit Committee summed up its evaluation on the audit work of the auditor and believes that the auditor has carried out the audit work for the Company with cautious, independent and objective standards, and managed to abide by their professional work ethics, followed closely the auditing regulations, fulfilled their auditing responsibilities and submitted the auditors’ report in time, as well as having issued fair and unbiased management recommendations to the management of the Company, and completed the audit work with satisfactory performance.

4.3 Other Important Matters

4.3.1 On 26 April 2013, WLJ Great Health, a wholly-owned subsidiary of the Company, entered into a new Trademark License Agreement with GPLH. The Board had approved the Trademark License Agreement and the transactions contemplated thereunder.

For details, please refer to the announcements published in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn) on 27 April 2013 and on the website of the HKEx (www.hkex.com.hk) on 26 April 2013.

4.3.2 The Company implemented the Reorganization Proposal involving the absorption and merger of Baiyunshan and issuance of shares to GPLH for acquisition of assets in accordance with the “Approval of the Asset Acquisition through Issuance of

Shares to GPLH and the Absorption and Merger of Baiyunshan by the Company” (Zhengjianxuke[2012] No.1695) as issued by the CSRC. The Company absorbed and merged Baiyunshan through share swap of additional A shares.

The relevant conversion prices for the absorption and merger of Baiyunshan by the Company was determined at RMB12.10 per share and RMB11.50 per share (ex-rights and ex-dividend) based on the average trading price of A shares during the 20 trading days prior to the publication date of the announcement of the first meeting of the Board of both parties in relation to the resolutions to approve the Proposed Major Assets Reorganization. Based on these prices, the exchange ratio was determined at 1:0.95, whereby one Baiyunshan share could exchange for 0.95 A Share of the Company. The Company had issued an aggregate of 445,601,005 A Shares under this proposal of absorption and merger of Baiyunshan. After the completion of this proposal, the legal person registration of Baiyunshan had been cancelled and all of its assets, liabilities, equity, operations and personnel had been incorporated into the continuing entity.

Please refer to the detailed information published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 18 May 2013 and on the website of the HKEx (www.hkex.com.hk) on 19 May 2013.

4.3.3 According to Agreement on Assets Acquisition through Issuing Shares and its supplemental agreement, the Company had signed the Assets Settlement Agreement with the GPLH on 30 June 2013.

4.3.4 According to the “Issued Shares and Asset Purchase Agreement” and its supplementary agreements., the Company has issued 34,839,645 ordinary shares of nominal value of RMB1 to GPLH. These 34,839,645 A shares are non publicly issued shares of the Company, the circulation of which are conditional and the newly contributed capital represented was 100% increase in the registered capital.

Please refer to the detailed information published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 3 July 2013 and on the website of the HKEx (www.hkex.com.hk) on 2 July 2013.

4.3.5 It was approved at the 23rd Board meeting of the fifth session of the Board that, WLJ Great Health, a wholly-owned subsidiary of the Company, intended to set up production bases for Wang Lao Ji in Ya’an of Sichuan Province in a “blood generating” construction aiding modes. The proposed investment amount is RMB298 million. The above transaction is in progress.

Please refer to the detailed information published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 17 July 2013 and on the website of the HKEx (www.hkex.com.hk) on 16 July 2013.

4.3.6 In order to centralize management on the Chinese traditional medicine extraction business of the subordinated enterprises, to enhance the supervision over the pre-processing and extraction of Chinese traditional medicine, improve the production and process levels, realize scale production, improve the production efficiency and promote the market competitiveness, and as approved at the 23rd Board meeting of the fifth session of the Board, the Company and Guangzhou Baiyunshan Xingzhou Pharmaceutical Co., Ltd. (“Xing Zhou”) jointly set up Guang Yao Xingzhou Pharmaceutical Co., Ltd. with a registered capital of RMB86.48 million, among which the Company contributed RMB64.86 million in cash, accounting for 75% of equity interest; Xing Zhou contributed RMB4.366 million in cash and equipments with evaluated value of RMB17.254 million, accounting for 25% of equity interest. The transaction above was completed in February 2014.

