



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(Stock code: 874)



INTERIM REPORT  
**2014**

# Important Notice

- I. The board of directors, the supervisory committee of the Company and its directors, supervisors and senior management collectively and individually accept full responsibility for the authenticity, accuracy and completeness of the information contained in this interim report and confirm that there are no false information, misleading statements or material omissions in this interim report.
- II. The directors were present at the 4<sup>th</sup> meeting of the sixth session of the Board, among whom, Mr. Fang Shuting and Mr. Chu Xiaoping, both independent non-executive directors, were unable to attend the meeting and had appointed Mr. Qiu Hongzhong, an independent non-executive director, to attend the meeting and vote on their behalf; Mr. Wong Lung Tak Patrick, an independent non-executive director, attended the meeting by means of telephone communication.
- III. Mr. Li Chuyuan (chairman of the Board), Mr. Wu Changhai (executive director) and Ms. Yao Zhizhi (senior manager of the finance department) individually accept responsibility for ensuring the authenticity and completeness of the financial reports contained in this interim report.
- IV. After consideration, the Board did not recommend payment of interim dividends for the six months ended 30 June 2014 nor propose any increase in share capital from the capitalization of capital reserve.
- V. The financial reports of the Group and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- VI. Forward-looking statements such as plans for the future and development strategies described in this report do not constitute any actual commitment of the Company to investors. Investors should note that investment risk.
- VII. There was no non-operational appropriation of funds of the Company by its connected parties.
- VIII. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- IX. This interim report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

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# Definitions

In the interim report, unless the context otherwise requires, the following terms have the meanings as follows:

The Company/Company/GYBYS	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
PRC or China	the People's Republic of China
Reporting Period	the six months ended 30 June 2014
After the Reporting Period	the period from the end of the Reporting Period to the date of this interim report, i.e., from 1 July 2014 to 30 August 2014
the Group	the Company and its subsidiaries
Board	the board of directors of the Company
Supervisory Committee	the supervisory committee of the Company
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
CSRC Guangdong Bureau	China Securities Regulatory Commission Guangdong Bureau
Depository Corporation	China Securities Depository and Clearing Corporation Limited Shanghai Office
Articles of Association	The Articles of Association of GYBYS
Listing Rules of SSE	Listing rules of the Shanghai Stock Exchange
Listing Rules of HKEx	The Rules Governing the Listing of Securities on the HKEx
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	The Model Code for Securities Transactions by Directors of Listed Issuers
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)

# Definitions

Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)
Zhong Yi	Guangzhou Baiyunshan Zhong Yi Pharmaceutical Company Limited (廣州白雲山中一藥業有限公司)
Chen Li Ji	Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (廣州白雲山陳李濟藥廠有限公司)
Qi Xing	Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (廣州白雲山奇星藥業有限公司)
Pan Gao Shou	Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (廣州白雲山潘高壽藥業股份有限公司)
Jing Xiu Tang	Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (廣州白雲山敬修堂藥業股份有限公司)
Wang Lao Ji	Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (廣州王老吉藥業股份有限公司)
Guangzhou Han Fang	Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd. (廣州白雲山漢方現代藥業有限公司)
Guangzhou Bai Di	Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司)
Guangxi Ying Kang	Guangxi Yingkang Pharmaceutical Company Limited (廣西盈康藥業有限責任公司)
WLJ Great Health	Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. (廣州王老吉大健康產業有限公司)
GP Corp.	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司)
Cai Zhi Lin	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司)
Pharmaceutical Import & Export	Guangzhou Pharmaceutical Import & Export Company Limited (廣州醫藥進出口有限公司)
Guangyao Baiyunshan Hong Kong Company	Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited

# Definitions

Nuo Cheng	Guangzhou Promise Biological Products Co., Ltd. (廣州諾誠生物製品股份有限公司)
Baiyunshan	Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司)
Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical General Factory of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司廣州白雲山製藥總廠)
Chemical Pharmaceutical Factory	Guangzhou Baiyunshan Chemical Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司廣州白雲山化學製藥廠)
He Ji Gong	Guangzhou Baiyunshan He Ji Gong Pharmaceutical Factory of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (廣州白雲山製藥股份有限公司白雲山何濟公製藥廠)
Tian Xin	Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (廣州白雲山天心製藥股份有限公司)
Guang Hua	Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (廣州白雲山光華製藥股份有限公司)
Ming Xing	Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司)
HWBYS	Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited (廣州白雲山和記黃埔中藥有限公司)
Baxter Qiaoguang	Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (廣州百特僑光醫療用品有限公司)
Pharmaceutical Technology	Guangzhou Baiyunshan Pharmaceutical Technology Development Co., Ltd. (廣州白雲山醫藥科技發展有限公司)
Baiyunshan Great Health Hotel	Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. (廣州廣藥白雲山大健康酒店有限公司)
Innovation Center	Guangzhou Baiyunshan Chemical Pharmaceutical Innovation Center (廣州白雲山化學藥創新中心)

# Definitions

Weiling Pharmaceutical	Baiyuanshan Weiling Pharmaceutical Co., Ltd. (白雲山威靈藥業有限公司)
Wei Yi Co., Ltd.	Guangzhou Baiyunshan Wei Yi Medical Investment Management Co., Ltd. (廣州白雲山維醫醫療投資管理有限公司)
Baxter Healthcare	Baxter Healthcare (Guang Zhou) Co., Ltd. (廣州百特醫療用品有限公司)
Bozhou Baiyunshan	Bozhou Baiyunshan Pharmaceutical Co., Ltd. (亳州白雲山製藥有限公司)
General Institute	Guangzhou Pharmaceutical Research General Institute Co., Ltd. (廣州醫藥研究總院有限公司)
Golden Eagle Fund	Golden Eagle Asset Management Co., Ltd. (金鷹基金管理有限公司)

# Company Profile

## (1) FUNDAMENTAL INFORMATION

- Legal Chinese Name: 廣州白雲山醫藥集團股份有限公司  
Chinese Name Abbreviation: 廣藥白雲山  
English Name: GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS COMPANY LIMITED  
English Name Abbreviation.: GYBYS
- Legal Representative: Li Chuyuan
- Secretary to the Board: Chen Jing  
Representative of securities affairs: Huang Xuezheng  
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Telephone: (8620) 6628 1218/6628 1219  
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- Registered address and office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC  
Postal code: 510130  
Internet website: <http://www.gybys.com.cn>  
E-mail: [sec@gybys.com.cn](mailto:sec@gybys.com.cn)  
Principal place of business in HK: Room 2005, 20<sup>th</sup> Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
- Designated newspapers for information disclosure: Mainland China: Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily  
Internet website designated by the CSRC for publishing this annual report: <http://www.sse.com.cn>  
Internet website designated by HKEx for publishing this annual report: <http://www.hkex.com.hk>  
Place where this interim report is available for inspection: The Secretariat of the Board of the Company



# Company Profile

## (1) FUNDAMENTAL INFORMATION *(Continued)*

- |    |   |                     |  |
|----|---|---------------------|--|
| 6. | Place of listing, name and codes of the Company's shares: | A Shares:           | The Shanghai Stock Exchange  |
|    |   | Stock Code:         | 600332   |
|    |   | Stock Abbreviation: | BAIYUNSHAN   |
|    |   | H Shares:           | The Stock Exchange of<br>Hong Kong Limited   |
|    |   | Stock Code:         | 0874   |
|    |   | Stock Abbreviation: | BAIYUNSHAN PH  |
| 7. | First registration date:                                  |                     | 1 September 1997   |
|    | First place of registration:                              |                     | 45 Sha Mian North Street, Liwan District,<br>Guangzhou City, Guangdong Province, the PRC |
|    | Date of alteration of registration:                       |                     | 16 August 2013   |
|    | Place of alteration of registration:                      |                     | 45 Sha Mian North Street, Liwan District,<br>Guangzhou City, Guangdong Province, the PRC |

# Financial Data and Financial Highlights

## I. PRINCIPAL FINANCIAL DATA AND INDICATORS

<b>Principal accounting data</b>	<b>The Reporting Period (unaudited)</b>	The corresponding period of 2013 (unaudited)	Changes as compared with the corresponding period of 2013 (%)
Income from operations (RMB'000)	<b>10,020,290</b>	9,072,473	10.45
Profit from operations (RMB'000)	<b>840,012</b>	680,766	23.39
Net profit attributable to the shareholders of the Company (RMB'000)	<b>673,659</b>	587,229	14.72
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	<b>659,693</b>	577,558	14.22
Net cash flow from operating activities (RMB'000)	<b>1,167,005</b>	1,367,185	(14.64)
Net cash flow from operating activities per share (RMB)	<b>0.90</b>	1.06	(14.64)
Total profit (RMB'000)	<b>855,972</b>	690,060	24.04

<b>Principal accounting data</b>	<b>As at 30 June 2014 (unaudited)</b>	As at 31 December 2013 (Audited)	Changes as compared with 31 December 2013 (%)
Shareholder's equity attributable to the shareholders of the Company (RMB'000)	<b>7,205,804</b>	6,831,768	5.47
Total assets (RMB'000)	<b>13,799,090</b>	12,249,123	12.65
Net assets per share attributable to the shareholders of the Company (RMB)	<b>5.58</b>	5.29	5.47

<b>Principal financial indicators</b>	<b>The Reporting Period (unaudited)</b>	The corresponding period of 2013 (unaudited)	Changes as compared with the corresponding period of 2013 (%)
Basic earnings per share (RMB)	<b>0.522</b>	0.466	12.04
Diluted earnings per share (RMB)	<b>0.522</b>	0.466	12.04
Basic earnings per share after deducting non-recurring items (RMB)	<b>0.511</b>	0.458	11.56
Ratio of weighted average return on net assets (%)	<b>9.73</b>	10.02	A decrease of 0.29 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	<b>9.53</b>	9.86	A decrease of 0.32 percentage point

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

# Financial Data and Financial Highlights

## II. NON-RECURRING ITEMS INCLUDE:

Items	The Reporting Period		Explanation
	Amount		
	(RMB'000)		
Loss on disposal of non-current assets	(698)		
Government subsidies recognized as gain	15,027		This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income in the Reporting Period.
Gain on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company), as well as investment gains received from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	46		
Loss from entrusted loans	(485)		
Other non-operating income and expenses excluding the above items	1,631		
Income tax effect	(1,173)		
Effect on minority interest (after tax)	(381)		
<b>Total</b>	<b>13,967</b>		

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS

The Group is principally engaged in: (1) the research and development, manufacturing and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus; (3) research and development, production and sales of great health products; and (4) investment in healthcare industry such as medical treatment, health management, health nursing, etc..

### Business Review

During the Reporting Period, the Group focused on upgrading the development of the three segments of “Grand Southern TCM”, “Grand Health” and “Grand Commerce”, implemented the “Resource Benefit 136 Project”, innovation in management, strengthened integrated operation, and actively deployed three new activities-e-commerce, healthcare and capital finance, achieved sustainable and stable growth of business results.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### Manufacturing operations

During the Reporting Period, firstly, the manufacturing operations continuously promoted brands, vigorously carried out brand, cultural and academic marketing activities, enhanced the awareness and reputation of brands and products. During the Reporting Period, three Chinese famous trademarks, namely “He Ji Gong”, “Pan Gao Shou” and “Tian Xin” were added to the Group, the Group currently possesses 7 Chinese Famous Trademarks. Secondly, the Company continued to develop the Grand Health sector, strengthened and improved the marketing team and development of marketing channels, increased the development of the food and beverage market, raised the merchandise coverage in the market, streamlined brand positioning, properly protected brand assets, optimized capacity deployment, accelerated the deployment and building up of its own production capacity. During the Reporting Period, through cooperation with major players in Tencent, Yixun, JD, the World Cup, consumption platform was created with the strategies of hot spots and vogue, and brand marketing was made with the strategies of charity and targeting at young clients through projects such as “Four Season Rainbow”, “Wang Lao Ji Super Luck Cup” etc. At the same time, the Wang Lao Ji initiated the protection and inheritance of Chinese Long-established Brands and Shops, set up a protection benchmark for intellectual property rights, and it set up the northern head office in Beijing, organized the construction of the Herbal Tea Creator-Wang Lao Ji Museum. On 20 April 2014, as the first core major model project for the post-disaster reconstruction of Ya’an, the roof completion of the Wang Lao Ji Ya’an production base was officially made, and trial run was made on 18 July 2014, which would strengthen the overall competitiveness of the products in the whole market. Thirdly, the Group actively pushed scientific research and development and innovation, invention and patent work, nurtured “cash cow product types” and new sources of growth in profits. During the Reporting Period, the production and launching in the market of Cefaclor for suspension, the exclusive new product-Anti-virus capsule (抗病毒軟膠囊) were made smoothly; the exclusive new product Enalaprilat felodipine time-released pill, the exclusive specifications Ceftizoxime sodium, imitation drug (仿製藥) sildenafil citrate tablets had entered the reporting for approval of production stage; studies of several R & D projects of several innovative drugs such as sodium cefazolin oxazine amidine had started as planned; 26 invention patents in China, 1 PCT international patent were applied for, 16 invention patents were granted; result verification of 4 technological results such as the “Critical Technology for Modernized Production of TCM (Key Technology for the Commercialization of Separation and Purification of Chinese Medicinal Herbs) was approved; a 2013 Guangdong Province Technological Progress Third Class Prize was granted to the “Establishment and Commercialization of multi-component hydrophilic matrix Time Released core and small doses of coating Technique Platform” project, public announcement on the 2013 Guangzhou Technological Progress being granted to the “Rabies Vaccine and its Commercialization” project etc. Fourthly, the Group paid close attention to the policies of the sectors, actively responded to the catalogue addition of all places, accelerated the development and distribution of the basic medicine market, raised the medicine usage share of glass root medical organizations. At the same time, the Group actively worked for medicine at low price, strives for maximising the benefits of the policy brought by the issue of the Catalogue of Medicine at Low Price. During the Reporting Period, over 300 individual quality specifications of the Company and its subordinated enterprises were selected in the List of Medicine at Low Price of the State, including main products with sales revenue exceeding RMB100 million such as Baiyunshan compound Salvia Milltiorrhiz slice, Baiyunshan Ban Lan Gen, Xiao Ke Wan, amoxicillin etc, while 4 exclusive products, namely Xiao Ke Wan, Ru He San Jie Pian, Zhang Yan Ming Pian, and Gu Shen Ding Chuan Wan were also selected. Fifthly, the Group seized the opportunities of the new version of GMP transformation, actively started merger and acquisition work. Sixthly, it properly worked on the Collecting Expired Medicine in Families, demonstrating its civic responsibilities. During the Reporting Period, the “Collecting Expired Medicine in Families (Free Exchange) Mechanism”, the first of its kind in the world made a Guinness World Records, which was the first time that a Chinese company made a world record in the charitable domain. On 13 August 2014, the Company set up the first Chinese pharmaceutical company social responsibility fund-“Healthy Chinese Dream, Expired Medicine Collection” social responsibility fund.

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### **Manufacturing operations** *(Continued)*

During the Reporting Period, the gross profit margin of the manufacturing operations was 43.93%, representing an increase of 1.64 percentage points as compared with the corresponding period of last year.

### **Trading operations**

During the Reporting Period, for the trading operations, firstly, the Group vigorously carried out the extending services of the modern medical logistics services, raised its market share. At present, GP Corp. signed cooperative agreements for extending services of modern medical logistics with several hospitals such as the Second People's Hospital of Guangdong Province, the Second People's Hospital of Liwan District of Guangzhou, the People's Hospital of Qingyuan etc and several community service centres in Guangzhou respectively. Among them, the "Smart Pharmacy" jointly set up with the Second People's Hospital of Guangdong Province became a benchmark project of the extending services of modern medical logistics services in China. At the same time, GP Corp. entered into the "Guangzhou Hub Logistics Cooperation Project" with Novo Nordisk to build a "cold storage chain" logistics hub jointly. Cai Zhi Lin extended the extending service business of modern medical logistics to Grade A hospitals of second class during the Reporting Period. Currently it has obtained the extending services of the community hospitals of Liwan District, Haizhu District, Baiyun District, and Huangpu District and several grade A hospitals of second class in Guangzhou. and it entered into a three-year TCM centralized logistics service contract with one community hospital in Tianhe district. Secondly, the Group innovated new business form, explored the construction of the upstream and downstream networks, actively explored new business types, vigorously developed the e-commerce. During the Reporting Period, Cai Zhi Lin has set up e-commerce end user sales platforms on Taobao Web, 1 Hao Dian, Sunning Egou, Guangzhou Cai Zhi Lin Medicine Chain Pharmacies and Guangzhou Jian Min Medicine Chain Company jointly opened Cai Zhi Lin Health Center, created a new source of growth. During the Reporting Period, Guangzhou Medicine Company Chinese Medicine Yin Pain Factory Tmall was successfully launched on the internet; Guangzhou Jian Min Medicine Chain Company has set up a modern community flagship pharmacy and connected it with the Tencent WeChat team, the Jian Min Sheng Huo Center mobile e-commerce new platform had been set up initially; the e-commerce business of GP Corp. maintained a faster growth trend, its year-on-year growth reached 45%, and it became one of the two pilot companies of Guangzhou Customs cross-border e-commerce. Thirdly, it actively explored the medical and healthcare industry. During the Reporting Period, the Company invested and set up Guangzhou Baiyunshan Medical and Health Industry Investment Company Limited, pushed forward the investment in the health sectors such as medical, health management, regimen and senior care sectors. Fourthly, the Group strengthened resource integration, made full use of its resource advantage, there were remarkable results in centralized procurement. In addition, it continued to push forward the construction of GAP planting bases for bulk raw materials of Chinese herbal medicine in order to reduce procurement costs. During the Reporting Period, Shandong Guangyao Chinese Raw Medicine Development Co., Ltd. passed the on-site certification by the GAP expert panel of the State Drug Administration becoming the first honeysuckle flower planting base of Cai Zhi Lin which obtained the state GAP certification; Radix Astragalii GAP base passed the public announcement of SFDA.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### Trading operations *(Continued)*

During the Reporting Period, the gross profit margin of the trading operations was 7.27%, representing a decrease of 0.02 percentage point as compared with the corresponding period of last year.

As at 30 June 2014, the Group had 32 retail chain pharmacy outlets, including 31 Guangzhou Cai Zhi Lin Medicine Chain Pharmacies which specialized in traditional Chinese medicines and one pharmacy named Ying Bang Large Pharmacy.

### (1) Analysis of Operating Result

#### A. Analysis of changes in the financial statement related subjects:

Items	The Reporting	The corresponding	Increase/(Decrease)
	Period	period of 2013	over the same
	(RMB'000)	(RMB'000)	period of 2013
			(%)
Revenue	10,020,290	9,072,473	10.45
Include: income from principal operations	9,942,920	9,000,965	10.47
Cost of sales	6,453,610	5,823,243	10.83
Include: cost from principal operations	6,434,992	5,804,609	10.86
Selling and distribution expenses	2,159,618	1,982,800	8.92
General and administrative expenses	616,146	610,942	0.85
Financial expenses <sup>(note)</sup>	(3,043)	18,723	(116.25)
Net cash flow from operating activities	1,167,005	1,367,185	(14.64)
Net cash flow from investing activities	(170,481)	(241,034)	29.27
Net cash flow from financing activities	(108,807)	(98,179)	(10.82)
Research and development	147,437	117,473	25.51

*Note:* The main reasons for decrease in the financial expenses during the Reporting Period as compared with the corresponding period of last year include: the Group actively developed potential internal funds, improved the operating efficiency of funds, gradually repaid foreign the bank borrowing during the Reporting Period; and the subsidiaries had a great increase in interest income through accordingly allocate funds, improve the operating efficiency of funds.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (2) Analysis of operation results

- A. A breakdown of the operational results of the principal operations of the Group during the Reporting Period is set out as follows:

Principal Operations	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from	Increase/(Decrease)		Increase/(Decrease)	Profit margin	Increase/(Decrease)
	principal operations	over the same period of 2013	Cost of principal operations	over the same period of 2013	of principal operations	over the same period of 2013
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(Percentage point)
Medicine and healthcare	9,942,920	10.47	6,434,992	10.86	35.28	A decrease of 0.23 percentage point

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

- B. An 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	Increase/(Decrease)		Increase/(Decrease)	Profit margin	Increase/(Decrease)
	principal operations	over the same period of 2013	Cost of principal operations	over the same period of 2013	of principal operations	over the same period of 2013
	(RMB'000)	(%)	(RMB'000)	(%)	(%)	(Percentage point)
Manufacturing	7,597,439	4.68	4,260,005	1.70	43.93	An increase of 1.64 percentage points
Trading	2,345,481	34.56	2,174,987	34.59	7.27	A decrease of 0.02 percentage point

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



# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (2) Industry, product and regional analysis of operation results *(Continued)*

C. Regional analysis of sales of the Group for the first half of 2014 is set out as follows:

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2013 <i>(%)</i>
Southern China	5,414,276	11.05
Eastern China	1,855,442	5.83
Northern China	1,024,524	13.28
North-Eastern China	147,349	(17.62)
South-Western China	942,125	10.28
North-Western China	296,405	(4.49)
Exports	262,799	111.64
<b>Total</b>	<b>9,942,920</b>	<b>10.47</b>

### (3) Analysis of financial conditions

#### A. Liquidity

As at 30 June 2014, the current ratio of the Group was 1.41 (30 June 2013: 1.39), and its quick ratio was 1.03 (30 June 2013: 0.96). Accounts receivable turnover rate was 21.31 times, representing a decrease of 7.69% as compared with the corresponding period of 2013. Inventory turnover rate was 5.56 times, representing an increase of 2.52% as compared with the corresponding period of 2013.

#### B. Financial resources

As at 30 June 2014, cash and cash equivalents of the Group amounted to RMB2,806,837,000 (30 June 2013: RMB2,142,523,000), out of which approximately 99.45% and 0.55% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2014, the Group had bank borrowings of RMB501,964,000 (30 June 2013: RMB613,830,000), including short-term borrowings of RMB493,337,000 (30 June 2013: RMB612,080,000) and long-term borrowings of RMB8,627,000 (30 June 2013: RMB1,750,000).

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (3) Analysis of financial conditions *(Continued)*

#### C. Capital structure

As at 30 June 2014, the Group's current liabilities amounted to RMB6,178,791,000 (30 June 2013: RMB5,069,635,000), representing an increase of 21.88% as compared with the corresponding period of 2013, and its long-term liabilities was RMB185,276,000 (30 June 2013: RMB162,260,000), with an increase of 13.93% as compared with the corresponding period of 2013. The shareholders' equity attributable to the shareholders of the Company amounted to RMB7,205,804,000 (30 June 2013: RMB6,512,796,000), with an increase of 10.64% as compared with the corresponding period of 2013.

#### D. Capital expenditure

The Group expects the capital expenditure for 2014 to be approximately RMB1,173 million, among which the expenditure in the first half of 2014 amounted to RMB249 million (in the first half of 2013: RMB538 million), which would 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..

#### E. 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.

#### F. Contingent liabilities

As at 30 June 2014, the Group has no significant contingent liabilities.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (3) Analysis of financial conditions *(Continued)*

#### G. Charge on the Group's assets

As at 30 June 2014, Guangyao Baiyunshan Hong Kong Company, a wholly-owned subsidiary of the Company, had a general banking facility of HK\$300,000 and a letter of credit, a letter of trust with total limit of HK\$100,000,000 and drawn up an unearned credit with US\$264,000, HK\$10,311,000, YAS66,346,000 granted by Bank of China (Hong Kong) Limited with a charge over its fixed assets, properties and buildings with original value of HK\$8,893,000 and net value of HK\$6,580,000 and investment properties as a pledge with original value of HK\$6,843,000 and net value of HK\$4,167,000 as the charge.

#### H. Bank loans, overdraft and other borrowings

As at 30 June 2014, the bank loans of the Group amounted to RMB501,964,000 (31 December 2013: RMB518,279,000), with a decrease of RMB16,315,000 as compared with the beginning of 2014. The above bank loans included short-term loans of RMB493,337,000 and long-term loans of RMB8,627,000.

#### I. Gearing ratio

As at 30 June 2014, the Group's gearing ratio (total liabilities/total assets ×100%) was 46.12% (31 December 2013: 42.67%).

#### J. Material investment

As at 30 June 2014, the Group did not have any other material additional investment.

### (4) Core competence analysis

In 2013, the Company completed major assets reorganization in respect of the absorption and merger of Baiyunshan through share swap and acquisition of relevant assets of GPHL through issuing shares. After the completion of reorganization, the Company's core competitiveness was further strengthened, including mainly the following aspects:

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis *(Continued)*

- A. The Group possesses rich product and brand resources.
- (a) Products: The Group has formed complete series in areas such as diabetes, cardiovascular and cerebrovascular diseases, anti-bacteria and anti-infection, cooling and detox, parenteral nutrition, coughing, Tieda and pain relief, rheumatism and pain, nurturing and health. The Group has more than 30 forms and nearly 2,000 specifications, including 2 national class 1 new drug, approximately 50 Chinese Protected Medicines and over 100 exclusive products.
- (b) Brands: Currently, the Group has trademarks of 7 nationally famous brands, 20 famous brands in Guangdong Province and 27 famous brands of Guangzhou City. Among which, the brand awareness and reputation of “Baiyunshan” have a greater impact and appeal among consumers in the country and it is one of the most valuable pharmaceutical brands in country. After the completion of reorganization, the Company promoted the grand brand strategy on the basis of integrating brand resources, materializing the change in brand marketing model from scattered brands to a uniform group of brands with collective strategy. On the basis of reviving the Grand Southern TCM, the Group developed the Grand Health business, expanding the brand value from traditional pharmaceutical products to the new grand health products.
- B. Leveraging on its long established Chinese traditional medicine history and culture soft power, the Group has over ten time-honored enterprises in Chinese pharmaceutical industry, namely Chen Li Ji, Pan Gao Shou, Jing Xiu Tang, Zhong Yi, Qi Xing, Xing Qun, He Ji Gong, Guang Hua, Cai Zhi Lin, Ming Xing, Wang Lao Ji etc., among which, Chen Li Ji, Wang Lao Ji, Jing Xiu Tang, Zhong Yi, Pan Gao Shou and Ming Xing are established for over a hundred years. Also, “Xia Sang Ju” (夏桑菊) of Xing Qun, “Dashen Kouyanqing” (大神口焮清) of Baiyunshan, herbal tea of Wang Lao Ji, the traditional Chinese medicine culture of Chen Li Ji and Pan Gao Shou as well as the “Production Technology of Bao Zi Tang Bao Ying Dan” (保滋堂保嬰丹製作技藝) of Zhongyi were listed in National Intangible Cultural Heritage record. The Group has established Chen Li Ji Museum (陳李濟博物館), “Chen Li Ji Health Research Institute” (陳李濟健康養生研究院), “Lingnan Experience Centre of Chinese Medicine Culture” (嶺南中醫藥文化體驗館), Shen Nong Cottage (神農草堂) and Wang Lao Ji Herbal Tea Museum as the cultural propaganda platforms of the overall southern pharmaceutical industry, which shows the long history, splendid culture and quality brand building of Chinese medicine.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis *(Continued)*

- C. The Group possesses a relatively complete value chain system, including existing major pharmaceutical assets. Through internal and external forward integration and backward integration, more comprehensive raw materials, research and development, production, circulation and terminal value chain are formed. In the aspect of Chinese herbs supply, the Company has more than 40 GAP herbs bases nationwide, with a planting area of 2.15 million hectares, which effectively safeguards the quality and supply of Chinese herbs and controls production costs. In the aspect of research and development of products, the Company continued building a comprehensive technological innovation system. It has built an extensive collaboration network with domestic and foreign institutions renowned for scientific research to create a synergy effect between the two. It allows the utilization of favourable resources from various parties in a highly efficient manner, promoting development with the support of technology.
- D. The Group owns a vast sales network and broad and stable customer base with over 60 retail chain pharmacy outlets, which are the first pharmaceutical trading enterprises to which obtained the GSP certificate in Guangdong province. The Group has also established the largest pharmaceutical retail network and medicine logistics center in southern China. With the advantages of its strong market position and marketing network, the Group has established a long-term and reliable business relationship with thousands of customers across the country, including medium and large sized hospitals, pharmaceutical wholesalers, distributors and retailers etc..
- E. The Group possesses a technological innovation system which continuously improving. It has state level research and development organizations such as national projects research centre for modernizing the process of extracting and separating Chinese medicine, key research centre for integrated development and international co-operation of Southern TCM resources and state-level key laboratory for respiratory diseases (joint establishment). The Group also has one State-recognized corporate technical centre, 6 provincial engineering technical centres, 3 provincial corporate technical centres, 11 municipal research and development centres for engineering technology and 11 municipal corporate technical centres. The Group has research and development of Chinese medicine and Chinese NHPs, Chinese medicine engineering technology such as automatic control and online testing, Chinese preparation medicine, supercritical CO<sub>2</sub> extraction, reversal extraction, separation of macroporous resin adsorption, quality control for finger printing of Chinese medicine, synthesis and technology of cephalosporins antibiotic APIs and core technology in national leading position such as sterile powder production technology and preparation agent technology.

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (4) Core competence analysis *(Continued)*

- F. The Group has a talent team with advanced ideas, high quality, reasonable echelon, strong creativity. In recent years, the Group insisted to attract talents with favorable environment and benefits, to nurture with excellent corporate culture and to motivate with promising corporate ideals. Currently, the Group has 3 state model labour, 2 State Council Special Allowance Experts, 12 state specialists, 4 Guangzhou City outstanding specialists and more than 50 EMBA (高級管理人員工商管理碩士). In recent years, 59 Doctors and Post-doctoral fellows were introduced in scientific research of the Group. The Group also engages 512 masters and almost 5,000 bachelors in research and development, including more than 1,000 technology personnel for common technology, key technology and prospective technology.

### (5) Issues and difficulties in operations and plans for the second half of 2014

In the second half of 2014, as the investment in medical reform continued to increase, the aging population continued to expand, the incidence of chronic diseases continued to grow and the level of health care continued to improve, the promulgation of policies such as the selective two-child policy, modern pharmaceutical logistics services and the catalogue of low price medicine have brought us the opportunities for development. However, the continual readjustment of the bidding policies in the pharmaceutical industry, and the increasing competition of the market will create challenges for the development of the Group.

In the second half of 2014, the works of the Group mainly includes:

- A. to continue to push on the “integration works” in an all-round manner, accelerate the implementation of strategy of centralized and integration of procurement, and meanwhile, accelerate the injection of assets such as the “Wang Lao Ji” trademarks and General Institute, deepen the integrated operation.
- B. to make great efforts to advance six strategic works including layout optimization of production capability, improvement of technical quality, arrangement and building with own production capacity, budget risk management, team building and standardization of marketing to accelerate the development of great health industry.
- C. to seize the favorable opportunities of policies, actively advance mergers and acquisitions, and vigorously accelerate the development of the pharmaceutical industry. In the meantime, expand its business in new medical and health industry.
- D. to actively respond to the bidding policies for basic medicine, seize the opportunities in the catalogue of low price medicine related policies and to expand its share in the usage of medicine in fundamental medical institutions.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (5) Issues and difficulties in operations and plans for the second half of 2014 *(Continued)*

- E. to vigorously explore the extended service of modern logistics, construct a new pattern of grand commerce, and meanwhile, create an electronic commercial platform of medicine and health and expand the new channel for marketing.
- F. to enhance the investment in scientific research, and focus on the new research and development projects; to accelerate the research and development of new medicine, technical innovation and transformation results to promote the product structure to transfer from general medicine to innovative new drugs with high added value; explore the new functions and utilities of “old” medicine and actively promote the scientific key and special projects and technical transformation of the large categories of medicine.

### (6) Investment situation

- A. Foreign equity investment in the overall analysis

At the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB2,046,420,000, with a growth of RMB69,376,000 as compared with the end of 2013. It is mainly due to the increase in the long-term equity investment by investment revenue calculated using the joint venture equity method as adopted by the Group, and no significant change occurred.

Invested units	Principal business	Shares equity directly held by the Company (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Wang Lao Ji	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Nuo Cheng	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Production, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
Baxter Qiaoguang	Production of large capacity injection, imports and wholesales of medicine	50.00
Hangzhou Zhe Da Han Fang Chinese Medicine Information Engineering Company Limited	Development of technology and technology service	44.00

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (6) Investment situation *(Continued)*

#### A. Foreign equity investment in the overall analysis *(Continued)*

Invested units	Principal business	Shares equity directly held by the Company (%)
Golden Eagle Fund	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Wei Yi 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 Limited	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 Company Bei Jing Road Pharmaceutical Products Store	Sales of medical apparatus, cosmetics, dry Aquatic animal products	20.00
Guangdong South China Innovative Pharmaceuticals Co., Ltd.	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	–
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 apparatus	10.00
Baxter Healthcare	Production and sales of medicine	12.50
Bank of Guangzhou Co., Ltd.	Financial service	–
Shenzhen Zhong Lian Guangshen Pharmaceutical Group Co., Ltd.	Production and sales of medicine and NHPs	–



# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (6) Investment situation (Continued)

#### A. Foreign equity investment in the overall analysis (Continued)

##### (a) Stock investments

Number	Type of stock	Stock code	Stock name	The initial	Number of	Book value as	% of stock	Gain/(Loss)
				amount of investment	shares held as at the end of the Reporting Period	at the end of the Reporting Period	investment as at the end of the Reporting Period	during the Reporting Period
				(RMB'000)	(share)	(RMB'000)	(%)	(RMB'000)
1	A Share of SSE	600038	Hafei.	1,806	57,810	1,609	47.20	20
2	A Share of SSE	600664	Harbin.	3,705	289,310	1,799	52.80	26
Other stock investments held as at the end of the Reporting Period				-				
Gain/(Loss) of stock investments sold as during the Reporting Period				-				
<b>Total</b>				<b>5,511</b>		<b>3,408</b>	<b>100.00</b>	<b>46</b>

##### (b) Information on the Company's interests in the shares of other listed companies

Stock code	Stock name	The initial	% of shareholding	Book value	Gain/(Loss)	Changes	Accounting item	Sources of shares
		investment amount		as at the end of the Reporting Period	during the Reporting Period	in equity during the Reporting Period		
		(RMB'000)		(RMB'000)	(RMB'000)	(RMB'000)		
601328	Bank of Communications	525	-	1,531	-	13	Available-for-sale financial assets	Purchase
601818	Everbright Bank	10,725	approximately 0.02	15,367	-	(617)	Available-for-sale financial assets	Purchase

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS (Continued)

### (6) Investment situation (Continued)

A. Foreign equity investment in the overall analysis (Continued)

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

Name	The initial investment amount (RMB'000)	Number of shares held (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
Golden Eagle Fund	50,000	-	20.00	29,515	950	-	Long-term equity investments	Purchase
Bank of Guangzhou Co., Ltd	100	-	-	100	18	-	Long-term equity investments	Purchase

B. During the Reporting Period, the Group has not any entrusted investment activities.

C. The Company's entrusted loans for the Reporting Period

Names of borrowers	Entrusted loan amount (RMB'000)	Term of the loan	Lending rates	Purpose	mortgaged property or guarantor	Whether overdue	Whether connected transactions	Relationship with the Company
Cai Zhi Lin	133,000	One year	5.10%	Business operation	-	No	No	Wholly owned subsidiary
Cai Zhi Lin	145,000	One year	6.00%	Business operation	-	No	No	Wholly owned subsidiary
Pharmaceutical Import & Export	40,000	One year	5.10%	Business operation	-	No	No	Wholly owned subsidiary
Pharmaceutical Import & Export	5,000	One year	6.00%	Business operation	-	No	No	Wholly owned subsidiary
Total	<u>323,000</u>							

As at 30 June 2014, the Company provided entrusted loans totaling RMB323,000,000 to its subsidiaries.

# Report of the Board

## I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING OPERATIONS *(Continued)*

### (6) Investment situation *(Continued)*

D. Use of Proceeds from the issue of A shares

Applicable  Not applicable

E. The principal subsidiaries and companies in which the Company has shareholding interest

Name of enterprises	Business nature	Major products or services	Shares equity		Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
			Registered capital (RMB'000)	directly held by the Company (%)			
<b>Subsidiaries</b>							
WLJ Great Health	Manufacturing	Production and sales of prepackaging food, dairy products, etc	10,000	100.00	3,137,117	266,621	205,183

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

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

## II. PLAN FOR PROFIT DISTRIBUTION AND INCREASE IN SHARE CAPITAL FROM CAPITAL RESERVE IN THE REPORTING PERIOD

- (1) Implementation of profit distribution scheme, increase in share capital from capital reserve or issue of new shares of the Company in the Reporting Period
- A. Pursuant to the resolutions on profit and dividend distribution passed at the 2013 annual general meeting held on 26 June 2014, a final dividend of RMB2.30 (including tax) for every 10 shares held was approved and paid, in cash, to all shareholders of the Company, based on the total share capital of 1,291,340,650 shares at the end of 2013;
- B. The final dividend of RMB0.23 (including tax) per share for 2013 was paid to the Company's H shareholders whose names appeared on the register of the Company as at 4 August 2014 on 20 August 2014;
- C. According to the announcement for 2013 final dividend published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) in the PRC on 24 July 2014, the registration date for A shares was 29 July 2014, the ex-dividend date was 30 July 2014 and the dividend payment date was 30 July 2014.
- (2) The Board did not recommend the payment of interim dividends for the six months ended 30 June 2014 nor propose any increase in share capital from the capitalization of capital reserve.

## III. OTHER MATTERS

- (1) The caution and explanation in respect of cumulate profit being anticipated the change to possible loss from the beginning of 2014 to the end of the next reporting period or substantial change as compared with the corresponding period of last year
- Applicable     Not applicable
- (2) The explanation of the Board and the Supervisory Committee on the "Non Standard Auditor's Report" issued by the auditors
- Applicable     Not applicable

# Major Events

## I. SIGNIFICANT LITIGATION, ARBITRATION AND SUBJECTS TO ANY DOUBTS BY MEDIA

- (1) There was no significant litigation or arbitration of the Group during the Reporting Period.
- (2) Litigation, arbitration and subjects to any doubts by media after the Reporting Period
  - (a) Wang Lao Ji, a joint venture of the Company, received a subpoena of “(2014) Sui Zhong Fa Min Si Chu Zi Di No.57 (2014)穗中法民四初字第57號)”regarding the disputes in respect of the dissolution of Wang Lao Ji with Golden Force Pharmaceutical Co., Ltd. from the Intermediate People’s Court of Guangzhou, Guangdong Province (the “Court”) on 11 July 2014. For more details, please refer to the announcement published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) and on the website of the SSE (www.sse.com.cn) on 12 July 2014 and on the website of the HKEx (www.hkex.com.hk) on 11 July 2014.
  - (b) WLJ Great Health, a wholly-owned subsidiary of the Company, received the “Civil Case Judgment” of the Fifth People’s Medium Court of Chongqing under “(2013) No. Yu Wu Zhong Fa Min Chu Zi No. 00345”and “(2013) Yu Wu Zhong Fa Min Chu Zi No. 00346” respectively on the dispute case of WLJ Great Health suing Jia Duo Bao (China) Beverage and Food Company Limited for false propaganda. For more details, please refer to the announcement published in Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報), the website of the SSE on 5 August 2014 and on the website of HKEx on 4 August 2014.
  - (c) The Company received the “Notification of Case Acceptance” under “(2014) Sui Yu Fa Min Chu Si Chu Zi No. 100” from the People’s Court of Yuxiu District, Guangzhou City. The People’s Court of Yuexiu District, Guangzhou City had decided to open a case to hear the dispute case of the Company and 10 other natural person shareholders of Wang Lao Ji suing Wang Jianyi (王健儀) for damaging the interest of Wang Lao Ji. For more details, please refer to the announcement published in Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報), the website of the SSE on 6 August 2014 and on the website of HKEx on 5 August 2014.

