



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 2013

Important Notice

- I. The Board, the supervisory committee of the Company and the directors, supervisors and senior management of the Company collectively and individually accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report and confirm that there are no false information, misleading statements or material omissions in this interim report.
- II. The directors attended the 26th meeting of the fifth session of the Board, among whom, Ms. Cheng Ning, an executive director, was unable to attend the meeting due to business trip and had appointed Mr. Li Chuyuan, chairman of the Board, to attend the meeting and vote on her 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 (director and general manager) and Ms. Liu Fei (manager of 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 the payment of interim dividends for the six months ended 30 June 2013 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. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 June 2012 have been restated to include the operating results and cash flows of Baiyunshan and Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (formerly known as Polian Development Co., Ltd.). The consolidated balance sheet as at 31 December 2012 have been restated to include the assets and liabilities of Baiyunshan and Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited. Respective notes to the consolidated financial statements have also been restated.
- VII. Forward-looking statements such as plans for the future and development strategy described in this report do not constitute any actual commitment of the Company to investors, investors should be aware of investment risk.
- VIII. There was no non-operational appropriation of funds of the Company by its connected parties.
- IX. The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company or relevant authorities.
- X. This interim report is prepared in both English and Chinese. In the event that different interpretation occurs, the Chinese version shall prevail.



Contents

1.	DEFINITIONS	3
2.	COMPANY PROFILE	6
3.	FINANCIAL DATA AND FINANCIAL HIGHLIGHTS.....	8
4.	REPORT OF THE BOARD OF DIRECTORS	10
5.	MAJOR EVENTS	27
6.	CHANGES IN SHARE CAPITAL AND SHAREHOLDERS.....	49
7.	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF.....	54
8.	FINANCIAL REPORTS	57
9.	DOCUMENTS AVAILABLE FOR INSPECTION	238

Definitions

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

Company	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司) (formerly known as <i>Guangzhou Pharmaceutical Company Limited</i> “廣州藥業股份有限公司”)
PRC or China	The People’s Republic of China
Reporting Period	the six months ended 30 June 2013
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
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
Depository Corporation	China Securities Depository and Clearing Corporation Limited, Shanghai Office
Articles of Association	the Articles of Association of the Company
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 contained in the Listing Rules of HKEx
GPHL	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)
Xing Qun	Guangzhou Baiyunshan Xing Qun Pharmaceutical Co., Ltd. (廣州白雲山星群(藥業)股份有限公司)



Definitions

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 Company Limited (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 WLJ 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)
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)

Definitions

Baiyunshan General Factory	Guangzhou Baiyunshan Pharmaceutical General Factory (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 (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	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 Pharmaceutical 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 Qiao Guang	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 GPLH Baiyunshan Great Health Hotel Co., Ltd. (廣州廣藥白雲山大健康酒店有限公司)
CPIC	Guangzhou Baiyunshan Chemical Pharmaceutical Innovation Center (廣州白雲山化學藥創新中心)
Weiling	Baiyunshan 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)



Company Profile

(1) FUNDAMENTAL INFORMATION

1. 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
Previous legal Chinese name: 廣州藥業股份有限公司
Previous Chinese name short name: 廣州藥業
Previous English name: Guangzhou Pharmaceutical Company Limited
Previous English name short name.: GPC
2. Legal Representative: Li Chuyuan
3. Secretary to the Board: Pang Jianhui
Representative of securities affairs: Huang Xuezheng
Address: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Telephone: (8620) 8121 8119/8121 8120
Fax: (8620) 8121 6408
E-mail: pangjh@gpc.com.cn/huangxz@gpc.com.cn
4. Registered Address and Office: 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Postal code: 510130
Phone: (8620) 8121 8103
Fax: (8620) 8121 6408
Website: <http://www.gpc.com.cn>
E-mail: sec@gpc.com.cn
Principal place of business in Hong Kong: Room 2005, 20th Floor, Tower Two Lippo Center, 89 Queensway, Hong Kong
5. Designated newspapers for information disclosure: Mainland China: Shanghai Securities News, Securities Times, China Securities News
Website designated by the CSRC for publishing this interim report: <http://www.sse.com.cn>
Internet website designated by HKEx for publishing this interim report: <http://www.hkex.com.hk>
Place where this interim report is available for inspection: The Secretariat of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Company Profile

(1) FUNDAMENTAL INFORMATION *(Continued)*

- | | | | |
|----|---|---------------------|--|
| 6. | Place of listing, name and codes of the Company's shares: | A Shares: | SSE |
| | | Stock Code: | 600332 |
| | | Stock Abbreviation: | BAIYUNSHAN PH |
| | Previous Stock short name: | A Shares: | GUANGZHOU PHAR |
| | | H Shares: | HKEx |
| | | Stock Code: | 0874 |
| | | Stock Abbreviation: | BAIYUNSHAN PH |
| | Previous Stock short name: | H Shares: | GUANGZHOU PHAR |
| 7. | Date of alteration registration: | | 16 August 2013 |
| | Place of alteration registration: | | 45 Sha Mian North Street, Liwan District,
Guangzhou City, Guangdong Province, the PRC |



Financial Data and Financial Highlights

I. PRINCIPAL FINANCIAL DATA AND INDICATORS

Items	As at 30 June 2013 (Unaudited)	As at 31 December 2012		Year on year increase/ (decrease) (%) After restatement
		After restatement (Unaudited)	Before restatement (Audited)	
Total assets (RMB'000)	11,935,976	9,394,208	6,235,394	27.06
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	6,512,796	5,566,352	4,096,589	17.00
Net assets per share attributable to the shareholders of the Company (RMB)	5.04	4.41	5.05	14.28

Items	The Reporting Period (Unaudited)	The same period as compare with last year		Year on year increase/ (decrease) (%) After restatement
		After restatement (Unaudited)	Before restatement (Audited)	
Income from operations (RMB'000)	9,072,473	5,649,803	3,498,046	60.58
Profit from operations (RMB'000)	680,766	502,223	240,475	35.55
Total profit (RMB'000)	690,060	511,865	248,618	34.81
Net profit attributable to the shareholders of the Company (RMB'000)	587,229	427,396	217,085	37.40
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	577,558	414,706	210,104	39.27
Basic earnings per share (RMB)	0.466	0.339	0.268	37.40
Diluted earnings per share (RMB)	0.466	0.339	0.268	37.40
Basic earnings per share after deducting non-recurring items (RMB)	0.458	0.329	0.259	39.27
Ratio of weighted average return on net assets (%)	10.02	8.32	5.60	An increase of 1.70 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	9.86	8.07	5.42	An increase of 1.79 percentage points
Net cash flow from operating activities (RMB'000)	1,367,185	778,530	522,090	75.61
Net cash flow from operating activities per share (RMB)	1.06	0.62	0.64	71.52

Notes:

- The above financial data and indicators are computed based on the consolidated financial statements.
- The Company did not change any accounting policies and have any accounting errors which would required retroactive adjustment. Because the Company completed the Major Assets Reorganization on 30 June 2013, the business combinations involving entities under common control emerged. The main financial statements and statistics of the Company in the first half year of 2012 and 31 December 2012 have also been restated.