Please refer to the detailed information published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 17 July 2013 and on the website of the HKEx (www.hkex.com.hk) on 16 July 2013.

4.3.7 It was approved by the Strategic Development and Investment Committee of the Company at its third meeting in 2013 that the Company increased its capital contribution in the amount of RMB6 million to Guangzhou Guang Yao Yi Gan Biological Products Co., Ltd (“Guang Yao Yi Gan”) according to the equity interest it held therein. After the increase, the registered capital of Guang Yao Yi Gan was increased from RMB11 million to RMB21 million. The Company held 60% of the equity interest in Guang Yao Yi Gan. The transaction above was completed in November 2013.

4.3.8 It was approved by the Strategic Development and Investment Committee of the Company at its fourth meeting in 2013 that, WLJ Great Health, a wholly-owned subsidiary of the Company, to solely contribute capital for setting up “Wang Lao Ji Great Health Industry (Meizhou Dapu) Co., Ltd.”, which would be the entity in Dama Town, Dapu County, Meizhou to establish the Wang Lao Ji herbal tea concentrated solution extraction base. The base has an area of about 450 mu and may extract 40 tons of herbal tea concentrated solution after completion of the construction. It is expected that the total investment of the project is about RMB367 million. Currently, the project is under process.

4.3.9 It was approved by the Strategic Development and Investment Committee of the Company at its fourth meeting for 2013 that, WLJ Great Health, a wholly-owned subsidiary of the Company, would set up a production base for Wang Lao Ji herbal tea in Xinxiang City, Henan Province. The project has a total area of 1,000 mu. The construction site for the first phase is about 500 mu, on which two canning production lines will be built with an annual production capacity of 20 million cartons. It is expected that the investment for the first phase is about RMB320 million. At present, the project is under process.

4.3.10 According to the arrangements of the Retreating from the Secondary Industry to Enter the Tertiary Industry, 11 subsidiaries of the Company are scheduled to move into the Baiyun Base of GPC Biological Medicine City (the “Baiyun Base”). The Baiyun Base has a total area of approximately 2,460 mu of which approximately 2,000 mu are in compliance with land planning. The government of Baiyun District will provide grouped site of constructible land for industrial purpose within the GPC Industrial City in four phases. The total area of the first phase is 474.41 mu, of which 303.09 mu is permissible for construction.

Currently, four enterprises under the Company, namely, Ming Xing (98.8 mu), Hejigong (36 mu), HWBYS (99.7 mu) and GP Corp. (68.5 mu) have obtained the land use rights regarding 303 mu of land in the first phase which is permissible for construction at the auction of price of RMB221.290 million in total, Hejigong and Ming Xing have already completed all the applications for approvals in relation to the use of lands at the approval stage and are in the course of planning for the submission of the construction plan. Other preparation works before the commencement of the construction are also in progress. The projects of HWBYS and GP Corp. have already obtained the approval on construction site and the permit on planning of construction site.

4.3.11 Sale of assets

Counterparty	Assets disposal	Date of disposal	Selling price (RMB'000)	Net profits from the beginning of the year to the date of disposal attributable to the asset sold (RMB'000)	Gains or losses on disposal (RMB'000)	Whether a connected transaction	Pricing Principles for disposal of assets	Whether ownership of the assets involved have been transferred	Whether the creditor's rights and debts involved have been transferred	Percentage of the net profit attributable to the disposal of the assets in the Company's profit (%)	Connected relationship
HWBYS	Bozhou Baiyunshan	May 2013	0.001	(1,186)	3,050	Yes	Contractual price	Yes	Yes	0.25	Joint venture

Other than those listed above, the Group did not engage in any material acquisitions or disposals.