## II. THE GROUP'S PURCHASE, DISPOSAL OF ASSETS, MERGERS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD

- (1) As approved at the 23th meeting of the fifth session of the Board, WLJ Great Health, a wholly-owned subsidiary of the Company, proposed to establish WLJ herbal tea production base in Ya'an to offer more jobs opportunities, the total investment of the project is expected to be RMB298 million. At present, the production line of the project has started a trial run on schedule and entered the stage of trial production debugging, which is striving to put into operation at the end of 2014.

For details, please refer to the the announcements which were published in Shanghai Securities News (上海證券報), the Securities Times (證券時報), China Securities Journal (中國證券報) and the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) on 17 July 2013 and on the website of the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)) on 16 July 2013.

- (2) As agreed by the 2nd meeting of the Strategic Development and Investment Committee in 2014, Guang Hua, a subsidiary of the Company, formed Guangzhou Baiyunshan Guang Hua Health Food Company together with Beijing Kang Bao Rui Bio-technology Company ("Beijing Kang Bao Rui"). The registered capital of the new company is RMB10million, among which, Guang Hua invested RMB7.5 million in cash and held 75% interest therein; Beijing Kang Bao Rui invested RMB2.5million in cash and held 25% interest therein. The company was established in early April 2014.
- (3) As agreed by the 2nd meeting of the Strategic Development and Investment Committee in 2014, the Company invested in the formation of Guangzhou Baiyunshan Medical and Health Industry Investment Company Limited, the registered capital of which was RMB10 million and the Company held 100% interest. It was mainly engaged in investments in fields such as medical care, health management, health maintenance and provision for the old-aged. The new company got its business license on 28 May 2014 and was inaugurated on 24 June 2014.
- (4) As agreed by the 2nd meeting of the Strategic Development and Investment Committee in 2014, the Company delisting acquist 14.07% interest of Hunan Tian Jing Pharmaceutical Company Limited with the price which is no more than RMB5 million. The transaction mentioned above is in progress.
- (5) Save as disclosed above, the Group did not engage in any material acquisitions or disposals.

## III. EQUITY INCENTIVE AND THEIR IMPACT

Applicable  Not applicable

# Major Events

## IV. SIGNIFICANT CONNECTED TRANSACTIONS

### (1) Daily connected transactions

Connected parties	Relationship with the Company	Type of connected transactions	Contents of connected transactions	Pricing principle of connected transactions	Amount of connected transactions (RMB'000)	% of similar balance (%)	Settlement method of connected transactions
HWBYS	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	162,802	2.73	Cash
GP Corp.	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	91,044	1.53	Cash
Wang Lao Ji	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	10,794	0.18	Cash
<b>Sub total</b>					<b>264,640</b>	<b>4.44</b>	
GPHL	Parent company	Purchase of products	Medicine or pharmaceutical products	Market price	31	-	Cash
General Institute	Fellow parent company	Purchase of products	Medicine or pharmaceutical products	Market price	21	-	Cash
HWBYS	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	94,573	0.95	Cash
GP Corp.	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	192,781	1.94	Cash
Wang Lao Ji	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	82,235	0.83	Cash
Nuo Cheng	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	90	-	Cash
Baxter Qiaoguang	Joint venture	Purchase of products	Medicine or pharmaceutical products	Market price	776	0.01	Cash
<b>Sub total</b>					<b>370,507</b>	<b>3.73</b>	
GPHL	Parent company	Acceptance of Patents, rights to use trademarks and others	Rights to use trademarks	Agreement price	43,667	92.72	Cash
Wang Lao Ji	Joint venture	Acceptance of Patents, rights to use trademarks and others	Rights to use trademarks	Agreement price	13,308	100.00	Cash
GPHL	Parent company	Others	Rental assets	Agreement price	548	2.05	Cash
GPHL	Parent company	Others	Leased assets	Agreement price	255	0.73	Cash
GP Corp.	Joint venture	Others	Leased assets	Agreement price	931	2.66	Cash
Nuo Cheng	Joint venture	Others	Leased assets	Agreement price	935	2.67	Cash
HWBYS	Joint venture	Others	Leased assets	Agreement price	24	0.07	Cash
Baxter Qiaoguang	Joint venture	Others	Leased assets	Agreement price	1,350	3.86	Cash
General Institute	Fellow parent company	Transfer research and development programme	Research and development expenses	Agreement price	500	0.34	Cash
<b>Total</b>					<b>696,665</b>		

# Major Events

## IV. SIGNIFICANT CONNECTED TRANSACTIONS (Continued)

### (1) Daily connected transactions (Continued)

The above connected transactions were transactions carried out within the Group's ordinary operations, determined with reference to market prices, and were considered to have no negative impact on the Group's continuous operations.

### (2) Debts of related parties

Related party	Relationship to related parties	Funds provided to related parties			Funds provided by related parties to listed company		
		Balance at the beginning of the Reporting Period (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)	Balance (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)
Bozhou Baiyunshan	Subsidiary of joint venture	18,694	578	19,272	-	-	-
Total		18,694	578	19,272	-	-	-

Amount of funds provided by the Company to its controlling shareholder and its subsidiaries during the Reporting Period (RMB000)

-

Balance of funds provided by the Company to its controlling shareholder and its subsidiaries (RMB000)

-

Reasons for the funds provided to/from related parties

The Company's other receivables from HWBYS for the Reporting Period included receivables of RMB 19,272,000 from its subsidiary, namely Bozhou Baiyunshan. HWBYS was originally a joint venture with 50% equity interest held by Baiyunshan, and Bozhou Baiyunshan was originally 80% and 20% equity interest held by Baiyunshan and HWBYS respectively. On 30 March 2013, Baiyunshan and HWBYS entered into "Equity Transfer Agreement of Bozhou Baiyunshan Pharmaceutical Co., Ltd", according to which Baiyunshan agreed to transfer its equity interest and all the associated rights and obligations in Bozhou Baiyunshan to HWBYS.

Repayment of the funds provided to/from related parties

Because the absorption and merger of Baiyunshan by the Company was completed in May 2013, HWBYS is a joint venture as well as a related party of the Company. The receivables emerged after share transfer of Bozhou Baiyunshan was completed.

Commitment in relation to the funds provided to/from related parties

The Company will continue to maintain active communication with the relevant parties and will strive for reaching final solutions as soon as possible.

Impact of the funds provided to/from related parties on the Company's operating results and financial position

No significant impact



# Major Events

## V. PROJECTS UNDER DEVELOPMENT AND FOR SALE

During the Reporting Period, the Group did not have any investment properties the contribution of which accounted for more than 5% of the Group's operating profit before tax as provided under Rule 23 of Appendix 16 to the Listing Rules of HKEx.

## VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Group did not hold on trust or sub-contract the assets of other companies or vice versa, which generated profit that accounted for 10% or more of the total profits for the Reporting Period.

Save as the aforementioned, the Group was not involved in other major contracts during the Reporting Period.

## VII. GUARANTEES

### Guarantees provided to parties other than the Company's subsidiaries

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

### The Company's guarantees provided to its subsidiaries

Accumulated amount of guarantees provided to the Company's subsidiaries during the Reporting Period (RMB'000)	30,000
Balance of guarantees provided to the Company's subsidiaries as at the end of the Reporting Period (RMB'000)	210,000

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

Total amount of guarantees provided (RMB'000)	269,088
Total amount of guarantees provided to the net assets of the Group (%)	3.62
Including:	
Amount of guarantees provided to the Company's controlling shareholder and other connected parties (RMB'000)	-
Direct or indirect guarantees provided to entities with a gearing ratio of over 70% (RMB'000)	200,000
Amount of guarantees provided which exceeds 50% of the total net assets of the Company (RMB'000)	-
Total amount of the above three types of guarantees (RMB'000)	200,000

## VIII. PERFORMANCE OF UNDERTAKINGS

### (1) Equity incentive implemented by listed companies

Item	Content
Background of undertaking	Undertakings in connection with equity division reform
Undertaking entity	Controlling shareholder
Details of undertaking	<ol style="list-style-type: none"> <li>1. In order to improve the value of the listed company, after the reform, the controlling shareholder of the Company, GPLH will, to the extent permitted by laws and regulations and subject to the approval of the supervision authority, Guangzhou Pharmaceutical Company Limited ("GPC", the Company) to set up an equity incentive mechanism as the prerequisite for management to fulfill their rights of options based on the performance growth of the listed company.</li> <li>2. Upon the original undertakings, GPLH made further undertaking: in order to fully mobilize the initiative and creativity of the management team of the listed company, realize the sustainable development and improve the value of the listed company, Guangzhou Pharmaceutical Holdings Limited undertakes that it will, to the extent permitted by laws and regulations and subject to the approvals of the supervisory authorities, monitor and support Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited to set up incentive scheme for long and medium term within tree years from the date of this undertaking letter, which scheme shall stipulate the growth in profits of the Company as a condition and link to market value.</li> </ol>
Time and period of undertaking	The original undertaking was given in March 2006 and GPLH made supplement to relevant contents on 25 June 2014, the period of validity is up to the date of completion of the undertakings.
Any period for performance	up to 25 June 2017
Whether strictly and timely performed	Being performed
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS (Continued)

### (2) Independence of listed company

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>1. After completion of the Major Assets Reorganization, GPLH, controlling shareholder of the Company, will comply with requirements of relevant laws and regulations, regulatory documents and the Articles of Association of the Company, and exercise shareholder's right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organisation and business.</li><li>2. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in the Company.</li></ol>
Time and period of undertaking	Commitment made on 29 February 2012 and no expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (3) Avoiding competition

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. After completion of the Major Assets Reorganization, GPHL and its controlled subsidiaries should avoid engaging in business and operations which substantially compete with those of the subsisting the Company after completion of the Major Assets Reorganization ("new GPC"), and avoid increasing investment in companies and enterprises, other than new GPC and its subsidiaries, which engages in business and operations which substantially compete with those of new GPC. GPHL will not and will procure its subsidiaries not engage in the same or similar business of new GPC to avoid direct or indirect competition with the operation and business of new GPC. In addition, GPHL will voluntarily and will vigorously procure its subsidiaries to give up competition with new GPC if GPHL and its subsidiaries will bring unfair impact on new GPC in respect of market shares, business opportunities and allocation of resources.</li> <li>2. GPHL is willing to bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by new GPC due to any breach of the above undertakings.</li> <li>3. The undertaking letter will remain effective so long as GPC legally and validly exists and GPHL owns controlling interest in GPC.</li> </ol>
Time and period of undertaking	Commitment made on 29 February 2012 and no expiry
Any period for performance	Being performed
Whether timely and strictly performed	N/A
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (4) Regulating connected transactions

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>1. After completion of the Major Assets Reorganization, GPLH and its subsidiaries should minimize and regulate connected transactions with new GPC. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreement with new GPC in accordance with laws and perform legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Listing Rules of Stocks on Shanghai Stock Exchange, the Listing Rules of Hong Kong Stock Exchange and the Articles of Association of Guangzhou Pharmaceutical Company Limited, and warrant that it will not harm the legitimate rights and interests of the subsisting GPC after completion of the Major Assets Reorganization and its other shareholders.</li><li>2. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in GPC.</li></ol>
Time and period of undertaking	Commitment made on 29 February 2012 and no expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (5) Restricting the sale of shares

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	Within 36 months from the registration date of such shares, GPLH and its associate companies will not transfer the shares they acquired as a result of GPC's acquisition of assets from GPLH through issue of shares. After such period, any transfer of the shares will be made according to relevant requirements of CSRC and SSE.
Time and period of undertaking	Commitment made on 29 February 2012 and the period of validity is up to the date of completion of the undertakings
Any period for performance	The Company completed the registration of its newly issued shares on 5 July 2013 with its share registrar, and the performing period is up to 5 July 2016.
Whether timely and strictly performed	Being performed
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS (Continued)

### (6) Undertakings related to trademark

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder, the Company
Undertakings	<p>GPHL and the Company mutually undertake as follows in relation to transactions under the Trademark Custody Agreement between Guangzhou Pharmaceutical Company Limited and Guangzhou Pharmaceutical Holdings Limited (the "Agreement"):</p> <ol style="list-style-type: none"> <li>1. Both parties will enter into a supplemental agreement ("Supplemental Agreement") to the Agreement as soon as possible after the Agreement becoming effective and before they enter into the first new or renewal licensing agreement relating to the licensing of Wang Lao Ji trademarks in custody under the Agreement, with the specific arrangement for new/renewal trademark license to be negotiated by the parties separately. Both parties also agreed that the Supplemental Agreement shall               <ol style="list-style-type: none"> <li>(i) embody the requirement for GPHL to pay the Company a basic custody fee of RMB1 million per year as set out in the Agreement; and</li> <li>(ii) specify that 20% of the new licenses fees will be the custody income for the Company and the remaining 80% will be retained by GPHL.</li> </ol> </li> <li>2. Both parties further undertake that the Supplemental Agreement they entered into in the future under the above arrangement will comply with applicable provisions of the listing rules of HKEx and SSE (including but not limited to the requirements of Chapter 14A of the Listing Rules of HKEx and Chapter 10 of the Listing Rules of SSE relating to continuing connected transactions/connected transactions in the ordinary course of business, including that the Supplemental Agreement must specify its validity term, the estimated annual cap of custody income, other terms that must be set out, and etc.).</li> </ol>
Time and period of undertaking	Commitment made on 26 March 2012 and the period of validity is up to the date of completion of the undertakings
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (7) Undertakings related to properties with legal defects

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPHL will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised.</li> <li>2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost nor suffer any material adverse impact due to such issue.</li> <li>3. After completion of the merger, GPHL will fully compensate the Company within 2 months from the date of incurring of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted landuse rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any damage thereunder.</li> </ol>
Time and period of undertaking	Commitment made on 29 February 2012 and no expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes



# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS (Continued)

### (8) Undertakings related to trademarks which did not complete the transfer procedures

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<p>As of 28 June 2013, the registration formalities for the transfer of 388 trademarks within the assets to be acquired to the Company were not yet completed. The consideration for these trademarks was RMB51.1416 million, mainly including two categories: GPLH's grant of use of 54 major trademarks under its six major series namely "Chen Li Ji", "Pan Gao Shou", "Xing Qun", "Zhong Yi", "Qi Xing" and "Jing Xiu Tang" to the Company and its subsidiaries, and GPLH's 334 trademarks which are registered domestically and overseas for joint or defensive purpose (including 277 domestic trademarks and 57 overseas trademarks).</p> <p>With respect to the trademarks being acquired under the Major Assets Reorganization but still pending for registration of transfer, GPLH undertook to:</p> <ol style="list-style-type: none"><li>1. process the transfer of those trademarks to the Company as soon as possible;</li><li>2. ensure that the Company can use these trademarks without having to pay consideration before the transfer of those assets;</li><li>3. to fully indemnify the Company and other third parties (including but not limited to the share registrar and SSE) in cash in respect of the losses incurred by the Company and other third parties within two days from the date on which such losses actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.</li></ol>

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (8) Undertakings related to trademarks which did not complete the transfer procedures *(Continued)*

Item	Content
	<p>Upon the original undertakings, GPLH made further undertaking:</p> <ol style="list-style-type: none"> <li>1. The transfer of all those trademarks to GYBYS will be completed within 3 years from the date of this undertaking letter issued. The Company ensures that GYBYS can use these trademarks without having to pay consideration before the transfer of those trademarks;</li> <li>2. If the transfer of those trademarks has not been completed by the end of the abovementioned undertaking period, the Company will pay compensation to GYBYS in cash within 10 working days according to the valuation of the trademarks which has not been transferred (in accordance with the Asset valuation on the properties and trademarks held by Guangzhou Pharmaceutical Holdings Limited intended to be acquired through private placement of additional shares by Guangzhou Pharmaceutical Company Limited (Zhong Tian Heng Ping Ping Zi [2012] No. 26) issued by China Valuer International Co., Ltd.).”</li> <li>3. to fully indemnify the Company and other third parties (including but not limited to the share registrar and SSE) in cash in respect of the losses incurred by the Company and other third parties within two days from the date on which such losses actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.</li> </ol>
Time and period of undertaking	The original undertaking was given in 28 June 2012 and GPLH made supplement to relevant contents on 23 April 2014, the period of validity is up to the date of completion of the undertakings.
Any period for performance	performing period is up to 23 April 2017
Whether timely and strictly performed	Completed basically
Specification	Yes

# Major Events

## VIII. PERFORMANCE OF UNDERTAKINGS (Continued)

### (9) Undertakings related to trademarks

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>1. GPLH undertakes that, within two years from the date of satisfying any conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption</li> <li>2. On the basis of the original promise made, Guangzhou Pharmaceutical Holdings Limited has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, Guangzhou Pharmaceutical Holdings Limited shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of "Wang Lao Ji" together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by Guangzhou Pharmaceutical Holdings Limited after the Execution Day (inclusive of today) for the "Supplementary Agreement to the Agreement of Trademark Custody". The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</li> </ol>
Time and period of undertaking	The original undertaking was given in 29 February 2012 and GPLH made supplement to relevant contents on 15 June 2012, the period of validity is up to the date of completion of the undertakings.
Any period for performance	Depends on the trademark legal dispute of Wang Lao Ji, performing period is up to 20 January 2015
Whether timely and strictly performed	Being performed
Specification	Yes

## VIII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

### (10) Undertakings related to General Institute

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	For resolving potential competition completely, GPLH undertakes that it will transfer 100% equity interest of General Institute to GPC within two years from the date General Institute completes the ownership reform (公司改製) and its shares become transferable in accordance with requirements of the laws and regulations then in force.
Time and period of undertaking	Commitment made on 29 February 2012 and the period of validity is up to the date of completion of the undertakings.
Any period for performance	General Institute was established in 27 June 2013 and performance period ended 27 June 2015.
Whether timely and strictly performed	Being performed
Specification	Yes

Save for the above, there is no outstanding undertaking that requires specific disclosure.

## IX. AUDITORS

- (1) BDO China Shu Lun Pan CPAs LLP had been re-appointed as the auditor of the Company for year 2014, as approved at the 1st meeting of Audit Committee in 2014.
- (2) The 2nd meeting of the sixth session of the Board approved to re-appoint BDO China Shu Lun Pan CPAs LLP as the auditor of the Company for year 2014 and suggested the general meeting of shareholders to authorize the Board to determine their remuneration.
- (3) BDO China Shu Lun Pan CPAS LLP had been re-appointed as the auditor of the Company for year 2014 as approved at the 2013 AGM and suggested the general meeting of shareholders to authorize the Board to determine their remuneration.

# Major Events

- X. DURING THE REPORTING PERIOD, NO COMMITMENT WAS MADE, OR HAD BEEN MADE IN THE PREVIOUS PERIODS AND SUBSISTED IN THE REPORTING PERIOD, BY THE COMPANY OR ANY OF ITS SHAREHOLDERS HOLDING SHARES OF 5% OR MORE, WHICH HAD SIGNIFICANT IMPACT ON THE OPERATION RESULTS AND THE STATE OF FINANCIAL AFFAIRS OF THE COMPANY, AND THERE WAS NO COMMITMENT ON ADDITIONAL SHARE SALE RESTRICTION.**
- XI. DURING THE REPORTING PERIOD, THERE WAS NO CONVERTIBLE BONDS OF THE COMPANY.**
- XII. CORPORATE GOVERNANCE**

The Company has been strictly complying with the Company Law of the PRC, the Securities Law of the PRC, related laws and regulations of the CSRC and the Listing Rules of the SSE and the HKEx to continuously improving the management structure and regulating the operations of the Company.

As at the end of the Reporting Period, the corporate governance of the Company was in compliance with the Corporate Governance Guidelines, and there were no material discrepancies against the requirements of CSRC.

For the six months of the Reporting Period ended 30 June 2014, the Company complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (“CG Code”) and the code provisions of the CG Code except that (i) independent non-executive directors of the Company, namely Mr. Liu Jingxiang and Mr. Li Shanmin, were unable to attend the extraordinary general meeting due to business reasons which constituted a deviation from code provision A.6.7, and (ii) independent non-executive director of the Company, namely Mr. Qiu Hongzhong, was unable to attend the 2013 annual general meeting due to business reasons which constituted a deviation from code provision A.6.7.

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

The Group is committed to: (1) the research and development, manufacturing and sales of pharmaceutical products and great health products; and (2) wholesale, retail, import and export of Western and Chinese pharmaceutical products and medical apparatus, and adopted relatively flexible business model and strategies and prudent risk and capital management structure; the Group is committed to strengthening the internal control publicity and guidance and the establishment of systems related to the internal control, and established a relatively standardized internal control management and risk prevention system; formulated the strategic objectives and detailed work plans and measures of the Group, so as to ensure the accomplishment of the strategic objectives.

The review of the business and financial position of the Company for half of 2014 is set out in the section headed “Report of the Board” in the interim report of this year.

## XII. CORPORATE GOVERNANCE (CONTINUED)

The works related to corporate governance of the Company during the Reporting Period are as follow:

- (1) The Company performed review on its internal control and fulfillment of social obligations for the year 2013 pursuant to the requirements of the “Notice on Proper Preparation of the 2013 Annual Report by Listed Companies” issued by the SSE. Accordingly, the Company prepared the “Self-assessment Report of the board of directors of the Company on Internal Control for 2013” and the “Report on Performance of Social Responsibilities for 2013”, both of which were disclosed after being considered and duly passed at the Board meeting of the Company on 17 March 2014.
- (2) During the Reporting Period, the Company kept improving its internal control system and enhanced risk control, the works conducted by the Company included:
  - (i) to make corrections to the problems found in the course of review and evaluation in 2013, and conduct follow-up audit to the items under special review of internal control in 2013.
  - (ii) The Company absorbed and merged the former Guangzhou Baiyunshan Pharmaceutical Co., Ltd. in 2013, which was required to carry out the enterprise internal control standard system synchronically. The Audit Department of the Company, based on in-depth research, formulated the Work Plan of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for Implementation of the 2014 Internal Control supervision after Re-organization and Merged into Enterprises, which expressly specified the detailed requirements and time arrangements on the establishment, the procedures of establishment of internal control contents, the preparation of and supplement to the internal control manual, mid-term tests, and corrections, requiring the enterprises re-organized and merged to establish an internal control system that complies with the Basic Rules of Internal Control of Enterprises and the supporting guidelines thereto. At present, the enterprises internal control system mentioned has been initially established; next, the internal control reviews will be carried out to examine and further improve the internal control system.
  - (iii) The Company formulated the Plan of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for Semi-annual Review of Internal Control in 2014 to determine the key points of internal control review, and the semi-annual reviews of internal control will be conducted from July to September 2014.
  - (iv) In order to prevent risks, the Company conducted special review in risk control of economic contracts of enterprises, checked and assessed the risks in material economic contracts; formulated risks strategies and solutions, and lowered the performance risks of contracts.
  - (v) In response to the changes in external environment, during the Reporting Period, the Company conducted special activities to enhance the risk control and management of the funds of enterprises, required all the subsidiaries to take practical and feasible measures to enhance the risk control of funds, especially accounts receivables in order to guarantee the security of the company’s funds and assets.

# Major Events

## **XII. CORPORATE GOVERNANCE (CONTINUED)**

- (3) In order to further regulate the works on investor relation and to improve the structure of governance structure, the Company formulated the Working System of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited on Handling the Complaints from Investors, which was considered and approved at the Board meeting held on 16 April 2014.
- (4) In order to improve the system on returns to shareholders and dividend, the Company formulated the Plan of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for Return Shareholders in the next Three Years (2014-2016), and revised relevant provisions in the Articles of Association. The above-mentioned system was carried out after it was considered and approved by the Board meeting held on 28 April 2014 and 2013 Annual General Meeting held on 26 June 2014, respectively. The details of revision were set out in the circular of the Company dated 9 May 2014.
- (5) After the Reporting Period, in order to enhance the management of investor relation, the Company formulated the Working System of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for Investor Relation, which was considered and passed at the Board meeting held on 29 August 2014.

## **XIII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

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

## **XIV. THE AUDIT COMMITTEE OF THE SIXTH SESSION OF THE BOARD COMPRISES FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM POSSESSED APPROPRIATE PROFESSIONAL QUALIFICATIONS. THE AUDIT COMMITTEE HAD REVIEWED THE GROUP’S ACCOUNTING PRINCIPLES, ACCOUNTING STANDARD AND METHOD AS WELL AS DISCUSSED THE AUDIT AFFAIRS, INTERNAL CONTROL AND FINANCIAL REPORT WITH THE MANAGEMENT, INCLUDING THE UNAUDITED INTERIM REPORT ENDED AT 30 JUNE 2014.**

## **XV. DURING THE REPORTING PERIOD, NONE OF THE COMPANY, THE BOARD OR THE DIRECTORS WERE INVESTIGATED BY THE CSRC OR SUBJECT TO THE ADMINISTRATIVE PUNISHMENT OR REPRIMAND OF THE CSRC OR PUNISHMENT IMPOSED BY OTHER ADMINISTRATIVE AUTHORITIES OR PUBLIC REPRIMAND BY STOCK EXCHANGES.**

# Changes in Share Capital and Shareholders

## I. CHANGES IN SHARE CAPITAL

### (1) Changes in share capital

During the Reporting Period, there was no changes in share capital of the Company.

### (2) Change in shares with selling restrictions

Name of holder	Initial number of shares with selling restrictions (share)	Number of listed shares released from selling restrictions for the Reporting Period (share)	Number of additional shares with selling restrictions for the Reporting Period (share)	Number of shares with selling restrictions at the end of the Reporting Period (share)	Reasons for selling restrictions	Date of release from selling restrictions
GPHL	34,839,645	0	0	34,839,645	Note	5 July 2016

Note: According to "Issued Shares and Asset Purchase Agreement" and supplementary agreements, the 34,839,645 shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed for circulation.

## II. INFORMATION ON SHAREHOLDERS

- (1) As at 30 June 2014, there were 80,817 shareholders in total, out of which 80,790 were holders of domestically listed Reminbi-denominated ordinary shares (A shares) and 27 were holders of overseas listed foreign capital share (H shares).



# Changes in Share Capital and Shareholders

## II. INFORMATION ON SHAREHOLDERS *(Continued)*

(2) The top ten shareholders of the Company as at 30 June 2013 are set out as follows:

Shareholders	Increase/ (Decrease) during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares with selling restrictions held (share)	Number of pledged or locked shares (share)	Nature of shares
GPHL	0	584,228,036	45.24	34,839,645	Nil	Domestic shares
HKSCC Nominees Limited	0	219,591,479	17.00	Nil	Unknown	H shares
CITIC Securities	10,484,941	10,484,941	0.81	Nil	Unknown	Domestic shares
Zhao Xuguang	6,560,000	6,560,000	0.51	Nil	5,747,500	Domestic shares
Industrial and Commercial Bank of China Limited-Penghua High Quality Management Securities Investment Fund	6,228,829	6,228,829	0.48	Nil	Unknown	Domestic shares
China Construction Bank Co., Ltd. - Morgan Stanley Huaxin Quality of Life Featured Securities Investment Fund	100,000	5,000,000	0.39	Nil	Unknown	Domestic shares
Industrial and Commercial Bank of China-Shanghai 50 Index Securities Investment Fund	1,086,025	4,627,681	0.36	Nil	Unknown	Domestic shares
Bank of Communications-Yi Fang Da 50 Index Securities Investment Fund	3,763,538	3,763,538	0.29	Nil	Unknown	Domestic shares
The National Social Security Fund-Zero	3,609,908	3,609,908	0.28	Nil	Unknown	Domestic shares
The Government of Kuwait Investment Authority-Own Funds	3,348,621	3,348,621	0.26	Nil	Unknown	Domestic shares

*Note:* According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.

# Changes in Share Capital and Shareholders

## II. INFORMATION ON SHAREHOLDERS (Continued)

- (3) The top ten shareholders of the Company whose shares are subject to selling restrictions

Name of holders whose shares are subject to selling restrictions	Number of shares with selling restrictions (share)	Circumstances under which restricted shares can be traded		Selling restrictions undertaken
		Permissible trading time	New number of shares permitted to be traded (shares)	
GPHL	34,839,645	5 July 2016	0	Note

Note: According to "Issued Shares and Asset Purchase Agreement" and supplementary agreements, the 34,839,645 shares held by GPHL shall not be listed for trading or transferred within the 36 months from 5 July 2013, being the date on which those shares were listed for circulation.

- (4) As at 30 June 2014, the interests and short positions held by the persons (not being the directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company which were notified to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Shareholder	Nature of shares	Long positions		Approximate % of the total issued domestic shares (%)	Approximate % of the total issued H shares (%)
		Number of shares held (share)	Capacity		
GPHL	Domestic shares	584,228,036	Beneficial owner	54.53	-
Invesco Hong Kong Limited	H share	13,020,000	Investment manager	-	5.92

Other than those listed above, as far as the Directors are aware, there was no other person or company holding the interests and short positions in the shares and underlying shares of the Company which were notifiable to the Company and the HKEx pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be maintained by the Company under Section 336 of the SFO at 30 June 2014.

- (5) During the Reporting Period, there was no change in the controlling shareholder of the Company.

# Changes in Share Capital and Shareholders

## **III. PUBLIC FLOAT**

Based on the publicly available information and to the best knowledge of the Directors, the Company has maintained sufficient public float as at the latest practicable date prior to the issue of this interim report.

## **IV. 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.

## **V. NEITHER THE COMPANY NOR ANY OF ITS SUBSIDIARIES PURCHASED, SOLD, REDEEMED OR CANCELLED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD.**

## Relevant Information of Preferred Shares

**DURING THE REPORTING PERIOD, THE COMPANY DID NOT HAVE ANY PREFERRED SHARES**

# Directors, Supervisors, Senior Management and Staff

## I. CHANGES OF SHAREHOLDINGS

- (1) As at the end of the Reporting Period, the interest of Directors', Supervisors' and senior managements in shares (A shares) of the Company were as follows.

Name	Position	Shares held	Shares held as	Reason for changing
		as at the beginning of the Reporting Period (share)	at the end of the Reporting Period (share)	
Li Chuyuan	Chairman	Nil	Nil	/
Chen Mao	Vice Chairman (appointed on 28 January 2014)	Nil	Nil	/
Liu Juyan	Executive director (appointed on 28 January 2014)	Nil	Nil	/
Cheng Ning	Executive director	Nil	Nil	/
Ni Yidong	Executive director (appointed on 28 January 2014)	Nil	Nil	/
Wu Changhai	Executive director	Nil	Nil	/
Wang Wenchu	Executive director (appointed on 28 January 2014)	Nil	Nil	/
Wong Lung Tak Patrick	Independent non-executive director	Nil	Nil	/
Qiu Hongzhong	Independent non-executive director	Nil	Nil	/
Fang Shuting	Independent non-executive director (appointed on 28 January 2014)	Nil	Nil	/
Chu Xiaoping	Independent non-executive director (appointed on 28 January 2014)	Nil	Nil	/
Chen Jing	Secretary to the Board (appointed on 28 January 2014)	Nil	Nil	/
Liu Jinxiang	Independent non-executive director (left the post on 28 January 2014)	Nil	Nil	/
Li Shanmin	Independent non-executive director (left the post on 28 January 2014)	Nil	Nil	/
Zhang Yonghua	Independent non-executive director (left the post on 28 January 2014)	Nil	Nil	/
Xian Jiaxiang	Chairman of the Supervisory Committee (appointed on 28 January 2014)	Nil	Nil	/
Wu Quan	Supervisor	Nil	Nil	/
Wu Yan	Supervisor (appointed on 28 January 2014)	Nil	Nil	/
Yang Xiawei	Chairperson of the Supervisory Committee (left the post on 28 January 2014)	Nil	Nil	/
Zhong Yugan	Supervisor (left the post on 28 January 2014)	Nil	Nil	/
Su Guangfeng	Deputy general manager (left the post on 28 January 2014)	Nil	Nil	/
Pang Jianhui	Secretary to the Board (left the post on 28 January 2014)	Nil	Nil	/

# Directors, Supervisors, Senior Management and Staff

## I. CHANGES OF SHAREHOLDINGS *(Continued)*

- (2) Situations in respect of the grant of incentive mechanism of the Directors, supervisors and senior management

Applicable     Not applicable

- (3) Interests and short positions of Directors, supervisors and senior management, underlying shares and debentures of the Company.

As at 30 June 2014, none of the directors, supervisors, senior management and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the HKEx.

## II. THE APPOINTMENT OR RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD

- (1) At the 1<sup>st</sup> extraordinary general meeting in 2014 held on 28 January 2014, Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu were appointed as executive directors of the sixth session of the Board, Mr. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Fang Shuting and Mr. Chu Xiaoping were appointed as independent non-executive directors of the sixth session of the Board, Mr. Xian Jiaxiong and Ms. Wu Yan were appointed as supervisors (representing shareholders) of the sixth session of the Supervisory Committee, Mr. Wu Quan was appointed as a supervisor (representing employees) of the sixth session of the Supervisory Committee.

Each of the directors and supervisors appointed as described above has a term of office from the date of appointment up to the date when members of the new session of the Board and Supervisory Committee are elected.

The former members of the fifth session of the Board, Mr. Liu Jinxiang, Li Shanmin and Mr. Zhang Yonghua ceased to be directors from 28 January 2014, the former members of the fifth session of the Supervisory Committee, Ms. Yang Xiuwei and Mr. Zhong Yugan ceased to be supervisors from 28 January 2014.

# Directors, Supervisors, Senior Management and Staff

## II. THE APPOINTMENT OR RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY DURING THE REPORTING PERIOD *(Continued)*

- (2) At the 1<sup>st</sup> meeting of the sixth session of the Board held on 28 January 2014, Mr. Li Chuyuan was appointed as the chairman of the Company and Mr. Chen Mao was appointed as the vice chairman of the Company.

At the same meeting, Mr. Chen Jing was appointed as the secretary to the Board.

Each of them has a term of office from the date of appointment up to the date when members of the new session of the Board are elected.

- (3) At the 1<sup>st</sup> meeting of the sixth session of the Board held on 28 January 2014, the resignations of Mr. Pang Jianhui as the joint company secretary of the Company and the secretary to the Board with effect from 28 January 2014 were approved. Meanwhile, Ms. Li Meiyi, the other joint company secretary of the Company (external company secretary of the Company), will act as the sole company secretary of the Company. Mr. Chen Jing will act as the main internal contact person of the Company.

- (4) At the 1<sup>st</sup> meeting of the sixth session of the Supervisory Committee held on 28 January 2014, Mr. Xian Jiexiong was appointed as the chairman of the sixth session of the Supervisory Committee, whose term of office was from the date of appointment up to the date when members of the new session of the Supervisory Committee are elected.

## III. AT THE END OF THE REPORTING PERIOD, THE NUMBER OF EMPLOYEES ON THE PAYROLL REGISTER OF THE GROUP WAS 11,594. THE REMUNERATION OF THE EMPLOYEES HAD NO SIGNIFICANT CHANGE COMPARED WITH THE PREVIOUS REPORTING PERIOD. THE TOTAL SALARY PAYMENT FOR THE FIRST HALF OF 2014 WAS APPROXIMATELY RMB562 MILLION.