Financial Data and Financial Highlights

I. PRINCIPAL FINANCIAL DATA AND INDICATORS (Continued)

Notes:

(c) Non-recurring items include:

Items	The Reporting Period	Explanation
	Amount (RMB'000)	
Gain/(Loss) on disposal of non-current assets	(1,092)	
Government subsidies recognized as gain/(loss)	10,874	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income in the received period
Gain/(Loss) 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	139	
Write back of provision for impairment of accounts receivable undergoing independent impairment test	222	
Loss from entrusted loans	(488)	
Other non-operating income and expenses excluding the above items	732	
Income tax effect	(684)	
Effect on minority interest (after tax)	(32)	
Total	9,671	



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS

1. Business Scope:

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

Business Review

During the Reporting Period, the Group steadily pushed forward its work on marketing, production, quality, technical innovation, Major Assets Reorganization and other areas strictly in line with its annual business targets. Facing with downward pressure on the economy, slowing down of industry growth and intensified market competition, the Group stepped up its marketing efforts to accelerate its development of great health products business, further strengthened resources integration, improved internal control and risk management and strived for reduction in operating costs, turned challenges into opportunities, turned pressure into motivation, improved resources efficiency, ensured steady growth of our core businesses.

During the Reporting Period, the Major Assets Reorganization has been successfully implemented. In May 2013, the Company had completed the absorption and merger of Baiyunshan. The trading of additional shares issued by the Company for absorption and merger of Baiyunshan officially commenced on 23 May 2013. On 30 June 2013, the Company and GPLH signed the “Asset Transfer Agreement” in relation to the issuance of A shares for acquisition of assets. Registration formalities in respect of the newly issued shares have been completed on 5 July 2013. At this point, the Company’s Major Assets Reorganization was basically completed, setting up the first-ever reorganization precedent which involved stock exchanges in Shanghai, Shenzhen and Hong Kong in the history of Chinese securities industry. In addition, the Company received many accolades, such as “100 Best Market Capitalization Management”* (市值管理百佳) and “100 Strong Brands with Capital Value”* (資本品牌價值百強) and “100 Strong Value Companies Listed on China Main Board 2012”* (2012中國主板上市公司價值百強)” etc. for its outstanding performance in value creation and materialization and its great market influence.

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

1. Business Scope (Continued)

Manufacturing operations

During the Reporting Period, firstly we actively responded to the supplementary works for basic medicine catalog, strengthened costs control and proactively responded to the bidding policy of basic medicine. During the Reporting Period, the Group made new breakthroughs in coordinating its products for inclusion in the basic medicine catalog. Our exclusive Chinese medicine namely Kou Yan Qing Ke Li* (口炎清顆粒), Xiao Ke Wan* (消渴丸), Zhang Yan Ming Pian* (障眼明片), Hua Tuo Zai Zao Wan* (華佗再造丸) and Bao Ji Kou Fu Ye* (保濟口服液) were successfully selected for inclusion in “The 2012 National Basic Medicine Catalog* (2012年版國家基本醫藥目錄)”. Secondly, the Group vigorously organized marketing campaigns for branding and marketing activities in the cultural and academic fields in order to promote the science of Chinese medicine, enhance its brand awareness and foster terminal nurturing and promote sales. During the Reporting Period, the Company’s subsidinated enterprises demonstrated their corporate social responsibilities with the aim of contributing back to society by organizing and participating in various donations and charities such as collection of expired drugs. Chen Li Ji Factory established a “Chen Li Ji Golden Image Outlet”* (陳李濟金牌形象店) which integrated the sales of Chinese medicine and brand display in one outlet, and it was the sole pharmaceutical company in Guangzhou chosen as representative to participate in the exhibition of the “The 3rd Cantonese Cultural Festival”* (第三屆廣府文化節) organized by Guangzhou City. Zhong Yi Exhibition Hall of Zhong Yi* (中一展廳) was officially commenced, serving as a medical culture platform in addition to Chen Li Ji Museum* (陳李濟博物館) and Shen Nong Cottage* (神農草堂). At the same time, Zhong Yi pro-actively organized a major theme activity titled “The International Stomach Care Day”* (國際護胃日). Besides, a series of activities were organized for celebrating the 185th Anniversary of Wang Lao Ji, including “2012 Wang Lao Ji Cup – University Student of Year 2012” and Contest of Image Ambassador for “Wang Lao Ji is Beautiful Because of You”* (“王老吉因你而美麗”), in order to further promote and improve its brand image. Wang Lao Ji Zhonghua “Ji” Culture Research Institute was established to promote Chinese “Ji” culture. In June of this year, during the “Conference of Wang Lao Ji Herbal Tea of International Standards and Latest Scientific Results under Wang Lao Ji Herbal Tea National 863 Plan”* (王老吉涼茶國際標準研究暨王老吉涼茶國家863計劃最新科研成果發佈會), an agreement with Swiss SGS and Murad Translational Medicine Center was signed for kicking off the first international standard for herbal research in the world, in order to further accelerate the process of internationalization of herbal tea. Thirdly, the Group speeded up the great health products industry, and opened up the domestic great health products market through establishing great health platform. Focusing on satisfying consumers’ diversified needs for herbal tea products, Wang Lao Ji has launched new low-sugar herbal tea, sugar-free herbal tea and solid herbal tea beverages, and has provided instantly drinkable herbal tea machines* (涼茶直飲機) to chain restaurants directly, breaking through limitation of its traditional product specification. The high coverage rate and high exposure of “Wang Lao Ji” great health products have been maintained through the use of mass media such as TV, print and internet media. In 2013, WLJ Great Health has ramped up its sales force and strengthened the build up and management of its customer base. The distribution rate of Red-canned and Red bottles Wang Lao Ji herbal tea throughout the nation increased rapidly. Moreover, the construction of herbal tea production bases have been accelerated to cope with the capacity demand. Fourthly, the Group focuses on the development of “new cash cow” products in order to enhance higher margin, create higher value added and expand the market share of high-tech products, thus improving the overall gross margin. Fifthly, the Group accelerated the development of GMP authentication of its subsidiaries. During the Reporting Period, the vinum and tincture workshop of Wang Lao Ji, two workshops of Jing Xiu Tang, a preparation workshop, traditional Chinese medicine pre-processing workshop and an extraction workshop of Xingzhou of Xing Qun, three workshops under the manufacturing department of Tian Xin, two powder workshops of He Ji Gong and the workshops for tablets, granules, capsules, complex, emulsion, and pre-processing and extraction for Chinese medicine of Ming Xin have obtained GMP authentication.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

1. Business Scope *(Continued)*

Manufacturing operations *(Continued)*

During the Reporting Period, the gross profit margin of the manufacturing operations was 42.29%, representing an increase of 1.58 percentage points as compared with the corresponding period of 2012.