5. FINANCIAL REPORTS

5.1 Financial statements prepared in accordance with the PRC Accounting Standards for Business Enterprises

(All amounts in Renminbi yuan unless otherwise stated)

Consolidated Balance Sheet

ITEMS	<i>Note</i>	31 December 2013	31 December 2012 (restated)
Current assets			
Cash at bank and on hand		1,935,681,740.06	1,135,435,400.94
Financial assets held for trading		3,362,667.20	2,875,920.00
Notes receivable		1,326,353,755.90	844,429,241.87
Accounts receivable	5.1.4	973,184,749.11	734,068,939.45
Advances to suppliers		613,882,321.78	446,667,535.38
Interest receivable		–	–
Dividends receivable		–	–
Other receivables		181,145,718.26	120,692,089.05
Inventories		2,245,829,748.05	2,065,898,134.19
Current portion of non-current assets		–	–
Other current assets		19,347,581.15	1,598,620.43
Total current assets		7,298,788,281.51	5,351,665,881.31
Non-current assets			
Available-for-sale financial assets		17,608,107.28	20,401,660.98
Hold-to-maturity investments		–	–
Long-term receivables		–	–
Long-term equity investments		1,972,490,292.04	1,716,546,921.55
Investment properties		246,309,245.37	136,194,437.45
Fixed assets		1,731,881,945.85	1,591,996,126.73
Construction in progress		335,422,694.18	140,077,689.32
Construction materials		–	–
Fixed assets pending for disposal		–	–
Intangible assets		368,856,694.63	305,600,782.57
Development costs		3,716,517.68	4,112,051.69
Goodwill		–	–
Long-term prepaid expenses		7,099,055.93	7,922,664.10
Deferred tax assets		266,950,316.92	119,689,836.85
Other non-current assets		–	–
Total non-current assets		4,950,334,869.88	4,042,542,171.24
TOTAL ASSETS		12,249,123,151.39	9,394,208,052.55

Consolidated Balance Sheet (Continued)

	<i>Note</i>	31 December 2013	31 December 2012 (restated)
Current liabilities			
Short-term borrowings		509,651,500.77	681,217,807.78
Financial liabilities held for trading		–	–
Notes payable		130,773,655.25	75,970,070.30
Accounts payable	5.1.5	1,470,360,537.61	1,080,597,534.53
Advances from customers		875,579,547.32	608,781,707.72
Employee benefits payable		334,427,927.83	192,466,940.29
Taxes payable		403,383,688.38	154,532,046.97
Interest payable		675,414.98	1,069,051.16
Dividends payable		113,513,301.13	25,443,653.91
Other payables		1,211,712,507.04	654,271,815.63
Current portion of non-current liabilities		–	–
Other current liabilities		–	–
Total current liabilities		5,050,078,080.31	3,474,350,628.29
Non-current liabilities			
Long-term borrowings		8,627,419.10	–
Debentures payable		–	–
Long-term payables		22,215,752.40	24,413,469.62
Payables for specific projects		19,058,160.00	–
Provisions		500,191.19	500,191.19
Deferred tax liabilities		3,475,327.44	5,609,484.82
Other non-current liabilities		122,931,526.01	133,370,723.47
Total non-current liabilities		176,808,376.14	163,893,869.10
Total liabilities		5,226,886,456.45	3,638,244,497.39
SHAREHOLDERS' EQUITY			
Share capital		1,291,340,650.00	810,900,000.00
Capital surplus		2,493,788,078.69	1,702,773,872.77
Less: Treasury share		–	–
Surplus reserve		723,819,753.76	787,731,574.82
Undistributed profits		2,330,514,583.35	2,271,551,430.93
Difference on translation of foreign currency financial statements		(7,695,173.92)	(6,604,552.46)
Total equity attributable to shareholders of the Company		6,831,767,891.88	5,566,352,326.06
Minority interest		190,468,803.06	189,611,229.10
Total shareholders' equity		7,022,236,694.94	5,755,963,555.16
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		12,249,123,151.39	9,394,208,052.55