# Consolidated Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Current assets:</b>			
Cash at bank and on hand	5(1)	2,845,245,762.68	1,935,681,740.06
Financial assets held for trading	5(2)	3,408,360.50	3,362,667.20
Notes receivable	5(3)	1,518,938,913.88	1,326,353,755.90
Accounts receivable	5(5)	1,147,362,123.58	973,184,749.11
Advances to suppliers	5(7)	640,092,171.45	613,882,321.78
Interest receivable		-	-
Dividends receivable	5(4)	-	-
Other receivables	5(6)	208,811,880.69	181,145,718.26
Inventories	5(8)	2,351,728,661.59	2,245,829,748.05
Current portion of non-current assets		-	-
Other current assets	5(9)	5,729,379.99	19,347,581.15
<b>Total current assets</b>		<b>8,721,317,254.36</b>	<b>7,298,788,281.51</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	5(10)	16,897,919.96	17,608,107.28
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	5(12)	2,041,866,136.16	1,972,490,292.04
Investment properties	5(13)	240,919,634.78	246,309,245.37
Fixed assets	5(14)	1,789,624,523.16	1,731,881,945.85
Construction in progress	5(15)	401,284,695.09	335,422,694.18
Construction materials		-	-
Fixed assets pending for disposal		-	-
Intangible assets	5(16)	385,636,681.74	368,856,694.63
Development costs	5(17)	12,501,954.57	3,716,517.68
Goodwill		-	-
Long-term prepaid expenses	5(18)	6,432,061.47	7,099,055.93
Deferred tax assets	5(19)	182,609,302.12	266,950,316.92
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>5,077,772,909.05</b>	<b>4,950,334,869.88</b>
<b>TOTAL ASSETS</b>		<b>13,799,090,163.41</b>	<b>12,249,123,151.39</b>



# Consolidated Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>ASSETS</b>	<i>Note</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
<b>Current liabilities:</b>			
Short-term borrowings	5(21)	<b>493,336,504.21</b>	509,651,500.77
Financial liabilities held for trading		-	-
Notes payable	5(22)	<b>132,676,933.56</b>	130,773,655.25
Accounts payable	5(23)	<b>2,432,651,302.33</b>	1,470,360,537.61
Advances from customers	5(24)	<b>613,302,453.83</b>	875,579,547.32
Employee benefits payable	5(25)	<b>314,791,888.56</b>	334,427,927.83
Taxes payable	5(26)	<b>174,501,152.82</b>	403,383,688.38
Interest payable	5(27)	<b>280,000.00</b>	675,414.98
Dividends payable	5(28)	<b>337,030,578.41</b>	113,513,301.13
Other payables	5(29)	<b>1,680,219,993.33</b>	1,211,712,507.04
Current portion of non-current liabilities		-	-
Other current liabilities		-	-
<b>Total current liabilities</b>		<b>6,178,790,807.05</b>	5,050,078,080.31
<b>Non-current liabilities:</b>			
Long-term borrowings	5(30)	<b>8,627,418.40</b>	8,627,419.10
Debentures payable		-	-
Long-term payables	5(31)	<b>22,415,752.40</b>	22,215,752.40
Payables for specific projects	5(32)	<b>19,058,160.00</b>	19,058,160.00
Provisions	5(33)	<b>500,191.19</b>	500,191.19
Deferred tax liabilities	5(19)	<b>3,368,995.67</b>	3,475,327.44
Other non-current liabilities	5(34)	<b>131,305,910.67</b>	122,931,526.01
<b>Total non-current liabilities</b>		<b>185,276,428.33</b>	176,808,376.14
<b>Total liabilities</b>		<b>6,364,067,235.38</b>	5,226,886,456.45

# Consolidated Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>ASSETS</b>	<i>Note</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
<b>Shareholders' equity:</b>			
Share capital	5(35)	<b>1,291,340,650.00</b>	1,291,340,650.00
Capital surplus	5(36)	<b>2,490,821,607.48</b>	2,493,788,078.69
Less: Treasury share		-	-
Surplus reserve	5(37)	<b>723,819,753.76</b>	723,819,753.76
Undistributed profits	5(38)	<b>2,707,165,387.70</b>	2,330,514,583.35
Difference on translation of foreign currency financial statements		<b>(7,343,129.35)</b>	(7,695,173.92)
<b>Total equity attributable to shareholders of the Company</b>		<b>7,205,804,269.59</b>	6,831,767,891.88
<b>Minority interest</b>	5(39)	<b>229,218,658.44</b>	190,468,803.06
<b>Total shareholders' equity</b>		<b>7,435,022,928.03</b>	7,022,236,694.94
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>13,799,090,163.41</b>	12,249,123,151.39

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Income Statement

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	Notes	For the six months ended 30 June 2014 (unaudited)	For the six months ended 30 June 2013 (unaudited)
<b>1. Revenue</b>	5(40)	<b>10,020,290,337.63</b>	9,072,472,793.51
Less: Cost of sales	5(40)	<b>6,453,609,857.96</b>	5,823,243,402.91
Taxes and surcharges	5(41)	<b>89,535,264.35</b>	82,868,165.84
Selling and distribution expenses	5(42)	<b>2,159,617,604.65</b>	1,982,799,577.18
General and administrative expenses	5(43)	<b>616,146,099.74</b>	610,941,855.11
Financial expenses	5(44)	<b>(3,043,187.21)</b>	18,723,262.98
Asset impairment losses	5(45)	<b>6,106,650.01</b>	5,714,131.84
Add: Profit arising from the changes in fair value	5(46)	<b>45,693.30</b>	138,681.60
Investment income	5(47)	<b>141,647,947.34</b>	132,444,637.53
Including: Share of profit of associates and jointly controlled entities		<b>142,114,609.80</b>	129,522,781.96
<b>2. Operating profit</b>		<b>840,011,688.77</b>	680,765,716.78
Add: Non-operating income	5(48)	<b>21,111,186.57</b>	16,056,181.47
Less: Non-operating expenses	5(49)	<b>5,151,263.45</b>	6,762,172.32
Including: Losses on disposal of non-current assets		<b>796,820.20</b>	1,106,880.02
<b>3. Total profit</b>		<b>855,971,611.89</b>	690,059,725.93
Less: Income tax expenses	5(50)	<b>158,318,794.74</b>	83,657,290.28
<b>4. Net profit</b>		<b>697,652,817.15</b>	606,402,435.65
Including: Net profit made by the entities being absorbed before the combination		-	242,018,569.90
– Attributable to shareholders of the Company		<b>673,659,153.85</b>	587,229,435.88
– Minority interest		<b>23,993,663.30</b>	19,172,999.77
<b>5. Earnings per share:</b>			
– Basic earnings per share	5(51)(a)	<b>0.522</b>	0.466
– Diluted earnings per share	5(51)(b)	<b>0.522</b>	0.466
<b>6. Other comprehensive income</b>	5(52)	<b>(2,614,147.96)</b>	(1,664,339.06)
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		<b>(2,614,147.96)</b>	(1,664,339.06)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		-	-
<b>7. Total comprehensive income</b>		<b>695,038,669.19</b>	604,738,096.59
– Attributable to shareholders of the Company		<b>671,044,727.21</b>	585,571,096.97
– Minority interest		<b>23,993,941.98</b>	19,166,999.62

The accompanying notes form an integral part of these financial statements.

Legal representative:

Li Chuyuan

Person in charge of accounting function:

Wu Changhai

Person in charge of accounting department:

Yao Zhizhi

# Consolidated Cash Flow Statement

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

ITEM	Notes	For the six months ended 30 June 2014 (Unaudited)	For the six months ended 30 June 2013 (Unaudited)
<b>1. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		<b>9,122,928,526.50</b>	8,504,338,863.87
Refund of taxes and surcharges		<b>31,230,367.47</b>	33,108,380.28
Cash received relating to other operating activities	5(53)(a)	<b>145,387,628.34</b>	101,973,406.74
<b>Sub-total of cash inflows</b>		<b>9,299,546,522.31</b>	8,639,420,650.89
Cash paid for goods and services		<b>4,721,355,867.69</b>	4,378,555,368.55
Cash paid to and on behalf of employees		<b>1,397,933,301.81</b>	1,085,757,085.03
Payments of taxes and surcharges		<b>1,009,373,534.13</b>	820,597,519.12
Cash paid relating to other operating activities	5(53)(b)	<b>1,003,878,571.06</b>	987,326,055.57
<b>Sub-total of cash outflows</b>		<b>8,132,541,274.69</b>	7,272,236,028.27
<b>Net cash flows from operating activities</b>	5(54)(a)	<b>1,167,005,247.62</b>	1,367,184,622.62
<b>2. Cash flows from investing activities:</b>			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		<b>41,636,442.23</b>	360,149.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>249,377.76</b>	2,971,195.16
Cash received relating to other investing activities	5(53)(c)	<b>4,101.50</b>	2,861.70
<b>Sub-total of cash inflows</b>		<b>41,889,921.49</b>	3,334,206.46
Cash paid to acquire fixed assets, intangible assets and other long-term assets		<b>211,209,894.56</b>	238,306,936.41
Cash paid to acquire investments		–	4,500,000.00
Net cash paid to acquire subsidiaries		–	–
Cash paid relating to other investing activities	5(53)(d)	<b>1,161,069.35</b>	1,561,217.09
<b>Sub-total of cash outflows</b>		<b>212,370,963.91</b>	244,368,153.50
<b>Net cash flows from investing activities</b>		<b>(170,481,042.42)</b>	(241,033,947.04)

# Consolidated Cash Flow Statement

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	<i>Notes</i>	<b>For the six months ended 30 June 2014 (Unaudited)</b>	For the six months ended 30 June 2013 (Unaudited)
<b>3. Cash flows from financing activities:</b>			
Cash received from capital contributions		<b>4,365,919.00</b>	1,342,300.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		<b>4,365,919.00</b>	–
Cash received from borrowings		<b>369,119,863.01</b>	357,680,072.00
Cash received relating to other financing activities		–	–
<b>Sub-total of cash inflows</b>		<b>373,485,782.01</b>	359,022,372.00
Cash repayments of borrowings		<b>385,434,859.57</b>	425,067,807.78
Cash payments for interest expenses and distribution of dividends or profits		<b>96,857,761.86</b>	32,133,697.08
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		<b>2,498,602.79</b>	11,058,759.99
Cash payments relating to other financing activities		–	–
<b>Sub-total of cash outflows</b>		<b>482,292,621.43</b>	457,201,504.86
<b>Net cash flows from financing activities</b>		<b>(108,806,839.42)</b>	(98,179,132.86)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>167,025.70</b>	205,424.86
<b>5. Net increase/(decrease) in cash and cash equivalents</b>			
	5(54)(a)	<b>887,884,391.48</b>	1,028,176,967.58
Add: Cash and cash equivalents at beginning of year	5(54)(b)	<b>1,918,952,286.86</b>	1,114,346,524.75
<b>6. Cash and cash equivalent at end of year</b>	5(54)(b)	<b><u>2,806,836,678.34</u></b>	<b><u>2,142,523,492.33</u></b>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to shareholders of the Company							Minority Shareholders' equity	Total shareholders' equity Less: Treasury share
	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	General risk provision	Undistributed profits	Others		
<b>1. Balance at 31 December 2013 (audited)</b>	1,291,340,650.00	2,493,788,078.69	-	723,819,753.76	-	2,330,514,583.35	(7,695,173.92)	190,468,803.06	7,022,236,694.94
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2014</b>	1,291,340,650.00	2,493,788,078.69	-	723,819,753.76	-	2,330,514,583.35	(7,695,173.92)	190,468,803.06	7,022,236,694.94
<b>3. Movements for the six months ended 30 June 2014</b>	-	(2,966,471.21)	-	-	-	376,650,804.35	352,044.57	38,749,855.38	412,786,233.09
(1) Net profit	-	-	-	-	-	673,659,153.85	-	23,993,663.30	697,652,817.15
(2) Other comprehensive income	-	(2,966,471.21)	-	-	-	-	352,044.57	278.68	(2,614,147.96)
Subtotal of items (1) and (2)	-	(2,966,471.21)	-	-	-	673,659,153.85	352,044.57	23,993,941.98	695,038,669.19
(3) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-	-	21,620,000.00	21,620,000.00
Capital contribution by the shareholders	-	-	-	-	-	-	-	21,620,000.00	21,620,000.00
Share-based payment charged to equity	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	(297,008,349.50)	-	(6,864,086.60)	(303,872,436.10)
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(297,008,349.50)	-	(6,864,086.60)	(303,872,436.10)
Others	-	-	-	-	-	-	-	-	-
(5) Transfer within shareholders' equity	-	-	-	-	-	-	-	-	-
Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-
Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-	-	-	-
<b>4. Balance at 30 June 2014 (unaudited)</b>	1,291,340,650.00	2,490,821,607.48	-	723,819,753.76	-	2,707,165,387.70	(7,343,129.35)	229,218,658.44	7,435,022,928.03

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to shareholders of the Company							Total shareholders' equity	
	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	General risk provision	Undistributed profits	Others	Shareholders' equity Capital surplus	Less: Treasury share
<b>1. Balance at 31 December 2012 (restated)</b>	<b>810,900,000.00</b>	<b>1,702,773,872.77</b>	-	<b>787,731,574.82</b>	-	<b>2,271,551,430.93</b>	<b>(6,604,552.46)</b>	<b>189,611,229.10</b>	<b>5,755,963,555.16</b>
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-
Business combination involving entities under common control	-	-	-	-	-	-	-	-	-
<b>2. Balance at 1 January 2013</b>	<b>810,900,000.00</b>	<b>1,702,773,872.77</b>	-	<b>787,731,574.82</b>	-	<b>2,271,551,430.93</b>	<b>(6,604,552.46)</b>	<b>189,611,229.10</b>	<b>5,755,963,555.16</b>
<b>3. Movements for the six months ended 2013</b>	<b>480,440,650.00</b>	<b>786,902,934.20</b>	-	<b>(118,995,283.05)</b>	-	<b>(201,288,587.81)</b>	<b>(616,096.24)</b>	<b>1,313,821.48</b>	<b>947,757,438.58</b>
(1) Net profit	-	-	-	-	-	587,229,435.88	-	19,172,999.77	606,402,435.65
(2) Other comprehensive income	-	(1,042,242.67)	-	-	-	-	(616,096.24)	(6,000.15)	(1,664,339.06)
Subtotal of items (1) and (2)	-	(1,042,242.67)	-	-	-	587,229,435.88	(616,096.24)	19,166,999.62	604,738,096.59
(3) Capital contribution and withdrawal by shareholders	480,440,650.00	795,936,263.43	-	(118,558,621.34)	-	(793,598,292.09)	-	-	364,220,000.00
Capital contribution by the shareholders	480,440,650.00	795,936,263.43	-	(118,558,621.34)	-	(793,598,292.09)	-	-	364,220,000.00
Share-based payment charged to equity	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-	-	(16,700,658.01)	(16,700,658.01)
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	-	-	(16,700,658.01)	(16,700,658.01)
Others	-	-	-	-	-	-	-	-	-
(5) Transfer within shareholders' equity	-	(4,643,606.69)	-	(436,661.71)	-	5,080,268.40	-	-	-
Transfer from capital surplus to share capital	-	-	-	-	-	-	-	-	-
Transfer from surplus reserves to share capital	-	-	-	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-	-	-	-
Others	-	(4,643,606.69)	-	(436,661.71)	-	5,080,268.40	-	-	-
(6) Others	-	(3,347,479.87)	-	-	-	-	-	(1,152,520.13)	(4,500,000.00)
<b>4. Balance at 30 June 2013 (unaudited)</b>	<b>1,291,340,650.00</b>	<b>2,489,676,806.97</b>	-	<b>668,736,291.77</b>	-	<b>2,070,262,843.12</b>	<b>(7,220,648.70)</b>	<b>190,925,050.58</b>	<b>6,703,720,993.74</b>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Current assets:</b>			
Cash at bank and on hand		569,213,250.72	462,902,261.84
Financial assets held for trading		3,408,360.50	3,362,667.20
Notes receivable		635,802,940.09	491,846,637.36
Accounts receivable	15(1)	154,124,087.12	134,987,242.57
Advances to suppliers		54,975,245.43	35,096,096.56
Interest receivable		-	-
Dividends receivable		335,354,668.24	213,565,667.45
Other receivables	15(2)	972,922,904.67	943,517,098.26
Inventories		349,954,935.21	372,106,673.49
Current portion of non-current assets		-	-
Other current assets		660,925.15	1,666,244.75
<b>Total current assets</b>		<b>3,076,417,317.13</b>	<b>2,659,050,589.48</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		15,367,000.00	16,093,000.00
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	15(3)	3,532,479,230.53	3,382,596,132.60
Investment properties		224,318,132.46	228,088,909.74
Fixed assets		481,370,101.60	458,451,623.08
Construction in progress		47,864,792.70	61,761,556.59
Construction materials		-	-
Fixed assets pending for disposal		-	-
Intangible assets		264,015,571.59	266,747,080.35
Development costs		10,985,436.89	2,200,000.00
Goodwill		-	-
Long-term prepaid expenses		336,688.74	448,929.68
Deferred tax assets		35,123,384.46	36,608,854.15
Other non-current assets		-	-
<b>Total non-current assets</b>		<b>4,611,860,338.97</b>	<b>4,452,996,086.19</b>
<b>TOTAL ASSETS</b>		<b>7,688,277,656.10</b>	<b>7,112,046,675.67</b>



# Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

<b>ASSETS</b>	Note	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
<b>Current liabilities:</b>			
Short-term borrowings		<b>220,000,000.00</b>	250,000,000.00
Financial liabilities held for trading		-	-
Notes payable		-	-
Accounts payable		<b>225,605,311.70</b>	210,276,551.36
Advances from customers		<b>84,729,862.17</b>	73,149,096.14
Employee benefits payable		<b>83,130,065.68</b>	60,386,689.87
Taxes payable		<b>58,989,087.66</b>	59,481,082.89
Interest payable		<b>280,000.00</b>	675,414.98
Dividends payable		<b>297,140,201.50</b>	77,540,856.01
Other payables		<b>553,182,678.19</b>	475,829,440.43
Current portion of non-current liabilities		-	-
Other current liabilities		-	-
<b>Total current liabilities</b>		<b>1,523,057,206.90</b>	1,207,339,131.68
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>8,627,418.40</b>	8,627,419.10
Debentures payable		-	-
Long-term payables		<b>7,802,224.39</b>	7,802,224.39
Payables for specific projects		-	-
Provisions		<b>500,191.19</b>	500,191.19
Deferred tax liabilities		<b>3,192,746.15</b>	3,301,646.15
Other non-current liabilities		<b>40,023,405.57</b>	37,507,212.17
<b>Total non-current liabilities</b>		<b>60,145,985.70</b>	57,738,693.00
<b>Total liabilities</b>		<b>1,583,203,192.60</b>	1,265,077,824.68

# Balance Sheet

As at 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

<b>ASSETS</b>	<i>Note</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
<b>Shareholders' equity</b>			
Share capital		<b>1,291,340,650.00</b>	1,291,340,650.00
Capital surplus		<b>2,453,961,645.93</b>	2,456,941,082.91
Less: Treasury share		-	-
Surplus reserve		<b>351,211,319.16</b>	351,211,319.16
Undistributed profits		<b>2,008,560,848.41</b>	1,747,475,798.92
Difference on translation of foreign currency financial statements		-	-
<b>Total shareholders' equity</b>		<b><u>6,105,074,463.50</u></b>	<u>5,846,968,850.99</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b><u><u>7,688,277,656.10</u></u></b>	<u><u>7,112,046,675.67</u></u>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Income Statement

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	Note	The six months ended 30 June 2014 (unaudited)	The six months ended 30 June 2013 (unaudited)
<b>1. Revenue</b>	15(4)	<b>1,594,495,453.98</b>	295,603,087.25
Less: Cost of sales	15(4)	<b>929,450,248.28</b>	143,663,394.76
Taxes and surcharges		<b>18,095,942.62</b>	4,774,751.36
Selling and distribution expenses		<b>233,392,416.56</b>	24,650,631.86
General and administrative expenses		<b>172,203,390.56</b>	47,888,377.90
Financial expenses		<b>11,146,348.15</b>	5,955,678.94
Asset impairment losses		<b>1,276,338.08</b>	922,408.44
Add: Profit arising from changes in fair value		<b>45,693.30</b>	138,681.60
Investment income	15(5)	<b>388,327,584.92</b>	234,892,640.74
Including: Share of profit of associates and jointly controlled entities	15(5)(c)	<b>107,385,434.91</b>	91,515,906.01
<b>2. Operating profit</b>		<b>617,304,047.95</b>	302,779,166.33
Add: Non-operating income		<b>2,447,144.92</b>	645,988.50
Less: Non-operating expenses		<b>2,093,389.80</b>	745,509.14
Including: Losses on disposal of non-current assets		-	980.50
<b>3. Total profit</b>		<b>617,657,803.07</b>	302,679,645.69
Less: Income tax expenses		<b>59,564,404.08</b>	14,626,213.55
<b>4. Net Profit</b>		<b>558,093,398.99</b>	288,053,432.14
<b>5. Other comprehensive income</b>		<b>(2,979,436.98)</b>	(744,572.55)
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		<b>(2,979,436.98)</b>	(744,572.55)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		-	-
<b>6. Total comprehensive income</b>		<b>555,113,962.01</b>	287,308,859.59

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Cash Flow Statement

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

ITEM	Note	The six months ended 30 June 2014 (unaudited)	The six months ended 30 June 2013 (unaudited)
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		890,642,790.00	103,484,768.19
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		65,058,960.64	36,030,596.24
<b>Sub-total of cash inflows</b>		<b>955,701,750.64</b>	139,515,364.43
Cash paid for goods and services		275,091,687.66	17,923,810.99
Cash paid to and on behalf of employees		288,136,362.83	49,504,895.18
Payments of taxes and surcharges		189,848,276.43	28,531,005.60
Cash paid relating to other operating activities		136,532,650.25	40,133,892.93
<b>Sub-total of cash outflows</b>		<b>889,608,977.17</b>	136,093,604.70
<b>Net cash flows from operating activities</b>	15(6)	<b>66,092,773.47</b>	3,421,759.73
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		203,076,790.41	56,129,560.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,452.99	2,860,884.15
Cash received relating to other investing activities		203,281,007.30	473,528,472.83
<b>Sub-total of cash inflows</b>		<b>406,359,250.70</b>	532,518,917.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		24,764,644.09	12,322,758.62
Cash paid to acquire investments		64,860,000.00	–
Net cash paid to acquire subsidiaries		–	–
Cash paid relating to other investing activities		181,161,069.35	200,155,883.78
<b>Sub-total of cash outflows</b>		<b>270,785,713.44</b>	212,478,642.40
<b>Net cash flows from investing activities</b>		<b>135,573,537.26</b>	320,040,274.69

# Cash Flow Statement

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	<i>Note</i>	<b>The six months ended 30 June 2014 (unaudited)</b>	The six months ended 30 June 2013 (unaudited)
<b>3. Cash flows from financing activities</b>			
Cash received from capital contributions		-	1,342,300.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	-
Cash received from borrowings		<b>220,000,000.00</b>	1,156,758.00
Cash received relating to other financing activities		-	-
<b>Sub-total of cash inflows</b>		<b>220,000,000.00</b>	2,499,058.00
Cash repayments of borrowings		<b>250,000,000.00</b>	78,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		<b>85,355,321.85</b>	3,046,864.64
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	-
Cash payments relating to other financing activities		-	5,128,333.32
<b>Sub-total of cash outflows</b>		<b>335,355,321.85</b>	86,175,197.96
<b>Net cash flows from financing activities</b>		<b>(115,355,321.85)</b>	(83,676,139.96)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		-	-
<b>5. Net increase/(decrease) in cash and cash equivalents</b>			
	156)	<b>86,310,988.88</b>	239,785,894.46
Add: Cash and cash equivalents at beginning of year		<b>462,902,261.84</b>	141,232,654.49
<b>6. Cash and cash equivalent at end of period</b>			
		<b>549,213,250.72</b>	381,018,548.95

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Statement of Changes in Equity

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>1. Balance at 31 December 2013 (audited)</b>	1,291,340,650.00	2,456,941,082.91	-	351,211,319.16	1,747,475,798.92	5,846,968,850.99
Add: Changes in accounting policies	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-
<b>2. Balance at 1 January 2014</b>	1,291,340,650.00	2,456,941,082.91	-	351,211,319.16	1,747,475,798.92	5,846,968,850.99
<b>3. Movements for the six months ended 30 June 2014</b>						
(1) Net profit	-	(2,979,436.98)	-	-	261,085,049.49	258,105,612.51
(2) Other comprehensive income	-	-	-	-	558,093,398.99	558,093,398.99
	-	(2,979,436.98)	-	-	-	(2,979,436.98)
Subtotal of items (1) and (2)	-	(2,979,436.98)	-	-	558,093,398.99	555,113,962.01
(3) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-
Capital contribution by the shareholders	-	-	-	-	-	-
Share-based payment charged to equity	-	-	-	-	-	-
Others	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	(297,008,349.50)	(297,008,349.50)
Appropriation to surplus reserves	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	(297,008,349.50)	(297,008,349.50)
Others	-	-	-	-	-	-
(5) Transfer within shareholders' equity	-	-	-	-	-	-
Transfer from capital surplus to share capital	-	-	-	-	-	-
Transfer from surplus reserves to share capital	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-
Others	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-
<b>4. Balance at 30 June 2014 (unaudited)</b>	<b>1,291,340,650.00</b>	<b>2,453,961,645.93</b>	<b>-</b>	<b>351,211,319.16</b>	<b>2,008,560,848.41</b>	<b>6,105,074,463.50</b>

# Statement of Changes in Equity

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>1. Balance at 31 December 2012 (audited)</b>	810,900,000.00	1,095,415,498.20	-	296,127,857.17	1,329,205,080.02	3,531,648,435.39
Add: Changes in accounting policies	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-
<b>2. Balance at 1 January 2013</b>	810,900,000.00	1,095,415,498.20	-	296,127,857.17	1,329,205,080.02	3,531,648,435.39
<b>3. Movements for the six months ended 30 June 2013</b>	480,440,650.00	1,362,077,980.19	-	-	288,053,432.14	2,130,572,062.33
(1) Net profit	-	-	-	-	288,053,432.14	288,053,432.14
(2) Other comprehensive income	-	(744,572.55)	-	-	-	(744,572.55)
Subtotal of items (1) and (2)	-	(744,572.55)	-	-	288,053,432.14	287,308,859.59
(3) Capital contribution and withdrawal by shareholders	480,440,650.00	1,362,822,552.74	-	-	-	1,843,263,202.74
Capital contribution by the shareholders	480,440,650.00	1,362,822,552.74	-	-	-	1,843,263,202.74
Share-based payment charged to equity	-	-	-	-	-	-
Others	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	-	-
Appropriation to surplus reserves	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	-
Others	-	-	-	-	-	-
(5) Transfer within shareholders' equity	-	-	-	-	-	-
Transfer from capital surplus to share capital	-	-	-	-	-	-
Transfer from surplus reserves to share capital	-	-	-	-	-	-
Surplus reserves used to offset accumulated losses	-	-	-	-	-	-
Others	-	-	-	-	-	-
(6) Others	-	-	-	-	-	-
<b>4. Balance at 30 June 2013 (unaudited)</b>	<u>1,291,340,650.00</u>	<u>2,457,493,478.39</u>	<u>-</u>	<u>296,127,857.17</u>	<u>1,617,258,512.16</u>	<u>5,662,220,497.72</u>

The accompanying notes form an integral part of these financial statements.

Legal representative:  
Li Chuyuan

Person in charge of accounting function:  
Wu Changhai

Person in charge of accounting department:  
Yao Zhizhi

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 1. GENERAL INFORMATION

Approved by the Circular Ti Gai Sheng [1997] No.139 issued by the State Commission for Restructuring the Economic Systems, Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (the “Company”) was founded by Guangzhou Pharmaceutical Holdings Limited (“GPHL”). The 8 Chinese Patent Medicine (“CPM”) manufacturing companies and 3 pharmaceutical trading companies under GPHL were restructured and the stated-owned equity interest in the assets of these companies were injected in the Company. The Company obtained business license on 1 September 1997 and the registered number is 440101000005674.

Approved by the Circular Ti Gai Sheng [1997] No.145 issued by the State Commission for Restructuring the Economic Systems and Circular Zheng Wei Fa [1997] No.56 issued by the Securities Regulatory Commission of the State Council, the Company issued 219,900,000 shares listed in Hong Kong Stock Exchange (H shares) in October 1997. Approved by China Securities Regulatory Commission on 10 January 2001, 78,000,000 A shares of the Company were issued and became listed in Shanghai Stock Exchange on 6 February 2001. The stock abbreviation is GZ Phar., and stock code is 600332.

The Company executed and completed the material assets reorganization transaction, which include: (1)The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan Co., Ltd.(Baiyunshan), a subsidiary of GPHL, in May 2013. (2)The Company issued an addition of 34,839,645 A shares to GPHL as consideration payment, to acquire the buildings and trademarks which are owned by GPHL or GPHL has the right to dispose of, and 100% equity interest of the subsidiary of GPHL, Guangyao Baiyunshan (Hong Kong) Co., Ltd. (“Guangyao Baiyunshan (Hong Kong)”) (Previously named “Polian Development Co., Ltd.”) and 12.5% equity interest of Baxter Healthcare Co., Ltd.(“Baxter Healthcare”) held by GPHL, The Company completed the registration of share on 5 July 2013. After the above-mentioned assets reorganization was completed, the Company’s total number of shares in issue was 1,291,340,650. The stock abbreviation is BYS.

The parent company is GPHL, and the ultimate holding company is Guangzhou State-owned Assets Supervision and Administration Commission.

The Company and its consolidated subsidiaries (together, the “Group”) are principally engaged in the manufacture of (1) Western and Chinese patent drug, chemical raw material medicine, natural medicine, biological medicine, research and development for intermediate product of API, manufacturing and sales. (2) The wholesale, retail, import and export of western pharmaceutical products, CPM and medical apparatus and the wholesale. (3) Research, development, manufacturing and sales of Great Health products. (4) Investment of medical, health management and youth preservation.

The major CPM products of the Group include Xiao Ke Pill (“消渴丸”), Xia Sang Ju (“夏桑菊”), Wu Ji Bai Feng Pill (“烏雞白凤丸”), Hua Tuo Zai Zao Pill (“华佗再造丸”) and Mi Lian Chuan Bei Pi Pa Jelly (“蜜炼川贝枇杷膏”), Qing Kai Ling Tonic (“清開靈口服液”), Xiao Chai Hu Chong Ji (“小柴胡冲劑”) etc. The major western medicine products of the Group include cefathiamidine, amoxicillin and ceftriaxone sodium. The major pre-packaged food of the Group are Wang Lao Ji Herbal Tea (“王老吉凉茶”), etc.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 1. GENERAL INFORMATION *(Continued)*

The Group's current structure mainly include 11 CPM manufacturing companies, 2 western medicine manufacturing companies, 1 chemical raw materials manufacturing company, 1 pre-packaged food manufacturing company, 3 pharmaceutical research and development companies and 4 pharmaceutical trading companies.

These financial statements were approved for issue by the Board of Directors on 29 August 2014.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (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. The Ministry of Finance 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>, <Accounting Standards for Business Enterprises No.40-The Joint Venture Arrangements>(hereinafter collectively referred to as "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.

### (2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 30 June 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 30 June 2014 and the operating results, cash flows and other information for the six months ended 30 June 2014 of the Group and the Company.

### (3) Accounting period

Accounting year starts on 1 January and ends on 31 December. The financial statements cover the period from 1 January 2014 to 30 June 2014.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (4) Recording currency

The recording currency is renminbi (“RMB”).

Guangyao Baiyunshan (Hong Kong), a subsidiary of the Company, an overseas operating company, which uses Hong Kong Dollar as its recording currency.

### (5) Accounting treatments for business combinations involving entities under and not under common control

#### (a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (capital premium). If the capital surplus (capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities.

#### (b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer’s interest in the fair value of the acquiree’s identifiable net assets, the difference is recognised in profit or loss for the current year.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the Consolidated financial statements from the date when it, together with the Company under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

### (7) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with bank and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (8) Foreign currency translation

#### (a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. The differences arising from the exchange of foreign currencies are recognised in the financial expenses.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot rate of the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into RMB at the balance sheet date using the spot rate at the date of the transactions. The effect of changes in exchange rate of cash and cash equivalent is separately disclosed in the cash flow statement. Non-monetary items denominated in foreign currency that are measured at fair value are translated into RMB using the spot rate on the date when fair value is determined and the exchange differences arising from which are recognised in profit or loss or capital surplus in the current year.

#### (b) Translation of foreign currency financial statements

The assets and liabilities items among the balance sheet of foreign operation shall be translated using the spot exchange rate at the balance sheet date. Other items other than the undistributed profits among shareholder's equity shall be translated using the spot exchange rate at the transaction date. The income and expenses among the income statement shall be translated using the average on translation of foreign currency financial statements exchange rate during the reporting period. Differences are individually listed in shareholder's equity. The cash flow items of overseas operation shall be translated using average exchange rate during the reporting period. The effect of exchange rate changes on cash is presented individually in the cash flow statement.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (9) Financial Instruments

#### (a) Financial assets

##### *i) Classification*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

##### 1) Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

##### 2) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

##### 3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated to be available for sale upon initial recognition and financial assets not classified in any other categories. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

##### 4) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months (including 12 months) at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months (including 12 months) when the investments were made are included in other current assets.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (9) Financial Instruments (Continued)

#### (a) Financial assets (Continued)

##### ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current year. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current year.

Gain or loss arising from a change in fair value of an available-for-sale financial asset is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognised, the cumulative gain or loss previously recognised directly in equity is reclassified to profit or loss for the current year. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (9) Financial Instruments *(Continued)*

#### (a) Financial assets *(Continued)*

##### iii) *Impairment of financial assets*

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial assets is impaired, the Group shall determine the amount of impairment loss.

Impairment of held to the available-for-sale financial assets: At the ending of the period, if the fair value of the available-for-sale financial assets declined dramatically, or it is expected the downturn is not temporary after considers all relevant factors, the impairment has occurred. Transfer the accumulated loss which is occurred by the fair value included in the owner equity decreased and verify that the impairment losses.

The standard of the fair value of the available-for-sale financial assets of the company decrease seriously: Closing fair value declines relative to the cost has reached or exceeded 50%; The standard of fair value decrease is not temporary: 12 months in a row fell. Computing method of investment cost: consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost. Determination basis of: Falling or downturn continued during the rally up less than 20% margin. Rebound duration not more than six months are treated as continue decrease period.

For available-for-sale debt instruments which impairment losses is confirmed, in subsequent accounting periods, the fair value is arisen and it is objectively connected with the event after impairment loss previously recognized. This impairment loss previously recognized shall reverse through profit or loss. When impairment loss of available-for-sale equity instrument has occurred, this loss shall not reverse thought profit or loss.

Impairment of held to maturity investment: Measurement method of the impairment loss of held to maturity investments is according to the measurement method of the impairment loss of receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (9) Financial Instruments (Continued)

#### (a) Financial assets (Continued)

##### iv) *The basis and measurement for the transfer of financial assets and the derecognition of financial assets*

When the Group transfers financial assets, the financial assets should be derecognised when all the risks and rewards of ownership of the financial asset have been substantially transferred. The financial assets shall not be derecognised if the Group substantially retains all the risks and rewards of ownership of the financial asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset, the financial asset shall be derecognised.

In addition to two circumstances of the derecognition mentioned above, a financial assets shall be derecognised when the contractual rights to receive the cash flows from the financial assets have ceased.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate consideration received and the accumulative amount of the changes of fair value originally recorded in the shareholders' equity is recognised in profit or loss.

#### (b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise other financial liabilities, including payables, borrowings and debentures payable.

Payables comprise accounts payable and other payables, etc, which are recorded initially at fair value and measured subsequently at amortised cost using the effective interest method.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (9) Financial Instruments *(Continued)*

#### (b) Financial liabilities *(Continued)*

Borrowings and debentures payable are recorded initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities with maturities no more than one year (including one year) are classified as current liabilities. Other financial liabilities with maturities over one year (including one year) but are due within one year at balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability shall be derecognised or partly derecognised when the present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid shall be recognised in profit or loss.

#### (c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on specific inputs related to the Group.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recorded at fair value of the contractual payments from the buyer or service recipients.

#### (a) Receivables that are individually significant and subject to separate provision:

The criteria for individually significant receivables	The amount of accounts receivable are individually more than RMB1,000,000 (including RMB1,000,000) and other receivables are individually more than RMB 100,000 (including RMB100,000).
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Method of provision for bad debts of individually significant receivables.	Individually significant receivables are subject to separate impairment assessment, and the amount of the present value of the future cash flows expected to be derived from the receivables below the carrying amount shall be accounted for as provision for bad debts and recognised in profit or loss. Accounts receivable and other receivables which are not impaired according to the separate impairment assessment, shall be combined into certain groups with similar credit risk characteristics and subject to impairment assessment by groups.
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# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (10) Receivables *(Continued)*

#### (b) Receivables that are combined into certain groups and subject to provision by groups

Basis for determination of groups is as follow:

Group name	Criteria
Group 1	Except for the accounts receivable and other receivables that are subject to separate provision, the Group determines the ratios of provision for bad debts based on historical loss experience for the groups of receivables with similar credit risk characteristics by aging and taking into consideration of the current circumstances.
Group 2	Receivables with extremely low credit risk based on measurement of historical evidence
Group 3	Other receivables due from related parties
Group 4	Deposits and staff advances

Method for provision by groups are summarised as followed:

Group name	Method for provision
Group 1	Aging analysis method
Group 2	Percentage for bad-debt provision is 0%
Group 3	Percentage for bad-debt provision is 0%
Group 4	Percentage for bad-debt provision is 0%

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (10) Receivables (Continued)

#### (b) Receivables that are combined into certain groups and subject to provision by groups(d) (Continued)

Ratios of provision for bad debts used in the aging analysis method for groups are as follows:

Ageing	Ratios for provision for bad debts
Within 1 year	1%
1 to 2 years	10%
2 to 3 years	30%
3 to 4 years	50%
4 to 5 years	80%
Over 5 years	100%

#### (c) Receivables which are individually insignificant but subject to separate provision

For individually insignificant receivables with specific credit risk characteristics, if there is objective evidence that the receivables are impaired and the provision for bad debts using aging analysis method cannot reflect the actual circumstances, such receivables shall be subject to separate impairment assessment. The impairment loss and the provision for bad debts are determined based on the amount of the present value of the future cash flows expected to be derived from the asset below the carrying amount.

### (11) Inventories

#### (a) Classification of inventories

Inventories include goods in transit, raw materials, work in progress, semi-finished goods, finished goods, low-value consumables, packaging materials, goods in processing contract, goods on consignment and commodity stocks.

#### (b) Cost of inventories

Inventories are measured at actual cost at the time of acquisition.

Cost is determined using the weighted average method. The cost of finished goods, commodity stocks and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred that are systematically determined based on normal operating capacity.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (11) Inventories *(Continued)*

#### (c) **Basis for the determination of net realizable value and the method of provision for impairment of inventories.**

Provisions for declines in the value of inventories are determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

#### (d) **Inventory system**

The Group adopts the perpetual inventory system.

#### (e) **Amortisation of low-value consumables and packaging materials**

Low-value consumables and packaging materials are expensed upon issuance.

### (12) Long-term equity investments

#### (a) **Initial recognition**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its jointly controlled entities and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are all entities over which the Company is able to control. Jointly controlled entities are the investees over which the Group is able to exercise joint control together with other venturers. Associates are all entities over which the Group has significant influence, but not control, on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Investments in jointly controlled entities and associates are accounted for using the equity method. Other long-term equity investments, which the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (12) Long-term equity investments (Continued)

#### (a) Initial recognition (Continued)

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current year and the cost of the long-term equity investment is adjusted upwards accordingly.

#### (b) Subsequent measurement

Under the cost method of accounting, long-term equity investment is recognised in profit or loss for the cash dividends or profit distribution declared by the investee as investment income.

Under the equity method of accounting, the Group recognised the investment income based on its share of net profit or loss of the investee. While the accounting policies and accounting period of the investees are inconsistent with the Group, the financial statements of the investees are all adjusted according to the accounting policies and accounting period of the Group and recognised investment income accordingly. The Group discontinues recognising its share of net losses of an investee when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the conditions on recognition of provision are satisfied in accordance with the accounting standards on contingencies, the Group continues to recognise the investment losses and the provision. For changes in shareholders' equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based which the investment gain or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, of which the nature is asset impairment, is recognised in full, and the related unrealised loss is not eliminated.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (12) Long-term equity investments *(Continued)*

#### (c) Definition of control, joint control and significant influence over the investees

Control refers to the power to govern the financial and operating policies of an investee, so as to obtain benefits from their operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights of the investee shall be considered, such as convertible debts and warrants currently exercisable.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

#### (d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, jointly controlled entities and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount. For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss and cannot be reversed once recognised.

### (13) Investment properties

Investment properties, which are properties held to earn rental or capital appreciation or both, including land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out and buildings that are in construction or developed for the purpose of being leased out in the future, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (13) Investment properties (Continued)

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings which are held for rental and measured at cost model are depreciated on a basis consistent with the depreciation policy which the Group adopts for fixed assets. Land use right which are held for rental and measured at cost model are amortised on a basis consistent with the amortisation policy which the Group adopts for intangible assets.

When an investment property is transferred to an owner-occupied property, it is reclassified as a fixed asset or an intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as an investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

Investment properties are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (14) Fixed assets

#### (a) Recognition, initial measurement and depreciation method of fixed assets

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year.

Fixed asset is recognised when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised and all the other subsequent expenditures are recognised in profit or loss when they are incurred.