During the Reporting Period, products such as herbal tea drinks, Hua Tuo Zai Zao Wan series* (華佗再造丸), Qing Kai Ling Ke Li* (清開靈顆粒) series, cefixime and cephalosporin for injection recorded a rapid increase in sales revenue as compared with the same period of 2012.

During the Reporting Period, the progress of the IIb clinical research of the therapeutic dualplasmid HBV DNA vaccine* (治療性雙質粒HBV DNA疫苗) of the Company and all the relevant parties has been carried out smoothly. All participants have completed clinical trials. Baxter Qiao Guang's emulsion of amino acids and glucose injection* (脂肪乳氨基酸葡萄糖注射液) has successfully obtained the import registration approval from China Food and Drug Administration. Zhong Yi's Zi Shen Yu Tai Wan* (滋腎育胎丸) has become the first Chinese patent medicine developed through evidence-based medical research in the field of gynecology in the nation. A scientific research project titled "Research and Development on Mulberry Resource's Functional Substance and Its Edible and Medicinal Uses"* (《桑樹資源功能物質研究與食藥用開發》), which Cai Zhi Lin has been taking part in, won the "Guangdong Provincial Science and Technology First Award"* (廣東省科學技術獎一等獎). Pan Gao Shou and Faculty of Public Health of Fudan University have kicked off the first "Research Project on Prevention and Cure for PM2.5 Harm"* (PM2.5傷害防治研究項目), pioneering initiative in the field of Chinese medicine to study the topic of prevention and cure for PM2.5. The "Demonstration Project for the Commercialisation of High Technology for Antineoplastic crude drug materials in Conformity with cGMP Standard of Guangzhou Hanfang" was accepted by the National Development and Reform Committee as an industry project. "Key Technology for the Commercialisation of Separation and Purification of Chinese Medicinal Herbs (Extraction of Salvia Millitiorrhiza)" was accepted by the Provincial Economic and Information Technology Committee in a tendered project for major breakthroughs in key areas in the Guangdong and Hong Kong regions. The "Clinical Re-evaluation of Famous and Quality prepared prescription Chinese medicine Hua Tuo Zai Zao Wan" manufactured by Qi Xing was accepted by the Provincial Department of Science and Technology in a tendered project for major breakthroughs key areas in the Guangdong and Hong Kong. "The Enterprise Technology Centre of Qi Xing Project for Building up the Innovative Capability" was accepted by the municipal government as a technological innovation project. Pan Gao Shou's "Clinical Study for the Treatment of Endometriosis with New Chinese Medicine Danbie Capsules" was accepted as a science and technology project at the municipal level. "The Development of Synthesis Technology for Cefozopran Hydrochloride Raw Materials" by Tian Xin was accepted as a science and technology project at the municipal level.

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

1. Business Scope *(Continued)*

Trading operations

During the Reporting Period, firstly the trading operations further strengthened the coordination and communication with upstream and downstream customers, optimization of sales channels and network and explored the new business model in response to the medical policies and market demand. At the same time, the Group has accelerated the construction of warehouses for logistics across the country, and strengthened the terminal distribution in order to meet the rapidly growing demand for business. Secondly, the Group constantly improved the cooperation with the production enterprises on issues such as the list of basic medicine and bidding, strengthened cooperation between industrial and commercial enterprises to facilitate integration of resources. During the Reporting Period, the integrated marketing of Chinese medicine under the core brands namely HWBYS, Zhong Yi and Qi Xing has made smooth progress. Baiyunshan General Factory, Guang Hua and Jing Xiu Tang strengthened communication between industrial and commercial enterprises and promote the integration of marketing by jointly holding meetings for exchanging industry and commerce information. Thirdly, the Group further leveraged on the advantages of building up a platform for integration of trading enterprises' resources. Cai Zhi Lin, a subsidiary of the Company, actively built up its ingredient reserve strategically for the medicinal materials used for great health products to ensure the corporate supply to the Group and stable and high-quality medicinal materials, and to control procurement costs and draw up an effective species resources planning. Pharmaceutical Import & Export exerted its unique advantage of resources integration and centralized procurement of Chinese herbal medicine, expanded the sales of raw materials, made reasonable adjustment to the product structure in response to national policy changes and achieved steady growth in sales revenue. Fourthly, under the strategy of "big trading business" establishment, the Group accelerated foreign investment and mergers and acquisition, construction of GAP planting bases for bulk raw materials of Chinese herbal medicine. As at the end of the Reporting Period, the Group has established the procurement platform of Chinese medicine and GAP planting bases companies in regions such as Tibet, Shandong, Inner Mongolia, Guizhou, Chongqing, Jilin and Heilongjiang.

During the Reporting Period, the gross profit margin of the trading operations was 7.29%, representing an increase of 0.56 percentage point as compared with the corresponding period of 2012.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

1. Business Scope *(Continued)*

Trading operations *(Continued)*

As at 30 June 2013, the Group had 34 retail chain pharmacy outlets, including 33 “Cai Zhi Lin” pharmacy outlets which specialized in traditional Chinese medicines, and one pharmacy named Ying Bang.