Consolidated Income Statement

ITEMS	Note	Year ended 31 December	
		2013	2012
1. Revenue	5.1.6	17,608,193,312.31	12,062,641,788.39
Less: Cost of sales	5.1.6	11,806,294,800.38	8,231,937,806.17
Taxes and surcharges		148,250,638.48	108,192,297.58
Selling and distribution expenses		3,485,311,357.52	1,971,897,959.52
General and administrative expenses		1,227,255,352.75	1,086,927,622.51
Financial expenses		28,305,296.93	49,503,646.95
Asset impairment losses		12,914,064.93	8,153,034.67
Add: Profit arising from changes in fair value		486,747.20	(251,772.50)
Investment income		219,725,064.77	249,538,034.02
Including: Share of profit of associates and jointly controlled entities		208,182,816.04	249,407,725.45
2. Operating profit		1,120,073,613.29	855,315,682.51
Add: Non-operating income	5.1.7	125,847,060.45	45,798,507.80
Less: Non-operating expenses		16,730,234.49	20,051,622.09
Including: Losses on disposal of non-current assets		3,776,158.49	1,370,583.51
3. Total profit		1,229,190,439.25	881,062,568.22
Less: Income tax expenses	5.1.8	222,243,432.31	114,365,354.31
4. Net profit		1,006,947,006.94	766,697,213.91
Including: Pre-acquisition revenue of the acquired company		242,018,569.90	228,260,377.05
– Attributable to shareholders of the Company		980,045,077.10	729,039,715.80
– Minority interest		26,901,929.84	37,657,498.11
5. Earnings per share			
– Basic earnings per share	5.1.9	0.768	0.578
– Diluted earnings per share	5.1.9	0.768	0.578

ITEMS	Note	Year ended 31 December	
		2013	2012
6. Other comprehensive income		(1,517,010.51)	403,652.73
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		(2,777,554.51)	403,652.73
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		1,260,544.00	–
7. Total comprehensive income		<u>1,005,429,996.43</u>	<u>767,100,866.64</u>
– Attributable to shareholders of the Company		978,516,199.79	729,440,139.95
– Minority interest		26,913,796.64	37,660,726.69

5.1.1 Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

Financial department issued 5 new and revised standards in January and February 2014, which include <Accounting Standards for Business Enterprises No.9-Employee Compensation>(revised), <Accounting Standards for Business Enterprises No.30-The Presentation of Financial Statements>(revised), <Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements>(revised), <Accounting Standards for Business Enterprises No.39-Fair Value Measurement>(revised), <Accounting Standards for Business Enterprises No.40-The Joint Venture Arrangements>(revised), such standards are required to perform from 1 July 2014 and the listed overseas enterprises are encouraged to perform these standards in advance. As a group listed in Hong Kong and domestic, the Group have performed above standards as at 31 December 2013.

5.1.2 Accounting policies

The Group has performed the 5 new and revised Accounting Standards for Business Enterprises issued in the year 2014 in advance, the adapting above standards do not significantly impact the financial statements of the Group presented in accordance with the above standards.

5.1.3 Segment Information

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

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

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

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

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

(1) The segment information for 2013 and as at 31 December 2013 as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	13,888,167,949.22	3,686,349,660.19	33,675,702.90	–	17,608,193,312.31
Inter-segment revenue	32,764,367.88	3,858,216,859.27	101,166,409.71	(3,992,147,636.86)	–
Interest income	21,468,171.97	1,090,116.25	1,895,909.08	(6,724,718.45)	17,729,478.85
Interest expenses	31,074,715.72	35,504,531.50	36,128,021.28	(59,490,375.19)	43,216,893.31
Share of profit or loss of associates and jointly controlled entities	34,867,354.36	–	161,843,924.47	11,471,537.21	208,182,816.04
Asset impairment losses	10,209,732.52	1,639,207.57	87,492.29	977,632.55	12,914,064.93
Depreciation and Amortization	171,132,372.00	5,152,946.81	9,345,185.60	571,882.53	186,202,386.94
Total profit	968,319,473.42	32,376,602.44	447,952,045.38	(219,457,681.99)	1,229,190,439.25
Income tax expenses	119,148,213.30	8,548,827.66	83,243,594.32	11,302,797.03	222,243,432.31
Net profit (Including: minority interest)	849,171,260.12	23,827,774.78	364,708,451.06	(230,760,479.02)	1,006,947,006.94
Total assets	8,177,645,896.25	2,166,054,216.66	6,918,419,046.40	(5,012,996,007.92)	12,249,123,151.39
Total liabilities	5,222,107,061.12	1,986,384,749.68	1,103,419,355.88	(3,085,024,710.23)	5,226,886,456.45
Long-term equity investments in associates and jointly controlled entities	121,162,661.82	–	1,749,570,457.57	–	1,870,733,119.39
Additions of non-current assets other than long-term equity investments	421,774,612.38	4,726,393.21	304,296,402.52	–	730,797,408.11