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives. Depreciation charge on decoration expenditure of fixed assets which meets the criteria for capitalisation is calculated using the straight-line method based on the shorter of the period between two decorations and the remaining useful life of the fixed assets.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

### (14) Fixed assets (Continued)

#### (b) Depreciation method of different categories of fixed assets

Fixed assets are classified as buildings, machinery and equipment, motor vehicles, computer and electronic equipment, office equipment and fixed asset renovation. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Category	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-70 years	0%~10%	1.29%~10%
Machinery and equipment	4-18 years	0%~10%	5%~25%
Motor vehicles	5-10 years	0%~10%	9%~20%
Electronic equipment	5-10 years	0%~10%	9%~20%
Office equipment	4-8 years	0%~10%	11.25%~25%
Decoration and fixtures	5 years	0%	20%

#### (c) Impairment of fixed assets

Fixed assets are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (14) Fixed assets *(Continued)*

#### (d) Basis for identification of fixed assets held under a finance lease and its measurement

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. The leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognised finance charge.

Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy which the Group adopts for self-owned fixed assets. If it can be reasonably determined that at the end of the lease term the ownership of the leased asset will be transferred, the leased asset is depreciated over the estimated useful lives; if not, the leased asset is depreciated over the shorter period of the lease term and the estimated useful lives.

#### (e) Other specification

##### *Disposal of fixed assets*

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss.

### (15) Construction in progress

Constructions in progress are accounted for by individual projects.

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. When construction in progress is ready for its intended use but has not completed the final accounts, it is transferred to fixed assets using an estimated cost on the day when it is ready for intended use and depreciation is made accordingly pursuant to the Group's depreciation policy. The estimated cost can be based on project budget, project price or actual construction cost. The estimated cost is adjusted by the actual cost after the completion of the final accounts.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (15) Construction in progress (Continued)

Construction in progress is tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

### (16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowing during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying fixed asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (17) Intangible assets

#### (a) Recognition and measurement of intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group, including land use rights, industrial property and patent technology, and non-patent technology etc. An intangible asset is recognised only if both of the following conditions are satisfied: (i) it is probable that future economic benefits attributable to the asset will flow to the enterprise; (ii) the amount of the intangible assets can be measured reliably.

The acquisition cost of intangible assets includes acquisition price, related taxes and other costs which are directly attributable to bringing the intangible assets ready for their intended use. The cost of the internally developed intangible assets includes: the costs of the material consumed for developing the intangible assets, labor costs, registration fees, amortisation of other patents and licenses and capitalised interest expenses in the development phase, and other costs which are directly attributable to bringing the intangible assets ready for their intended use.

#### (b) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

#### (c) Intangible asset with an indefinite useful life

An intangible asset is regarded by the Group as having an indefinite useful life when based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The Company owns trademarks including Baiyunshan, Xingqun, Zhongyi, Pangaoshou, Chenlijj, Jingxiutang, Qixing, which are identified as indefinite useful life due to expected economic interest in future.

The Company reviews the indefinite useful life of intangible assets at every accounting period.

The reviewed useful life of above intangible assets is indefinite.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (17) Intangible assets (Continued)

#### (d) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

The specific criteria for the classification of expenditure on the research phase and expenditure on the development phase is as follows:

Expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Expenditures on the development phase are all the expenditures incurred after the commencement of Phase III clinical trial for the medicine (including new medicines and changes in the form of the medicines). Commencement of Phase III clinical trial is determined based on the approval by authorities.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset, and use or sell it;
- It can be demonstrated how the intangible asset will generate economic benefits;
- Adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (17) Intangible assets *(Continued)*

#### (d) Research and development *(Continued)*

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

#### (e) Impairment of intangible assets

Intangible assets are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

### (18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but shall be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (19) Provisions

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### (20) Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

#### (a) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (b) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer and the customer has accepted the goods, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Group and the relevant revenue and costs can be measured reliably.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (20) Revenue *(Continued)*

#### (c) Rendering of services

The revenue from rendering of services is recognised using the percentage of completion method.

#### (d) Transfer of asset use rights

Income from transfer of asset use rights include:

- Interest income is recognised on a time-proportion basis using the effective interest method;
- License fee income is recognised when the right to receive payment is established;
- Income from an operating lease is recognised on a straight-line basis over the period of the lease.

#### (e) Dividend income

Dividend income from long-term equity investment accounted for using cost method, financial assets at fair value through profit or loss and available-for-sale financial assets is recognised when the right to receive dividend is established.

### (21) Government grants

#### (a) Classification

Government grants are the obtained monetary assets and non-monetary assets from the government freely, which are divided into assets-related Government grants and income-related government grants.

The assets-related government grants refers to the obtained long-term assets with purchase, construction or otherwise formed, which is includes financial appropriation of the purchase on fixed assets or intangible assets and the financial discounts of special borrowings on fixed assets, etc. The profit-related government grants refers to the government grants other than the assets-related grants.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (21) Government grants (Continued)

#### (a) Classification (Continued)

The specific standard of the asset-related grants: Government's documents defined the grants are used to purchase fixed assets or intangible assets, or the financial discounts of specific borrowing, or the grants is undefined by government's documents but is related to the form of long-term assets of the enterprise.

The specific standard of the income-related grants: It shall be defined to the income-related when not consistent with standard of asset-related grants.

Basis of the specific standard of grants when qualified objects are not defined: Unqualified Objects with sufficient evidence that the government grants related to long-term assets, recognized as asset-related government grants. The remaining shall be defined as income-related grants.

#### (b) Accounting treatment

The assets-related government grants shall be recognized as deferred income in accordance with the useful life of the constructed and purchased assets by stages.

The income-related government grants for compensation to the related expenses or loss of enterprise at subsequent periods shall be recognized as deferred income and current revenue from non-operation during the recognition of related expenses; in addition, it shall be directly recognized as current revenue from non-operation to compensate the related expenses incurred.

#### (c) The point of recognition

Government grants shall be recognized and measured in accordance with the account when actual amount received. Only if there is sufficient evidence to show that grants is allocated in accordance with fixed quotas and comply with the conditions of financial policies and is expected to receive supporting funds, the grants shall be recognized and measured by certain amount.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (22) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, jointly controlled entities and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, jointly controlled entities and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same taxation authority;
- The tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (23) Operating leases and finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

#### (a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current year.

#### (b) Finance leases

The leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

### (24) Changes in significant accounting policies and accounting estimates

#### (a) Changes in accounting policies

There are no changes in accounting policies of the Group in current period.

#### (b) Changes in accounting estimates

There are no changes in accounting estimates in the current period.

### (25) Correction of prior period's accounting errors

There are no corrections of significant accounting errors in the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (26) Other significant accounting policies

#### (a) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments. An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group.

An operating segment's revenue, expenses, operating result, assets and liabilities include those directly attributable to the operating segment, and those allocated to the segment on a reasonable basis. Revenue, expenses, assets and liabilities of the operating segment are determined at the amounts before the elimination of inter-group transactions and balances. Transfer price between operating segments is calculated on terms similar to those in arm's length transactions.

#### (b) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from the termination of an employment relationship with employees shall be recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of an employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

Employee benefits are recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

#### (c) Dividend distribution

Cash dividend distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### (27) Critical accounting estimates and judgments

#### (a) Current and deferred income tax

The Group is subject to income taxes in the mainland of People's Republic of China and Hong Kong. Critical judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that the future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact recognition of deferred tax assets in the period in which such estimate is changed.

Baiyunshan which was merged with the Company during the reporting period received 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 Tax Bureau in November 2012, numbering GR201244000005 and the effective period is 3 years. The Company has applied for High/New Technology Enterprise in accordance with the main body of a merged company. Based on the recent information, management considers the certificate will be obtained in the year of 2014 in all probability and enjoy the tax rate of 15%. The deferred income tax is charged as this discount.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 3 TAXATION

### (1) Main tax and tax rate

#### (a) Turnover tax and Real-estate tax

Taxable item	Type	Tax rate
Sales of goods	Value-added tax ("VAT")	13%, 17%
Income from sales of materials	VAT	17%
Income from rendering of services	Business tax	5%
Rental income	VAT	6%
Rental income	Business tax	5%
Transferred Technology income	VAT	3%, 6%
Balance of owner-occupied real estates	Real-estate tax	1.2%
Rental income	Real-estate tax	12%
Interest income	Business tax	5%
Sales of wine products	Consumption Tax	10%

#### (b) City maintenance and construction tax

Calculated and paid based on 7% of the amount of VAT, business tax and consumption tax paid.

#### (c) Education surcharge

Calculated and paid based on 3% of the amount of VAT, business tax and consumption tax paid.

#### (d) Local education surcharge

Calculated and paid based on 2% of the amount of VAT, business tax and consumption tax paid.

#### (e) Enterprise income tax

Guangzhou Baiyunshan Zhong Yi Pharmaceutical Co., Ltd. (Zhong Yi), Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd. (Jing Xiu Tang), Guangzhou Baiyunshan Qi Xing Pharmaceutical Co., Ltd. (Qi Xing), Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (Xing Qun), Guangzhou Baiyunshan Chen Li Ji Pharmaceutical Factory Co., Ltd. (Chen Li Ji), Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd. (Pan Gao Shou), Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd. (Tian Xin), Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (Ming Xing), Guangzhou Baiyunshan Guang Hua Pharmaceutical Co., Ltd. (Guang Hua), 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.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 3 TAXATION (Continued)

### (1) Main tax and tax rate (Continued)

#### (e) Enterprise income tax (Continued)

The certificates of the 8 subsidiaries (namely, Zhong Yi etc), numbering GF201144000520, GF201144000114, GF201144000043, GF201144000298, GF201144000144, GF201144000400, GF201144000016, GF201144000599 respectively, were issued in 2011 and the effective period is 3 years. Since the certificates have expired in the year of 2013, the 8 subsidiaries have applied for renewal. Preferential enterprise income tax rate of 15% is applicable temporarily.

The certificate of Guang Hua, numbering GR201244000497, was issued in November 2012 and the effective period is 3 years.

A subsidiary of the Group, Guangxi Ying Kang Co., Ltd. (Guangxi Ying Kang) 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.

Pursuant to the relevant national preferential tax policies for High/New Technology Enterprise, The company which is recognised as a High/New Technology Enterprise could enjoy these policies of enterprise income tax at the reduced rate of 15%.

Except for the preferential tax preference mentioned above, the group companies in the PRC pays the enterprise income tax in accordance with “PRC Enterprise Income Tax Law” and “Implementation Rules of PRC Enterprise Income Tax Law” and the applicable enterprise income tax rate of these entities is 25%. Guangyao Baiyunshan (Hong Kong) Co., Ltd. of the Group, pays the corporation profits tax in accordance with “Hong Kong Inland Revenue Ordinance” at a the corporation profit tax rate of 16.5%.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

### (1) Subsidiaries

#### (a) Subsidiaries acquired from establishment or investment

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets constitution investment in substance ('0000)	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Direct subsidiaries</b>															
Xing Qun	Subsidiary	Guangzhou	Pharmaceutical manufacturing	7,717	Production of CPM	6,867	-	Yao Jiangrong	19351196-X	88.99	88.99	Yes	1,919	-	-
Zhong Yi	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	21,741	Production of CPM	21,741	-	Zhang Chunbo	19345979-4	100.00	100.00	Yes	-	-	-
Chen Li Ji	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	11,285	Production of CPM	11,285	-	Ouyang Cheng	19345981-5	100.00	100.00	Yes	-	-	-
Guangzhou Han Fan II	Subsidiary	Guangzhou	Pharmaceutical manufacturing	24,606	Research and development of medicine and health products	24,490	-	Yuan Cheng	71241800-8	99.49	99.53	Yes	76	-	-
Guangzhou O Xing Pharmaceutical Factory Co., Ltd.	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	8,242	Production of CPM	8,242	-	Li Guangliang	19345980-7	100.00	100.00	Yes	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets constitution investment in substance ('0000)	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Direct subsidiaries</b>															
Jing Xiu Tang	Subsidiary	Guangzhou	Pharmaceutical manufacturing	8,623	Production of CPM	7,623	-	Wang Wentu	13047322-6	88.40	88.40	Yes	1,643	-	-
Pan Cao Shou	Subsidiary	Guangzhou	Pharmaceutical manufacturing	6,544	Production of CPM	5,744	-	Yang Dongsteng	13048780-8	87.77	87.77	Yes	2,601	-	-
Ca Zhi Lin	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	3,222	Relating of Chinese raw medicine and CPM	3,222	-	Zhou Lushan	13050398-6	100.00	100.00	Yes	-	-	-
Guangzhou Pharmaceutical Import & Export Co., Ltd. ("Pharmaceutical Import & Export")	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	2,400	Import and export trading of medicine	2,400	-	Feng Yaowen	13047397-7	100.00	100.00	Yes	-	-	-
Guangzhou Baiyunshan Bai Di Bio-Technology Co., Ltd. (Guangzhou Bai Di)	Subsidiary	Guangzhou	Pharmaceutical manufacturing	13,160	Research and Development of medicine	12,960	-	Chen Jianrong	73154713-0	96.48	96.48	Yes	158	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Organisation code	% equity interest held by the Company	Consolidated or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Direct subsidiaries</b>														
Guangzhou Wang Lao Ji Great Health Industry Co., Ltd. ("WJ Great Health")	Wholly-owned subsidiary	Guangzhou	Food manufacturing	1,000	Production And Sales of Pre-packaged food and dairy	1,000	-	Chen Mao	5915298-3	100.00	Yes	-	-	-
Guangzhou Guang Yao Yi Gen Biological Product Co., Ltd. (Guangzhou Yi Gen)	Subsidiary	Guangzhou	Pharmaceutical manufacturing	2,100	Advisory of research and development and technological transformation of biological products	1,280	-	Liu Juyun	0559308-8	60.00	Yes	153	-	-
Guangzhou Baiyunshan Xingzhou Pharmaceutical Co., Ltd. (Xingzhou) <sup>(a)</sup>	Subsidiary	Guangzhou	Pharmaceutical manufacturing	8,648	Chinese herbal medicine processing; food, health products technology research, advisory and transfer	6,486	-	Su Bru	0859775-X	75.00	Yes	2,176	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Direct subsidiaries</b>															
Guangzhou Baiyunshan Medical and Health Industry Investment Co., Ltd. (Baiyunshan Medical and Health) <sup>(a)</sup>	Wholly-owned subsidiary	Guangzhou	Commercial service	1,000	Assets management, investment management,	-	-	Ying Jun	31433841-1	100	100	Yes	-	-	-
<b>Indirect subsidiaries:</b>															
O'Ying	Subsidiary	Guangzhou	Pharmaceutical manufacturing	10,000	Production of CPM	7,500	-	Wu Chenghai	61841434-4	75.00	75.00	Yes	3,299	-	-
Guangzhou Jing Xu Tang 7790 Trading Co., Ltd. (Jing Xu Tang 7790) <sup>(b)</sup>	Subsidiary	Guangzhou	Pharmaceutical trading	300	Sales of cosmetic	153	-	Chen Zhixiong	78611830-X	45.08	51.00	Yes	180	-	-
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd. (Pan Gao Shou Natural Healthcare) <sup>(c)</sup>	Subsidiary	Guangzhou	Pharmaceutical manufacturing	1,400	Production and processing of food and health products	1,400	-	Wei Dehua	19145513-8	87.77	100.00	Yes	-	-	-
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine Chen Pharmacies	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	294	Relating of Chinese raw medicine and CPM	294	-	Zhou Lushan	193566067-3	100.00	100.00	Yes	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Conso- lidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Indirect subsidiaries:</b>															
Guangzhou Chinese Medicine Corporation/Chinese Medical Drink and Pill Factory	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	80	Processing of Chinese Raw medicine	80	-	Zhou Lushan	19086119-1	100.00	100.00	Yes	-	-	-
Guangzhou CaZhiLin Corporation/Bei Siang Chinese raw medicine Co., Ltd.	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	500	Retailing of Chinese raw medicine and CPM	500	-	Zhou Lushan	78120107-4	100.00	100.00	Yes	-	-	-
Guangzhou AoMa Medical Apparatus Co., Ltd. (Guangzhou Ao Ma)	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	668	Trading of medical apparatus	668	-	Lao Zhong	6876959-4	100.00	100.00	Yes	-	-	-
TieLiZhi Guangyao Development Co., Ltd. <sup>(1)</sup>	Subsidiary	Linzhi	Pharmaceutical trading	200	Production and trading of local product and craft	110	-	Huang Xiang	68573303-1	54.74	55.00	Yes	42	-	-
Guangzhou Pan Gao Shou Food Beverage Co., Ltd. <sup>(1)</sup>	Subsidiary	Guangzhou	Pharmaceutical manufacturing	100	Wholesale of pre-packaged food	100	-	Wei Danna	58339320-6	87.77	100.00	Yes	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Indirect subsidiaries:</b>															
Wulanbahu Guangyao Chinese Raw Medicine Development Co., Ltd.	Subsidiary	Wulanbahu	Pharmaceutical trading	100	Cultivation, purchase and sales of Chinese medicine herbs	80	-	Zhou Lushan	5919246-6	80.00	80.00	Yes	15	-	-
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Subsidiary	Linqi	Pharmaceutical trading	200	Cultivation, purchase and sales of Chinese medicine herbs	120	-	Kong Jian	5303298-7	60.00	60.00	Yes	137	-	-

**Indirect subsidiaries:**

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets constitution investment in substance ('0000)	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd. <sup>(1)</sup>	Subsidiary	Kaifeng	Pharmaceutical trading	200	Cultivation, purchase and sales of Chinese medicine herbs, research and development of CPM, agricultural by-products, development, advisory	140	-	Kong Jian	05394458-6	67.67	70.00	Yes	58	-	-
Jingxuan Dong E Guangyao Chinese Raw Medicine Development Co., Ltd. <sup>(1)</sup>	Subsidiary	Jingxi	Pharmaceutical trading	300	Cultivation, purchase and sales of Chinese medicine herbs	180	-	Zhou Lushan	0893552-0	57.50	60.00	Yes	334	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Indirect subsidiaries:</b>															
Heilongjiang Sengong Guangyao Raw Medicine Development Co., Ltd.	Subsidiary	Heilong	Pharmaceutical trading	300	Research, purchasing, sales of Chinese Raw medicine; Purchasing, processing of agricultural by-products and wild products	180	-	Zhou Lushan	07001547-8	60.00	60.00	Yes	118	-	-
Chongqing Guangyao Raw Medicine Development Co., Ltd.(Chongqing Guangyao)	Subsidiary	Chongqing	Pharmaceutical trading	300	Cultivation, purchasing, sales of Chinese raw medicine and agricultural by-products; Advisory and service of Chinese raw medicine cultivation technology	240	-	Wei Daxia	07567346-1	75.23	80.00	Yes	58	-	-



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (a) Subsidiaries acquired from establishment or investment (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital ('0000)	Scope of business ('0000)	Paid-in capital at end of period ('0000)	Other assets constitution investment in substance ('0000)	Legal Representative	Organisation code	% equity interest held by the Company	% voting rights held	Consolidated interests or not	Minority interests at end of period ('0000)	Amount of minority interests adjusted against minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
<b>Indirect subsidiaries:</b>															
Wang Leo J Great Health Yuan Co., Ltd.	Wholly-owned subsidiary	Yuan	Pharmaceutical manufacturing	5,000	In preparation	5,000	-	Wu Chenghai	0714320-9	100.00	100.00	Yes	-	-	-
Guangzhou Baiyunshan Guanghua Health Products Co., Ltd. (Guanghua Health) <sup>14</sup>	Subsidiary	Guangzhou	Pharmaceutical manufacturing	1000	Food manufacturing	150		Zhang Weixiang	0388893-9	63.36	75.00	Yes	(1)	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (1) Subsidiaries *(Continued)*

#### (a) Subsidiaries acquired from establishment or investment *(Continued)*

Note 1: The reason of difference between ratio of equity interest held and ratio of voting rights held of these nine companies is that the Company indirectly holds these eight companies through subsidiaries which are not wholly-owned by the Company, making the ratio of equity interest held lower than ratio of voting rights held.

Note 2: The Company and Guangzhou Xingzhou Pharmaceutical Co., Ltd. invested RMB86,480 thousand to establish Xingzhou in February 2014, investment amounted to RMB64,860 thousand and RMB21,620 thousand, ratio of equity interest held are 75% and 25%.

Note 3: The Company established Baiyunshan Medical Health in May 2014, registered capital amounted to RMB 10,000 thousand, which was 100% of the registered capital.

Note 4: Guanghua and Beijing Kangbaorui Biological Technology Co., Ltd. established Guanghua Health in April 2014. The registered capital was RMB 10,000 thousand, which was 75% and 25% of registered capital respectively.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (b) Subsidiaries acquired in a business combination involving enterprises under common control

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principle of activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance	Legal Representative	Code	Organisation held by the Company	% equity interest	Voting rights held	Consolidated or not	Minority interests at end of period ('0000)	Amount of minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
Tian Xin	Subsidiary	Guangzhou	Pharmaceutical manufacturing	4,589	Manufacture, sales of chemical medicine, CPM, crude drug and health products	3,769	-	Chen Kuman	190485108	82.49	82.49	82.49	Yes	3,529	-	-
Guang Hua	Subsidiary	Guangzhou	Pharmaceutical manufacturing	5,529	Manufacture of chemical medicine material, CPM and veterinary medicine, cosmetics	4,670	-	Wang Wenchu	190485116	84.48	84.48	84.48	Yes	2,132	-	-
Ming Xing	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	2,649	Manufacture of chemical medicine material, chemical preparation medicine, CPM and health products	2,649	-	Li Hong	19046202X	100.00	100.00	100.00	Yes	-	-	-
Bayunshan Weiling Pharmaceutical Co., Ltd. ("Weiling")	Wholly-owned subsidiary	Jiexi	Pharmaceutical manufacturing	1,179	Manufacture and sales of tablet, colostics and granule	1,179	-	Chen Mao	618223177	100.00	100.00	100.00	Yes	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (b) Subsidiaries acquired in a business combination involving enterprises under common control (Continued)

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principle of activities	Registered capital ('0000)	Scope of business	Paid-in capital at end of period ('0000)	Other assets in substance at end of period ('0000)	Legal Representative	Organisation Code	% equity interest held by the Company	% Voting rights held	or not consolidated	Minority interests at end of period ('0000)	Amount of minority interest in the profit or loss ('0000)	Ending balance after the Company's equity interest adjusted against the amount of the current period's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest ('0000)
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. ("BYS Pharmaceutical Technological")	Subsidiary	Guangzhou	Pharmaceutical trading	200	Wholesale of CPM, chemical medicine material and antibiotic	102	-	Wang Wenchu	721974948	51.00	51.00	Yes	2,330	-	-
Guangzhou Baiyunshan Pharmacy	Wholly-owned subsidiary	Guangzhou	Retailing	100	Retail of CPM, common Chinese and western medicine, tobacco and wine, sales of grocery	100	-	Wen Yanwen	19056006-7	100.00	100.00	Yes	-	-	-
Guangzhou Guangyao Baiyunshan Great Health Hotel Co., Ltd. ("Great Health Hotel")	Wholly-owned subsidiary	Guangzhou	Hotel	50	Retailing, hospitality industry, Chinese catarin	50	-	Cai Jingui	58760660-0	100.00	100.00	Yes	-	-	-
Guangzhou Baiyunshan (Hong Kong) Limited	Wholly-owned subsidiary	Hongkong	Pharmaceutical trading	HK\$500	Import and export trading of medicine	HK\$500	-	Xu Hantao	Not applicable	100.00	100.00	Yes	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (1) Subsidiaries (Continued)

#### (c) Subsidiaries acquired in a business combination involving enterprises not under common control

Name of subsidiary	Type of subsidiary	Registration place	Nature of business and principal activities	Registered capital (0000)	Scope of business (0000)	Paid-in capital at end of period (0000)	Other assets investment in substance (0000)	Legal Representative	Organisation code	% equity interest held by the company	% Voting rights held or not	Minority interests at end of period (0000)	Amount of minority interests adjusted against minority interest in the profit or loss (0000)	Ending balance after the Company's equity interest adjusted against the amount of the current year's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest (0000)
Ying Kang	Subsidiary	Nanning	Pharmaceutical	3,188	Wholesale of CPMA, chemical material, medicine and antibiotic.	1,626	-	Xu Keyi	1922516-6	51.00	51.00	1,336	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (2) Notes to the change of scope of consolidation

- (a) The reason for the increase of the 3 companies in consolidation scope comparing to the preceding periods are: (1) the Company and Guangzhou Xingzhou Pharmaceutical Co., Ltd. invested RMB86,480 thousand to establish Xingzhou in February 2014, the Company's ratio of equity interest held are 75%. (2) Guanghua Pharmaceutical, a subsidiary of the Company, and other shareholders established Guanghua Health in April 2014, The registered capital was RMB 10,000 thousand, which was 75% of registered capital. (3) The Company established Baiyunshan Medical Health in May 2014, registered capital amounted to RMB 10,000 thousand, which was 100% of the registered capital.
- (b) There is no decrease in the consolidation scope in current period.

### (3) New entities in the scope of consolidation and entities no-longer in the scope of consolidation

#### (a) New entities in the scope of consolidation

Name of Subsidiary	Net Assets as at 30 June 2014	Net Profits for the six months ended 30 June 2014
Xingzhou	87,050,795.01	570,795.01
Guanghua Health	1,459,860.52	(40,139.48)
Baiyunshan Medical Health	–	–

#### (b) There is no entity no-longer in the scope of consolidation.

### (4) Translation of overseas operating entity.

Guangyao Baiyunshan (Hong Kong) Limited, a subsidiary of the Company, is a foreign operating entity, the assets and liabilities items among the balance sheet of Guangyao Baiyunshan (Hong Kong) Limited shall be translated using the spot exchange rate at the balance sheet date. Other items other than the undistributed profits among shareholder's equity shall be translated using the spot exchange rate at the transaction date. The income and expenses among the income statement shall be translated using the average exchange rate during the reporting period. Differences on translation of foreign currency financial statement are individually listed in shareholder's equity. The cash flow items of foreign operation shall be translated using average exchange rate during the reporting period. The effect of exchange rate changes on cash is presented individually in the cash flow statement.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2014			31 December 2013		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash on hand-						
RMB			912,648.93			754,930.02
Hong Kong Dollars ("HKD")	4.38	0.7938	3.48	3,587.38	0.7862	2,820.40
			<b>912,652.41</b>			<b>757,750.42</b>
Bank deposits						
RMB			2,776,328,996.15			1,878,374,679.49
US Dollars ("USD")	1,366,518.43	6.1528	8,407,914.60	3,151,972.60	6.0969	19,217,261.74
HKD	2,993,302.52	0.7938	2,375,933.88	2,463,147.39	0.7862	1,936,576.41
Euro(EUR)	535,982.51	8.3946	4,499,358.78	535,955.54	8.4189	4,512,156.10
Yen(JPY)	2.00	0.0600	0.12	10,000,002.00	0.0578	577,710.12
Great Britain Pound(GBP)	0.11	10.455	1.15	0.11	10.091	1.11
			<b>2,791,612,204.68</b>			<b>1,904,618,384.97</b>
Other deposits-						
RMB			52,685,974.64			30,271,005.98
HKD	44,007.49	0.7938	34,930.95	44,007.49	0.7862	34,598.69
			<b>52,720,905.59</b>			<b>30,305,604.67</b>
			<b>2,845,245,762.68</b>			<b>1,935,681,740.06</b>

Details of restricted cash are listed as follows:

	30 June 2014	31 December 2013
Cash deposit of notes payable within 3 months	11,263,095.15	11,232,987.27
Cash deposit of notes payable over 3 months	17,829,761.07	16,053,239.48
Cash deposit of construction	-	100,543.50
Housing fund	579,323.27	575,670.22
Deposit of direct commerce enterprise	20,000,000.00	-
	<b>49,672,179.49</b>	<b>27,962,440.47</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (2) Financial assets held for trading

	<b>30 June 2014</b>	31 December 2013
Listed shares	<b><u>3,408,360.50</u></b>	<u>3,362,667.20</u>
Including: market value of listed investment	<b><u>3,408,360.50</u></b>	<u>3,362,667.20</u>

The fair value of listed shares is determined at the closing price quoted in the Shanghai Stock Exchange on the last trading day of the reporting period.

### (3) Notes receivable

#### (a) Classification of notes receivable

	<b>30 June 2014</b>	31 December 2013
Bank acceptance notes	<b>1,515,429,323.06</b>	1,315,644,828.33
Commercial acceptance notes	<b><u>3,509,590.82</u></b>	<u>10,708,927.57</u>
	<b><u>1,518,938,913.88</u></b>	<u>1,326,353,755.90</u>

(b) As at 30 June 2014, there are no notes receivable that are being pledged of the Group.  
(As at 31 December 2013: RMB11,000 thousand)



# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (3) Notes receivable *(Continued)*

(c) Notes receivable that are reclassified to accounts receivable due to inability of the companies of issuance and that are not matured but have been endorsed are summarised as follows:

(i) As at 30 June 2014, there are no notes receivable that are reclassified to accounts receivable due to inability of the companies of issuance. (As at 31 December 2013: RMB4,585 thousand)

(ii) As at 30 June 2014, the bank acceptance notes receivable that are not matured but have been endorsed amounted to RMB985,050 thousand (As at 31 December 2013: RMB1,053,687 thousand), the top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2014.04.29	2014.10.29	10,000,000.00
Entity 2	2014.02.18	2014.08.18	7,500,000.00
Entity 3	2014.01.21	2014.07.21	5,812,000.00
Entity 4	2014.03.13	2014.09.13	5,000,000.00
Entity 5	2014.03.13	2014.09.13	5,000,000.00

(iii) As at 30 June 2014, the commercial acceptance notes that are not matured but have been endorsed amounted to RMB2,873 thousand (As at 31 December 2013: RMB7,698 thousand). the top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2014.06.20	2014.12.20	1,836,311.62
Entity 2	2014.05.30	2014.08.23	1,023,657.15
Entity 3	2014.06.25	2014.07.25	13,328.50

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (3) Notes receivable (Continued)

#### (d) Notes receivable that are not matured but have been discounted:

- (i) As at 30 June 2014, the bank acceptance notes that are not matured but have been discounted amounted to RMB 70,922 thousand (As at 31 December 2013: RMB 114,178 thousand), and the top five of which are summarised as follows:

Issue Company	Date of issuance	Due date	Amount
Entity 1	2014.02.27	2014.08.25	7,069,682.31
Entity 2	2014.01.10	2014.07.10	4,230,176.37
Entity 3	2014.01.22	2014.07.22	3,491,486.12
Entity 4	2014.06.05	2014.12.05	3,011,312.00
Entity 5	2013.01.13	2014.07.10	3,000,000.00

- (ii) As at 30 June 2014 and 31 December 2013, there are no commercial acceptance notes that are not matured but have been discounted.

#### (e) The balance of notes receivable dated 30 June 2014 will expiry before 31 December 2014.

### (4) Dividends receivable

Item	31 December 2013	Current increase	Current decrease	30 June 2014
Dividends receivable within 1 year aging	-	60,492,160.13	60,492,160.13	-
Including: HWBYS	-	20,000,000.00	20,000,000.00	-
Nuocheng Biological	-	40,492,160.13	40,492,160.13	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable

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

(a) Accounts receivable by aging are analysed as follows:

	<b>30 June 2014</b>	31 December 2013
Within 1 year	<b>1,136,542,756.42</b>	961,563,413.82
1 to 2 years	<b>20,989,990.80</b>	21,462,412.04
2 to 3 years	<b>4,092,683.77</b>	5,779,861.24
3 to 4 years	<b>4,767,298.80</b>	871,321.18
4 to 5 years	<b>4,033,335.13</b>	4,836,377.21
Over 5 years	<b>9,663,249.39</b>	8,577,552.93
	<b><u>1,180,089,314.31</u></b>	<b><u>1,003,090,938.42</u></b>

(b) Accounts receivable by categories are analysed as follows:

	30 June 2014			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	5,864,187.50	0.50%	5,391,750.00	91.94%
Subject to provision by groups:				
Group 1	1,168,372,203.30	99.00%	21,482,517.22	1.84%
Individually insignificant but subject to separate provision	5,852,923.51	0.50%	5,852,923.51	100.00%
	<b><u>1,180,089,314.31</u></b>	100.00%	<b><u>32,727,190.73</u></b>	2.77%

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

(b) Accounts receivable by categories are analysed as follows: (Continued)

	31 December 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	5,874,187.50	0.59%	5,391,750.00	91.79%
Subject to provision by groups:				
Group 1	991,218,442.23	98.81%	18,516,130.62	1.87%
Individually insignificant but subject to separate provision	5,998,308.69	0.60%	5,998,308.69	100.00%
	<u>1,003,090,938.42</u>	100.00%	<u>29,906,189.31</u>	2.98%

Classification of accounts receivable: refer to Note 2(10).

(c) As at 31 December 2013, accounts receivable that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Customer 1	3,364,187.50	2,891,750.00	85.96%	It is expected the amount could not be recovered in full due to significant delinquency in repayment by this customer.
Customer 2	1,500,000.00	1,500,000.00	100.00%	In the execution procedure, there is a possibility that the amount could not be recoverable.
Customer 3	1,000,000.00	1,000,000.00	100.00%	The execution procedure has been accepted, there is a possibility that the amount could not be recoverable.
	<u>5,864,187.50</u>	<u>5,391,750.00</u>	91.94%	

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

- (d) The groups of accounts receivable in which provisions are made using aging analysis method are analysed as follows:

	30 June 2014			31 December 2013		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	1,136,535,289.82	97.28%	11,365,358.02	960,108,483.73	96.85%	9,601,084.85
1 to 2 years	19,589,990.80	1.68%	1,958,999.06	21,462,412.04	2.17%	2,146,241.19
2 to 3 years	4,015,614.44	0.34%	1,204,684.35	3,393,212.69	0.34%	1,017,963.81
3 to 4 years	2,306,344.46	0.20%	1,153,172.24	458,736.15	0.05%	229,368.09
4 to 5 years	623,301.12	0.05%	498,640.89	1,370,624.76	0.14%	1,096,499.82
Over 5 years	5,301,662.66	0.45%	5,301,662.66	4,424,972.86	0.45%	4,424,972.86
	<b>1,168,372,203.30</b>	<b>100.00%</b>	<b>21,482,517.22</b>	<b>991,218,442.23</b>	<b>100.00%</b>	<b>18,516,130.62</b>

- (e) As at 30 June 2014, accounts receivable that are individually insignificant but subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Customer 1	508,889.00	508,889.00	100.00%	Although the company has won the lawsuit, there is a possibility that the amount could not be recoverable.
Customer 2	477,000.16	477,000.16	100.00%	It is expected that the amount could not be recovered.
Customer 3	470,000.00	470,000.00	100.00%	It is expected that the amount could not be recovered.
Customer 4	467,462.40	467,462.40	100.00%	It is expected that the amount could not be recovered.
Customer 5	400,000.00	400,000.00	100.00%	The notes is not recoverable as a result of switch of accounts receivable.
Others	3,529,571.95	3,529,571.95	100.00%	It is expected that the amount could not be recovered.
	<b>5,852,923.51</b>	<b>5,852,923.51</b>	<b>100.00%</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

- (f) As at 30 June 2014 and 31 December 2013, there is no material accounts receivable which have past due but not impaired.
- (g) There are no other receivables that are subject to full provision or in large proportionate but have been reversed or collected in the current period.
- (h) There are no accounts receivable that have been collected by restructuring or other manners during the current period.
- (i) There are no accounts receivable that are written off during the current period.
- (j) As at 30 June 2014, accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is account receivable of RMB 23 thousand from GPHL.(As at 31 December 2013: account receivable of RMB 11 thousand from GPHL)
- (k) As at 30 June 2014, the top five of accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Aging	% of total balance
Customer 1	Third Party	134,674,350.42	Within 1 year	11.42%
Customer 2	Third Party	63,529,245.68	Within 1 year	5.38%
Customer 3	Third Party	41,220,427.43	Within 1 year	3.49%
Customer 4	Related Party	26,827,825.64	Within 1 year	2.27%
Customer 5	Third Party	19,998,193.60	Within 1 year	1.70%
		<u>286,250,042.77</u>		24.26%

- (l) As at 30 June 2014, accounts receivable from related parties accounted for 4.30% of total accounts receivable balance (As at 31 December 2013: 3.64%), refer to Note 6 for details.
- (m) There are no accounts receivable derecognised due to transfer of financial assets during the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (5) Accounts receivable (Continued)

(n) As at 30 June 2014, there are no securitizations that targeted at accounts receivable.