During the Reporting Period, the Group took effective measures to promote the steady growth of its core businesses. On the other hand, it integrated social responsibility and cultural construction, carried out its operation and management embedded with social responsibility, with the aims of demonstrating its civic responsibility and contributing to society. The Group achieved initial success in aiding Tibet where the Group has set up a joint venture company for aiding Tibet and constructed GAP bases for planting salvia roots and ganoderma. “RMB182.80 Million Wang Lao Ji Love Fund” sponsored 10,000 poor students last year and further provided financial assistance to 1,828 people whose illnesses have caused their families fall into poverty, jointly initiated the first charity program in Guangdong province with the Red Cross in Guangdong Province for fighting against H7N9 avian influenza, through which RMB8 million of relief supply and donation was given out, donated RMB3 million of relief supply and pharmaceutical products to affected victims in Ya’an, Sichuan through the Red Cross in Guangdong Province immediately after the occurrence of earthquake on 20 April, and formed a “Back-up Team for Blood Donation” and a “120 Resuce Back-up Team” to jet to the disaster area for aiding the rescue efforts. In addition, WLJ Great Health invested RMB300 million to build a Wang Lao Ji Production Base at the earthquake-stricken area in Ya’an, Sichuan, in order to provide jobs and other long-term supports for post-earthquake rebuilding works. Qi Xing and the Red Cross in Guangdong Province jointly organized a large-scale charity activity titled “Bringing Brightness to Others, Spreading Love in China”* (薪火燎原·傳愛中國) for helping the stroke patients in China who suffered from social isolation. Zhong Yi, Guangzhou City Volunteer Guidance Centre* (廣州市志願者行動指導中心), Youth Daily* (青年報社) and Peoples’ Dispensary Guangdong Company* (老百姓大藥房廣東公司) jointly held an activity called “Healthy Spring and Love Action”* (健康春運愛心行動) for giving medical kits and providing emergency treatment and other services to travelers during the Spring Festival travel season. Volunteers from Wang Lao Ji organized the “Caring for Future, Jili Giving Help” Campaign* (關愛未來·吉力相助) to show their caring and heart towards the children living in mountain areas of northern Guangdong in practical ways by giving them “love green boxes” and “colorful huts”.

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

2. Analysis of Operating Result

Analysis of changes in the financial statement related subjects:

Items	The Reporting Period (RMB'000) (Unaudited)	The corresponding Period of 2012 (RMB'000) (Unaudited and restated)	Increase/ (decrease) over the same period of 2012 (%)	Reason
Revenue	9,072,473	5,649,803	60.58	The Group strengthened its marketing, and its sales, especially sales of WLJ Great Health's products recorded a significant growth during the Reporting Period.
Including: Income from principal operations	9,000,965	5,574,585	61.46	
Cost of sales	5,823,243	3,934,226	48.01	The operating cost increased as the Group's sales revenue grew during the Reporting Period.
Including: Cost from principal operations	5,804,609	3,915,932	48.23	
Selling and distribution expenses	1,982,800	774,689	155.95	The Group increased the expenses of advertising during the Reporting Period, so as to launch marketing campaigns actively and improve its sales revenue during the Reporting Period. Therefore, selling expenses including marketing personnel costs and transportation fees increased.
General and administrative expenses	610,942	501,391	21.85	During the Reporting Period, expenses such as the Group's staff salaries and license fee expenses grew as the Group's sales revenue increased and its operating results improved.
Financial expenses	18,723	28,189	(33.58)	The Group improved internal capital management and cut down its bank borrowings during the Reporting Period.
Total profit	690,060	511,865	34.81	It is because the Group's growth in sales revenue and gross profit margin is greater than that of its costs during the Reporting Period.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

2. Analysis of Operating Result *(Continued)*

Items	The Reporting Period (RMB'000) (Unaudited)	The corresponding Period of 2012 (RMB'000) (Unaudited and restated)	Increase/ (decrease) over the same period of 2012 (%)	Reason
Net profit attributable to the shareholders of the Company	587,229	427,396	37.40	It is because the Group's growth in sales revenue and gross profit margin is greater than that of its costs during the Reporting Period.
Net cash flows from operating activities	1,367,185	778,530	75.61	The Group's sales revenue increased with more fund reflowing, and advances from customers of the Group for the Reporting Period grew.
Net cash flows from investing activities	(241,034)	(16,528)	(1,358.33)	The Group's capital expenditures increased and investment income decreased as compared with the corresponding period of last year. In addition, the Group did not have any withdrawal of short-term borrowing deposits by the Company's trading subsidiaries as it did in the corresponding period of last year.
Net cash flows from financing activities	(98,179)	(174,168)	43.63	It was due to decrease of dividends, interests and external borrowings of the Group for the Reporting Period.
Research and development expenditure	117,473	108,490	8.28	During the Reporting Period, the Company's manufacturing subsidiaries increased research and development investment, so as to further accelerate technological innovation and enhance ability of independent innovation.

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

3. Industry, product and regional analysis of the operation result

- (a) A breakdown of the operational results of the overall and principal operations of the Group during the Reporting Period is set out as follows:

Principal operations	Income from principal operations		Cost of principal operations		Profit margin of principal operations	
	Income from principal operations (RMB'000)	Increase/(Decrease) over the same period of 2012 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2012 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2012 (Percentage point)
Overall operations	9,000,965	61.46	5,804,609	48.23	35.51	An increase of 5.76 percentage points
Include: Manufacturing	7,257,865	92.15	4,188,600	87.03	42.29	An increase of 1.58 percentage points
Trading	1,743,100	(3.02)	1,616,019	(3.06)	7.29	An increase of 0.56 percentage point

Gross profit margin = (Income from principal operations – Cost of principal operations) / Income from principal operations × 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 principal operations (RMB'000)	Increase/(Decrease) over the same period of 2012 (%)	Cost of principal operations (RMB'000)	Increase/(Decrease) over the same period of 2012 (%)	Profit margin of principal operations (%)	Increase/(Decrease) over the same period of 2012 (Percentage point)
Chinese patent medicine	1,994,612	(0.82)	1,132,611	0.50	43.22	A decrease of 0.75 percentage point
Chemical medicine	1,797,239	3.38	1,122,904	2.44	37.52	An increase of 0.57 percentage point
Other products	3,466,014	12,503.86	1,933,085	11,699.04	44.23	An increase of 3.80 percentage points

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



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

3. Industry, product and regional analysis of the operation result *(Continued)*

(c) Regional analysis of sales of the Group during the Reporting Period is set out as follows:

Regions	Income from principal operations <i>(RMB'000)</i>	Increase/ (Decrease) over the corresponding period of 2012 <i>(%)</i>
Southern China	4,831,484	38.37
Eastern China	1,744,506	149.70
Northern China	909,167	90.69
North-Eastern China	185,651	38.36
South-Western China	873,948	81.91
North-Western China	332,037	122.29
Exports	124,172	(13.38)
Total	9,000,965	61.46

4. Analysis of Financial Conditions

(1) Liquidity

As at 30 June 2013, the current ratio of the Group was 1.39 (30 June 2012: 1.51), and its quick ratio was 0.96 (30 June 2012: 1.06). Accounts receivable turnover rate was 23.09 times, representing an increase of 50.75% as compared with the corresponding period of 2012. Inventory turnover rate was 5.42 times, representing an increase of 7.56% as compared with the corresponding period of 2012.

(2) Financial resources

As at 30 June 2013, cash and cash equivalents of the Group amounted to RMB2,142,523,000 (30 June 2012: RMB1,214,505,000), out of which approximately 98.73% and 1.27% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2013, the Group had bank borrowing of RMB613,830,000 (30 June 2012: RMB919,767,000), including short-term borrowings of RMB612,080,000 (30 June 2012: RMB919,767,000) and long-term borrowings of RMB1,750,000 (30 June 2012: Nil).