(2) The segment information for 2012 and as at 31 December 2012 as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	8,677,118,418.42	3,351,340,531.00	34,182,838.97	–	12,062,641,788.39
Inter-segment revenue	150,963,755.99	2,491,602,441.32	40,237,410.57	(2,682,803,607.88)	–
Interest income	9,569,395.74	800,647.39	1,919,823.57	–	12,289,866.70
Interest expenses	19,839,364.37	36,410,850.09	46,012,332.65	(42,031,615.09)	60,230,932.02
Share of profit or loss of associates and jointly controlled entities	41,786,015.72	–	206,022,069.16	1,599,640.57	249,407,725.45
Asset impairment losses	7,292,105.86	1,255,289.85	(219,739.81)	(174,621.23)	8,153,034.67
Depreciation and Amortization	172,462,429.63	5,560,683.13	9,685,324.00	–	187,708,436.76
Total profit	698,969,526.66	48,465,079.16	363,867,809.66	(230,239,847.26)	881,062,568.20
Income tax expenses	58,521,976.15	13,416,418.97	45,948,172.98	(3,521,213.79)	114,365,354.31
Net profit (Including: minority interest)	640,447,550.51	35,048,660.19	317,919,636.68	(226,718,633.49)	766,697,213.89
Total assets	6,483,706,428.27	1,519,008,150.69	6,189,522,725.19	(4,798,029,251.60)	9,394,208,052.55
Total liabilities	3,833,980,620.23	1,376,955,396.75	1,095,994,888.74	(2,668,686,408.33)	3,638,244,497.39
Long-term equity investments in associates and jointly controlled entities	85,315,307.46	–	1,612,470,197.15	(656,955.71)	1,697,128,548.90
Additions of non-current assets other than long-term equity investments	159,540,358.08	2,692,852.58	8,472,034.12	–	170,705,244.78

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

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue from external customers		
The PRC	17,166,853,225.54	11,716,897,395.62
Other countries	441,340,086.77	345,744,392.77
	<u>17,608,193,312.31</u>	<u>12,062,641,788.39</u>
Total non-current assets	31 December 2013	31 December 2012
The PRC	4,645,092,792.07	3,880,339,896.02
Other countries	20,683,653.62	22,110,777.39
	<u>4,665,776,445.69</u>	<u>3,902,450,673.41</u>

5.1.4 Accounts receivable

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

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

	31 December 2013	31 December 2012
Within 1 year	961,563,413.82	732,153,204.20
1 to 2 years	21,462,412.04	9,434,815.86
2 to 3 years	5,779,861.24	1,412,507.17
3 to 4 years	871,321.18	5,258,079.41
4 to 5 years	4,836,377.21	4,098,045.03
Over 5 years	8,577,552.93	55,780,992.95
	<u>1,003,090,938.42</u>	<u>808,137,644.62</u>
Less: Provision for bad debts	29,906,189.31	74,068,705.17
	<u>973,184,749.11</u>	<u>734,068,939.45</u>

5.1.5 Accounts payable

The ageing of accounts payable is analyzed as follows:

	31 December 2013	31 December 2012
Within 1 year	1,440,862,487.84	1,055,453,503.56
Over 1 year	29,498,049.77	25,144,030.97
	<u>1,470,360,537.61</u>	<u>1,080,597,534.53</u>