(o) Accounts receivable denominated in foreign currencies are summarised as follows:

	30 June 2014			31 December 2013		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	436,457.10	6.1528	2,685,433.24	2,258,215.76	6.0969	13,768,115.67
HKD	4,792,979.02	0.7938	3,804,427.10	7,003,374.71	0.7862	5,506,263.30
			<b>6,489,860.34</b>			<b>19,274,378.97</b>

### (6) Other receivables

	30 June 2014	31 December 2013
Petty cash	8,888,195.37	5,590,842.15
Deposits	20,900,566.54	29,838,619.79
Staff advances	35,065,761.80	28,921,124.81
Receivables due from external parties	91,859,528.21	80,899,440.84
Receivables due from related parties (Note 6(5))	32,678,274.20	22,753,002.38
Tax refund for exports	30,821,801.52	21,117,734.81
Taxes pending for customs registration	1,522,509.16	4,623,940.24
Others	5,354,900.03	5,265,491.20
	<b>227,091,536.83</b>	199,010,196.22
Less: provision for bad debts	<b>18,279,656.14</b>	17,864,477.96
	<b>208,811,880.69</b>	<b>181,145,718.26</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

(a) Other receivables by aging are analysed as follows:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	168,194,051.84	74.07%	133,476.03	144,239,141.72	72.48%	135,681.15
1 to 2 years	13,370,290.07	5.89%	309,226.95	7,931,234.15	3.99%	333,846.86
2 to 3 years	4,379,982.67	1.93%	800,332.13	5,348,410.41	2.69%	614,277.81
3 to 4 years	3,301,128.63	1.45%	2,234,518.08	5,023,200.99	2.52%	2,269,357.12
4 to 5 years	2,414,460.86	1.06%	422,820.60	1,878,996.56	0.94%	382,438.20
Over 5 years	35,431,622.76	15.60%	14,379,282.35	34,589,212.39	17.38%	14,128,876.82
	<b>227,091,536.83</b>	<b>100.00%</b>	<b>18,279,656.14</b>	<b>199,010,196.22</b>	<b>100.00%</b>	<b>17,864,477.96</b>

(b) Other receivables by categories are analysed as follows:

	30 June 2014			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	10,870,395.15	4.79%	10,870,395.15	100.00%
Subject to provision by groups:				
Group 1	19,801,011.49	8.72%	2,543,267.27	12.84%
Group 2	94,121,338.56	41.44%	-	0.00%
Group 3	32,678,274.20	14.39%	100,000.00	0.31%
Group 4	64,854,523.71	28.56%	-	0.00%
Individually insignificant but subject to separate provision	4,765,993.72	2.10%	4,765,993.72	100.00%
	<b>227,091,536.83</b>	<b>100.00%</b>	<b>18,279,656.14</b>	<b>8.05%</b>



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

(b) Other receivables by categories are analysed as follows: (Continued)

	31 December 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	10,870,395.15	5.46%	10,870,395.15	100.00%
Subject to provision by groups:				
Group 1	19,208,172.17	9.65%	2,211,869.09	11.52%
Group 2	77,145,826.05	38.76%	-	0.00%
Group 3	22,753,002.38	11.43%	100,000.00	0.44%
Group 4	64,350,586.75	32.35%	-	0.00%
Individually insignificant but subject to separate provision	4,682,213.72	2.35%	4,682,213.72	100.00%
	<u>199,010,196.22</u>	100.00%	<u>17,864,477.96</u>	8.98%

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (c) Other receivables that are individually significant and subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Other receivables 1	2,868,759.75	2,868,759.75	100.00%	As this company was ceased, it is expected that the amount could not be recovered
Other receivables 2	1,800,957.60	1,800,957.60	100.00%	As this company was ceased, it is expected that the amount could not be recovered
Other receivables 3	1,520,000.00	1,520,000.00	100.00%	As this company went bankrupt, it is expected that the amount would not be recoverable
Other receivables 4	1,025,878.50	1,025,878.50	100.00%	As this company went bankrupt, it is expected that the amount would not be recoverable
Other receivables 5	502,043.54	502,043.54	100.00%	As this company is on bankruptcy liquidation procedures, it is expected that the amount could not be recovered
Others	3,152,755.76	3,152,755.76	100.00%	It is expected that the amount could not be recovered
	<u>10,870,395.15</u>	<u>10,870,395.15</u>	100.00%	

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (d) The groups of other receivables in which provisions are made using aging analysis method are analysed as follows:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	13,347,405.36	67.41%	133,476.03	13,568,115.20	70.64%	135,681.15
1 to 2 years	3,092,269.48	15.62%	309,226.95	3,338,468.60	17.38%	333,846.86
2 to 3 years	1,541,823.91	7.79%	462,547.18	566,288.40	2.95%	169,886.52
3 to 4 years	281,978.87	1.42%	140,989.44	264,869.63	1.38%	132,434.82
4 to 5 years	202,531.00	1.02%	162,024.80	152,053.00	0.79%	121,642.40
Over 5 years	1,335,002.87	6.74%	1,335,002.87	1,318,377.34	6.86%	1,318,377.34
	<b>19,801,011.49</b>	<b>100.00%</b>	<b>2,543,267.27</b>	<b>19,208,172.17</b>	<b>100.00%</b>	<b>2,211,869.09</b>

- (e) Other receivables that are individually insignificant but subject to separate provision are analysed as follows:

	Ending balance	Provision for bad debts	Ratio	Reason
Other receivables 1	85,500.00	85,500.00	100.00%	It is expected that the amount could not be recovered
Other receivables 2	78,580.00	78,580.00	100.00%	It is expected that the amount could would not be recovered
Other receivables 3	71,739.00	71,739.00	100.00%	It is expected that the amount could not be recovered
Other receivables 4	65,846.20	65,846.20	100.00%	It is expected that the amount could not be recovered
Other receivables 5	60,080.00	60,080.00	100.00%	It is expected that the amount could not be recovered
Others	4,404,248.52	4,404,248.52	100.00%	It is expected that the amount could not be recovered
	<b>4,765,993.72</b>	<b>4,765,993.72</b>	<b>100.00%</b>	

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (f) There are other receivables that are subject to full provision or in large proportionate but have been reversed or collected in the current period.
- (g) There are no other receivables that have been collected by restructuring or other manners in the current period.
- (h) There are no other receivables that have been written off in the current period.
- (i) As at 30 June 2014, other receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is RMB2,438 thousand from GPLH. (As at 31 December 2013: RMB842 thousand).
- (j) As at 30 June 2014, the top five of the debt form the balance of other receivables is analysed as follows:

	Relationship with the company	Amount	Aging	% of total balance
Other receivables 1	Third party	30,821,801.52	Within 1 year	13.58%
Other receivables 2	Related party	20,651,845.91	Within 2 year, Over 5 year	9.09%
Other receivables 3	Third party	9,628,072.99	Within 1 year	4.24%
Other receivables 4	Related party	8,177,188.65	Within 1 year	3.60%
Other receivables 5	Third party	6,944,481.72	Within 1 year	3.06%
		<u>76,223,390.79</u>		<u>33.57%</u>

- (k) As at 30 June 2014, accounts receivable from related parties accounted for 14.39% of total other accounts receivable balance (as at 31 December 2013: 11.43%): refer to Note 6 for details.
- (l) There are no other receivables derecognised due to transfer of financial assets during the current period.
- (m) As at 30 June 2014, there are no securitizations that targeted at other receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables (Continued)

- (n) As at 30 June 2014, the other receivables denominated in foreign currencies are summarised as follows:

	30 June 2014			31 December 2013		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
HKD	35,240.56	0.7938	27,972.20	674,748.02	0.7862	530,507.14
USD	2,293.20	6.1528	14,109.59	-	Not applicable	-
			<b>42,081.79</b>			<b>530,507.14</b>

### (7) Advances to suppliers

- (a) The aging of advances to suppliers is analysed as follows:

	30 June 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	608,433,449.46	95.05%	564,108,967.87	91.89%
1 to 2 years	26,680,479.00	4.17%	45,971,995.32	7.49%
2 to 3 years	2,097,843.68	0.33%	899,375.16	0.15%
Over 3 years	2,880,399.31	0.45%	2,901,983.43	0.47%
	<b>640,092,171.45</b>	<b>100.00%</b>	<b>613,882,321.78</b>	<b>100.00%</b>

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (7) Advances to suppliers (Continued)

(b) The top five of advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	Aging	Reason of unsettlement
Supplier 1	Third party	94,569,427.79	Within 1 year	Normal purchases
Supplier 2	Third party	66,422,805.25	Within 1 year	Normal purchases
Supplier 3	Third party	28,620,001.00	Within 1 year	Normal purchases
Supplier 4	Third party	21,437,683.46	Within 1 year	Normal purchases
Supplier 5	Third party	18,092,914.11	Within 1 year	Normal purchases
		229,142,831.61		

(c) As at 30 June 2014 and 31 December 2013, there are no advances to shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(d) As at 30 June 2014, the advances to related parties accounted for 1.79% of the total balance of advances to suppliers (as at 31 December 2013: 1.42%): refer to Note 6 for details.

(e) The advances to suppliers denominated in foreign currencies are summarised as follows:

	30 June 2014			31 December 2013		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	116,167.50	6.1480	714,197.79	1,676,642.10	6.1346	10,286,671.47
HKD	7,942,800.92	0.7928	6,297,449.70	30,976,632.30	0.8077	25,019,855.88
			7,011,647.49			35,306,527.35

(f) As at 30 June 2014 and 31 December 2013, there is no significant advances to suppliers with aging over one year.

# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Inventories

#### (a) Classification of inventories:

	30 June 2014			31 December 2013		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Goods in transit	15,473,993.44	-	15,473,993.44	6,259,476.04	-	6,259,476.04
Raw materials	621,952,161.12	1,849,523.26	620,102,637.86	596,252,876.34	1,163,784.28	595,089,092.06
Work in progress	135,255,046.93	-	135,255,046.93	156,376,261.67	-	156,376,261.67
Semi-finished goods	206,601,807.14	981,315.46	205,620,491.68	190,609,695.88	981,315.46	189,628,380.42
Finished goods	694,261,334.30	12,713,747.57	681,547,586.73	683,304,886.83	12,214,273.40	671,090,613.43
Low-value consumables	5,624,770.32	-	5,624,770.32	3,951,500.73	-	3,951,500.73
Packaging materials	115,817,042.32	293,215.43	115,523,826.89	104,359,501.34	-	104,359,501.34
Goods In processing contract	11,178,813.02	-	11,178,813.02	15,464,794.08	-	15,464,794.08
Commodity Stocks	561,188,911.48	558,931.62	560,629,979.86	503,727,260.88	558,931.62	503,168,329.26
Others	771,514.86	-	771,514.86	441,799.02	-	441,799.02
	<b>2,368,125,394.93</b>	<b>16,396,733.34</b>	<b>2,351,728,661.59</b>	<b>2,260,748,052.81</b>	<b>14,918,304.76</b>	<b>2,245,829,748.05</b>

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Inventories (Continued)

#### (b) Provisions for declines in the value of inventories

Item	31 December 2013	Current period additions	Current period additions			30 June 2014
			Reversal	Write-off	Other reductions	
Raw materials	1,163,784.28	685,738.98	-	-	-	<b>1,849,523.26</b>
Work in progress	981,315.46	-	-	-	-	<b>981,315.46</b>
Finished goods	12,214,273.40	1,891,516.00	-	1,392,041.83	-	<b>12,713,747.57</b>
Low-value consumables	-	-	-	-	-	-
Packaging materials	-	293,215.43	-	-	-	<b>293,215.43</b>
Commodity stocks	558,931.62	-	-	-	-	<b>558,931.62</b>
	<b>14,918,304.76</b>	<b>2,870,470.41</b>	<b>-</b>	<b>1,392,041.83</b>	<b>-</b>	<b>16,396,733.34</b>

#### (c) Provisions for declines in the value of inventories are analysed as follows:

Item	Basis for provision	Reason for reversal	% of amount of reversal to the relevant. inventory balance
Raw materials	The difference when net realisable value is less than carrying amount of raw material	Increase in net realisable value	-
Finished goods	Carrying amount over net realisable value	Increase in market price	-
Commodity stocks	Carrying amount over net realisable value	Increase in market price	-



# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Other current assets

	<b>30 June 2014</b>	31 December 2013
Deductible Input VAT	<b>4,468,434.09</b>	19,142,497.23
Provisional Income Tax paid	–	205,083.92
Provisional UrbanLand UseTax	<b>1,260,945.90</b>	–
	<b>5,729,379.99</b>	19,347,581.15

The Group pays the enterprise income tax, VAT and other taxes in accordance with taxation laws, and presents them on the balance sheet based on their nature in accordance with the provisions of “Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements “. For balance of deductible VAT, it is required to be presented as “Other current assets” or “Other non-current assets” in the balance sheet based on its liquidity.

### (10) Available-for-sale financial assets

(a) Details are as follows:

	<b>30 June 2014</b>	31 December 2013
Available-for-sale shares	<b>16,897,919.96</b>	17,608,107.28

The available-for-sale financial assets comprise the A-share of China Everbright Bank Company Limited and A-share of Bank of Communications held by the Group, and the fair value of which is determined at the closing price quoted in the Shanghai Stock Exchange on the last trading day of the reporting period.

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (10) Available-for-sale financial assets *(Continued)*

- (b) As at 30 June 2014, amount of available-for-sale financial assets (amortized cost), fair value, accumulated movement of fair value charged as other comprehensive income and impairment are summarized as follows:

<b>Item</b>	<b>Available-for-sale equity instrument</b>
Cost of available-for-sale stock	11,249,958.40
Fair value	16,897,919.96
Accumulated movement of fair value charged as other comprehensive income	4,775,412.04
Accumulated movement of fair value charged as deferred tax liabilities	872,549.52
Impairment	–

# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Investment in jointly controlled entities and associates

Entity	Enterprise type	Registered address	Legal Representative	Principal activities	Registered capital (RMB'000)	Share holding	Voiting right	Total assets at end of period (RMB'000)	Total liabilities at end of period (RMB'000)	Net assets at end of period (RMB'000)	Sales for the period (RMB'000)	Net profit for the period (RMB'000)
<b>1. Jointly controlled entities</b>												
GF Corp.	Sino-foreign equity joint venture	Guangzhou	Li Bingrong	Trading of western pharmaceutical products and medical apparatus	70,000	50.00%	50.00%	1,040,374	818,379	221,995	1,316,808	11,231
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. ("Wang Lao Ji")	Sino-foreign equity joint venture	Guangzhou	Wang Jianyi	Production processing, sales of CPM beverage and candies	20,476	48.05%	48.05%	176,689	79,085	97,594	140,445	3,735
Guangzhou Promise Biological Products Co., Ltd. (Nuo Cheng) (Note 1)	Stock corporation	Guangzhou	Zhou Lijian	Production of Freeze-dried rabies vaccine for human use; import of goods, import & export of technology	8,400	49.24%	50.00%	34,689	13,942	20,748	17,187	4,703
HMBYS	Sino-foreign equity joint venture	Guangzhou	Du zhiqiang	Manufacture, construction engineering, research & development and sales of medicine, health product, food, Chinese medicinal herbs	20,000	50.00%	50.00%	155,289	85,632	69,658	97,703	10,482
Guangzhou Baxter Qiao Guang Pharmaceutical Co., Ltd. (Baxter Qiao Guang)	Sino-foreign equity joint venture	Guangzhou	Chen Mao	Manufacture of high-capacity injection and imports, wholesale of medicine.	17,750	50.00%	50.00%	18,295	14,401	3,894	9,883	(716)

## (11) Investment in jointly controlled entities and associates (Continued)

Entity	Enterprise type	Registered address	Legal Representative	Principal activities	Registered capital (RMB'0000)	Share holding	Voting right	Total assets at end of period (RMB'0000)	Total liabilities at end of period (RMB'0000)	Net assets at end of period (RMB'0000)	Sales for the period (RMB'0000)	Net profit for the period (RMB'0000)
<b>2. Associates</b>												
Hanzhou Zheda-Hen Fang Chinese Medical Info. Engineering Co., Ltd.	Limited Liability Company	Hangzhou	Qu Habin	Technology service and development	100	44.00%	44.00%	6	4	2	-	-
Golden Eagle Fund Management Co., Ltd	Limited Liability Company	Zhurui	Liu Dong	Fund management	25,000	20.00%	20.00%	20,657	6,328	14,328	9,819	475
Guangzhou Jinshe Medical Co., Ltd.	Limited Liability Company	Guangzhou	Gao Qi	Research and development: natural health product, Chinese medicine and food	200	38.25%	38.25%	6	3	3	-	-
Wei Yi Co., Ltd. (Note 2)	Limited Liability Company	Guangzhou	Qian Yong	Medical investment management	2,000	50.50%	41.00%	387	-	387	-	(14)

Note 1: The reason of difference between ratio of equity interest held and ratio of voting rights held of this company is that the Company holds the shares of this company indirectly through subsidiaries which are not wholly-owned by the Company, making the ratio of equity interest held lower than ratio of voting rights held

Note 2: The reason of difference between ratio of equity interest held and ratio of voting rights held of this company is that as at 8 November 2012, the Company and Guangdong Wen Ming Investment Management Co., Ltd. and Ka Shi Region Weiwuer Hospital jointly established Wei Yi Co., Ltd. Pursuant to the Articles of Association, the registered capital of this company is RMB20,000 thousand, the Company, Guangdong Wen Ming Investment Management Co., Ltd. and Ka Shi Region Weiwuer Hospital contributed RMB8,200 thousand, RMB7,800 thousand and RMB4,000 thousand respectively. The first phase contribution from the Company and Guangdong Wen Ming Investment Management Co., Ltd. is RMB2,020 thousand and RMB1,980 thousand respectively. As at 30 June 2014, the paid-in capital of Guangdong Wen Ming Investment Management Co., Ltd. is RMB4,000 thousand.

None of the jointly controlled entities and associates of the Group are listed companies.

# Notes to the Financial Statements

For the six months ended 30 June 2014

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# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (12) Long-term equity investments

(a) Details of long-term equity investments:

Entity	Investment cost	31 December 2013	Current period movement	30 June 2014	% Equity interest held	% Voting rights held	Impairment provision	Impairment provided in the current period	Cash dividend in current period
Equity method:									
GF Corp.	396,868,139.78	947,354,367.34	40,133,611.26	988,083,178.60	50.00%	50.00%	-	-	-
Wang Lao Ji	102,035,124.44	450,506,289.92	17,903,765.54	468,410,055.36	48.05%	48.05%	-	-	-
Nuo Cheng	42,000,000.00	121,162,661.82	(17,425,088.30)	103,737,572.52	49.24%	50.00%	-	-	40,942,160.13
HMBYS	100,000,000.00	297,472,505.41	31,461,945.12	328,934,450.53	50.00%	50.00%	-	-	20,000,000.00
Baxter Qiao Guang	37,000,000.00	23,051,837.53	(3,580,405.57)	19,471,431.96	50.00%	50.00%	-	-	-
Guangzhou Jintan Medical Co., Ltd.	765,000.00	-	-	-	38.25%	38.25%	-	-	-
Hangzhou Zhefa-Han Fang Chinese Medical Infor. Engineering Co., Ltd.	440,000.00	-	-	-	44.00%	44.00%	-	-	-
Golden Eagle Fund Management Co., Ltd	50,000,000.00	28,565,457.47	949,588.30	29,515,025.77	20.00%	20.00%	-	-	-
Wei Yi Co., Ltd.	2,020,000.00	2,020,000.00	(72,151.23)	1,947,248.77	50.50%	41.00%	-	-	-
Subtotal	730,849,264.22	1,870,733,119.39	68,375,844.12	1,940,108,963.51	-	-	-	-	60,942,160.13

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (12) Long-term equity investments (Continued)

#### (a) Details of long-term equity investments: (Continued)

Entity	Investment cost	31 December 2013	Current period movement	30 June 2014	% Equity interest held	% Voting rights held	Impairment provision	Impairment provided in the current period	Cash dividend in current period
Cost method:									
Shanghai Juhé Tang Chinese Medicine Co., Ltd. (Note 1)	515,000.00	547,193.71	-	547,193.71	9.53%	10.00%	-	-	-
Beijing Imperial Court Cultural Development Company Ltd.	200,000.00	200,000.00	-	200,000.00	10.00%	10.00%	-	-	-
Qi Xing Ma Zhong Pharmaceutical Co., Ltd (Note 2)	362,826.38	362,826.38	-	362,826.38	40.00%	40.00%	-	-	-
San You Development Co., Ltd of Indonesia (Note 2)	1,078,551.23	1,078,551.23	-	1,078,551.23	50.00%	50.00%	1,078,551.23	-	-
Sales Store of Peking Road of Guangzhou Medicine Co., Ltd (Note 2)	216,399.05	216,399.05	-	216,399.05	20.00%	20.00%	-	-	-
South China Innovative Pharmaceutical Co., Ltd of Guangdong	10,000,000.00	10,000,000.00	-	10,000,000.00	11.12%	11.12%	-	-	-
Shenzhen Zhong Lian Guang Shen Pharmaceutical Group Co., Ltd.	312,077.00	312,077.00	-	312,077.00	-	-	-	-	-
Guangzhou Zhong Ying Cambridge Technology Co., Ltd.	300,000.00	300,000.00	-	300,000.00	9.97%	9.97%	300,000.00	-	-
Donghai Pharmaceutical Factory	750,000.00	750,000.00	-	750,000.00	-	-	750,000.00	-	-
Wuhan Pharmaceutical Co., Ltd.	2,000,000.00	2,000,000.00	-	2,000,000.00	2.80%	2.80%	2,000,000.00	-	-
Securities of Enterprises Activities Center	50,000.00	50,000.00	-	50,000.00	-	-	50,000.00	-	-
Guangzhou Dong Ning Pharmaceutical Co., Ltd.	275,000.00	275,000.00	-	275,000.00	5.00%	5.00%	275,000.00	-	-
Guangzhou Nan Xin Pharmaceutical Co., Ltd.	7,677,676.51	7,677,676.51	-	7,677,676.51	13.00%	13.00%	-	-	-
Guangzhou Yi Fa Medical Instrument Co., Ltd.	100,000.00	100,000.00	-	100,000.00	10.00%	10.00%	100,000.00	-	-
Baxter Healthcare	82,338,600.00	82,338,600.00	-	82,338,600.00	12.50%	12.50%	-	-	-
Guangzhou Bank of Commerce	100,000.00	100,000.00	-	100,000.00	-	-	-	-	-
Subtotal	106,278,530.17	106,310,723.88	-	106,310,723.88	-	-	4,553,351.23	-	-
Subtotal	<b>837,127,794.39</b>	<b>1,977,043,843.27</b>	<b>68,375,844.12</b>	<b>2,046,419,687.39</b>	<b>-</b>	<b>-</b>	<b>4,553,351.23</b>	<b>-</b>	<b>60,942,160.13</b>

Note: 1) The reason of difference between ratio of equity interest held and ratio of voting rights held of this company is that the Company holds the shares of this company indirectly through subsidiaries which are not wholly-owned by the Company, making the ratio of equity interest held lower than ratio of voting rights held.

2) The Group has not participated in the operation of Mazhong Medicine of Qi Xing and Sales Store of Peking Road of Guangzhou Medicine Co., Ltd. no exercised significant influence on them, in which the investments were measured using the cost method.

(b) There are no limitation on fund transfer between the Group and its invested.

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For the six months ended 30 June 2014

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Investment properties

#### (a) Investment properties-cost method:

	31 December 2013	Current period addition	Current period disposal	30 June 2014
Cost	384,036,824.44	60,630.82	–	<b>384,097,455.26</b>
Buildings	365,691,923.75	60,630.82	–	<b>365,752,554.57</b>
Land use rights	18,344,900.69	–	–	<b>18,344,900.69</b>
Accumulated depreciation and amortisation	137,727,579.07	5,450,241.41	–	<b>143,177,820.48</b>
Buildings	130,116,617.42	5,263,898.52	–	<b>135,380,515.94</b>
Land use rights	7,610,961.65	186,342.89	–	<b>7,797,304.54</b>
Net book value	246,309,245.37			<b>240,919,634.78</b>
Buildings	235,575,306.33			<b>230,372,038.63</b>
Land use rights	10,733,939.04			<b>10,547,596.15</b>
Provision for impairment	–	–	–	–
Buildings	–	–	–	–
Land use rights	–	–	–	–
Carrying amount	246,309,245.37			<b>240,919,634.78</b>
Buildings	235,575,306.33			<b>230,372,038.63</b>
Land use rights	10,733,939.04			<b>10,547,596.15</b>

- (1) Depreciation charges for the six months ended 30 June 2014 amounted to RMB5,243 thousand. (for the six months ended 30 June 2013: RMB3,760 thousand); Amortisation charges for the six months ended 30 June 2014 amounted to RMB186 thousand (for the six months ended 30 June 2013: RMB 113 thousand).
- (2) As for the six months ended 30 June 2014, The decrease of original cost and accumulated depreciation of the investment properties arising from the fluctuations in exchange is RMB61 thousand and RMB21 thousand respectively. (As for the six months ended 30 June 2013: RMB115 thousand and RMB38 thousand respectively.)
- (3) The land use right among the investment properties is located in Mainland China, and the useful life is 10-50 years.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Fixed assets and accumulated depreciation

#### (a) Fixed assets

	31 December 2013	Current increase	Current decrease	30 June 2014
<b>Cost</b>	<b>3,646,819,534.48</b>	<b>144,592,497.99</b>	<b>42,536,345.61</b>	<b>3,748,875,686.86</b>
Buildings	1,840,811,233.82	5,351,822.06	5,363,699.12	1,840,799,356.76
Machinery and equipment	1,420,172,674.16	124,243,065.33	29,236,556.63	1,515,179,182.86
Motor vehicles	94,901,677.28	4,327,211.11	5,477,279.40	93,751,608.99
Electronic equipments	130,166,198.46	5,955,207.06	1,119,569.20	135,001,836.32
Office equipment	99,616,615.71	4,340,237.43	1,339,241.26	102,617,611.88
Decoration and fixtures	61,151,135.05	374,955.00	-	61,526,090.05
<b>Accumulated depreciation</b>	<b>1,894,495,741.68</b>	<b>85,300,035.14</b>	<b>40,986,460.07</b>	<b>1,938,809,316.75</b>
Buildings	685,319,874.87	28,206,455.58	5,037,481.70	708,488,848.75
Machinery and equipment	935,750,280.26	44,950,829.26	28,228,770.44	952,472,339.08
Motor vehicles	67,741,017.19	2,229,200.30	5,341,667.46	64,628,550.03
Electronic equipments	88,145,253.38	4,066,966.26	1,090,384.60	91,121,835.04
Office equipment	65,554,235.25	4,296,937.35	1,288,155.87	68,563,016.73
Decoration and fixtures	51,985,080.73	1,549,646.39	-	53,534,727.12
<b>Provision for impairment</b>	<b>20,441,846.95</b>	<b>-</b>	<b>-</b>	<b>20,441,846.95</b>
Buildings	9,818,341.35	-	-	9,818,341.35
Machinery and equipment	8,819,651.52	-	-	8,819,651.52
Motor vehicles	158,224.47	-	-	158,224.47
Electronic equipments	1,642,783.23	-	-	1,642,783.23
Office equipment	2,846.38	-	-	2,846.38
Decoration and fixtures	-	-	-	-
<b>Carrying amount</b>	<b>1,731,881,945.85</b>			<b>1,789,624,523.16</b>
Buildings	1,145,673,017.60			1,122,492,166.66
Machinery and equipment	475,602,742.38			553,887,192.26
Motor vehicles	27,002,435.62			28,964,834.49
Electronic equipments	40,378,161.85			42,237,218.05
Office equipment	34,059,534.08			34,051,748.77
Decoration and fixtures	9,166,054.32			7,991,362.93



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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (14) Fixed assets and accumulated depreciation *(Continued)*

#### (a) Fixed assets *(Continued)*

- (i) For the six months ended 30 June 2014, the fixed assets transferred from construction in progress amounted to RMB108,527 thousand (for six months ended 30 June 2013: RMB51,898 thousand).
- (ii) As for the six months ended 30 June 2014, the decrease of original cost and accumulated depreciation of fixed assets is due to fluctuations in exchange amount are RMB80 thousand and RMB29 thousand respectively. (As for the six months ended 30 June 2013: RMB152 thousand and RMB47 thousand respectively)
- (iii) Depreciation expenses for the six months ended 30 June 2014 amounted to RMB83,520 thousand in total (for the six months ended 30 June 2013: RMB81,056 thousand), of which RMB52,223 thousand, RMB1,363 thousand and RMB29,934 thousand were charged to cost of sales, selling and distribution expenses and general and administrative expenses, respectively (for the six months ended 30 June 2013: RMB50,305 thousand, RMB1,280 thousand and RMB29,471 thousand respectively).

- (b) As at 30 June 2014, the buildings and the machinery and equipment are temporarily idle, which are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	6,478,874.98	1,610,962.12	4,618,987.46	248,925.40
Machinery	15,029,241.63	7,270,254.23	7,758,987.40	-
Electrical equipment	147,897.48	69,184.00	78,713.48	-

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For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Fixed assets and accumulated depreciation (Continued)

- (c) As at 30 June 2014, fixed assets which were lack of ownership certificate are summarised as follows:

	Carrying amount	Reason	Estimated date of obtaining the ownership certificate
Buildings	38,944,675.53	Procedures are not complete, so the certificates are not handled.	Uncertain
Motor vehicles	125,812.50	Procedures are not complete, so the ownership cannot be transferred	Uncertain
	<u>39,070,488.03</u>		

- (d) Fixed assets held under operating leases are summarised as follows:

	30 June 2014 Carrying Amount	31 December 2013 Carrying Amount
Buildings	<u>7,978,813.44</u>	<u>8,200,580.22</u>

- (e) As at 30 June 2014, Guangyao Baiyunshan (Hong Kong) Limited, a subsidiary of the Company, acquired the comprehensive credit loan amounted to HKD300 thousand, letter of credit and the total amount of trust letter amounted to HKD100,000 thousand from Bank of China (Hong Kong) Co., Ltd., by the original value amounted to HKD8,893 thousand, the net value HKD6,580 thousand of the buildings of fixed assets and the original value amounted to HKD6,843 thousand, the net value amounted to HKD4,167 thousand of investment properties as a pledge, and the issued undue L/C amounted to USD264 thousand, HKD 10,311 thousand and JPY66,346 thousand.

### (15) Construction in progress

	30 June 2014			31 December 2013		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Construction in progress	<u>402,405,747.97</u>	<u>1,121,052.88</u>	<u>401,284,695.09</u>	<u>336,543,747.06</u>	<u>1,121,052.88</u>	<u>335,422,694.18</u>

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Construction in progress (Continued)

#### (a) Movement of construction in progress

	Budget	31 December 2013	Current period additions	Current period reductions		30 June 2014	Source of funds	% contribution in budget
				Transferred to Fixed assets	Other decrease			
Sewage Disposal Line of Zhongyi	1,076,307.00	304,757.56	-	304,757.56	-	-	Self-funding	68.48%
Yunpu New Equipment Project	8,500,000.00	1,882,681.16	138,233.11	1,619,330.89	27,918.80	374,684.56	Self-funding	114.27%
Pill Line	5,000,000.00	1,225,000.00	369,200.00	-	-	1,594,200.00	Self-funding	31.88%
Improvement Project for Sewage Disposal Line	1,500,000.00	-	65,000.00	65,000.00	-	-	Self-funding	75.75%
Road works dormitory surrounding	1,630,000.00	401,999.84	1,406,291.03	-	-	1,808,290.87	Self-funding	110.93%
Near-infrared line detection Terahertz-leaved Frillray Bulb Dose	5,500,000.00	5,425,374.24	629.80	5,426,004.04	-	-	Self-funding	98.65%
Office Building	8,713,000.00	6,617,741.18	3,271,200.85	-	-	9,889,942.03	Self-funding	113.50%
Research of Bio Vaccine & Industrialisation Platform	29,600,000.00	3,778,978.46	12,040,346.67	-	-	15,819,325.13	Self-funding	61.79%
Pill Preparation Line Technological Transformation Project	8,000,000.00	2,480,683.77	416,680.00	-	-	2,897,363.77	Self-funding	83.25%
GMP Site Improvement	6,920,000.00	2,759,174.94	722,308.81	217,727.35	-	3,263,756.40	Self-funding	104.68%
Machinery/office equipment, transportation	6,110,000.00	462,204.00	637,774.07	691,471.77	-	408,506.30	Self-funding	95.57%
General Factory Powder Inj. Equipment Project	68,700,000.00	26,114,188.45	4,323,554.50	-	-	30,437,742.95	Self-funding	104.15%
General Factory Oral Cephalosporins Improvement	7,850,000.00	1,220,912.42	-	-	-	1,220,912.42	Self-funding	100.00%
Chemical Factory Sterile APIs No.204 Workshop Technology Improvement	3,260,000.00	806,092.36	-	-	-	806,092.36	Self-funding, loan	24.73%
Chemical Factory Cephalosporins Sterile APIs Line Improvement	48,381,100.00	21,347,851.22	7,743,521.01	29,091,372.23	-	-	Self-funding, loan	60.13%
Chemical Factory Oral API GMP Improvement	11,695,100.00	4,482,235.79	539,660.77	-	-	5,011,896.56	Self-funding	42.85%
Tian Xin Powder Inj. Project	14,000,000.00	3,976,034.77	2,679,378.77	3,195,886.20	-	2,659,527.34	Self-funding	56.70%
Tian Xin Chemical Institute Project	25,500,000.00	19,318,385.23	2,982,521.90	18,316,364.34	-	3,984,542.79	Self-funding	111.68%
Tian Xin Wei D 2 Tartaric Acid Inj.	15,000,000.00	200,000.00	-	-	-	200,000.00	Self-funding	1.33%
Tian Xin Aseptic Water Inj Workshop	20,000,000.00	7,498,235.73	717,684.50	2,400,823.12	-	5,815,097.11	Self-funding	61.62%
Tian Xin Waste Water Recycling	1,200,000.00	329,845.00	-	-	-	329,845.00	Self-funding	27.49%
Tian Xin Powder Injector & Screw Arbor Line	19,800,000.00	1,757,128.42	-	556,108.03	-	1,201,020.39	Self-funding	8.87%
Tian Xin Cephalosporins Workshop Improvement	12,000,000.00	7,853,267.06	317,684.50	5,612,935.49	-	2,559,016.07	Self-funding	96.03%

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Construction in progress (Continued)

#### (a) Movement of construction in progress (Continued)

	Budget	31 December 2013	Current period reductions		30 June 2014	Source of funds	% contribution in budget
			Current period additions	Transferred to Fixed assets			
Tian Xin Water Inj. Workshop	15,900,000.00	10,282,744.70	3,160,123.72	9,522,618.37	3,930,050.05	Self-funding	119.39%
Ming Xing Equipment Improvement	67,430,000.00	3,615,973.02	6,950,633.51	4,356,807.44	6,209,799.09	Self-funding	69.44%
Ming Xing Cong Hua Xing Zhou Workshop	9,710,000.00	2,186,959.32	256,414.64	2,408,134.64	-	Self-funding	97.88%
Ming Xing Workshop Improvement	16,100,000.00	3,587,066.55	309,675.00	471,381.55	3,425,360.00	Self-funding	68.82%
Ming Xing Decoration	17,200,000.00	10,711,493.57	751,531.81	1,865,689.51	9,597,335.87	Self-funding	75.54%
Wangdao herbal tea museum decoration	5,500,000.00	2,849,550.73	97,738.50	-	2,947,289.23	Self-funding	53.59%
Wangdao Ye'an manufacturing project	298,000,000.00	1,022,423.00	83,003,665.11	-	84,095,088.11	Self-funding	35.65%
Zhonglutian Wulonggang AB0807088-t block	120,000,000.00	1,355,800.00	1,346,301.00	-	2,702,101.00	Self-funding	21.31%
Eye drops workshop improvement	4,230,000.00	64,000.00	30,000.00	-	30,000.00	Self-funding	2.22%
Adhesive plaster workshop improvement	1,680,000.00	60,000.00	328,382.25	-	388,382.25	Self-funding	93.40%
Tonghe cream improvement	6,920,000.00	1,069,404.71	79,463.16	-	1,148,867.87	Self-funding	16.60%
Liwan No.24 building GMP improvement (2013)	3,320,000.00	194,400.00	-	-	194,400.00	Self-funding	5.86%
Liwan No.21 building GMP improvement	5,421,000.00	125,200.00	-	-	125,200.00	Self-funding	2.31%
Penicillin GMP improvement	12,900,000.00	8,211,350.94	2,986,468.57	3,294,831.43	7,902,988.08	Self-funding	66.80%
GMP improvement	18,460,000.00	18,009,453.19	4,501,479.25	5,995,438.88	16,515,483.56	Self-funding, loan	121.94%
Purchasing import lamp inspection machine project	12,000,000.00	4,927,518.80	-	-	4,927,518.80	Self-funding	41.06%
Preparation workshop GMP improvement	2,500,000.00	1,150,000.00	545,000.00	-	1,695,000.00	Self-funding	67.80%
Ming Xing relocation improvement	340,000,000.00	79,407,091.41	897,924.53	-	80,305,015.94	Self-funding	23.62%
Lysophilized powder	30,000,000.00	16,257,514.07	1,273,626.36	-	17,531,140.43	Self-funding	58.44%
Weiling new factory	45,760,000.00	33,033,204.50	554,097.33	-	33,587,301.83	Self-funding	73.40%

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Construction in progress (Continued)

#### (a) Movement of construction in progress (Continued)

	Budget	31 December 2013	Current period additions	Current period reductions		30 June 2014	Source of funds	% contribution in budget
				Transferred to Fixed assets	Other decrease			
Danivan plastic sealing buckle, Automatic production line for wax dipping	2,200,000.00	-	993,000.00	-	-	993,000.00	Self-funding	45.14%
dry type granulator	1,500,000.00	-	892,620.00	-	-	892,620.00	Self-funding	59.51%
300L supercritical technology improvement	1,500,000.00	1,072,254.70	276,124.75	-	-	1,348,379.45	Self-funding	89.89%
Chinese medicine treatment before extraction of the modernization of production GMP the first stage project of technical transformation project	94,954,500.00	-	16,825,895.27	-	-	16,825,895.27	Self-funding	17.72%
Others	53,795,193.13	17,027,572.25	13,356,380.04	12,513,998.00	3,263,115.22	14,606,839.07	Self-funding	
		336,543,747.06	177,779,155.09	108,526,880.84	3,380,273.34	402,405,747.97		

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (15) Construction in progress (Continued)

(b) Borrowing costs eligible for capitalization in current period are summarized as follows:

Item	31 December 2013	Current increase	Transfer to dixed assets	Other reduction	30 June 2014
Chemical Factory Cephalosporins Sterile APIs Line Improvement	213,325.59	132,646.57	-	-	345,972.16
Powder-needle & water inj. GMP improvement	503,407.76	441,344.99	-	-	944,752.75
Total	716,733.35	573,991.56	-	-	1,290,724.91

(c) Impairment of construction in progress

Item	31 December 2013	Current increase	Current decrease	30 June 2014	Reason
General factory veterinary drugs workshop GMP improvement	869,318.50	-	-	869,318.50	Project stopped
Guanghua sewage expansion project	251,734.38	-	-	251,734.38	Project stopped
Total	1,121,052.88	-	-	1,121,052.88	

# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (15) Construction in progress *(Continued)*

(d) The construction progress of significant constructions in progress are analysed as follows:

	<b>Progress</b>
Wanglaoji Yaan manufacturing project	Construction phase
Chinese medicine treatment before extraction of the modernization of production GMP the first stage project of technical transformation project	Construction phase
General Factory Powder Inj. Equipment Project	Construction phase
Chemical Factory Cephalosporins Sterile APIs Line Improvement	Construction completed, pending for use
Tian Xin Chemical Institute Project	Pending for acceptance and settlement
Tian Xin Water Inj Workshop	Construction phase
Powder-needle & water inj. GMP improvement	Construction phase
Ming Xing Equipment Improvement	Construction phase
Ming Xing decoration	Construction phase
Ming Xing Relocation improvement	Preparation phase
Weiling new factory	Construction phase
Lyophilized powder	Construction phase
Research of Bio vaccine & industrialization platform	Construction phase

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (16) Intangible assets

#### (a) Details of intangible assets

	31 December 2013	Current increase	Current decrease	30 June 2014
Original cost	507,576,947.50	22,654,585.90	183,900.00	<b>530,047,633.40</b>
Land use rights	308,366,706.42	22,065,183.30	–	<b>330,431,889.72</b>
Industrial patents and technologies	15,520,091.28	–	–	<b>15,520,091.28</b>
Non-patent technologies	12,119,201.20	–	–	<b>12,119,201.20</b>
Trademarks	159,360,537.74	–	–	<b>159,360,537.74</b>
Others	12,210,410.86	589,402.60	183,900.00	<b>12,615,913.46</b>
Accumulated amortisation	137,202,636.59	5,690,698.79	–	<b>142,893,335.38</b>
Land use rights	81,704,514.56	3,517,243.87	–	<b>85,221,758.43</b>
Industrial patents and technologies	7,141,122.21	264,602.77	–	<b>7,405,724.98</b>
Non-patent technologies	8,347,222.00	615,295.12	–	<b>8,962,517.12</b>
Trademarks	32,678,667.92	9,538.60	–	<b>32,688,206.52</b>
Others	7,331,109.90	1,284,018.43	–	<b>8,615,128.33</b>
Impairment	1,517,616.28	–	–	<b>1,517,616.28</b>
Land use rights	480,700.24	–	–	<b>480,700.24</b>
Industrial patents and technologies	453,343.04	–	–	<b>453,343.04</b>
Non-patent technologies	–	–	–	<b>–</b>
Trademarks	583,573.00	–	–	<b>583,573.00</b>
Others	–	–	–	<b>–</b>
Carrying amount	368,856,694.63			<b>385,636,681.74</b>
Land use rights	226,181,491.62			<b>244,729,431.05</b>
Industrial patents and technologies	7,925,626.03			<b>7,661,023.26</b>
Non-patent technologies	3,771,979.20			<b>3,156,684.08</b>
Trademarks	126,098,296.82			<b>126,088,758.22</b>
Others	4,879,300.96			<b>4,000,785.13</b>

In current period, the amortisation of intangible assets amounted to RMB5,691 thousand (for the six months ended 30 June 2013: RMB1,445 thousand), which were recognized in profit or loss for the current period. The land use right of the intangible assets is located in Mainland China, and the useful life is 10-50 years.



# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (17) Development costs

	31 December 2013	Current increase	Current period transferred out		30 June 2014
			Recognized in profit or loss in current period	Recognized as intangible assets	
Capitalised expenditures	3,716,517.68	8,785,436.89	-	-	12,501,954.57
Expensed expenditures	-	138,651,813.07	138,651,813.07	-	-
	<u>3,716,517.68</u>	<u>147,437,249.96</u>	<u>138,651,813.07</u>	<u>-</u>	<u>12,501,954.57</u>

### (18) Long-term prepaid expenses

	31 December 2013	Current increase	Current period amortisation	Other decrease	30 June 2014
Building decoration and fixtures	3,019,915.66	1,237,084.51	1,109,486.46	-	3,147,513.71
Basketball field construction	157,067.51	-	72,492.69	-	84,574.82
ERP system fee	-	24,300.00	2,025.00	-	22,275.00
Installation of the product identification code for the packing production line	165,859.46	-	142,165.25	-	23,694.21
GMP improvement fee	409,474.17	119,005.61	52,847.99	-	475,631.79
Rain sewage diversion improvement	377,748.93	-	80,946.24	-	296,802.69
Zhongxin warehouse iron canopy improvement	335,154.15	-	61,877.73	-	273,276.42
GSP authentication network construction	336,762.95	-	224,508.72	-	112,254.23
Others	2,297,073.10	176,491.00	477,525.50	-	1,996,038.60
	<u>7,099,055.93</u>	<u>1,556,881.12</u>	<u>2,223,875.58</u>	<u>-</u>	<u>6,432,061.47</u>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred tax assets and deferred tax liabilities

#### (a) Recognised deferred tax assets

	30 June 2014	31 December 2013
Impairment provision of construction in progress	168,157.94	168,157.94
Impairment provision of long-term equity investment	587,551.22	587,551.22
Provision for declines in values of inventories	1,060,940.96	1,074,416.55
Provision for bad debts	7,023,694.33	6,983,793.01
Impairment provision of fixed assets	2,481,650.45	2,481,650.45
Difference arising from accounting and tax depreciations of fixed assets	1,967,385.60	1,967,385.60
Changes in fair value of financial assets held for trading	322,306.22	322,306.22
Employee benefits payable	27,980,637.58	28,506,513.64
Provisions	75,028.68	75,028.68
Other payables	107,255,168.51	200,575,405.13
Other non-current liabilities	12,261,335.96	12,261,335.96
Deductible tax losses	2,944,394.26	2,358,525.18
Provision for impairment of intangible assets	120,175.06	120,175.06
Difference arising from accounting and tax amortizations of intangible assets	316,758.07	316,758.07
Elimination of unrealized profits arising from the inter-company transaction	18,044,117.28	9,151,314.21
	<b>182,609,302.12</b>	<b>266,950,316.92</b>

#### (b) Recognised deferred tax liabilities

	30 June 2014	31 December 2013
Other receivables-rental income	799,455.95	799,455.95
Changes in fair value of available-for-sale financial assets	872,549.52	978,881.29
Depreciation balance of fixed assets revaluation	337,501.80	337,501.80
Amortisation balance of intangible assets revaluation	1,359,488.40	1,359,488.40
	<b>3,368,995.67</b>	<b>3,475,327.44</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred tax assets and deferred tax liabilities (Continued)

- (c) **Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:**

	<b>30 June 2014</b>	31 December 2013
Deductible temporary differences	<b>65,854,798.29</b>	65,854,798.29
Deductible tax losses	<b>81,447,512.29</b>	81,775,442.10
	<b><u>147,302,310.58</u></b>	<b><u>147,630,240.39</u></b>

- (d) **The tax losses that are not recognized as deferred tax assets will expire in the following years**

	<b>30 June 2014</b>	31 December 2013
2014	<b>14,063,079.62</b>	20,651,753.02
2015	<b>6,723,985.46</b>	6,723,985.46
2016	<b>10,573,746.33</b>	10,573,746.33
2017	<b>11,830,866.41</b>	12,361,462.33
2018	<b>28,157,899.61</b>	31,464,494.96
2019	<b>10,097,934.86</b>	–
	<b><u>81,447,512.29</u></b>	<b><u>81,775,442.10</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred tax assets and deferred tax liabilities (Continued)

(e) The temporary differences on which deferred tax assets are recognized are summarised as follows

	30 June 2014	31 December 2013
Impairment provision of construction in progress	<b>1,121,052.88</b>	1,121,052.88
Impairment provision of long-term equity investment	<b>3,610,204.88</b>	3,610,204.88
Provision for declines in values of inventories	<b>6,834,443.77</b>	6,924,281.04
Provision for bad debts	<b>34,828,664.15</b>	34,576,196.17
Impairment provision of fixed assets	<b>16,544,336.31</b>	16,544,336.31
Difference arising from accounting and tax depreciations of fixed assets	<b>13,115,904.02</b>	13,115,904.02
Changes in fair value of financial assets held for trading	<b>2,148,708.10</b>	2,148,708.10
Employee benefits payable	<b>157,002,275.12</b>	160,508,115.50
Other payables	<b>519,694,360.06</b>	890,213,675.30
Other non-current liabilities	<b>81,608,906.39</b>	81,608,906.39
Deductible tax losses	<b>19,629,295.01</b>	15,723,501.22
Elimination of unrealized profits arising from the inter-company transaction	<b>113,573,116.07</b>	58,447,970.75
Provision for impairment of intangible assets	<b>480,700.24</b>	480,700.24
Difference arising from accounting and tax amortizations of intangible assets	<b>2,111,720.43</b>	2,111,720.43
Provisions	<b>500,191.19</b>	500,191.19
	<b><u>972,803,878.62</u></b>	<b><u>1,287,635,464.42</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (19) Deferred tax assets and deferred tax liabilities (Continued)

(f) The temporary differences on which deferred tax liabilities were recognized are summarised as follows:

	30 June 2014	31 December 2013
Other receivables-rental income	5,329,706.31	5,329,706.31
Changes in fair value of available-for-sale financial assets	5,687,352.83	6,398,173.42
Depreciation balance of fixed assets revaluation	2,250,012.00	2,250,012.00
Amortisation balance of intangible assets revaluation	9,063,256.00	9,063,256.00
	<b>22,330,327.14</b>	<b>23,041,147.73</b>

### (20) Provision for asset impairment

	31 December		Current period reductions			30 June
	2013	Current Increase	Reversal	Write-off	Other decrease	2014
Provision for bad debts	47,770,667.27	3,236,179.60	-	-	-	51,006,846.87
Provision for declines in value of inventories	14,918,304.76	2,870,470.41	-	1,392,041.83	-	16,396,733.34
Impairment provision of long-term equity investments	4,553,551.23	-	-	-	-	4,553,551.23
Impairment provision of fixed assets	20,441,846.95	-	-	-	-	20,441,846.95
Impairment provision of construction in progress	1,121,052.88	-	-	-	-	1,121,052.88
Impairment provision of intangible assets	1,517,616.28	-	-	-	-	1,517,616.28
Impairment provision of goodwill	475,756.92	-	-	-	-	475,756.92
	<b>90,798,796.29</b>	<b>6,106,650.01</b>	<b>-</b>	<b>1,392,041.83</b>	<b>-</b>	<b>95,513,404.47</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (21) Short-term borrowings

	<b>30 June 2014</b>	31 December 2013
Credit borrowings	<b>413,336,504.21</b>	429,751,500.77
Pledge borrowings	-	9,900,000.00
Guaranteed borrowings	<b>80,000,000.00</b>	70,000,000.00
	<b><u>493,336,504.21</u></b>	<b><u>509,651,500.77</u></b>

- (a) As at 30 June 2014 and 31 December 2013, there are no overdue short-term borrowings.
- (b) As at 30 June 2014 and 31 December 2013, there are no borrowings under mortgaged
- (c) As at 30 June 2014, there are no pledged bank borrowings. (As at 31 December 2013: the pledged bank borrowings amounted to RMB9,900 thousand, which of accounts receivables amounted to RMB11,000 thousand)
- (d) As at 30 June 2014, the weighted average interest rate of short-term borrowings is 6.0476% per annum (As at 31 December 2013: 6.0456% per annum).
- (e) As at 30 June 2014, the short-term borrowings including balance of foreign currency are summarized as follows:

	<u>30 June 2014</u>			<u>31 December 2013</u>		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
USD	-	Not applicable	-	1,290,000.00	6.1325	<u>7,910,925.00</u>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (22) Notes payable

	<b>30 June 2014</b>	31 December 2013
Bank acceptance notes	<b>105,463,548.66</b>	93,173,655.25
Commercial acceptance notes	<b>27,213,384.90</b>	37,600,000.00
	<b><u>132,676,933.56</u></b>	<b><u>130,773,655.25</u></b>

As at 30 June 2014, notes payable amounting to RMB132,677 thousand were expected to be due within 1 year (As at 31 December 2013: RMB130,774 thousand).

### (23) Accounts payable

#### (a) Details of accounts payable:

	<b>30 June 2014</b>		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<b>2,395,363,296.17</b>	<b>98.47%</b>	1,440,862,487.84	97.99%
Over 1 year	<b>37,288,006.16</b>	<b>1.53%</b>	29,498,049.77	2.01%
	<b><u>2,432,651,302.33</u></b>	<b><u>100.00%</u></b>	<b><u>1,470,360,537.61</u></b>	<b><u>100.00%</u></b>

(b) As at 30 June 2014 and 31 December 2013, there are no accounts payable to shareholders who hold more than 5% (including 5%) of the voting rights of the Company.

(c) As at 30 June 2014, the amount of accounts payable to related parties accounted for 1.40% of the total balance (As at 31 December 2013: 0.89%): refer to Note 6 for details.

(d) As at 30 June 2014 and 31 December 2013, there are no accounts payable that are individually significant whose aging are over 1 year.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (23) Accounts payable (Continued)

(e) Accounts payable denominated in foreign currencies are summarised as follows:

	30 June 2014			31 December 2013		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	325,521.70	6.1528	2,002,869.91	873,224.05	6.0969	5,323,959.71
HKD	-	Not applicable	-	10,826.68	0.7862	8,512.25
			<u>2,002,869.91</u>			<u>5,332,471.96</u>

### (24) Advances from customers

#### (a) Details of advances from customers

	30 June 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	591,915,330.85	96.51%	852,478,967.90	97.36%
Over 1 year	21,387,122.98	3.49%	23,100,579.42	2.64%
	<u>613,302,453.83</u>	<u>100.00%</u>	<u>875,579,547.32</u>	<u>100.00%</u>

(b) As at 30 June 2014 and 31 December 2013, there are no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company

(c) As at 30 June 2014, advances from related parties accounted for 11.07% of the total balance (As at 31 December 2013: 2.23%): refer to Note 6 for details.

(d) As at 30 June 2014 and 31 December 2013, there are no advances from customers that are individually significant whose aging are over 1 year.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (24) Advances from customers (Continued)

(e) Advances from customers denominated in foreign currencies are summarised as follows:

	30 June 2014			31 December 2013		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	170,258.40	6.1903	1,053,945.28	170,548.62	6.1705	1,052,365.24
HKD	9,143.74	0.0841	769.07	21,019.20	0.7923	16,653.51
			<b>1,054,714.35</b>			<b>1,069,018.75</b>

### (25) Employee benefits payable

	31 December 2013	Current increase	Current decrease	30 June 2014
Wages and salaries, bonuses, allowances and subsidies	308,123,235.52	1,106,047,508.90	1,132,070,800.66	<b>282,099,943.76</b>
Staff welfare	520,042.05	51,720,908.47	42,925,174.03	<b>9,315,776.49</b>
Social insurances	196,177.66	134,358,195.54	133,500,456.07	<b>1,053,917.13</b>
Including: Medical insurance	(4,834.90)	33,044,427.69	33,087,107.69	<b>(47,514.90)</b>
Basic pension insurance	4,834.45	71,447,462.72	71,350,621.24	<b>101,675.93</b>
Annuity	199,275.81	21,174,320.07	20,426,087.07	<b>947,508.81</b>
Unemployment insurance	2,947.41	3,625,377.57	3,624,229.26	<b>4,095.72</b>
Work injury insurance	292.41	2,597,947.03	2,592,801.12	<b>5,438.32</b>
Maternity insurance	(7,381.88)	2,233,664.21	2,183,569.08	<b>42,713.25</b>
Other insurances	1,044.36	234,996.25	236,040.61	<b>-</b>
Housing funds	6,753.70	53,988,542.66	53,490,700.93	<b>504,595.43</b>
Labor union funds and employee education funds	4,941,264.95	15,297,133.28	15,679,157.44	<b>4,559,240.79</b>
Compensation for lay-off	-	829,425.10	829,425.10	<b>-</b>
Housing allowance	18,878,462.80	9,144,817.16	12,514,473.27	<b>15,508,806.69</b>
Staff and workers' bonus and welfare fund	431,904.94	-	31,904.94	<b>400,000.00</b>
Others	1,330,086.21	6,910,731.43	6,891,209.37	<b>1,349,608.27</b>
	<b>334,427,927.83</b>	<b>1,378,297,262.54</b>	<b>1,397,933,301.81</b>	<b>314,791,888.56</b>

As at 30 June 2014, employee benefits payable mainly include the wages, bonus and service fee of June 2014 which were accrued but have not been paid. No defaulted payables are included in the employee benefits and the balance is estimated to be used up in the year of 2014.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (26) Taxes payable

	<b>30 June 2014</b>	31 December 2013
VAT	<b>49,194,440.61</b>	127,220,262.33
Business tax	<b>1,330,419.62</b>	1,185,744.57
City maintenance and construction tax	<b>11,553,838.26</b>	10,083,347.34
Education surcharge	<b>4,981,415.35</b>	4,335,021.46
Local education surcharge	<b>3,263,864.51</b>	2,922,209.28
Enterprise income tax	<b>89,338,520.00</b>	240,323,868.00
Individual income tax	<b>1,852,829.85</b>	9,234,519.98
Real-estate tax	<b>5,625,028.34</b>	1,033,448.20
Urban land use tax	<b>2,528,737.14</b>	–
Urban area embankment maintenance fee	<b>4,119,813.00</b>	6,381,581.35
Stamp duty	<b>712,246.14</b>	651,616.40
Others	–	12,069.47
	<b><u>174,501,152.82</u></b>	<b><u>403,383,688.38</u></b>

### (27) Interest payable

<b>Item</b>	<b>30 June 2014</b>	31 December 2013
Interest payable of short-term borrowings	<b><u>280,000.00</u></b>	<b><u>675,414.98</u></b>

### (28) Dividends payable

<b>Investor</b>	<b>30 June 2014</b>	31 December 2013
Public shares	<b>297,140,156.49</b>	77,540,811.00
Baiyunshan Group	<b>45.01</b>	45.01
Minority shareholders	<b>39,890,376.91</b>	35,972,445.12
	<b><u>337,030,578.41</u></b>	<b><u>113,513,301.13</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other payables

(a) The aging of other payables is analysed as follows:

	<b>30 June 2014</b>	31 December 2013
Within 1 year	<b>1,548,985,963.29</b>	1,075,363,506.40
Over 1 year	<b>131,234,030.04</b>	136,349,000.64
	<b><u>1,680,219,993.33</u></b>	<b><u>1,211,712,507.04</u></b>

(b) Other payables are analysed by categories as follows:

	<b>30 June 2014</b>	31 December 2013
Deposits	<b>88,183,262.51</b>	84,113,878.93
Technology development expenses	<b>752,268.24</b>	1,032,360.91
Rental expenses	<b>1,970,350.00</b>	785,699.69
Payables to third parties	<b>95,459,061.08</b>	101,140,187.61
Amount due to employees	<b>6,895,074.20</b>	8,180,604.37
Payables to related parties (Note 6(5))	<b>41,840,451.28</b>	32,381,184.74
Accruals for purchase of fixed assets	<b>5,459,759.36</b>	7,530,558.54
Sales rebate	<b>161,290,370.31</b>	313,958,358.03
Accrued expenses	<b>1,254,035,362.19</b>	636,423,766.90
Others	<b>24,334,034.16</b>	26,165,907.32
	<b><u>1,680,219,993.33</u></b>	<b><u>1,211,712,507.04</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other payables (Continued)

(c) Details of accrued expenses:

	<b>30 June 2014</b>	31 December 2013
Rental expenses	<b>5,268,041.54</b>	4,788,163.36
Agent fees	<b>3,572,964.46</b>	5,239,164.72
Advertising and promotional expenses	<b>1,016,006,252.77</b>	434,784,769.45
Utilities	<b>7,183,945.02</b>	2,931,629.82
Transportation expenses	<b>157,214,422.45</b>	116,858,313.12
Conference expenses	<b>5,980,765.87</b>	7,009,258.62
Research and development expenses	<b>15,736,098.02</b>	7,708,976.20
Marketing expenses	<b>146,752.06</b>	6,396,288.30
Travelling expenses	<b>3,424,838.50</b>	3,495,518.50
Consulting expenses	<b>2,110,000.00</b>	10,730,986.80
Trademark expenses	<b>3,000,000.00</b>	3,000,000.00
Others	<b>34,391,281.50</b>	33,480,698.01
	<b><u>1,254,035,362.19</u></b>	<b><u>636,423,766.90</u></b>

- (d) As at 30 June 2014, other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company are other payables of RMB41,775 thousand to GPLH (As at 31 December 2013: RMB30,835 thousand to GPLH).
- (e) As at 30 June 2014, other payables to related parties accounted for 2.49% of the total balance (as at 31 December 2013: 2.67%): refer to Note 6 for details.
- (f) As at 30 June 2014 and 31 December 2013, significant other payables whose aging are over 1 year mainly include unsettled balance for purchase of fixed assets and intangible assets, and purchase deposit.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Other payables (Continued)

(g) As at 30 June 2014, all other payables are denominated in foreign currencies as follows:

	30 June 2014			31 December 2013		
	Foreign currency	exchange rate	RMB	Foreign currency	exchange rate	RMB
HKD	2,420,488.75	0.7938	1,921,262.95	2,626,071.75	0.7862	2,064,696.40
			<u>1,921,262.95</u>			<u>2,064,696.40</u>

### (30) Long-term borrowings

(a) Classification of long-term borrowings:

Category of borrowings	30 June 2014	31 December 2013
Credit borrowings	<u>8,627,418.40</u>	<u>8,627,419.10</u>

(b) Top five of the long-term borrowings:

Company	Beginning	Ending	Currency	Ratio (%)	30 June 2014	31 December 2013
Industrial Bank Co.,Ltd Guangzhou Branch	2013-7-15	2016-2-25	RMB	6.15	2,473,319.50	2,473,319.50
Industrial Bank Co.,Ltd Guangzhou Branch	2013-8-29	2016-2-25	RMB	6.15	1,733,516.00	1,733,516.70
Industrial Bank Co.,Ltd Guangzhou Branch	2013-6-27	2016-2-25	RMB	6.15	1,156,758.00	1,156,758.00
Industrial Bank Co.,Ltd Guangzhou Branch	2013-9-22	2016-2-25	RMB	6.15	1,204,062.00	1,204,062.00
Industrial Bank Co.,Ltd Guangzhou Branch	2013-10-14	2016-2-25	RMB	6.15	751,640.70	751,640.70

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For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (31) Long-term payables

	<b>30 June 2014</b>	31 December 2013
State fund	<b>18,864,953.57</b>	18,864,953.57
Department of Finance of Guangxi Zhuang Autonomous Region	<b>2,264,426.47</b>	2,264,426.47
State Pharmaceutical Administration	<b>305,000.00</b>	305,000.00
Others	<b>981,372.36</b>	781,372.36
	<b>22,415,752.40</b>	22,215,752.40

### (32) Special payables

	<b>30 June 2014</b>	31 December 2013
Compensation of relocation	<b>19,058,160.00</b>	19,058,160.00

### (33) Estimated liabilities

	<b>30 June 2014</b>	31 December 2013
Estimated loss of rejection on goods	<b>500,191.19</b>	500,191.19

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (34) Other non-current liabilities

Item	31 December 2013	Current increase of grants	Current revenue from non-operation	For cooperation	Other decrease	30 June 2014
Government grants related to assets:						
Including:						
Technology funds granted by government	42,240,533.54	19,586.13	2,181,546.43	-	-	40,078,573.24
Relocation compensation	2,895,723.13	-	182,822.22	-	-	2,712,900.91
Financial discount	1,952,686.11	40,200.00	76,133.46	-	-	1,916,752.65
Special fund of environmental protection	5,599,809.14	43,200.00	362,750.34	-	-	5,280,258.80
Innovating platform construction	4,222,595.60	-	165,605.53	-	-	4,056,990.07
Government land support funds	-	10,453,300.00	-	-	-	10,453,300.00
Others	3,436,300.96	8,000.00	323,875.15	-	-	3,120,425.81
Government grants related to income:						
Including:						
Technology funds granted by government	55,671,770.17	14,147,150.14	11,165,722.29	5,920,700.00	-	52,732,498.02
Special fund of technology exports	331,798.73	-	10,170.00	-	-	321,628.73
Medical industrial research project	2,323,426.14	-	-	-	-	2,323,426.14
Special fund of energy-saving improvement	733,950.00	-	6,300.00	-	-	727,650.00
Special fund of innovative firms	423,378.21	-	1,949.88	-	-	421,428.33
Subsidy of Service industrial	-	2,700,000.00	-	-	-	2,700,000.00
Others	2,806,016.10	1,583,300.00	124,783.90	-	(100,800.00)	4,163,732.20
Appropriation to Long-term services fund	293,538.18	-	-	-	2,807.59	296,345.77
<b>Total</b>	<b>122,931,526.01</b>	<b>28,994,736.27</b>	<b>14,601,659.20</b>	<b>5,920,700.00</b>	<b>97,992.41</b>	<b>131,305,910.67</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (35) Share capital

	31 December 2013			Current increase (+)/decrease(-)				30 June 2014	
	Amount	% of the total balance	Issued shares	Shares dividends	Transfer from reserves	Others	Subtotal	Amount	% of the total balance
Shares with restriction of trading-									
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	34,839,645.00	2.70	-	-	-	-	-	34,839,645.00	2.70
Other domestic shares	-	-	-	-	-	-	-	-	-
Including:									
Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Domestic natural person shares	-	-	-	-	-	-	-	-	-
Foreign shares	-	-	-	-	-	-	-	-	-
Including:									
Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Shares with restriction of trading-subtotal	34,839,645.00	2.70	-	-	-	-	-	34,839,645.00	2.70
Shares without restriction of trading:									
RMB ordinary shares	1,036,601,005.00	80.27	-	-	-	-	-	1,036,601,005.00	80.27
Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
Foreign shares listed out of the PRC	219,900,000.00	17.03	-	-	-	-	-	219,900,000.00	17.03
Others	-	-	-	-	-	-	-	-	-
Shares without restriction of trading-subtotal	1,256,501,005.00	97.30	-	-	-	-	-	1,256,501,005.00	97.30
Total share capital	1,291,340,650.00	100.00	-	-	-	-	-	1,291,340,650.00	100.00



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (35) Share capital (Continued)

	31 December 2012			Current increase (+)/decrease(-)			30 June 2013		
	Amount	% of the total balance	Issued shares	Amount	% of the total balance	Issued shares	Amount	% of the total balance	Issued shares
Shares with restriction of trading-									
State-owned shares	-	-	-	-	-	-	-	-	-
State-owned legal person shares	-	-	34,839,645.00	-	-	-	34,839,645.00	34,839,645.00	2.70
Other domestic shares	-	-	-	-	-	-	-	-	-
Including:									
Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Domestic natural person shares	-	-	-	-	-	-	-	-	-
Foreign shares	-	-	-	-	-	-	-	-	-
Including:									
Foreign legal person shares	-	-	-	-	-	-	-	-	-
Foreign natural person shares	-	-	-	-	-	-	-	-	-
Shares with restriction of trading-subtotal	-	-	34,839,645.00	-	-	-	34,839,645.00	34,839,645.00	2.70
Shares without restriction of trading:									
RMB ordinary shares	591,000,000.00	72.88	445,601,005.00	-	-	-	445,601,005.00	1,036,601,005.00	80.27
Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
Foreign shares listed out of the PRC	219,900,000.00	27.12	-	-	-	-	-	219,900,000.00	17.03
Others	-	-	-	-	-	-	-	-	-
Shares without restriction of trading-subtotal	810,900,000.00	100.00	445,601,005.00	-	-	-	445,601,005.00	1,256,501,005.00	97.30
Total share capital	810,900,000.00	100.00	480,440,650.00	-	-	-	480,440,650.00	1,291,340,650.00	100.00

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (36) Capital surplus

	31 December 2013	Current increase	Current decrease	30 June 2014
Share premium	1,709,943,033.90	–	–	<b>1,709,943,033.90</b>
Other capital surplus	783,845,044.79	–	2,966,471.21	<b>780,878,573.58</b>
Including: Transfer of capital surplus recognized under the previous accounting system	24,955,836.66	–	–	<b>24,955,836.66</b>
	<u>2,493,788,078.69</u>	<u>–</u>	<u>2,966,471.21</u>	<u><b>2,490,821,607.48</b></u>
	31 December 2012	Current increase	Current decrease	30 June 2013
Share premium	914,006,770.47	795,936,263.43	–	1,709,943,033.90
Other capital surplus	788,767,102.30	–	9,033,329.23	779,733,773.07
Including: Transfer of capital surplus recognized under the previous accounting system	24,955,836.66	–	–	24,955,836.66
	<u>1,702,773,872.77</u>	<u>795,936,263.43</u>	<u>9,033,329.23</u>	<u>2,489,676,806.97</u>

The fluctuation of the capital surplus in current period was due to:

- The decrease of capital surplus amounted to RMB604 thousand is due to the net changes in fair value of available-for-sale financial assets held by the Group, which include the decrease of RMB617 thousand due to the decline in the price of the A-share of China Everbright Bank Company Limited held by the Group and the increase of RMB13 thousand due to the increase in the price of the A-share of Bank of Communications held by the Group.
- As the capital surplus of GP Corp., a jointly controlled entity, decreased in the current period, the Group recognized the decrease in capital surplus amounted to RMB2,362 thousand based on its share of interest in GP Corp.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (37) Surplus reserve

	31 December 2013	Current increase	Current decrease	30 June 2014
Statutory surplus reserve	604,894,136.27	–	–	<b>604,894,136.27</b>
Free surplus reserve	118,925,617.49	–	–	<b>118,925,617.49</b>
	<u>723,819,753.76</u>	<u>–</u>	<u>–</u>	<u><b>723,819,753.76</b></u>
	31 December 2012	Current increase	Current decrease	30 June 2013
Statutory surplus reserve	668,805,957.33	–	118,995,283.05	549,810,674.28
Free surplus reserve	118,925,617.49	–	–	118,925,617.49
	<u>787,731,574.82</u>	<u>–</u>	<u>118,995,283.05</u>	<u>668,736,291.77</u>

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated upto 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the relevant authorities.

The appropriation of discretionary surplus reserve should be proposed by the Board of Directors and approved by the General Meeting of Shareholders. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities.

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (38) Undistributed profits

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Undistributed profits at the beginning of the year (before adjustments)	<b>2,330,514,583.35</b>	2,271,551,430.93
Adjustments of undistributed profits at the beginning of the year (Add: positive; Less: negative)	-	-
Undistributed profits at the beginning of the year (after adjustments)	<b>2,330,514,583.35</b>	2,271,551,430.93
Add: Net profit for the current period	<b>673,659,153.85</b>	587,229,435.88
Less: Appropriation for statutory surplus reserve	-	-
Less: distributed dividends	<b>297,008,349.50</b>	-
Less: Others	-	788,518,023.69
	<hr/>	<hr/>
Undistributed profits at the end of the period	<b><u>2,707,165,387.70</u></b>	<b><u>2,070,262,843.12</u></b>

- (a) As at 30 June 2014, surplus reserves of the Company's subsidiaries amounted to RMB 260,413 thousand is included in undistributed profits (As at 31 December 2013: RMB260,413 thousand).
- (b) Pursuant to the resolution of board of shareholders 2013 on 26 June 2014, the Group distributed cash dividends amounted to RMB297,008 thousand which was calculated by issued shares amounted to 1,291,340,650 to all shareholders, total distributed cash dividends was RMB0.23 per share.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (39) Minority interest

Investee	Investment relationship with the Company	30 June 2014	30 June 2013
Xing Qun	Direct subsidiary	19,185,557.16	16,239,345.58
Guangzhou Han Fan	Direct subsidiary	763,767.10	713,335.32
Jing Xiu Tang	Direct subsidiary	16,428,140.49	14,617,373.38
Pan Gao Shou	Direct subsidiary	26,011,674.51	26,213,855.89
Guangzhou Bai Di	Direct subsidiary	1,577,125.69	1,052,263.26
Xizang Lin Zhi Guangyao Development Co., Ltd.	Indirect subsidiary	416,700.52	533,354.39
Guangxi Ying Kang	Direct subsidiary	13,359,179.04	16,547,524.78
Qi Xing	Indirect subsidiary	39,290,271.55	38,910,795.17
Jing Xiu Tang 1790	Indirect subsidiary	1,801,978.67	1,461,208.72
Guangzhou Yi Gan	Direct subsidiary	1,526,853.50	707,422.38
Xingzhou	Direct subsidiary	21,762,698.75	–
Chongqing Guangyao	Indirect subsidiary	583,940.38	–
Tian Xin	Direct subsidiary	35,291,293.52	34,135,068.72
Guang Hua	Direct subsidiary	21,320,229.83	19,801,470.92
Baiyunshan Pharmaceutical Technology	Direct subsidiary	23,296,562.51	16,864,738.05
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	148,944.10	182,932.21
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	577,326.44	600,000.00
Jingyuxian Guangyao Dong E Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	3,335,961.36	1,200,000.00
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,372,606.47	1,144,361.81
Heilongjiang Sengong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,177,881.72	–
Guanghua Health	Indirect subsidiary	(10,034.87)	–
		<b>229,218,658.44</b>	<b>190,925,050.58</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (40) Revenue and cost of operation

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

  

	The six months ended 30 June 2013		
	Main operation	Other operation	Subtotal
Revenue	9,000,964,815.89	71,507,977.62	9,072,472,793.51
Cost of operation	5,804,608,755.85	18,634,647.06	5,823,243,402.91
Gross profit	3,196,356,060.04	52,873,330.56	3,249,229,390.60

(a) Revenue cost of main operation by natures are summarised by business as follows:

	Revenue of main operation		Cost of main operation	
	The six months ended 30 June 2014	The six months ended 30 June 2013	The six months ended 30 June 2014	The six months ended 30 June 2013
Manufacturing	7,597,438,766.14	7,257,864,649.76	4,260,005,826.69	4,188,599,323.65
Trading	2,345,481,409.78	1,743,100,166.13	2,174,986,504.70	1,616,009,432.20
	<b>9,942,920,175.92</b>	9,000,964,815.89	<b>6,434,992,331.39</b>	5,804,608,755.85

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (40) Revenue and cost of operation (Continued)

(b) Revenue and cost of main operation by regions are summarised as follows:

	Revenue of main operation		Cost of main operation	
	The six months ended 30 June 2014	The six months ended 30 June 2013	The six months ended 30 June 2014	The six months ended 30 June 2013
Southern China	5,414,276,460.84	4,875,582,915.54	3,693,544,732.16	3,298,573,200.55
Eastern China	1,855,441,948.62	1,753,278,899.24	1,053,301,818.38	1,025,207,513.26
Northern China	1,024,523,784.24	904,400,991.01	576,322,060.37	531,251,921.46
Northeastern China	147,349,104.67	178,866,961.77	86,978,620.41	110,359,990.28
Southwestern China	942,124,494.80	854,308,313.69	603,457,549.92	539,769,576.10
Northwestern China	296,405,045.93	310,354,321.69	164,239,827.74	181,213,968.25
Other countries	262,799,336.82	124,172,412.95	257,147,722.41	118,232,585.95
	<b>9,942,920,175.92</b>	<b>9,000,964,815.89</b>	<b>6,434,992,331.39</b>	<b>5,804,608,755.85</b>

(c) Top five of the revenue of the Group amounted to RMB800,167 thousand in total (For the six months ended 30 June 2013: RMB716,682 thousand), which accounts for 8.05% of the total revenue of the Group (For the six months ended 30 June 2013: 7.95%).

	Revenue of the main operation	Percentage of the total revenue of the main operation of the group
Customer 1	193,310,642.28	1.95%
Customer 2	192,781,372.98	1.94%
Customer 3	145,528,723.93	1.46%
Customer 4	143,890,598.53	1.45%
Customer 5	124,656,034.45	1.25%
	<b>800,167,372.17</b>	<b>8.05%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (40) Revenue and cost of operation (Continued)

#### (d) Revenue from other operation

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Leases of assets	<b>34,958,477.36</b>	42,457,932.84
Sales of materials	<b>1,874,799.41</b>	1,793,336.56
Trademark fee income	<b>13,307,967.10</b>	13,158,385.89
Consulting fee income	<b>611,263.39</b>	664,398.84
Medicine slotting fee income	<b>404,397.36</b>	300,052.80
Technology services income	<b>585,618.07</b>	492,265.26
Utilities expense collected on behalf	<b>5,652,490.99</b>	5,035,614.47
Management fee	<b>3,132,397.51</b>	1,474,372.59
Labour income	<b>1,226,307.12</b>	468,696.67
License fee	<b>11,533,000.00</b>	–
Others	<b>4,083,443.40</b>	5,662,921.70
	<b>77,370,161.71</b>	71,507,977.62

#### (e) Expenditure from other operation

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Depreciation of assets leased out	<b>9,185,273.85</b>	7,791,085.53
Cost of materials sold	<b>1,412,140.81</b>	1,714,365.91
Utilities expense collected on behalf	<b>4,973,117.94</b>	6,814,278.99
Labour fee	<b>1,040,196.36</b>	468,696.67
Management fee	<b>33,886.62</b>	33,886.62
Others	<b>1,972,910.99</b>	1,812,333.34
	<b>18,617,526.57</b>	18,634,647.06



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (41) Taxes and surcharges

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Business tax	<b>3,735,472.36</b>	4,876,383.51
City maintenance and construction tax	<b>48,130,804.94</b>	43,270,602.39
Education surcharge	<b>20,545,243.73</b>	18,611,475.78
Local education surcharge	<b>13,944,669.60</b>	12,403,498.70
Housing Real-estate tax	<b>3,175,690.01</b>	3,704,825.00
Others	<b>3,383.71</b>	1,380.46
	<b>89,535,264.35</b>	82,868,165.84

Basis of calculation: refer to Note 3.

### (42) Selling and distribution expenses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Employee benefit expenses	<b>757,138,502.93</b>	615,060,796.27
Sales service fees	<b>67,308,538.62</b>	38,309,232.70
Travelling expenses	<b>56,475,621.33</b>	47,064,221.74
Office expenses	<b>8,540,595.15</b>	8,765,168.91
Transportation expenses	<b>221,977,063.97</b>	221,163,468.70
Rental expenses	<b>12,439,234.67</b>	8,482,461.06
Conference expenses	<b>24,330,118.00</b>	29,778,865.34
Advertising and promotion fees	<b>1,001,764,329.34</b>	935,348,095.26
Consulting fees	<b>3,980,060.10</b>	15,415,530.95
Depreciation charges	<b>1,363,040.79</b>	1,280,096.50
Others	<b>4,300,499.75</b>	62,131,639.75
	<b>2,159,617,604.65</b>	1,982,799,577.18

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (43) General and administrative expenses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Employee benefit expenses	<b>282,931,625.95</b>	274,839,472.90
Insurance premium	<b>1,328,635.39</b>	1,294,158.59
Depreciation charges	<b>23,461,870.67</b>	24,728,146.36
Utilities	<b>3,666,269.80</b>	2,833,512.15
Administrative expenses	<b>12,805,172.07</b>	9,451,188.12
Travelling expenses	<b>6,354,121.88</b>	5,400,544.45
Transportation expenses	<b>6,956,948.20</b>	7,868,220.01
Repairing expenses	<b>8,233,830.74</b>	12,666,954.01
Rental expenses	<b>9,722,035.45</b>	8,390,371.01
Conference expenses	<b>2,731,516.47</b>	4,623,056.26
Research and development expenses	<b>138,651,813.07</b>	117,473,240.64
Taxation charges	<b>26,031,951.60</b>	26,604,838.79
Amortisation	<b>9,780,129.69</b>	5,356,059.69
Professional service fees	<b>4,154,740.45</b>	11,582,093.73
including: Audit fees	-	181,603.77
Consulting fees	<b>2,222,688.31</b>	1,608,772.74
Trademark License fees	<b>46,845,330.47</b>	45,361,244.68
Others	<b>30,267,419.53</b>	50,859,980.98
	<b>616,146,099.74</b>	610,941,855.11

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (44) Financial expenses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Interest expenses	<b>15,264,960.49</b>	20,983,907.00
Discount interest expenses of notes	<b>4,104,973.31</b>	2,896,886.56
Interest income	<b>(22,276,013.19)</b>	(5,777,822.79)
Exchange (gains)/losses	<b>(1,059,701.86)</b>	303,825.86
Bank charges	<b>837,117.07</b>	1,236,364.35
Cash discounts	<b>85,476.97</b>	(919,898.00)
	<b>(3,043,187.21)</b>	18,723,262.98

For the six months ended 30 June 2014 and the six months ended 30 June 2013, all interest expenses belong to borrowings which loan repayment dates are within 5 years.