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

4. Analysis of Financial Conditions *(Continued)*

(3) Capital structure

As at 30 June 2013, the Group's current liabilities amounted to RMB5,069,635,000 (30 June 2012: RMB3,351,546,000), representing an increase of 51.26% as compared with the corresponding period of 2012, and its long-term liabilities was RMB162,620,000 (30 June 2012: RMB218,096,000), with a decrease of 25.44% as compared with the corresponding period of 2012. The shareholders' equity attributable to the shareholders of the Company amounted to RMB6,512,796,000 (30 June 2012: RMB5,263,701,000), with an increase of 23.73% as compared with the corresponding period of 2012.

(4) Capital expenditure

The Group expects that the capital expenditure for 2013 will be approximately RMB961 million, of which RMB538 million (in the first half of 2012: RMB67 million) has already been spent in the first half of 2013, mainly applied in the construction of factories and infrastructure, purchases of machines, equipment and patented technologies, etc. The Group has sufficient financial resources to meet the capital expenditure and daily working capital requirements.

(5) Exposure to fluctuations in exchange rates

As 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.

(6) Contingent liabilities

As at 30 June 2013, the Group has no significant contingent liabilities.

(7) Charge on the Group's assets

As at 30 June 2013, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (formerly known as Polian Development Co., Ltd.), a wholly-owned subsidiary of the Company, had a general banking facility of HK\$300,000, and a letter of credit and a letter of trust with total limit of HK\$100,000,000 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\$6,854,000 and investment properties with original value of HK\$6,843,000 and net value of HK\$5,480,000.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

4. Analysis of Financial Conditions *(Continued)*

(8) Bank loans, overdraft and other borrowings

As at 30 June 2013, the borrowings of the Group amounted to RMB613,830,000 (31 December 2012: RMB681,218,000), with a decrease of RMB67,388,000 as compared with the beginning of 2013. The above bank loans included short-term loans of RMB612,080,000 and long-term loans of RMB1,750,000.

(9) Gearing ratio

As at 30 June 2013, the Group's gearing ratio (total liabilities/total assets ×100%) was 43.84% (31 December 2012: 38.73%).

(10) Material investment

As at 30 June 2013, the Group did not have any other material additional investment.

5. Issues and difficulties in operations and plans for the second half of 2013

In 2013, the government increased its investment in medical and health areas continuously, increasing domestic emphasis on the importance of Chinese medicine and biomedicine, the aging population and increase in people's health awareness will further stimulate the explosion of medical needs, offering development opportunities for our businesses. However, increasing downward pressure on the economy, slowing down of industry growth, intensified market competition, stronger price control of pharmaceutical products by the government, surging operating costs and implementation of the new GMP standard will challenge the development of the Group in the future.

2013 is the Group's "Resource Benefit Year". During the year, the Group targets at building up the "Grand Southern TCM", developing "Grand Health", and promoting "Grand Commerce and Trading". In the second half of 2013, the key tasks of the Group will include:

- (1) to grasp the opportunities offered by the completion of Major Assets Reorganization, push on the "resources integration works" in an all-round manner, push ahead the integration of new staff and other resource platforms of the listed company after the reorganization and focus on exploring the feasibility of establishing various management centers to achieve inter-company resources sharing, and open a new way for achieving integrated operation and synergy effect. In addition, to actively respond to the difficulties and risks which will occur in the process of resources integration.
- (2) to strive for centralization of our resources, proactively respond to the bidding policy of basic medicine implemented in all regions, and vigorously promote the sales of basic medicine in the medical institutions.

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

5. Issues and difficulties in operations and plans for the second half of 2013 *(Continued)*

- (3) to accelerate the building up of a “grand health industry project” by putting more efforts on the research and development of new products, advertising and promotion, distribution, production capacity planning, marketing network and end-market, cost control and other aspects to further tap resources of “Wang Lao Ji” and other brands.
- (4) to accelerate the progress of pillar varieties with value over RMB100 million, foster product sales growth, potential items and product groups with high sales growth and market share, further strengthen advantageous products, develop more ordinary pharmaceutical products with value over RMB100 million, and further develop and expand the market for our exclusive varieties, high-margin varieties and “cash cow” products and items.
- (5) to tap the opportunities derived from the implementation of the new version of GMP certification, enhance the quality control standards, strengthen software and hardware infrastructure, improve production skills, perfect quality control system, and strengthen supervision on the upstream suppliers, external factory workshops and cooperative parties in order to ensure product quality.
- (6) to speed up the progress of the clinical research of the therapeutic dual – plasmid HBV DNA vaccine and complete the clinical research as soon as possible.
- (7) to continue to push its holding subsidiaries and joint ventures to establish GAP base companies and mergers and acquisitions.
- (8) to improve the scientific management level, strengthen risk control, cost control, and management of safety, property and information and other aspects, foster the implementation effectiveness of internal control system and reduce corporate operation risks.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS *(Continued)*

6. Investment situation

(1) Overall analysis on equity investments

At the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB1,900,501,000, with a growth of RMB179,400,000. as compared with the end of 2012, mainly due to the increase in the long-term equity investment by investment income calculated using the joint venture equity method as adopted by the Group, and no significant change occurred.

Invested entities	Principal business	Percentage of holding in the entities being invested (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Wang Lao Ji	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Nuo Cheng	Production of Rabies bacterin, export of goods and technology	50.00
HWBYS	Manufacturing, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
Baxter Qiao Guang	Production of large capacity injection, imports and wholesales of medicine	50.00
Hangzhou Zhe Da Han Fang Chinese Medicine Information Engineering Company Limited	Development of technology and technology service	44.00
Golden Eagle Fund Management Co., Ltd.	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Wei Yi Co., Ltd.	Medical investment management	50.50
Shanghai Jiu He Tang Chinese medicine Co., Ltd.	Wholesales of medicine	10.00

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

6. Investment situation (Continued)

(1) Overall analysis on equity investments (Continued)

Invested entities	Principal business	Percentage of holding in the entities being invested (%)
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 (Guangzhou) Co., Ltd.	Production and sales of medicine	12.50
Bank of Guangzhou Co., Ltd (the former GuangZhou Commercial Bank Co., Ltd.)	Financial service	-
Shenzhen Zhong Lian Guang Shen Pharmaceutical (Group) Co., Ltd.	Production and sale of medicine and NHPs	-

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

6. Investment situation (Continued)

(1) Overall analysis on equity investments (Continued)