5.1.6 Revenue and cost of sales

	Year ended 31 December 2013		
	Main operation	Other operation	Subtotal
Revenue	17,463,015,713.01	145,177,599.30	17,608,193,312.31
Cost of sales	11,768,412,156.47	37,882,643.91	11,806,294,800.38
Gross profit	5,694,603,556.54	107,294,955.39	5,801,898,511.93
	Year ended 31 December 2012		
	Main operation	Other operation	Subtotal
Revenue	11,914,510,625.16	148,131,163.23	12,062,641,788.39
Cost of sales	8,191,130,028.99	40,807,777.18	8,231,937,806.17
Gross profit	3,723,380,596.17	107,323,386.05	3,830,703,982.22

5.1.7 Non-operating income

Gain on disposal of non-current assets for 2013 is amounted to RMB115,668.82 (2012: RMB201,820.56).

5.1.8 Income tax expenses

	Year ended 31 December	
	2013	2012
Current income tax	370,486,762.09	164,135,794.10
Deferred income tax	(148,243,329.78)	(49,770,439.79)
	<u>222,243,432.31</u>	<u>114,365,354.31</u>

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

	Year ended 31 December	
	2013	2012
Total profit	1,229,190,439.25	881,062,568.20
Income tax expenses calculated		
at statutory tax rates	307,297,609.81	220,265,642.05
Tax effect of different rates applicable to subsidiaries	(55,216,213.81)	(60,480,583.77)
Adjust effect for income tax of previous period	(4,052,228.32)	(2,317,109.37)
Gain of loss belong to cooperative enterprise & joint venture	(47,567,066.87)	(56,879,906.06)
Non-taxable revenue	(4,475,492.33)	–
Expenses not deductible for tax purposes	22,921,203.39	15,306,844.10
Tax effect of opening balance on deferred income tax due to changes in tax rate	1,197,689.98	–
Tax effect of deductible temporary differences & deductible loss which are not recognised	2,137,930.46	(1,529,532.64)
Income tax expenses	<u>222,243,432.31</u>	<u>114,365,354.31</u>

Nine subsidiaries of the Group, Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd, (“Zhong Yi Pharmaceutical”)Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd., (“Jing Xiu Tang Pharmaceutical”)Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd., (“Qi Xing Pharmaceutical”)Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd., (“Xing Qun Pharmaceutical”)Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd, (“Chen Li Ji Pharmaceutical”)Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd., (“Pan Gao Shou Pharmaceutical”)Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd., (“Tian Xin Shou Pharmaceutical”)Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd., (“Ming Xing Shou Pharmaceutical”)and Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., (“Guang Hua Shou Pharmaceutical”) received the “Certificate of High/ New Technology Enterprise”, which was jointly issued by Guangdong Provincial Department of Science and Technology, Department of Finance of Guangdong Province, Guangdong Provincial State Tax Bureau and Guangdong Provincial Local Taxation Bureau.

The certificates of the eight subsidiaries (namely, Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. and etc), numbering GF201144000520, GF201144000114, GF201144000043, GF201144000298, GF201144000144, GF201144000400, GF201144000016, GF201144000599 respectively, were issued in 2011 and the effective period is 3 years. The certificate of Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd., numbering GR201244000497 was issued in November 2012 and the effective period is 3 years.

A subsidiary of the Group, Guangxi Ying Kang Pharmaceutical Co. Ltd. received the “Certificate of High/New Technology Enterprise”, which was jointly issued by Department of Science and Technology of Guangxi Zhuang Autonomous Region, Department of Finance of Guangxi Zhuang Autonomous Region, Guangxi Zhuang Autonomous Region State Tax Bureau, Guangxi Zhuang Autonomous Region Local Taxation Bureau, numbering GF201245000068, was issued in November 2012 and the effective period is 3 years.

Bai Yun Shan Co., Ltd. which acquired by the Company in the period has awarded the “Certificate of High/New Technology Enterprise”, the certificate was jointly issued by Guangdong Provincial Department of Science and Technology, Department of Finance of Guangdong Province, Guangdong Provincial State Tax Bureau and Guangdong Provincial Local Taxation Bureau in November 2012, numbered as GR201244000005, and the effective period is 3 years.