### (45) Asset impairment losses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Provision for bad debts	<b>3,236,179.60</b>	2,524,667.93
Declines in values of inventories	<b>2,870,470.41</b>	3,189,463.91
	<b>6,106,650.01</b>	5,714,131.84

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (46) Profit arising from changes in fair value

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Gain or loss arising from changes in fair value of listed shares of Hafei Aviation Industry Co., Ltd held by the Group	<b>26,037.90</b>	208,116.00
Loss arising from changes in fair value of listed shares of Harbin Pharmaceutical Group Co., Ltd. held by the Group	<b>19,655.40</b>	(69,434.40)
	<b>45,693.30</b>	138,681.60

### (47) Investment income

#### (a) Details of investment incomes:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Investment income from financial assets:		
Income from financial assets held for trading	–	9,249.60
Income from available-for-sale financial assets	–	350,900.00
Gain or loss of entrusted loans	<b>(484,907.50)</b>	(487,850.79)
	<b>(484,907.50)</b>	(127,701.19)
Income from long-term equity investment:		
Income from long-term equity investments recognised by equity method	<b>142,114,609.80</b>	129,522,781.96
Income from long-term equity investments recognised by cost method	<b>18,245.04</b>	–
Investment income from disposal of long-term equity investment	–	3,049,556.76
	<b>142,132,854.84</b>	132,572,338.72
	<b>141,647,947.34</b>	132,444,637.53

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (47) Investment income (Continued)

- (b) Details of investment income from long-term equity investments under equity method which are more than 5% of total profit are as follows:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
GP Corp.	<b>52,873,807.34</b>	45,162,187.95
Wang Lao Ji	<b>16,164,530.61</b>	35,585,057.44
HWBYS	<b>52,262,789.52</b>	49,391,133.60
	<b>121,301,127.47</b>	130,138,378.99

### (48) Non-operating income

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Gain on disposal of non-current assets	<b>99,184.42</b>	14,712.35
Including: gain on disposal of fixed assets	<b>99,184.42</b>	14,712.35
Government grants	<b>15,025,678.43</b>	10,873,889.82
Penalty income	<b>81,330.12</b>	384,519.20
Sales of scraps	<b>1,708,246.65</b>	1,465,605.59
Waived liabilities	<b>29,428.02</b>	55,522.34
Compensation for relocation	<b>1,084,577.76</b>	1,107,886.62
Others	<b>3,082,741.17</b>	2,154,045.55
	<b>21,111,186.57</b>	16,056,181.47

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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 [English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (48) Non-operating income (Continued)

Details of government grants:

Item	The six months ended 30 June 2014	The six months ended 30 June 2013
Government grants related to assets: Including:		
Technology funds granted from government	<b>2,181,546.43</b>	2,417,673.29
Compensation for relocation	<b>182,822.22</b>	182,822.22
Financial discount	<b>76,133.46</b>	35,933.46
Specific funds of environmental protection	<b>362,750.34</b>	174,074.16
Innovating platform construction	<b>165,605.53</b>	167,278.55
Others	<b>323,875.15</b>	118,714.32
	<b>3,292,733.13</b>	3,096,496.00
Government grants related to income: Including:		
Technology funds granted from government	<b>11,165,722.29</b>	7,000,801.70
Reward of enterprise development	-	399,438.00
Others	<b>567,223.01</b>	377,154.12
	<b>11,732,945.30</b>	7,777,393.82
Total	<b>15,025,678.43</b>	10,873,889.82

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (49) Non-operating expenses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Loss on disposal of non-current assets	<b>796,820.20</b>	1,106,880.02
Including: Loss on disposal of fixed assets	<b>796,820.20</b>	1,106,880.02
Public welfare donations	<b>2,909,124.65</b>	4,643,139.87
Penalty and overdue fines	<b>39,592.07</b>	779,582.19
Reward of family planning	<b>320,592.00</b>	71,000.00
Others	<b>1,085,134.53</b>	161,570.24
	<b>5,151,263.45</b>	6,762,172.32

### (50) Income tax expenses

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Current income tax	<b>168,101,360.05</b>	319,826,695.12
Deferred income tax	<b>(9,782,565.31)</b>	(236,169,404.84)
	<b>158,318,794.74</b>	83,657,290.28

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (50) Income tax expenses (Continued)

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:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Total profit	<b>855,971,611.89</b>	690,059,725.93
Income tax expenses calculated at statutory tax rates	<b>213,992,902.97</b>	172,514,931.48
Tax effect of different rates applicable to subsidiaries	<b>(24,041,541.07)</b>	(39,237,125.08)
Adjust effect for income tax of previous period	<b>25,358.88</b>	–
Gain of loss belong to cooperative enterprise & joint venture	<b>(32,488,234.36)</b>	(56,797,472.54)
Non-taxable revenue	<b>(907,393.56)</b>	–
Expenses not deductible for tax purposes	<b>606,625.29</b>	8,801,238.11
Tax effect of deductibal temporary differences & deductible loss which are not recognised	<b>1,131,076.58</b>	(1,624,281.69)
Income tax expenses	<b>158,318,794.74</b>	83,657,290.28



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (51) Earnings per share

#### (a) Basic earnings per share

##### (i) Weighted average basic earnings per share

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

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	<b>673,659,153.85</b>	587,229,435.88
Weighted average number of ordinary shares outstanding:	<b>1,291,340,650</b>	1,261,239,823.00
Weighted average basic earnings per share of weighted average:	<b>0.522</b>	0.466

##### (ii) Overall diluted basic earnings per share

Overall diluted basic earnings per share is calculated by dividing consolidated net profit for the current year attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	<b>673,659,153.85</b>	587,229,435.88
Weighted average number of ordinary shares outstanding:	<b>1,291,340,650.00</b>	1,291,340,650.00
Weighted average basic earnings per share of weighted average:	<b>0.522</b>	0.455

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (51) Earnings per share (Continued)

#### (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. For the six months ended 30 June 2014, there were no potential ordinary shares (for the six months ended 30 June 2013: nil), diluted earnings per share is equal to basic earnings per share.

### (52) Other comprehensive income

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period:		
Losses arising from available-for-sale financial assets	<b>(710,187.32)</b>	(1,311,273.29)
Less: Income tax effect arising from available-for-sale financial assets	<b>(106,331.77)</b>	(281,603.02)
	<b>(603,855.55)</b>	(1,029,670.27)
Recognition of share of other comprehensive income of the investee based on equity method	<b>(2,362,336.98)</b>	(18,572.55)
Difference on translation of foreign currency financial statements	<b>352,044.57</b>	(616,096.24)
Others	-	-
Subtotal	<b>(2,614,147.96)</b>	(1,664,339.06)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period:		
Recognition of share of other comprehensive income of the investee based on equity method	-	-
Total	<b>(2,614,147.96)</b>	(1,664,339.06)

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (53) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Non-operating income	<b>5,956,163.68</b>	4,965,167.62
Other operation income	<b>87,736,695.97</b>	74,942,789.84
Government grants	<b>29,418,755.50</b>	16,287,626.49
Interest income	<b>22,276,013.19</b>	5,777,822.79
	<b>145,387,628.34</b>	101,973,406.74

(b) Cash paid relating to other operating activities:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Cash payments of selling and distribution expenses	<b>734,834,049.80</b>	746,307,202.12
Cash payments of general and administrative expenses	<b>201,713,104.59</b>	221,913,164.62
Financial expenses-bank charges	<b>837,117.07</b>	4,133,250.91
Others	<b>66,494,299.60</b>	14,972,437.92
	<b>1,003,878,571.06</b>	987,326,055.57

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (53) Notes to the consolidated cash flow statement *(Continued)*

(c) Cash received relating to other investing activities:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Interest received from securities accounts	<b>4,101.50</b>	2,861.70
	<b>4,101.50</b>	2,861.70

(d) Cash paid relating to other investing activities:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Tax expenses arising from the interest income of entrusted loans	<b>1,161,069.35</b>	1,430,150.45
Subsidiaries sold	-	131,066.64
	<b>1,161,069.35</b>	1,561,217.09

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (54) Supplementary information of cash flow statements

#### (a) Supplementary information of cash flow statements

##### (i) Reconciliation of net profit to cash flow operating activities

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Net profit	<b>697,652,817.15</b>	606,402,435.65
Add: Provision for assets impairment	<b>6,106,650.01</b>	5,714,131.84
Depreciation of fixed assets, and depreciation and amortisation of Investment properties	<b>88,949,416.78</b>	84,928,254.66
Amortisation of intangible assets	<b>5,690,698.79</b>	1,445,051.79
Amortisation of long-term prepaid expenses	<b>2,223,875.58</b>	2,006,060.20
Loss (less: gain) on disposal of fixed assets, intangible assets and other long-term assets	<b>704,648.38</b>	311,934.16
Loss on scrapping of fixed assets	<b>(7,012.60)</b>	780,233.51
Loss (less: gain) on changes in fair value	<b>(45,693.30)</b>	(138,681.60)
Financial expenses	<b>15,183,411.76</b>	19,858,584.14
Investment gain	<b>(141,647,947.34)</b>	(132,444,637.53)
Decrease in deferred tax assets	<b>84,341,014.80</b>	(237,095,014.90)
Increase/(less: decrease) in deferred tax liabilities	-	925,610.06
Decrease in inventories	<b>(108,769,383.95)</b>	(124,775,741.08)
Decrease of operating receivables	<b>(390,256,522.99)</b>	(557,991,748.99)
Increase of operating payables	<b>906,879,274.55</b>	1,697,258,150.71
Others	-	-
Net cash flows from operating activities	<b><u>1,167,005,247.62</u></b>	<b><u>1,367,184,622.62</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (54) Supplementary information of cash flow statements (Continued)

#### (a) Supplementary information of cash flow statements (Continued)

(ii) Investing and financing activities that do not involve cash receipts and payments:

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-

(iii) Net movement in cash and cash equivalents

	<b>The six months ended 30 June 2014</b>	The six months ended 30 June 2013
Cash at the end of period	<b>2,806,836,678.34</b>	2,142,523,492.33
Less: cash at the beginning of year	<b>1,918,952,286.86</b>	1,114,346,524.75
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the year	-	-
Net movement in cash and cash equivalents	<b><u>887,884,391.48</u></b>	<b><u>1,028,176,967.58</u></b>

The cash and cash equivalents do not include housing fund of RMB579 thousand, Deposit of direct commerce enterprise of RMB20,000 thousand and security deposit for bank payable notes over 3 months of RMB17,830 thousand.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (54) Supplementary information of cash flow statements *(Continued)*

#### (b) Details of cash and cash equivalents

	30 June 2014	30 June 2013
Cash	<b>2,806,836,678.34</b>	2,142,523,492.33
Including: Cash on hand	<b>912,652.41</b>	936,335.11
Bank deposits that are readily available for payment	<b>2,791,612,204.68</b>	2,129,263,416.70
Other cash that are readily available for payment	<b>14,311,821.25</b>	12,323,740.52
Cash equivalents	-	-
Total cash and cash equivalents	<b><u>2,806,836,678.34</u></b>	<b><u>2,142,523,492.33</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) General information of the parent company:

Name of the Parent company	Relationship	Business Type	registration place	Legal Representative	Nature of business	Registered Capital (RMB '0000)	% equity interest	% voting rights	Ultimate holding company	Organiz-ation code
GPHL	Parent Company	Limited liability company (wholly state-owned)	No. 45, North Street, Shamian Guangzhou	Li Chuyuan	Manufacturing and trading	125,281	45.24%	45.24%	Guangzhou State-owned Assets Supervision and Administration Commission	23124735-0

Registered capital and changes in registered capital of the parent company:

GPHL

**30 June 2014**  
**(RMB '0000)**

**125,281**

The percentage of equity interests and voting rights held by the parent company in the Company:

GPHL

**30 June 2014**

**% equity interest held**

**% voting rights held**

**45.24%**

**45.24%**

### (2) Information of subsidiaries

For the general information and related information of the subsidiaries, please refer to Note 4.



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (3) Information of Jointly controlled entities and Associates

Name of related party	Business Type	Registration address	Legal Representative	Nature of business	Registered Capital (RMB'0000)	% equity interest	% voting rights	Code of Organization
1. Jointly controlled entities								
GP Corp.	Sino-foreign joint venture	Guang zhou	Li Bingrong	Trading of medicine and medical apparatus	70,000	50.00%	50.00%	73296653-X
Wang Lao Ji	Sino-foreign joint venture	Guang zhou	Wang Jianyi	Production and sales of Chinese Medicine, beverage and candies.	20,476	48.05%	48.05%	19047976-0
Nuo Cheng	Stock Corporation	Guang zhou	Zhou Lijian	Production of Freeze-dried rabies vaccine for human use; import of goods, import & export of technology	8,400	49.24%	50.00%	78608627-1
HWBYS	Sino-foreign joint venture	Guang zhou	Du Zhiqiang	Manufacture, construction engineering, research & development and sales of medicine, health product, food & Chinese medicinal herbs	20,000	50.00%	50.00%	773303038
Baxter Qiao Guang	Sino-foreign joint venture	Guang zhou	Chen Mao	Manufacturing of high-capacity inj. and imports, wholesale of medicine.	17,750	50.00%	50.00%	661806271
2. Associates								
Hangzhou Zheda Han Fang Chinese Medical Info. Engineering Co., Ltd.	Limited Liability Company	Hang zhou	Qu Haibin	Technological development service	100	44.00%	44.00%	73843530-X
Golden Eagle Fund Management Co., Ltd.	Limited Liability Company	Zhu hai	Liu Dong	Fund management	25,000	20.00%	20.00%	74448348-X
Guangzhou Jinshen Medical Co., Ltd.	Limited Liability Company	Guang zhou	Gao Qi	Research and development: natural health products, Chinese medicine and food	200	38.25%	38.25%	751974324
Wei Yi Co., Ltd.	Limited Liability Company	Guang zhou	Qiao Yong	Medical investment management	2,000	50.50%	41.00%	058918922

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Information of other related parties that do not control or are controlled by the Group

Name of entity	Relationship with the Group	Organization code
Guangzhou Pharmaceutical Industrial Research Institute	Controlled by the same parent company	455347297
Guangzhou Yu Fa Medical Apparatus Co., Ltd.	Controlled by the same parent company	618407881
Guangzhou South China Medical Apparatus Co., Ltd.	Controlled by the same parent company	23123789-X

### (5) Related party transactions

(a) For the subsidiaries which are controlled by the Company and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and them have been eliminated.

### (b) Purchases of goods from related parties

Name of related party	Type of transaction	Nature of transaction	Pricing Policies and procedures for decision-making	Six months ended 30 June 2014		Six months ended 30 June 2013	
				Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
HWBYS	Purchase of goods	Chinese raw medicine or medicine	Market price	162,802,070.96	2.73	19,440,658.77	0.36
GP Corp.	Purchase of goods	Chinese raw medicine or medicine	Market price	91,044,417.65	1.53	72,730,634.66	1.34
Wang Lao Ji	Purchase of goods	Chinese raw medicine or medicine	Market price	10,793,629.72	0.18	6,550,780.35	0.12
				<b>264,640,118.33</b>	<b>4.44</b>	<b>98,722,073.78</b>	<b>1.82</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (c) Sales of goods to related parties

Name of related party	Type of transaction	Nature of transaction	Pricing Policies and procedures for decision-making	The six months ended 30 June 2014		The six months ended 30 June 2013	
				Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
GPHL	Sales of goods	Chinese raw medicine or medicine	Market price	30,582.57	-	22,159.28	-
Guangzhou Pharmaceutical Industrial Research Institute	Sales of goods	Chinese raw medicine or medicine	Market price	20,512.82	-	28,205.13	-
HWBYS	Sales of goods	Chinese raw medicine or medicine	Market price	94,573,215.26	0.95	91,605,731.42	1.02
GP Corp.	Sales of goods	Chinese raw medicine or medicine	Market price	192,781,372.98	1.94	204,722,725.46	2.27
Wang Lao Ji	Sales of goods	Chinese raw medicine or medicine	Market price	82,235,197.10	0.83	91,672,258.53	1.02
Nuo Cheng	Sales of goods	Chinese raw medicine or medicine	Market price	90,256.42	-	120,529.93	-
Baxter Qiao Guang	Sales of goods	Chinese raw medicine or medicine	Market price	775,558.97	0.01	174,162.40	-
				<b>370,506,696.12</b>	<b>3.73</b>	<b>388,345,772.15</b>	<b>4.31</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (d) Other related party transactions

(i) The company renders guarantee for subsidiaries as follows:

1) The company renders guarantee for subsidiaries as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount		Duration
			as at 30 June 2014		
Cai Zhi Lin	loans for working capital	30,000,000.00	10,000,000.00		1 year
Cai Zhi Lin	loans for working capital	30,000,000.00	10,000,000.00		1 year
Cai Zhi Lin	loans for working capital	30,000,000.00	30,000,000.00		1 year
Cai Zhi Lin	Bank acceptance notes	30,000,000.00	3,400,000.00		1 year
Cai Zhi Lin	loans for working capital		10,000,000.00		1 year
Cai Zhi Lin	Bank acceptance notes		16,150,000.00		1 year
Cai Zhi Lin	loans for working capital	30,000,000.00	20,000,000.00		1 year
Cai Zhi Lin	Bank acceptance notes		39,100,000.00		1 year
Guangzhou Han Fan	Bank acceptance notes	10,000,000.00	700,000.00		1 year
Pharmaceutical Import & Export	Bank acceptance notes	50,000,000.00	33,189,605.00		1 year
				172,539,605.00	

2) The Group renders guarantee for associates as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount		Duration
			as at 30 June 2014		
Nuo Cheng	loans for working capital	60,000,000.00	18,700,000.00		One year

Another associate of Nuo Cheng renders the guarantee of joint liability for the above loans.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (d) Other related party transactions *(Continued)*

##### (ii) Leases

##### 1) Tenancy Agreement

Pursuant to a tenancy agreement entered into by the Company and GPHL, GPHL has granted to the Group the right to use certain premises such as warehouses and offices for a fixed annual rental. The term is from 1 January 2014 to 31 December 2016. The Group should pay GPHL RMB548 thousand of the above-mentioned for the current period (for the six months ended 30 June 2013: RMB537 thousand).

##### 2) Office Tenancy Agreement-No. 5 front stalls of GPHL located at No. 45 North Shamian Street

Pursuant to the Tenancy Agreement entered into by the Company and GPHL on 27 June 2013, the Company rents the No. 5 front stalls of GPHL located at No. 45 North Street Shamian at a fixed annual rent., which term is 3 years, the Company should pay GPHL RMB255 thousand in current period. (for the six months ended 30 June 2013: nil)

##### 3) Warehouse and Office Building Tenancy Agreement

Pursuant to the Tenancy Agreement entered into by the Company and GPHL, the Company rents certain buildings to GP Corp. at a fixed annual rental at fixed amount per annum with a lease term from 1 January 2014 to 31 December 2016 and the rental amounted to RMB907 thousand.(for the six months ended 30 June 2013: nil)

Pursuant to the Tenancy Agreement entered into by the Company and Baxter Qiao Guang, the Company rents the building located in No.25, Fangcun Avenue to Baxter Qiao Guang at a fixed annual renta at fixed amount per annum with a lease term from 10 May 2007 to the relocated date and the rental amounted to RMB1,350 thousand.(for the six months ended 30 June 2013: RMB2,400 thousand)

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (d) Other related party transactions *(Continued)*

##### (ii) Leases *(Continued)*

##### 3) Warehouse and Office Building Tenancy Agreement *(Continued)*

Pursuant to the Tenancy Agreement entered into by the Company and GP Corp., the Company rents the building located in No.74, Duobao Road to GP Corp. at a fixed annual rent at fixed amount per annum with a lease term from 1 January 2014 to 31 December 2014 and the rental amounted to RMB24thousand.(for the six months ended 30 June 2013: RMB23 thousand)

Pursuant to the Tenancy Agreement entered into by Guangzhou Baiyunshan Baidi Biological Co., Ltd., ("Baidi") and Nuocheng Biological, Guangzhou Baiyunshan Baidi Biological Co., Ltd. rents the building located in No.1, Wanbao Street North, Panyu District, Guangzhou to Nuocheng Biological at a fixed annual rent at fixed amount per annum with a lease term from 15 March 2011 to 14 March 2016 and the rental amounted to RMB935 thousand.(for the six months ended 30 June 2013: RMB918 thousand)

Pursuant to the Tenancy Agreement entered into by Guanghua, a subsidiary of the Company, and BYSHW, Guanghua rents the building located in No.355, Shatai Rd North, Guangzhou to BYSHW at a fixed annual rent at fixed amount per month with a lease term from 10 March 2014 to 9 March 2016 and the rental amounted to RMB24 thousand.(for the six months ended 30 June 2013: nil)

##### (iii) License Agreement

Pursuant to the Trademark License Agreement entered into by WLJ Great Health and GPLH on 25 May 2012 and 26 April 2013, GPLH authorised the use of 5 trademarks by WLJ Great Health; WLJ Great Health agreed to pay license fees to GPLH at 2.1% of its aggregate net sales, GPLH and the Company are to entitled by 53% and 47% of the license fee respectively.

Pursuant to the Trademark License Supplementary Agreement entered into by the Company, Wang Lao Ji and GPLH on 28 July 2005, Wang Lao Ji agreed to pay license fees to GPLH for the use of the trademarks at 2.1% of its aggregate net sales since Wang Lao Ji become to be a foreign-invested company limited. GPLH and the Company are to entitled by 53% and 47% of the license fee respectively.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related party transactions *(Continued)*

#### (d) Other related party transactions *(Continued)*

##### (iii) License Agreement *(Continued)*

The Company should receive license fee amounted to RMB51,412 thousand for the current period (for the six months ended 30 June 2013:RMB47,161 thousand) and should pay GPL RMB57,975 thousand(for the six months ended 30 June 2013: RMB53,182 thousand)

The arrangement of the Trademark Trusteeship Agreement and Trademark Trusteeship Supplementary Agreement entered into by GPL and the Company(GPL is consignor and the Company is consignee):(1) During the period of validity of Trusteeship Agreement, consignor shall authorizes all the use rights of "Wang Lao Ji" trademark to consignee; (2) During the period of validity of Trusteeship Agreement, consignee shall pay the expenses arising from trusteeship. (but consignor shall pay the expenses arising from dispute to the authority and the expenses arising from the dispute to the previous Trademark Trusteeship Agreement and Trademark Trusteeship Supplementary Agreement);(3)Consignee shall directly receive the trademark license fee which is arranged in the Trademark License Agreement signed during the trusteeship(including the supplementary agreement or new agreement which is signed by consignor or consignee).(4) During the period of validity of Trusteeship Agreement, consignor should pay the company RMB 1,000 thousand for the basic trusteeship fee before the end of every March; (5)On the premise of non-violation to the Trademark License Agreement or supplementary which is entered into by consignor and third party before this Agreement become effective, for the Trademark License Agreement which is signed during the period of validity of Trusteeship Agreement,(including the supplementary agreement or new agreement which is signed during the expiry date of Trusteeship), consignee should pay consignor 80% of the trademark license fee of the previous year before the end of every March.(or the lower proportion which is negotiated by consignor and consignee, the proportion could not higher than 80% in any case, it could be 80% if both parties failed to reach an agreement for that.) as the authorized income for consignor. (the basic trusteeship fee of previous year of consignor shall directly deducted from this expenses by consignee)As the confirmed trademark "Wang Lao Ji", The proportion to be shared of consignor and consignee shall be confirmed in accordance with the previous arrangement before this agreement was signed, and shall not be limited to the trademark trusteeship agreement. This agreement became effective on 5 July 2013, and will expire on the date of trademark transformation or the date of termination from both parties' negotiation.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (d) Other related party transactions (Continued)

##### (iii) License Agreement (Continued)

Meanwhile, when the legal dispute is settled, GPLH committed to legally transfer the trademark “Wang Lao Ji” and other 4 trademarks authorized to Wang Lao Ji exclusively to the company within 2 years since the above-mentioned trademarks can be transferred in accordance with the effective laws and regulations

In July 2012, Hong To conducted prosecution to China International Economic and Trade Arbitration Commission with “X20120416 Dispute case of Trademark License Agreement”, the arbitrations are as follows: 1. Judge GPLH to continue to execute Trademark License Agreement. 2. Judge GPLH to stop nonperformance. GPLH shall stop manufacturing and selling the tinned and bottled “Wang Lao Ji Herbal Tea ” and must not authorize other person with the above-mentioned act. 3. Judge GPLH to pay the arbitration fees. As at the reporting date, this arbitration is on the docket.

GPLH started to authorize the Group and its joint-control entity to use the registered trademark “GPC” without compensation in June, 2000.

##### (iv) Transformation of research and development project

		<b>For the six months ended 30 June 2014 (RMB'000)</b>	<b>For the six months ended 30 June 2013 (RMB'000)</b>
	<b>Company</b>		
Service fee for technology	Guangzhou Pharmaceutical General Institute	<b>500</b>	-

##### (v) Employee benefits of key management personnel

Employee benefits of the Group’s key management personnel amounted to RMB1,277 thousand for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB1,253 thousand). The Group’s key management personnel include directors, supervisors, general manager, vice general manager, financial controller and secretary to the Board of Director (“BOD”). The key management includes 15 persons for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 15 persons), among which 9 persons received their salaries from the Group (for the six months ended 30 June 2013: 11 persons).



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (e) Receivables from and payables to related parties

##### (i) Receivables from related parties

		30 June 2014		31 December 2013	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
	<b>Related Parties</b>				
Notes receivable:	GP Corp.	70,345,928.50	-	55,200,715.35	-
	HWBYS	-	-	6,250,000.00	-
		<b>70,345,928.50</b>	<b>-</b>	<b>61,450,715.35</b>	<b>-</b>
Accounts receivable:	GPHL	22,505.28	225.05	10,943.58	109.44
	Guangzhou Pharmaceutical Industrial Research Institute	-	-	2,259,600.00	22,596.00
	HWBYS	26,827,825.64	268,278.25	19,069,217.89	190,692.18
	GP Corp.	13,500,236.65	135,002.37	10,461,373.56	104,613.74
	Wang Lao Ji	10,093,392.40	100,933.92	4,527,584.00	45,275.84
	Nuo Cheng	20,000.00	200.00	45,000.00	450.00
	Baxter Qiao Guang	302,000.00	3,020.00	95,400.00	954.00
		<b>50,765,959.97</b>	<b>507,659.59</b>	<b>36,469,119.03</b>	<b>364,691.20</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (e) Receivables from and payables to related parties (Continued)

##### (i) Receivables from related parties (Continued)

		30 June 2014		31 December 2013	
Related Parties		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other receivables:					
	GPHL	2,437,996.87	-	842,087.85	-
	Guangzhou South China Medical Apparatus Co., Ltd.	100,000.00	100,000.00	100,000.00	100,000.00
	HWBYS(Note 1)	20,651,845.91	-	19,258,298.81	-
	GP Corp.	7,798.00	-	205,486.60	-
	Wang Lao Ji	8,177,178.65	-	2,285,283.77	-
	Baxter Qiao Guang	1,303,454.77	-	61,845.35	-
		<u>32,678,274.20</u>	<u>100,000.00</u>	<u>22,753,002.38</u>	<u>100,000.00</u>
Advances to suppliers:					
	HWBYS	9,195,296.45	-	6,183,497.21	-
	GP Corp.	-	-	2,523,411.25	-
	Wang Lao Ji	2,059,664.95	-	-	-
	Guangzhou Yu Fa Medical Apparatus Co., Ltd.	210,278.62	-	-	-
		<u>11,465,240.02</u>	<u>-</u>	<u>8,706,908.46</u>	<u>-</u>

Note 1: The other receivables of HWBYS include the other receivables amounted to RMB19,272 thousand of Bozhou Baiyunshan, a subsidiary of HWBYS. Bozhou Baiyunshan was the subsidiary of Baiyunshan with 80% shareholding, Baiyunshan has transferred the 80% shares to HWBYS in May 2013. The above-mentioned other receivables are the borrowings and interests of Bozhou Baiyunshan to Baiyunshan, which is arisen before the equity transfer.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 6 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related party transactions (Continued)

#### (e) Receivables from and payables to related parties (Continued)

##### (ii) Payables to related parties

		<b>30 June 2014</b>	31 December 2013
	<b>Related party</b>		
Notes Payable:	GP Corp.	-	3,814,560.00
	HWBYS	-	4,872,280.00
		<u>-</u>	<u>8,686,840.00</u>
Accounts Payable:	HWBYS	<b>2,642,160.08</b>	1,087,454.09
	GP Corp.	<b>31,332,752.94</b>	11,604,351.96
	Wang Lao Ji	<b>107,240.00</b>	321,351.19
		<u><b>34,082,153.02</b></u>	<u>13,013,157.24</u>
Other Payables	GPHL	<b>41,775,451.28</b>	30,835,415.51
	Guangzhou Pharmaceutical Industrial Research Institute	-	500,000.00
	HWBYS	<b>20,000.00</b>	20,000.00
	GP Corp.	<b>45,000.00</b>	1,025,769.23
		<u><b>41,840,451.28</b></u>	<u>32,381,184.74</u>
Advances from customers:	HWBYS	<b>2,490,822.21</b>	3,893,014.43
	GP Corp.	<b>12,186,508.42</b>	2,630,257.22
	Wang Lao Ji	<b>53,198,517.90</b>	12,968,599.69
	Nuocheng	<b>7,000.00</b>	-
		<u><b>67,882,848.53</b></u>	<u>19,491,871.34</u>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 7 CONTINGENCIES

- (1) In year 2012, WLJ Great Health, the wholly-owned subsidiary was sued with its unauthorised use of the. specific name, package and decoration of the famous products by Guangdong Jia Duo Bao Beverage & Food Co., Ltd. (JDB).

As at the reporting date, this case has been under the jurisdiction of the Guangdong Higher People's Court as specified by the Supreme People's Court. The Company considers that it is not probable that WLJ Great Health will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

- (2) In year 2012, WLJ Great Health, the wholly-owned subsidiary was sued with its unauthorized use of the. slogan“怕上火,喝王老吉” by JDB.

Chongqing First intermediate people's court rejected the appeal of illicit compelition for slogan “怕上火,喝王老吉” accued from Guangdong Jiaduobao Co., Ltd. on 24 December 2013. Meanwhile, the appeal of destroying, no longer using advertisement “怕上火,喝王老吉” and promotion, declaration of apology and compension amounted to RMB10,000 thousand was rejected. JDB lodged an appeal.

As at the reporting date, this case has been under the jurisdiction of the Chongqing Higher People's Court as specified by the Supreme People's Court. The Company considers that it is not probable that WLJ Great Health will lose the case which results in direct economic loss after the assessment by the management which takes account of external legal advice.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 8 COMMITMENTS

### (1) Capital expenditures commitments

- (a) Capital expenditures contracted for but are not yet necessary to be recognised on the balance sheet

The Group's capital expenditures contracted for but are not yet necessary to be recognised on the balance sheet are as follows:

	30 June 2014	30 June 2013
Investment	–	–
Building, machinery and equipment	<b>170,642,198.79</b>	96,890,046.26
	<b>170,642,198.79</b>	96,890,046.26

The Group's share of the jointly controlled entities' capital commitments are as follows:

	30 June 2014	30 June 2013
Building, machinery and equipment	<b>63,492,919.93</b>	63,421,889.95

- (b) Capital commitments authorised by the management but are not yet contracted for

	30 June 2014	30 June 2013
Investment	–	362,860,000.00
Building, machinery and equipment	<b>837,072,000.86</b>	96,504,020.71
	<b>837,072,000.86</b>	459,364,020.71

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 8 COMMITMENTS (Continued)

### (2) Operating lease commitments

The Group's rental assets from operating lease are mainly buildings, the minimum lease payments of significant rental under operating lease are summarised as follows:

	Minimum lease payables	
	30 June 2014	30 June 2013
Remaining leasing term		
Within 1 year	<b>30,015,333.10</b>	22,136,299.95
1 to 2 years	<b>7,956,318.06</b>	17,429,010.80
2 to 3 years	<b>6,509,496.49</b>	2,762,769.20
Over 3 years	<b>23,711,014.86</b>	5,553,361.39
	<b>68,192,162.51</b>	47,881,441.34

The rental expenses under operating lease amounted to RMB23,752 thousand are recognised in the profit or loss for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB18,408 thousand).

### (3) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 31 December 2013.

## 9 EVENTS AFTER THE BALANCE SHEET DATE

As at 30 June 2014, there are no significant events after the balance sheet date.

## 10 OTHER SIGNIFICANT EVENTS

There are no significant debt restructurings and non-monetary transactions incurred in the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 11 SEGMENT INFORMATION

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 11 SEGMENT INFORMATION (Continued)

- (1) The segment information for the six months ended 30 June 2014 and as of 30 June 2014 are as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,647,729,182.89	2,353,053,105.96	19,508,048.78	-	10,020,290,337.63
Inter-segment revenue	148,038,521.85	3,039,867,038.15	60,060,666.55	(3,247,966,226.55)	-
Interest income	(22,843,329.04)	(528,905.54)	(711,056.74)	1,807,278.13	(22,276,013.19)
Interest expenses	17,676,152.19	20,465,331.44	12,035,321.00	(30,721,393.86)	19,455,410.77
Share of profit or loss of associates and jointly controlled entities	23,517,070.83	-	107,385,434.91	11,212,104.06	142,114,609.80
Asset impairment losses	4,505,477.60	9,887,528.88	(1,833.53)	(8,284,522.94)	6,106,650.01
Depreciation and amortisation	86,550,920.43	2,442,241.72	8,220,757.44	-	97,213,919.59
Total profit	675,173,948.57	46,109,438.73	416,038,085.66	(281,349,861.07)	855,971,611.89
Income tax expenses	96,722,298.96	10,672,515.83	58,076,517.34	(7,152,537.39)	158,318,794.74
Net profit (Including: minority interest)	578,451,649.61	35,436,922.90	357,961,568.32	(274,197,323.68)	697,652,817.15
Total assets	9,520,345,126.80	2,976,240,367.25	7,157,293,146.14	(5,854,788,476.78)	13,799,090,163.41
Total liabilities	6,348,054,400.69	2,761,160,041.16	1,084,185,580.50	(3,829,332,786.97)	6,364,067,235.38
Long-term equity investments in associates and jointly controlled entities	103,737,572.52	-	1,836,371,390.99	-	1,940,108,963.51
Additions of non-current assets other than long-term equity investments	240,459,311.53	2,175,756.45	850,934.51	-	243,486,002.49



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 11 SEGMENT INFORMATION (Continued)

- (2) The segment information for the six months ended 30 June 2013 and as of 31 December 2013 are as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,303,109,790.96	1,749,842,943.55	19,520,059.00	-	9,072,472,793.51
Inter-segment revenue	122,147,863.37	2,025,632,779.43	51,086,082.86	(2,198,866,725.66)	-
Interest income	8,892,371.30	460,109.09	1,039,077.47	(4,613,735.07)	5,777,822.79
Interest expenses	12,692,037.44	18,361,029.46	21,045,020.96	(29,137,192.30)	22,960,895.56
Share of profit or loss of associates and jointly controlled entities	-	-	103,013,282.26	26,509,499.70	129,522,781.96
Asset impairment losses	3,702,685.55	2,471,595.25	68,923.46	(529,072.42)	5,714,131.84
Depreciation and amortisation	84,827,398.39	2,415,668.60	1,208,352.16	(72,052.50)	88,379,366.65
Total profit	442,358,504.08	25,998,305.32	270,440,302.66	(48,737,386.13)	690,059,725.93
Income tax expenses	39,345,934.42	6,318,870.82	43,508,784.41	(5,516,299.37)	83,657,290.28
Net profit (Including: minority interest)	403,012,569.65	19,679,434.50	226,931,518.25	(43,221,086.75)	606,402,435.65
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

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 11 SEGMENT INFORMATION (Continued)

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

	<b>For the six months ended 30 June 2014</b>	For the six months ended 30 June 2013
<b>Revenue from external customers</b>		
PRC	<b>9,757,491,000.81</b>	8,948,300,380.56
Other countries/area	<b>262,799,336.82</b>	124,172,412.95
	<b><u>10,020,290,337.63</u></b>	<b><u>9,072,472,793.51</u></b>
<b>Total non-current assets</b>	<b>30 June 2014</b>	31 December 2013
PRC	<b>4,857,859,344.26</b>	4,645,092,792.07
Other countries/area	<b>20,406,342.71</b>	20,683,653.62
	<b><u>4,878,265,686.97</u></b>	<b><u>4,665,776,445.69</u></b>

## 12 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (mainly currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

### (1) Market risk

#### (a) Foreign exchange risk

The Group's major operating activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Nevertheless, the Group is exposed to foreign exchange risk arising from the recognized assets and liabilities and future transactions denominated in foreign currencies (mainly USD and HKD). The Group's finance department (Group Finance) is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, in order to minimize the foreign exchange risk. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 12 FINANCIAL INSTRUMENT AND RISK (Continued)

### (1) Market risk (Continued)

#### (a) Foreign exchange risk (Continued)

As at 30 June 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised as follows:

	30 June 2014					
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency –						
Cash at bank and on hand	8,407,914.60	2,410,868.31	4,499,358.78	0.12	1.15	15,318,142.96
Accounts receivable	2,685,433.24	3,804,427.10	-	-	-	6,489,860.34
Other receivables	14,109.59	27,972.20	-	-	-	42,081.79
	<u>11,107,457.43</u>	<u>6,243,267.61</u>	<u>4,499,358.78</u>	<u>0.12</u>	<u>1.15</u>	<u>21,850,085.09</u>
Financial liabilities denominated in foreign currency –						
Short-term borrowings	-	-	-	-	-	-
Accounts payable	2,002,869.91	-	-	-	-	2,002,869.91
Other payables	-	1,921,262.95	-	-	-	1,921,262.95
	<u>2,002,869.91</u>	<u>1,921,262.95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,924,132.86</u>
31 December 2013						
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency –						
Cash at bank and on hand	19,217,261.74	1,973,995.50	4,512,156.10	577,710.12	1.11	26,281,124.57
Accounts receivable	13,768,115.67	5,506,263.30	-	-	-	19,274,378.97
Other receivables	-	530,507.14	-	-	-	530,507.14
	<u>32,985,377.41</u>	<u>8,010,765.94</u>	<u>4,512,156.10</u>	<u>577,710.12</u>	<u>1.11</u>	<u>46,086,010.68</u>
Financial liabilities denominated in foreign currency –						
Short-term borrowings	7,910,925.00	-	-	-	-	7,910,925.00
Accounts payable	5,323,959.71	8,512.25	-	-	-	5,332,471.96
Other payables	-	2,064,696.40	-	-	-	2,064,696.40
	<u>13,234,884.71</u>	<u>2,073,208.65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,308,093.36</u>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 12 FINANCIAL INSTRUMENT AND RISK *(Continued)*

### (1) Market risk *(Continued)*

#### (a) Foreign exchange risk *(Continued)*

As at 30 June 2014, if RMB had strengthened/weakened by 10% against the USD, HKD, EUR and JPY with all other variables held constant, the Group's net profit for the period would have been approximately RMB1,344 thousand (As at 31 December 2013: lower/higher RMB2,312 thousand) higher/lower.