Stock Investments

Number	Type of stock	Stock code	Stock short name	The initial	Number of	Book value as	% of stock	Gain/(Loss)
				amount of investment	shares held at the end of the Reporting Period	at the end of the Reporting Period	investment for 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	1,296	42.99	208
2	A Share of SSE	600664	Harbin	3,705	222,546	1,719	57.01	(60)
Other stock investments held as at the end of the Reporting Period				-				
Gain/(Loss) of stock investments sold as at the end of the Reporting Period				-				
Total				5,511		3,015	100.00	148

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

Stock code	Stock short name	The initial investment amount	% of shareholding	Book value as at the end of the Reporting Period	Gain/(Loss) during the Reporting Period	Changes in equity during the Reporting Period	Accounting item	Sources of shares
		(RMB'000)		(RMB'000)	(RMB'000)	(RMB'000)		
601328	Bank of Communications	525	-	1,606	-	(304)	Available-for-sale financial assets	Acquisition
601818	Everbright Bank	10,725	approximately 0.02	17,484	351	(726)	Available-for-sale financial assets	Acquisition

Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

6. Investment situation (Continued)

(1) Overall analysis on equity investments (Continued)

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

Name	Initial Investment amount (RMB'000)	Number of shares held (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of shares
Golden Eagle Fund Management Co., Ltd.	50,000	-	20.00	33,298	(3,000)	-	Long-term equity investment	Acquisition

(2) During the Reporting Period, the Group did not have any entrusted investment activities.

(3) During the Reporting Period, the Company's entrusted loans are set out as follows.

Borrower name	Entrusted loan amount (RMB'000)	Term of the loan	Lending rates	Whether overdue	Whether the connected transactions	Relationship with the Company
Pharmaceutical Import & Export	40,000	one year	5.20%	No	No	Wholly owned subsidiary
Pharmaceutical Import & Export	5,000	one year	5.10%	No	No	Wholly owned subsidiary
Cai Zhi Lin	133,000	one year	5.40%	No	No	Wholly owned subsidiary
Cai Zhi Lin	145,000	one year	5.10%	No	No	Wholly owned subsidiary
Total	323,000					

As at 30 June 2013, the Company provided its subsidiaries with entrusted loan totalling RMB323,000,000.



Report of the Board of Directors

I. BUSINESS SCOPE AND ANALYSIS (Continued)

6. Investment situation (Continued)

(4) Use of Proceeds from the issue of A shares

Applicable Not applicable

(5) Details of the major subsidiaries and joint ventures of the Company

Name of enterprises	Business nature	Major products or services	Registered capital (RMB'000)	Equity	Total assets (RMB'000)	Net assets (RMB'000)	Net profit (RMB'000)
				directly held by the Company (%)			
Subsidiaries							
WLJ Great Health	Manufacturing	Production and sales of prepackaging food, dairy products, etc	10,000	100.00	2,236,323	147,716	131,523

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

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

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

- The 2012 annual general meeting held on 26 June 2013 approved: (1) The Company would not pay dividends for year of 2012 nor propose any increase in share capital from the capitalization of capital reserve; and (2) After completing the major assets reorganization, the Company would consider payment of special dividends and the amount of cash dividends shall not be less than 10% of the net profit attributable to shareholders of the Company for year 2012;
- The Board did not recommend the payment of interim dividends for the six months ended 30 June 2013 nor propose any increase in share capital from the capitalization of capital reserve.

III. OTHER MATTERS

The explanation of the Board and Supervisory Committee on the Non Standard Audit Report issued by the auditors.

Applicable Not applicable

I. SIGNIFICANT LITIGATION, ARBITRATION OR MATTERS SUBJECT TO DOUBT BY MEDIA DURING THE REPORTING PERIOD

1. The Economic Journal, other medias and internet reported that Mr. Zhu Xinlin, chairman of China Huiyuan Juice Group Limited (“Huiyuan”), intended to sell approximately 42% of the equity interest he held in Huiyuan at approximately RMB2.5 billion, and the potential buyers included the Company. The Company had made an announcement to clarify media’s report on the Company’s intention to acquire the equity in Huiyuan. For more details, please refer to the announcement published in Shanghai Securities News, Securities Times and on the website of the SSE (www.sse.com.cn) on 26 March 2013 and on the website of the HKEx (www.hkex.com.hk) on 25 March 2013.
2. The news reports reported that Guangdong Bao Shan Tang Pharmaceutical Company Limited (廣東寶山堂製藥有限公司) supplied dry paste extract by the brand and leaves on flos Lonicra Confusa (山銀花) pharmaceutical companies, includ Guangxi Ying Kang, a holding subsidiary of the Company. For more details, please refer to the announcement published in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn) on 29 March 2013, and on the website of the HKEx (www.hkex.com.hk) on 28 March 2013, and announcement published in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn) on 11 April 2013 and on the website of the HKEx (www.hkex.com.hk) on 10 April 2013.

Save as disclosed above, the Group had neither been engaged in any significant litigation or arbitration nor subject to any doubts by media during the Reporting Period.

II. THE GROUP’S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD

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

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



Major Events

II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

2. The Company implemented the Reorganization Proposal involving the absorption and merger of Baiyunshan and issuance of shares to GPLH for acquisition of assets in accordance with the "Approval of the Asset Acquisition through Issuance of Shares to GPLH and the Absorption and Merger of Baiyunshan by the Company" (Zhengjianxuke[2012] No.1695)* as issued by the CSRC.

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

Please refer to the detailed informations published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 18 May 2013 and on the website of the HKEx (www.hkex.com.hk) on 19 May 2013. (The related content which involved please refer to the interim report of the Major Event (part XV) the Major Assets Reorganization)

3. According to Agreement on Assets Acquisition through Issuing Shares and its supplemental agreement, the Company had signed the Assets Settlement Agreement with the GPLH on 30 June 2013. (The related content which involved please refer to the interim report of the Major Event (part XV) the Major Assets Reorganization)

Major Events

II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD (Continued)