In accordance to the national relevant preferential tax policies for hi-tech enterprises, company which recognized as high-tech enterprises can enjoy preferential policies of enterprise income tax at a reduced tax rate of 15%.

Except for the tax privilege mentioned above, all other companies in the group pay the enterprise income tax in accordance with the “PRC Enterprise Income Tax Law”, “Implementation Rules of PRC Enterprise Income Tax Law” and the applicable tax rate is 25%. Within the group, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited is subjected to the provisions of the tax ordinance in Hong Kong and needs to pay the company gains tax at a rate of 16.5%.

5.1.9 Earnings per share

(a) Basic earnings per share

(i) Weighted Average Basis Earnings per share

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

	Year ended 31 December	
	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	980,045,077.10	729,039,715.80
Weighted average number of ordinary shares outstanding	<u>1,276,290,237.50</u>	<u>1,261,239,823.00</u>
Basis Earnings per share	<u>0.768</u>	<u>0.578</u>

(ii) Overall diluted Basic earnings per share

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

	Year ended 31 December	
	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	980,045,077.10	729,039,715.80
Number of ordinary share outstanding	<u>1,291,340,650.00</u>	<u>1,261,239,823.00</u>
Basic earnings per share fully diluted	<u>0.759</u>	<u>0.578</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusted net profit for the current year attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. Year ended 31 December 2013, there were no potential ordinary shares (Year ended 31 December 2012: nil), diluted earnings per share is equal to basic earnings per share.

5.1.10 Dividends

In accordance with the resolution at the extraordinary general meeting held on 30 December 2013, the Company proposed a cash dividend of RMB0.06 per share to shareholders of the Company, amounting to RMB77,480,000 in total based on the number of shares issued amounting to 1,291,340,650.

5.1.11 Net current assets

	31 December 2013	31 December 2012
Current assets	7,298,788,281.51	5,351,665,881.31
Less: Current liabilities	5,050,078,080.31	3,474,350,628.29
Net current assets	<u>2,248,710,201.20</u>	<u>1,877,315,253.02</u>

5.1.12 Total assets less current liabilities

	31 December 2013	31 December 2012
Total assets	12,249,123,151.39	9,394,208,052.55
Less: current liabilities	5,050,078,080.31	3,474,350,628.29
Total assets less current liabilities	<u>7,199,045,071.08</u>	<u>5,919,857,424.26</u>

5.2 Compared with the latest annual report, the changes in accounting policies and accounting estimates

The Group has performed the 5 new and revised Accounting Standards for Business Enterprises issued in the year 2014 in advance, the adapting above standards do not significantly impact the financial statements of the Group presented in accordance with the above standards.

5.3 There is no major accounting error during the Reporting Period.

5.4 Explanation on changes in scope of business as compared with the previous annual report.

- (a) For the period ended 31 December 2013, there were 11 new established companies, according to the requirements of the “Enterprise Accounting Standard No.33 – Consolidated Financial Statements”, the new companies were included in the Group’s scope of business since May 31, 2013. They are Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd., Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. Baiyunshan Wei Ling Pharmaceutical Co., Ltd. Guangzhou Baiyunshan Yi Yao Bio-tech Co., Ltd., Guang Zhou Bai Yun Shan Da Yao Fang, Guang Zhou Guang Yao Bai Yun Shan Da Jian Kang Hotel Co., Ltd. which were 82.49%, 84.48%, 100%, 100%, 51%, 100% and 100% owned by the Company. Guangyao