#### (b) Interest rate risk

As at 30 June 2014, there is a small amount of long-term interest bearing borrowings (refer to long-term borrowings), thus, the Group is not exposed to significant interest rate risks.

### (2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables, notes receivable etc.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 12 FINANCIAL INSTRUMENT AND RISK (Continued)

### (3) Liquidity risk

Cash flow forecast is performed by each subsidiary of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As at 30 June 2014, the financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2014					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	
Financial assets -						
Cash at bank and on hand	2,845,245,762.68	-	-	-	-	2,845,245,762.68
Notes receivable	1,518,938,913.88	-	-	-	-	1,518,938,913.88
Accounts receivable	1,180,089,314.31	-	-	-	-	1,180,089,314.31
Other receivables	214,318,770.52	-	-	-	-	214,318,770.52
	<u>5,758,592,761.39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,758,592,761.39</u>
Financial liabilities -						
Short-term borrowings	510,920,652.93	-	-	-	-	510,920,652.93
Long-term borrowings	530,586.23	8,974,116.53	-	-	-	9,504,702.76
Notes payable	132,676,933.56	-	-	-	-	132,676,933.56
Accounts payable	2,432,651,302.33	-	-	-	-	2,432,651,302.33
Other payables	1,680,219,993.33	-	-	-	-	1,680,219,993.33
Long-term payables	-	-	-	22,415,752.40	-	22,415,752.40
	<u>4,756,999,468.39</u>	<u>8,974,116.53</u>	<u>-</u>	<u>22,415,752.40</u>	<u>-</u>	<u>4,788,389,337.31</u>
Provision of guarantees	60,000,000.00	-	-	-	-	60,000,000.00

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 12 FINANCIAL INSTRUMENT AND RISK (Continued)

### (3) Liquidity risk (Continued)

31 December 2013						
	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	Total
Financial assets –						
Cash at bank and on hand	1,935,681,740.06	-	-	-	-	1,935,681,740.06
Notes receivable	1,326,353,755.90	-	-	-	-	1,326,353,755.90
Accounts receivable	1,003,090,938.42	-	-	-	-	1,003,090,938.42
Other receivables	196,434,702.48	-	-	-	-	196,434,702.48
	<u>4,461,561,136.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,461,561,136.86</u>
Financial liabilities						
Short-term borrowings	522,754,872.57	-	-	-	-	522,754,872.57
Long-term borrowings	552,154.82	552,154.82	8,712,133.27	-	-	9,816,442.91
Notes payable	130,773,655.25	-	-	-	-	130,773,655.25
Accounts payable	1,470,360,537.61	-	-	-	-	1,470,360,537.61
Other payables	1,211,712,507.04	-	-	-	-	1,211,712,507.04
Long-term payables	-	-	-	22,215,752.40	-	22,215,752.40
	<u>3,336,153,727.29</u>	<u>552,154.82</u>	<u>8,712,133.27</u>	<u>22,215,752.40</u>	<u>-</u>	<u>3,367,633,767.78</u>
Provision of guarantees	<u>60,000,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000,000.00</u>

The repayment periods of the bank loans and other loans are analysed as follow:

	30 June 2014		31 December 2013	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	<u>520,425,355.69</u>	<u>-</u>	<u>532,571,315.48</u>	<u>-</u>

# Notes to the Financial Statements

For the six months ended 30 June 2014

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[English Translation for Reference Only]

## 12 FINANCIAL INSTRUMENT AND RISK *(Continued)*

### (4) Fair value

#### (a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables and long-term payables.

The carrying amount of financial assets and liabilities not measured at fair value is a reasonable approximation of their fair values.

#### (b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

As at 30 June 2014, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets –	-	-	-	-
Financial assets held				
for trading –	-	-	-	-
Investments in equity				
instrument held for				
trading	3,408,360.50	-	-	3,408,360.50
Available-for-sale				
financial assets –	-	-	-	-
Available-for-sale				
equity instruments	16,897,919.96	-	-	16,897,919.96
	<u>20,306,280.46</u>	<u>-</u>	<u>-</u>	<u>20,306,280.46</u>

# Notes to the Financial Statements

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## 12 FINANCIAL INSTRUMENT AND RISK (Continued)

### (4) Fair value (Continued)

#### (b) Financial instruments measured at fair value (Continued)

As at 31 December 2013, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets –	–	–	–	–
Financial assets held for trading –	–	–	–	–
Investments in equity instrument held for trading	3,362,667.20	–	–	3,362,667.20
Available-for-sale financial assets–	–	–	–	–
Available-for-sale equity instruments	17,608,107.28	–	–	17,608,107.28
	<u>20,970,774.48</u>	<u>–</u>	<u>–</u>	<u>20,970,774.48</u>

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using valuation techniques. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. Inputs to valuation techniques include prepayment rates, rates of estimated credit losses, and interest rates or discount rates.



# Notes to the Financial Statements

For the six months ended 30 June 2014

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## 13 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 December 2013	Profit or loss arising from changes in fair value during the current period	Accumulated changes in fair value recognised in equity during the current period	Impairment loss recognised during the current period	30 June 2014
Financial assets -					
Financial assets at fair value					
through profit or loss	3,362,667.20	45,693.30	-	-	<b>3,408,360.50</b>
Available-for-sale financial assets	17,608,107.28	-	(603,855.55)	(106,331.77)	<b>16,897,919.96</b>
	<b>20,970,774.48</b>	<b>45,693.30</b>	<b>(603,855.55)</b>	<b>(106,331.77)</b>	<b>20,306,280.46</b>

## 14 FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2013	Profit or loss arising from changes in fair value during the current period	Accumulated changes in fair value recognised in equity	Impairment loss recognised during current period	30 June 2014
Financial assets -					
Cash and bank	26,281,124.57	-	-	-	<b>15,318,142.96</b>
Accounts receivable	19,274,378.97	-	-	-	<b>6,489,860.34</b>
Other receivables	530,507.14	-	-	-	<b>42,081.79</b>
	<b>46,086,010.68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,850,085.09</b>
Financial liabilities -					
Short-term borrowings	7,910,925.00	-	-	-	<b>-</b>
Accounts payable	5,332,471.96	-	-	-	<b>2,002,869.91</b>
Other payables	2,064,696.40	-	-	-	<b>1,921,262.95</b>
	<b>15,308,093.36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,924,132.86</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

### (1) Accounts receivable

The majority of the Company's sales are transacted at cash.

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

	<b>30 June 2014</b>	31 December 2013
Within 1 year	<b>153,072,177.31</b>	133,951,675.87
1 to 2 years	<b>2,563,390.33</b>	2,480,216.25
2 to 3 years	<b>362,515.07</b>	1,656,386.57
3 to 4 years	<b>1,511,281.93</b>	30,193.88
4 to 5 years	<b>80,893.88</b>	91,606.42
Over 5 years	<b>3,416,154.66</b>	3,375,248.24
	<b><u>161,006,413.18</u></b>	<b><u>141,585,327.23</u></b>

(b) Accounts receivable by categories are analysed as follows:

	<b>30 June 2014</b>			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provisions	1,500,000.00	0.93%	1,500,000.00	100.00%
Subject to provision by groups: Group 1	158,651,786.94	98.54%	4,527,699.82	2.85%
Individually insignificant but subject to separate provisions	854,626.24	0.53%	854,626.24	100.00%
	<b><u>161,006,413.18</u></b>	<b>100.00%</b>	<b><u>6,882,326.06</u></b>	<b>4.27%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

(b) Accounts receivable by categories are analysed as follows: (Continued)

	31 December 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provisions	1,500,000.00	1.06%	1,500,000.00	100.00%
Subject to provision by groups: Group 1	139,230,700.99	98.34%	4,243,458.42	3.05%
Individually insignificant but subject to separate provisions	854,626.24	0.60%	854,626.24	100.00%
	<u>141,585,327.23</u>	100.00%	<u>6,598,084.66</u>	4.66%

Classification of accounts receivable: refer to Note 2 (10).

(c) As at 30 June 2014, individually significant and subject to separate provisions are as follow:

	Ending balance	Amount of bad debts	Ratio	Reason
Customer 1	1,500,000.00	1,500,000.00	100.00%	Although the Group has sued this company, it is expected that the amount would not be recoverable.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

- (d) The groups of accounts receivable in which provisions are made using aging analysis method are analysed as follows:

	30 June 2014			31 December 2013		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	153,072,177.31	96.48%	1,530,721.77	133,951,675.87	96.21%	1,339,516.74
1 to 2 years	2,563,390.33	1.62%	256,339.04	2,480,216.25	1.78%	248,021.63
2 to 3 years	362,515.07	0.23%	108,754.52	156,386.57	0.11%	46,915.97
3 to 4 years	11,281.93	0.01%	5,640.97	30,193.88	0.02%	15,096.94
4 to 5 years	80,893.88	0.05%	64,715.10	91,606.42	0.07%	73,285.14
Over 5 years	2,561,528.42	1.61%	2,561,528.42	2,520,622.00	1.81%	2,520,622.00
	<b>158,651,786.94</b>	<b>100.00%</b>	<b>4,527,699.82</b>	<b>139,230,700.99</b>	<b>100.00%</b>	<b>4,243,458.42</b>

- (e) As at 30 June 2014, accounts receivable that are individually insignificant but subject to separate provision are as follows:

	Ending balance	Amount of bad debts	Ratio	Reason
Customer 1	470,000.00	470,000.00	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
Customer 2	315,508.74	315,508.74	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
Customer 3	69,117.50	69,117.50	100.00%	Its aging is over 5 years, it is expected that the amount would not be recoverable
	<b>854,626.24</b>	<b>854,626.24</b>	<b>100.00%</b>	

- (f) There are no accounts receivable that are reversed or collected during the current period.
- (g) There are no accounts receivable that are collected by restructuring or other manners during the current period.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

- (h) There are no accounts receivable that are written off during the current period.
- (i) As at 30 June 2014, there are no accounts receivable due from shareholders who hold more than 5% (including 5%) of the voting rights of the Company.
- (j) As at 30 June 2014, accounts receivable with significant balance are analysed as follows:

Name of the entity	Relation with the Company	Amount	Aging	% of total balance
Customer 1	Related party	69,290,014.62	Within 1 year	43.04%
Customer 2	Related party	9,190,685.00	Within 1 year	5.71%
Customer 3	Third party	7,248,015.00	Within 1 year	4.50%
Customer 4	Third party	5,049,633.80	Within 1 year	3.14%
Customer 5	Third party	4,629,000.00	Within 1 year	2.88%
		<u>95,407,348.42</u>		<u>59.27%</u>

- (k) Accounts receivable from related parties are analysed as follows:

Name of the entity	Relation with the Company	Amount	Aging	% of total balance
Baiyunshan Pharmaceutical Technology	Subsidiary	69,290,014.62	Within 1 year	43.04%
Pharmaceutical Import & Export	Wholly-owned subsidiary	9,190,685.00	Within 1 year	5.71%
Tian Xin	Wholly-owned subsidiary	3,221,550.00	Within 1 year	2.00%
HWBYS	Jointly controlled entity	1,156,651.14	Within 1 year	0.72%
GP Corp.	Jointly controlled entity	325,973.28	Within 1 year	0.20%
		<u>83,184,874.04</u>		<u>51.67%</u>

- (l) There are no accounts receivables derecognized during the current period.
- (m) As at 30 June 2014, there are no securitizations that targeted at accounts receivable.

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables

	<b>30 June 2014</b>	31 December 2013
Receivables due from related parties	<b>935,610,600.75</b>	914,081,195.16
Including: entrusted loan	<b>323,000,000.00</b>	323,000,000.00
others	<b>612,610,600.75</b>	591,081,195.16
Rentals, deposits and staff advances	<b>14,439,908.53</b>	9,920,861.37
Others	<b>28,630,714.57</b>	25,001,774.07
	<b>978,681,223.85</b>	949,003,830.60
Less: provision for bad debts	<b>5,758,319.18</b>	5,486,732.34
	<b>972,922,904.67</b>	943,517,098.26

(a) The aging of other receivables is analysed as follows:

	<b>30 June 2014</b>	31 December 2013
Within 1 year	<b>948,267,087.91</b>	915,634,204.22
1 to 2 years	<b>4,385,615.03</b>	1,659,638.75
2 to 3 years	<b>1,211,633.21</b>	469,716.94
3 to 4 years	<b>406,120.90</b>	314,295.00
4 to 5 years	<b>103,618.56</b>	42,873.00
Over 5 years	<b>24,307,148.24</b>	30,883,102.69
	<b>978,681,223.85</b>	949,003,830.60

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

(b) Other receivables by categories are analysed as follows:

	30 June 2014			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	932,121.11	0.10%	932,121.11	100.00%
Subject to provision by groups:				
Group 1	13,179,691.05	1.34%	1,893,800.55	14.37%
Group 2	11,586,504.89	1.18%	-	0.00%
Group 3	935,610,600.75	95.60%	-	0.00%
Group 4	14,439,908.53	1.48%	-	0.00%
Individually insignificant but subject to separate provision	2,932,397.52	0.30%	2,932,397.52	100.00%
	<b>978,681,223.85</b>	<b>100.00%</b>	<b>5,758,319.18</b>	<b>0.59%</b>

  

	31 December 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	932,121.11	0.10%	932,121.11	100.00%
Subject to provision by groups:				
Group 1	12,368,675.07	1.30%	1,622,213.71	13.12%
Group 2	8,768,580.37	0.92%	-	0.00%
Group 3	914,081,195.16	96.32%	-	0.00%
Group 4	9,920,861.37	1.05%	-	0.00%
Individually insignificant but subject to separate provision	2,932,397.52	0.31%	2,932,397.52	100.00%
	<b>949,003,830.60</b>	<b>100.00%</b>	<b>5,486,732.34</b>	<b>0.58%</b>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

- (c) Other receivables that are individually significant and subject to separate provision are analysed as follows:

Name of entity	Ending balance	Provision for bad debts	Ratio	Reason
Other receivables 1	502,043.54	502,043.54	100.00%	it is expected that the amount would not be recoverable
Other receivables 2	430,077.57	430,077.57	100.00%	it is expected that the amount would not be recoverable
	<u>932,121.11</u>	<u>932,121.11</u>		

- (d) The groups of other receivables in which provisions are made using aging analysis method are analysed as follows:

	30 June 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	9,205,086.40	69.83%	92,052.84	9,044,507.10	73.13%	90,445.07
1 to 2 years	1,543,320.98	11.71%	154,332.10	1,613,891.17	13.05%	161,389.12
2 to 3 years	943,126.59	7.16%	282,937.98	402,893.11	3.26%	120,867.93
3 to 4 years	216,920.90	1.65%	108,460.45	110,595.00	0.89%	55,297.50
4 to 5 years	76,095.00	0.58%	60,876.00	12,873.00	0.10%	10,298.40
Over 5 years	1,195,141.18	9.07%	1,195,141.18	1,183,915.69	9.57%	1,183,915.69
	<u>13,179,691.05</u>	<u>100.00%</u>	<u>1,893,800.55</u>	<u>12,368,675.07</u>	<u>100.00%</u>	<u>1,622,213.71</u>

- (e) There are no receivables that are subject to fully provision or in large proportionate but are reversed or collected in full amount or in large proportionate in the current period.
- (f) There are no others receivables collected by restructuring or other manners in the current period.
- (g) As at 30 June 2014, other receivables due from shareholders who hold more than 5% (including 5%) of the voting rights of the Company was receivables due from GPHL amounted to RMB459 thousand. (31 December 2013: RMB331 thousand)



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

(h) As at 30 June 2014, the top five of other receivables are analysed as follows:

Name of entity	Relation of the Company	Amount	Aging	% of total balance
Cai Zhi Lin	Wholly-owned subsidiary	549,444,780.14	Within 1 year	56.14%
Pharmaceutical Import and Export	Wholly-owned subsidiary	127,589,027.88	Within 1 year	13.04%
Xing Qun	Subsidiary	69,075,990.39	Within 1 year	7.06%
Weiling	Wholly-owned subsidiary	56,902,937.60	Within 1 year	5.81%
Guangzhou Bai Di	Subsidiary	56,505,518.97	Within 1 year	5.77%
		<u>859,518,254.98</u>		<u>87.82%</u>

(i) Other receivables due from related parties are analysed as follows:

	Relation with the Company	Amount	% of total balance
GPHL	Parent company	458,880.00	0.05%
HWBYS	Jointly controlled entity	20,651,845.91	2.11%
GP Corp.	Jointly controlled entity	198.00	–
Wang Lao Ji	Jointly controlled entity	8,052,178.65	0.82%
Baxter Qiao Guang	Jointly controlled entity	1,303,454.77	0.13%
Xing Qun	Subsidiary	69,075,990.39	7.06%
Zhong Yi	Wholly-owned subsidiary	244,728.96	0.03%
Chen Li Ji	Wholly-owned subsidiary	20,828.81	–
Guangzhou Han Fan	Subsidiary	8,257,570.33	0.84%
Qi Xing	Indirect subsidiary	3,044,184.92	0.31%
Jingyuxian Guangyao Chinese Raw Medicine Development Co., Ltd	Indirect subsidiary	29,699.72	–
Jing Xiu Tang	Subsidiary	93,202.46	0.01%
Pan Gao Shou	Subsidiary	90,572.60	0.01%
Cai Zhi Lin	Wholly-owned subsidiary	549,444,780.14	56.14%

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

(i) Other receivables due from related parties are analysed as follows: (Continued)

	Relation with the Company	Amount	% of total balance
Pharmaceutical Import and Export	Wholly-owned subsidiary	127,589,027.88	13.04%
Guangzhou Bai Di.	Subsidiary	56,505,518.97	5.77%
WLJ Great Health	Wholly-owned subsidiary	24,988,523.24	2.55%
Guangxi Ying Kang	Subsidiary	6,013,184.44	0.61%
Weiling	Wholly-owned subsidiary	56,902,937.60	5.81%
Baiyunshan Pharmaceutical Technology	Subsidiary	1,519,964.08	0.16%
Tian Xin	Subsidiary	288,158.25	0.03%
Guang Hua	Subsidiary	663,910.31	0.07%
Ming Xing	Wholly-owned subsidiary	177,974.19	0.02%
Guangyao Baiyunshan (Hong Kong) Limited	Wholly-owned subsidiary	193,286.13	0.02%
		935,610,600.75	95.59%

(j) As at 30 June 2014, there are no other receivables that are derecognised.

(k) As at 30 June 2014, there are no securitizations that targeted at other receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investments

#### (a) Details of long-term equity investments

Name of entity	Investment cost	31 December 2013	Current period movement	30 June 2014	% Equity interest held	% Voting rights held	Provision for impairment	Impairment losses recognised in current period	Cash dividend in current period
Equity method:									
Jointly-controlled entities:									
GP Corp.	396,589,139.78	947,446,195.12	40,542,242.48	987,988,437.60	50.00%	50.00%	-	-	-
Wang Lao Ji	102,035,124.44	449,804,869.99	16,125,247.28	465,930,117.27	48.05%	48.05%	-	-	-
HMB'S	100,000,000.00	296,917,655.20	31,059,196.67	327,976,851.87	50.00%	50.00%	-	-	20,000,000.00
Boyer Qiao Guang	37,000,000.00	23,051,837.63	(3,680,405.57)	19,471,431.96	50.00%	50.00%	-	-	-
Associates:									
Guangzhou Jinshen Pharmaceutical Technology Co., Ltd.	765,000.00	-	-	-	38.25%	38.25%	-	-	-
Golden Eagle Asset Management Co., Ltd.	50,000,000.00	28,565,457.47	949,588.30	29,515,025.77	20.00%	20.00%	-	-	-
Wei Yi Co., Ltd.	2,020,000.00	2,020,000.00	(72,751.23)	1,947,248.77	50.50%	41.00%	-	-	-
Sub-total of equity method	688,408,264.22	1,747,806,015.31	85,023,097.93	1,832,829,113.24	N/A	N/A	-	-	20,000,000.00
Cost method:									
Subsidiaries:									
Xing Qin	125,322,300.00	125,322,300.00	-	125,322,300.00	88.99%	88.99%	-	-	-
Zhong Yi	324,320,391.34	324,320,391.34	-	324,320,391.34	100.00%	100.00%	-	-	60,530,209.67
Chen Li Ji	142,310,800.00	142,310,800.00	-	142,310,800.00	100.00%	100.00%	-	-	-
Guangzhou Han Fan	249,017,109.58	249,017,109.58	-	249,017,109.58	97.97%	97.97%	55,000,000.00	-	-
Guangzhou Qi Xing Factory Co., Ltd	126,775,500.00	126,775,500.00	-	126,775,500.00	100.00%	100.00%	-	-	9,995,380.60
Jing Xiu Tang	101,489,800.00	101,489,800.00	-	101,489,800.00	88.40%	88.40%	-	-	12,494,613.04
Pan Gao Shou	144,298,200.00	144,298,200.00	-	144,298,200.00	87.77%	87.77%	-	-	-
Ca Zhi Lun	89,078,900.00	89,078,900.00	-	89,078,900.00	100.00%	100.00%	68,000,000.00	-	-
Pharmaceutical Import & Export	18,557,303.24	18,557,303.24	-	18,557,303.24	100.00%	100.00%	-	-	7,076,474.23
Guangzhou Bai Di	129,145,812.38	129,145,812.38	-	129,145,812.38	98.48%	98.48%	47,000,000.00	-	-
Guangxi Ying Kang	21,536,540.49	21,536,540.49	-	21,536,540.49	51.00%	51.00%	-	-	-
Wu Ji Great Health	10,000,000.00	10,000,000.00	-	10,000,000.00	100.00%	100.00%	-	-	182,150,646.65
Guangzhou Yi Gan	12,600,000.00	12,600,000.00	-	12,600,000.00	60.00%	60.00%	-	-	-
Xingzhou	64,660,000.00	-	64,660,000.00	64,660,000.00	75.00%	75.00%	-	-	-
Guangjiao Baiyunshan (Hong Kong) Limited	35,410,006.87	35,410,006.87	-	35,410,006.87	100.00%	100.00%	-	-	-
Tian Xin	96,192,658.47	96,192,658.47	-	96,192,658.47	82.49%	82.49%	-	-	-
Guang Hua	53,659,963.75	53,659,963.75	-	53,659,963.75	84.48%	84.48%	-	-	-

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investments (Continued)

#### (a) Details of long-term equity investments (Continued)

Name of entity	Investment cost	31 December 2013	Current period movement	30 June 2014	% Equity interest held	% Voting rights held	Provision for impairment	Impairment losses recognised in current period	Cash dividend in current period
Mingxing Weiling	12,581,294.18	12,581,294.18	-	12,581,294.18	100.00%	100.00%	-	-	-
Guangzhou Baiyunshan Pharmacy	10,444,783.48	10,444,783.48	-	10,444,783.48	100.00%	100.00%	-	-	-
Pharmaceutical Technology	1,000,000.00	1,000,000.00	-	1,000,000.00	100.00%	100.00%	-	-	-
Great Health Hotel	1,020,000.00	1,020,000.00	-	1,020,000.00	51.00%	51.00%	-	-	627,300.00
	500,000.00	500,000.00	-	500,000.00	100.00%	100.00%	-	-	-
Other long-term equity investments:									
Beijing Imperial Court Cultural Development Company Ltd	200,000.00	200,000.00	-	200,000.00	10.00%	10.00%	-	-	-
Guangdong Southern China Advanced Pharmaceutical Co., Ltd.	10,000,000.00	10,000,000.00	-	10,000,000.00	11.12%	11.12%	-	-	-
Sherzhen Zhonglian Guangshen Pharmaceutical Co., Ltd.	312,077.00	312,077.00	-	312,077.00	-	-	-	-	-
Guangzhou Zhongying Cambridge Technology Co., Ltd.	300,000.00	300,000.00	-	300,000.00	9.97%	9.97%	300,000.00	-	-
Dongbei Pharmaceutical General Factory	750,000.00	750,000.00	-	750,000.00	-	-	750,000.00	-	-
Wuhan Pharmaceutical Co., Ltd.	2,000,000.00	2,000,000.00	-	2,000,000.00	2.80%	2.80%	2,000,000.00	-	-
Boxter Healthcare	82,338,800.00	82,338,800.00	-	82,338,800.00	12.50%	12.50%	-	-	-
Stock of enterprises activities center	50,000.00	50,000.00	-	50,000.00	-	-	50,000.00	-	-
Guangzhou Dongming Pharmaceutical Co., Ltd.	275,000.00	275,000.00	-	275,000.00	5.00%	5.00%	275,000.00	-	-
Guangzhou Nanxin Pharmaceutical Co., Ltd.	7,677,876.51	7,677,876.51	-	7,677,876.51	13.00%	13.00%	-	-	-
Subtotal of cost method	1,874,025,117.29	1,809,165,117.29	64,860,000.00	1,874,025,117.29	N/A	N/A	174,375,000.00	-	272,844,624.19
Total	2,562,454,381.51	3,555,971,132.60	149,883,097.93	3,705,854,230.53	N/A	N/A	174,375,000.00	-	282,844,624.19

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investments (Continued)

(b) There are no limitation on fund transfer between the Group and its investing entities.

### (4) Revenue and cost of sales

	For the six months ended 30 June 2014		
	Main operations	Other operations	Subtotal
Revenue	1,372,198,379.78	222,297,074.20	1,594,495,453.98
Cost of operation	815,190,466.19	114,259,782.09	929,450,248.28
Gross profit	557,007,913.59	108,037,292.11	665,045,205.70

	For the six months ended 30 June 2013		
	Main operations	Other operations	Subtotal
Revenue	207,756,256.08	87,846,831.17	295,603,087.25
Cost of operation	125,726,240.48	17,937,154.28	143,663,394.76
Gross profit	82,030,015.60	69,909,676.89	151,939,692.49

(a) Revenue and cost of main operations by natures are summarised as follows:

	Revenue from main operations		Cost of main operations	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Manufacturing	1,371,824,628.91	207,043,037.31	814,833,430.54	125,046,832.72
Trading	373,750.87	713,218.77	357,035.65	679,407.76
	<b>1,372,198,379.78</b>	207,756,256.08	<b>815,190,466.19</b>	125,726,240.48

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
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## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (4) Revenue and cost of sales (Continued)

(b) Revenue and cost of main operations by regions are summarised as follows:

	Revenue from main operations		Cost of main operations	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Southern China	<b>1,125,354,889.51</b>	155,804,858.75	<b>698,205,479.00</b>	99,141,644.69
Eastern China	<b>129,676,871.80</b>	25,521,602.83	<b>47,435,834.54</b>	10,378,230.07
Northern China	<b>41,966,921.87</b>	8,453,434.32	<b>24,427,906.07</b>	5,030,611.44
North east China	<b>9,136,984.59</b>	2,704,326.70	<b>6,769,184.22</b>	1,957,527.26
South west China	<b>58,137,741.25</b>	14,798,969.51	<b>32,605,594.95</b>	8,956,292.21
North west China	<b>4,432,637.43</b>	473,063.97	<b>2,925,688.24</b>	261,934.81
Other countries	<b>3,492,333.33</b>	–	<b>2,820,779.17</b>	–
	<b>1,372,198,379.78</b>	207,756,256.08	<b>815,190,466.19</b>	125,726,240.48

(c) The total top five of customer sales is RMB 1,110,606 thousand, which is 80.94% of revenue from main operations this year.

	Revenue from main operations	% of revenue from main operations of the company
Customer 1	<b>871,654,137.73</b>	63.52%
Customer 2	<b>116,658,466.56</b>	8.50%
Customer 3	<b>69,668,803.42</b>	5.08%
Customer 4	<b>27,512,820.56</b>	2.01%
Customer 5	<b>25,112,117.03</b>	1.83%
	<b>1,110,606,345.30</b>	80.94%

# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (5) Investment income

(a) Details of Investment income:

	<b>For the six months ended 30 June 2014</b>	For the six months ended 30 June 2013
Income from financial assets:		
Income from financial assets held for trading	–	9,249.60
Income from available-for-sale financial assets	–	350,900.00
Income from entrusted loans	<b>8,097,525.82</b>	8,070,934.78
Income from long-term equity investments under cost method	<b>272,844,624.19</b>	134,945,650.35
Income from long-term equity investments under equity method	<b>107,385,434.91</b>	91,515,906.01
Income from disposal long-term equity investments	–	–
	<b>388,327,584.92</b>	234,892,640.74

(b) Investment income from long-term equity investments under cost method which is more than 5% of total profit are as follows:

	<b>For the six months ended 30 June 2014</b>	For the six months ended 30 June 2013
Zhong Yi	<b>60,530,209.67</b>	42,398,072.66
Chen Li Ji Factory	–	24,739,246.79
Pan Gao Shou	<b>12,494,613.04</b>	17,079,709.78
WLJ Great Health	<b>182,150,646.65</b>	24,769,410.51
	<b>255,175,469.36</b>	108,986,439.74

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(Continued)*

### (5) Investment income *(Continued)*

- (c) Investment income from long-term equity investments under equity method which is more than 5% of total profit are as follow:

	<b>For the six months ended 30 June 2014</b>	For the six months ended 30 June 2013
Wang Lao Ji	<b>16,125,247.28</b>	35,585,057.44
GP Corp.	<b>42,904,579.46</b>	40,520,712.75
HWBYS	<b>51,059,196.67</b>	18,777,756.73
	<hr/> <b>110,089,023.41</b> <hr/> <hr/>	<hr/> 94,883,526.92 <hr/> <hr/>



# Notes to the Financial Statements

For the six months ended 30 June 2014

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (6) Supplementary information to the Company's cash flow statement

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
(a) Reconciliation from net profit to cash flows from operating activities		
Net profit	<b>558,093,398.99</b>	288,053,432.14
Add: Provisions for asset impairment	<b>1,276,338.08</b>	922,408.44
Depreciation and amortisation of fixed assets and investment property	<b>24,913,726.32</b>	4,713,438.20
Amortisation of intangible assets	<b>2,547,608.76</b>	442,658.92
Amortisation of long-term prepaid expenses	<b>112,240.94</b>	49,060.71
Gains on disposal of fixed assets, intangible assets and other long-term assets	<b>330,406.49</b>	1,686.55
Losses on scrapping of fixed assets	-	-
Loss (less: gains) on change in fair value	<b>(45,693.30)</b>	(138,681.60)
Financial expenses	<b>13,501,071.28</b>	7,367,734.62
Investment income	<b>(401,211,472.07)</b>	(234,892,640.74)
Decrease in deferred tax assets	<b>1,485,469.69</b>	(62,969,777.08)
Increase (less: decrease) in deferred tax liabilities	-	2,823,247.28
Decrease (less: increase) in inventories	<b>21,431,228.44</b>	(363,273,338.29)
Decrease in operating receivables	<b>(192,991,955.88)</b>	(968,894,873.70)
Increase in operating payables	<b>36,650,405.73</b>	1,329,217,404.28
Others	-	-
	<hr/>	<hr/>
Net cash flows from operating activities	<b>66,092,773.47</b>	3,421,759.73
	<hr/> <hr/>	<hr/> <hr/>
(b) Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Convertible company bonds due within one year	-	-
Fixed assets held under finance leases	-	-
(c) Net movement in cash and cash equivalents		
Cash at end of period	<b>549,213,250.72</b>	381,018,548.95
Less: cash at beginning of year	<b>462,902,261.84</b>	141,232,654.49
Add: cash equivalents at end of period	-	-
Less: cash equivalents at beginning of year	-	-
	<hr/>	<hr/>
Net movement in cash and cash equivalents	<b>86,310,988.88</b>	239,785,894.46
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the six months ended 30 June 2014  
(All amounts in Renminbi yuan unless otherwise stated)  
[English Translation for Reference Only]

## 16 NET CURRENT ASSETS

	<b>The Group</b>	
	<b>30 June 2014</b>	31 December 2013
Current assets	<b>8,721,317,254.36</b>	7,298,788,281.51
Less: Current liabilities	<b>6,178,790,807.05</b>	5,050,078,080.31
Net current assets	<b>2,542,526,447.31</b>	2,248,710,201.20

	<b>The Company</b>	
	<b>30 June 2014</b>	31 December 2013
Current assets	<b>3,076,417,317.13</b>	2,659,050,589.48
Less: Current liabilities	<b>1,523,057,206.90</b>	1,207,339,131.68
Net current assets	<b>1,553,360,110.23</b>	1,451,711,457.80

## 17 TOTAL ASSETS LESS CURRENT LIABILITIES

	<b>The Group</b>	
	<b>30 June 2014</b>	31 December 2013
Total assets	<b>13,799,090,163.41</b>	12,249,123,151.39
Less: Current liabilities	<b>6,178,790,807.05</b>	5,050,078,080.31
Total assets less current liabilities	<b>7,620,299,356.36</b>	7,199,045,071.08

	<b>The Company</b>	
	<b>30 June 2014</b>	31 December 2013
Total assets	<b>7,688,277,656.10</b>	7,112,046,675.67
Less: Current liabilities	<b>1,523,057,206.90</b>	1,207,339,131.68
Total assets less current liabilities	<b>6,165,220,449.20</b>	5,904,707,543.99

# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

Item	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Losses on disposal of non-current assets	(697,635.78)	(1,092,167.67)
Tax return or exemption without proper authorization	-	-
Government grants recognised in profits or losses(excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	15,026,828.43	10,873,889.82
Interests received from entities other than financial institutions recognised in profits or losses	-	-
Gains arising from the difference between Investment cost on subsidiaries, associates and jointly controlled entities and the fair value of the net assets attributable to the Group	-	-
Gains or losses arising from non-monetary assets exchange	-	-
Gains or losses arising from entrusted investments or entrusted asset management	-	-
Asset impairment provided in current year due to forced majeure (e.g. natural disasters)	-	-
Gains or losses arising from debt restructuring	-	-
Corporate restructuring costs (e.g. staff replacement costs and costs during the course of integration)	-	-
Gains or losses arising from the difference between the fair value and transaction price in obviously unfair transactions	-	-
Net profit of subsidiaries acquired under common control from beginning of year to the merger date	-	-
Gains or losses arising from contingencies irrelevant to the Group's normal business	-	-
Gains or losses from changes in fair value of financial assets and liabilities held for trading except for hedging contracts and disposal of financial assets and liabilities held for trading and available-for-sale financial assets	45,693.30	138,681.60
Reversal of provision for bad-debts of accounts receivable subject to separate provision	-	222,456.83
Gains or losses arising from entrusted loan granted to other entities	(484,907.51)	(487,850.79)
Gains or losses arising from changes in fair value of investment properties under fair value model	-	-
One-off adjustments to profit or loss as required by taxation and accounting laws and regulations	-	-
Consignment fee income arising from entrusted operations	-	-
Other non-operating income and expenses other than the aforementioned items	1,630,730.47	731,509.67
Other profit or loss items meeting the definition of non-recurring profit or loss	-	-
Impact on income tax	(1,173,253.24)	(683,727.04)
Impact on minority interests (post-tax)	(380,935.19)	(31,639.44)
Total	<b>13,966,520.48</b>	<b>9,671,152.98</b>

# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 RETURN ON NET ASSETS AND EARNINGS PER SHARE:

	Weighted average return on net assets (%)	Earnings per share	
		Weighted average basic earnings per share	average return on net assets (%)
<b>For the six months ended 30 June 2014</b>			
Net profit attributable to ordinary shareholders of the Company	9.73%	0.522	0.522
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.53%	0.511	0.511

	Weighted average return on net assets (%)	Earnings per share	
		Weighted average basic e earnings per share	average return on net assets (%)
<b>For the six months ended 30 June 2013</b>			
Net profit attributable to ordinary shareholders of the Company	10.02%	0.466	0.466
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.86%	0.458	0.458

# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 2 RETURN ON NET ASSETS AND EARNINGS PER SHARE: (Continued)

	Overall diluted return on net assets (%)	Earnings per share	
		Overall diluted basic earnings per share	Overall diluted earnings per share
<b>For the six months ended 30 June 2014</b>			
Net profit attributable to ordinary shareholders of the Company	9.35%	0.522	0.522
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	9.16%	0.511	0.511
<b>For the six months ended 30 June 2013</b>			
	Overall diluted return on net assets (%)	Overall diluted basic earnings per share	Overall diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	9.02%	0.455	0.455
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	8.87%	0.447	0.447

# Supplementary Information

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

## 3 REASONS FOR EXCEPTIONAL ITEMS IN FINANCIAL STATEMENTS

Items	At at 30 June 2014 (RMB'000)	At at 1 January 2014 (RMB'000)	Fluctuation (%)	Reasons of fluctuation
Cash at bank and on hand	2,845,246	1,935,682	46.99	The Group's sales increased in current period.
Other current assets	5,729	19,348	(70.39)	As at 30 June 2014, the Group's VAT input tax which is not deductible increased.
Development expenditures	12,502	3,717	236.35	The Group's expenses of research and development which were capitalized increased constantly in current period.
Deferred tax assets	182,609	266,950	(31.59)	As at 30 June 2014, the Company's temporary differences arisen from accrued expenses decreased in current period.
Accounts payables	2,432,651	1,470,361	65.45	The Company's trading subsidiaries developed high-quality suppliers actively for better credit terms in current period.
Taxes payables	175,501	403,384	(56.74)	As at 30 June 2014, the group's VAT payable and enterprise income tax reduced.
Interest payables	280	675	(58.52)	As at 30 June 2014, the Group's external borrowings from the bank decreased.
Dividends payables	337,031	113,513	196.91	The Group distributed dividends 2013 in the first half year of 2014.
Other payables	1,680,220	1,211,713	38.66	As at 30 June 2014, the Group's accrued expenses of advertising and transport increased.
Financial expenses	(3,043)	18,723	(116.25)	The Group actively tapped the potential of internal funds, raised the capital operation efficiency, gradually repay the external borrowings from the bank; subsidiaries increased interest income as a result of reasonable allocation of funds and improvement of efficiency on funds operations.
Profit arising from changes in fair value	46	139	(67.05)	Comparing with previous period, the rising range for the share price of financial assets for trading has reduced in current period.
Revenue from non-operation	21,111	16,056	31.48%	The Group's government grants increased in current period.
Income tax	158,319	83,657	89.25%	Subsidiaries' profit increased and the movement of income tax incidence as a result of recombination of applicable income tax.

## Documents Available for Inspection

- I. The financial statements signed and stamped by the legal representative, persons in charge of the accounting works of the Company and person in charge of the accounting firm;
- II. The auditor's reports signed by BDO China Shu Lun Pan CPAS LLP together with the financial statements prepared in accordance with PRC Accounting Standards;
- III. The original company documents disclosed and announcements published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) during the Reporting Period;
- IV. The documents listed above are available at the Secretariat of the Company.