4. Daily connected transactions

Connected parties	Relationship with the Company	Type of connected transactions	Description of connected transactions	Pricing principle of connected transactions	Amount of connected transactions (RMB'000)	Percentage in amounts of similar transactions (%)	Settlement method of connected transactions
HWBYS	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	19,441	0.36	Cash
GP Corp.	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	72,730	1.34	Cash
Wang Lao Ji	Joint venture	Purchase of products	Medicine or Pharmaceutical products	Market price	6,551	0.12	Cash
Sub-total					98,722	1.82	
GPHL	Parent company	Sales of products	Medicine or Pharmaceutical products	Market price	22	0.00	Cash
Guangzhou Pharmaceutical Research General Institute	Wholly-owned subsidiary of parent company	Sales of products	Medicine or Pharmaceutical products	Market price	28	0.00	Cash
HWBYS	Joint venture	Sales of products	Medicine or Pharmaceutical products	Market price	91,606	1.02	Cash
GP Corp.	Joint venture	Sales of products	Medicine or Pharmaceutical products	Market price	204,723	2.27	Cash
Wang Lao Ji	Joint venture	Sales of products	Medicine or Pharmaceutical products	Market price	91,672	1.02	Cash
Nuo Cheng	Joint venture	Sales of products	Medicine or Pharmaceutical products	Market price	121	0.00	Cash
Baxter Qiao Guang	Joint venture	Sales of products	Medicine or Pharmaceutical products	Market price	174	0.00	Cash
Sub-total					388,346	4.31	
GPHL	Parent company	Acceptance of rights to use patents, trademarks and others	Rights to use trademarks	Agreement price	42,459	100.00	Cash
Wang Lao Ji	Joint venture	Provision of rights to use patents, trademarks and others	Rights to use trademarks	Agreement price	13,158	100.00	Cash
GPHL	Parent company	Others	Rental assets	Agreement price	1,083	5.89	Cash
GPHL	Parent company	Others	Accommodation fees of employees	Agreement price	138	100.00	Cash
Total					543,906		



Major Events

II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

4. 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.

5. Sale of assets

Counterparty	Assets sold	Date of disposal	Sale price (RMB'000)	Earlier this year until the date of disposal of the assets of the Company's net profit (RMB'000)	Gains or losses on disposal (RMB'000)	Whether it was connected transaction	Pricing principles	Whether ownership of the assets involved have been transferred	Whether the creditor's rights and debts involved have been transferred	Percentage of the net profit attributable to the disposal of the assets in the Company's profit (%)	Connected relationship
HWBYS	Bozhou Baiyunshan Pharmaceutical Co., Ltd. ("Bozhou Baiyunshan")	May 2013	0.001	(1,186)	3,050	Yes	Agreement price	Yes	Yes	0.44	Joint venture

II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD (Continued)

6. the debts of association

Related Party	Relationship to related parties	Provide funds to related parties related parties			Funds related to listed company		
		Balance (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)	Balance (RMB'000)	Amount (RMB'000)	Ending balance (RMB'000)
Bozhou Baiyunshan Pharmaceutical	Subsidiary of Joint venture	17,528	578	18,106	-	-	-
Total		17,528	578	18,106	-	-	-
Amount of funds provided to the Company's controlling shareholder and its subsidiaries during the Reporting Period (RMB'000)				-			
Amount of fund balance provided to the Company's controlling shareholder and its subsidiaries by the Company (RMB'000)				-			
Reasons of related debts	The Company's other receivables from HWBYS for the Reporting Period included receivables of RMB18,106,000 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.						
Paying off related debts	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.						
The debt-related commitment	The Company will consult with the relevant parties as soon as possible and strive for proper solutions within this year.						
Impact on the Company's operating results and financial situation	No significant impact						



Major Events

II. THE GROUP'S PURCHASE AND DISPOSAL OF ASSETS OR ENTERPRISE MERGER, CONNECTED TRANSACTIONS AND OTHER TRANSACTIONS DURING THE REPORTING PERIOD *(Continued)*

7. After the Reporting Period, the Company has issued 34,839,645 shares of Renminbi ordinary shares to GPLH, in accordance with the Agreement on Assets Acquisition through Issuing Shares and its supplemental agreement. Shares issued by the Company have a nominal value at RMB1 each. The registered capital of the Company has increased RMB34,839,645 and the new issued capital is fully paid-up.

For more details, please refer to the announcements published in the Shanghai Securities News, Securities Times and China Securities News on 3 July 2013 and on the website of the HKEx on 2 July 2013.

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

III. EQUITY INCENTIVE AND THEIR IMPACT

Applicable Not applicable

IV. PROPERTIES UNDER DEVELOPMENT OR FOR SALE

During the Reporting Period, the Group did not have any investment properties whose contribution accounted for more than 5% of the Group's operating profit before tax.

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

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

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

VI. 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	Had the performance been completed	Guarantees for connected parties (yes or no)
Nuo Cheng	7 November 2012	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 holding subsidiaries during the Reporting Period (RMB'000)	30,000
Balance of guarantees provided to the Company's holding subsidiaries as at the end of the Reporting Period (RMB'000)	220,000

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

Total amount of guarantees provided (RMB'000)	279,088
Total amount of guarantees provided amount the net assets of the Group (%)	4.16
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)	170,000
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)	170,000



Major Events

VII. PERFORMANCE OF UNDERTAKINGS

1. 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">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 Guangzhou Pharmaceutical Company Limited, 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.2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

2. Avoiding competition

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> 1. After completion of the Major Assets Reorganization, GPLH and its controlled subsidiaries (“subsidiaries”, excluding GPC and its subsidiaries) should avoid engaging in business and operations which substantially compete with those of the subsisting GPC 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. GPLH 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, GPLH will voluntarily and will vigorously procure its subsidiaries to give up competition with new GPC if GPLH and its subsidiaries will bring unfair impact on new GPC in respect of market shares, business opportunities and allocation of resources. 2. GPLH 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. 3. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.



Major Events

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

2. Avoiding competition *(Continued)*

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 Guangzhou Pharmaceutical Research Institute (廣州醫藥研究總院) (the limited company) to the Company within two years from the date Guangzhou Pharmaceutical Research Institute completes the ownership reform (公司改制) and its shares become transferable in accordance with requirements of the laws and regulations then in force.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

3. 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"> 1. After completion of the Major Assets Reorganization, GPHL and its controlled subsidiaries (“subsidiaries”, excluding the Company and its subsidiaries) should minimize and regulate connected transactions with new GPC. If there is any unavoidable connected transaction, GPHL 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 Rules Governing the Listing 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 the Company after completion of the Major Assets Reorganization (“new GPC”) and its other shareholders. 2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPHL owns controlling interest in the Company.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.



Major Events

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

4. Restricting the sale of shares

Item	Content
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 the Company'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	36 months from the registration date of the shares
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	The Company completed the registration of its newly issued shares on 5 July 2013 with its share registrar, and the lock-up period for the newly issued shares would be 36 months after the completion of registration for the same as provided in the terms of the Undertaking Letter.

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

5. Undertakings related to trademarks

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<p>GPHL 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:</p> <ol style="list-style-type: none"> 1. 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 2. Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption over the Wang Lao Ji trademarks under the license agreement.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.