Baiyunshan Hong Kong Company Limited (“Guangyao Baiyunshan Hong Kong Limited”) (Previously named “Polian Development Co., Ltd.”) which were 100% owned by the Company were included in the Group’s scope of business since June 30, 2013; WLJ Great Health, a subsidiary of the Company establish Wao Lao Ji Great Health Yaan Co., Ltd. in July 2013, ratio of equity interest held are 100%; Pangaoshou, Caizhilin, Chengkou Xinhe Agricultural Development Co., Ltd. establish Chongqing Guangyao in August 2013, ratio of equity interest held are 39%, 41%, 15% and 5% respectively; Caizhilin, Qinghe Forestry Bureau, Xinglong Forestry Bureau, Shanhetun Forestry Bureau and Commercial Department of Heilongjiang General Forestry Bureau establish Heilongjiang Sengong Guangyao Chinese Raw Medicine Co., Ltd. in September 2013, ratio of equity interest held are 60%, 10%, 10%, 10% and 10% respectively.

- (b) For the period ended 31 December 2013, the Company disposed of one subsidiary named Bo Zhou Bai Yun Shan Pharmaceutical Co., Ltd., according to the requirements of the “Enterprise Accounting Standard No.33 – Consolidated Financial Statements”, this company would be no longer included in the scope of the Group financial reporting since 30 April 2013.

5.5 Notes to the adjustment of the previous statements made by Business combination involving entities under common control

The Baiyunshan share absorbed and merged by the way of share swap and acquired 100% equity interest of Guangyao Baiyunshan Hong Kong Limited by issuing shares are business combination involving entities under common control. They are included in the consolidated financial statements as if the combination had occurred from the date when Baiyunshan, Guangyao Baiyunshan (Hong Kong) Limited and together with the Company first came under the control of the ultimate controlling party in accordance with the articles of Accounting Standard for Business Enterprise-Business Combination.

The previous financial statement should be adjusted and the information of adjustment is as below:

31 December 2012					
Main information of balance sheet	The group (audited)	Baiyunshan (restated)	Guangyao Baiyunshan Hong Kong Limited (restated)	Adjustment (restated)	Consolidation (restated)
Current assets	3,547,287,907.87	1,872,708,877.89	60,795,063.41	(129,125,967.86)	5,351,665,881.31
Non-current assets	2,688,105,810.02	1,343,968,258.27	10,367,550.44	100,552.51	4,042,542,171.24
Current liabilities	1,915,390,486.71	1,568,932,773.27	37,037,585.54	(47,010,217.23)	3,474,350,628.29
Non-current liabilities	95,682,897.89	135,002,946.42	301,971.08	(67,093,946.29)	163,893,869.10
Equities	4,224,320,333.29	1,512,741,416.47	33,823,057.23	(14,921,251.83)	5,755,963,555.16

The year ended 2012					
Main information of balance sheet	The group (audited)	Baiyunshan (restated)	Guangyao Baiyunshan Hong Kong Limited (restated)	Adjustment (restated)	Consolidation (restated)
Revenue	8,229,058,538.06	4,310,760,489.27	98,734,400.02	(575,911,638.96)	12,062,641,788.39
Profits	438,071,481.52	427,252,963.85	(449,647.31)	(9,559,115.55)	855,315,682.51
Total profits	457,839,196.56	433,232,134.52	(449,647.31)	(9,559,115.55)	881,062,568.22
Net profits	408,330,681.14	367,348,261.03	(449,647.31)	(8,532,080.95)	766,697,213.91

The information of Baiyunshan which is restated in the above-mentioned table based on audited consolidated financial statement of Baiyunshan and its 7 subsidiaries, and this information has been retrospectively adjusted by using the cost method to measure investment properties.

The information of Guangyao Baiyunshan (Hong Kong) Limited which is restated in the above-mentioned table is the information after the adjustment for the non-coterminous accounting years of the Group and Guangyao Baiyunshan (Hong Kong) Limited, and this information also included retrospective adjustment made for measuring the investment properties using the cost method.

The significant inter-group balance, transactions and unrealised profits among the 3 companies has ve been eliminated by the adjustment of the above-mentioned table.

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

The Board of
Guangzhou Baiyuanshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 17 March 2014

As at the date of this summary, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu as executive directors, and Mr. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Fang Shuting and Mr. Chu Xiaoping as independent non-executive directors.