Major Events

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

5. Undertakings related to trademarks *(Continued)*

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder and 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> <p>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 (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 (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.</p> <p>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.).</p>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

5. Undertakings related to trademarks *(Continued)*

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<p>In addition to the original undertaking letter, GPLH further undertakes as follows:</p> <p>After completing all relevant reporting and approval procedures, GPLH will transfer the 29 Wang Lao Ji series trademarks, other Wang Lao Ji related trademarks legally acquired and owned by GPLH after the signing date (including that date) of the Supplemental Agreement to the Trademark Custody Agreement and the 4 trademarks to the Company according to the laws and regulations then in force, within two years from the date on which all the legal disputes relating to the Wang Lao Ji trademarks have been resolved. The Company may acquire them in cash or by means of acquisition of assets through issue of shares, and the transfer price will be determined in accordance with laws based on the appraised value ascertained in the asset appraisal report issued by a valuation institution having securities services qualification and approved by State-owned Assets authorities.</p>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.



Major Events

VII. PERFORMANCE OF UNDERTAKINGS (Continued)

5. Undertakings related to trademarks (Continued)

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"> 1. process the transfer of those trademarks to the Company as soon as possible; 2. ensure that the Company can use these trademarks without having to pay consideration before the transfer of those assets; 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.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

VII. PERFORMANCE OF UNDERTAKINGS *(Continued)*

6. 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"> 1. GPLH 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. 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. 3. After completion of the merger, GPLH 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 land-use 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.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

Save as disclosed above, there is no outstanding undertaking that requires specific disclosure.



Major Events

VIII. APOINTMENT AND RESIGNATION OF AUDITORS

1. As approved at the second meeting of the Audit Committee in 2013, PricewaterhouseCoopers Zhong Tian CPAs Limited Company was not appointed as the auditor of the Company for year 2013, and BDO China Shu Lun Pan CPAs LLP was appointed as the auditor of the Company for year 2013.
2. The 22nd meeting of the fifth session of the Board passed the resolution in relation to the appointment of BDO China Shu Lun Pan CPAs LLP as the auditor of the Company for year 2013, and proposed the general meeting of shareholders to authorize the Board to determine their remuneration.
3. Pursuant to the approval given in the Annual General Meeting of 2012, BDO China Shu Lun Pan CPAS LLP was appointed as the auditor of the Company for year 2013.

IX. 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.

X. DURING THE REPORTING PERIOD, THERE WAS NO CONVERTIBLE BONDS OF THE COMPANY.

XI. CORPORATE GOVERNANCE

The Company has been strictly complying with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, related laws and regulations of the CSRC and the Listing Rules of SSE and the Listing Rules of HKEx and improve the management structure and regulate 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.

For the Reporting Period ended 30 June 2013, the Company complied with the code provision of the Corporate Governance Code and Corporate Governance Report except that Mr. Yang Rongming, chairman of the Board (resigned on 8 August 2013), was unable to attend the Annual General Meeting of 2012 due to other important matters which constituted a deviation from code provision E.1.2.

The Board will continue to monitor and review the Company's corporate government practices to ensure compliance with the provisions in the Corporate Governance Code and Corporate Governance Report.

XI. CORPORATE GOVERNANCE *(Continued)*

The Group is committed to: (1) the research and development, manufacturing and sales of Chinese and Western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail and import and export of western and Chinese pharmaceutical products and medical apparatus; and (3) research and development, production and sales of great health products, 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 the first half of 2013 is set out in the section headed “Report of the Board of Directors” in this interim report.

The works related to the corporate governance by the Company during the Reporting Period included:

1. The Company performed review on its internal control and fulfillment of social obligations for year 2012 pursuant to the requirements of the “Notice on How to Successfully Prepare the 2012 Annual Report by Listed Companies” issued by the SSE. Accordingly, the Company prepared the “Self-assessment Report on Internal Control for 2012 from the Board of the Company” and the “Report on Fulfillment of Social Responsibilities for 2012”, both of which were disclosed after being considered and duly passed at the Board meeting of the Company on 28 February 2013.
2. During the Reporting Period, the works carried out for internal control included:
 - (1) Issues identified during evaluation on internal control in 2012 had been rectified, and specific checks on actual rectified situation and its effects had been implemented;
 - (2) Certain part of internal control and management systems and business processes had been supplemented and revised according to changes in the operating environment and management needs;
 - (3) Working out the “Proposal for Initial Evaluation Work on Internal Control of Guangzhou Wang Lao Ji Great Health Industry Company Limited for 2013” (《廣州王老吉大健康產業有限公司2013年內部控制初次評價工作方案》). From March to June in 2013, Guangzhou Wang Lao Ji Great Health Industry Company Limited conducted a self-check and evaluation on the internal control of its critical businesses, formulated the “Proposal for Evaluation Work on Internal Control of Guangzhou Pharmaceutical Company Limited for 2013” (《廣州藥業股份有限公司2013年上半年內部控制評價工作方案》), and conducted an analysis of its financial condition to determine the focus of internal control and evaluation. It planned to carry out the semi-annual evaluation work on its internal control from July to September in 2013. Presently, the evaluation work is underway.



Major Events

XI. CORPORATE GOVERNANCE *(Continued)*

3. The CSRC approved the implementation of the Company's Major Assets Reorganization Proposal, and granted its consent to the issuance of A shares by the Company to GPLH for the acquisition of assets and issuance of additional A shares for absorption and merger of Baiyunshan through share swap. Currently, the relevant implementation tasks are being carried out. It was intended to amend the relevant provisions of the Company's Articles of Association based on the needs of Major Assets Reorganization and the Company's actual situation. The relevant amendments to the Articles of Association had been made by the Company after the approval on the same by the meeting of the Board held on 26 April 2013 and by the 2012 annual general meeting held on 26 June 2013
4. After the Reporting Period, "Guidelines of Disclosure of Inside Information of Guangzhou Pharmaceutical Company Limited" was approved by the Board meeting of the Company held on 16 July 2013.

XII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted Appendix 10 to the Listing Rules 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" made 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.

XIII. THE AUDIT COMMITTEE OF THE FIFTH SESSION OF THE BOARD COMPRISES FIVE INDEPENDENT NON-EXECUTIVE DIRECTORS AND ONE OF THEM IS QUALIFIED WITH ADEQUATE PROFESSIONS. 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 INTERIM REPORT ENDED AT 30 JUNE 2013.

XIV. DURING THE REPORTING PERIOD, NO INVESTIGATION, ADMINISTRATION PUNISHMENT OR PUBLIC REPRIMAND BY THE CSRC AND NO PUNISHMENT BY HKEX OR SSE WERE MADE AGAINST AND IMPOSED ON THE COMPANY, THE BOARD OR THE DIRECTORS.

XV. MAJOR ASSETS REORGANIZATION

1. On 21 December 2012, the Company received the “Approval of the Asset Acquisition through Issuance of Shares to Guangzhou Pharmaceutical Holdings Limited and the Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. by Guangzhou Pharmaceutical Company Limited” (the “Approval”) (Zhengjianxuke[2012] No.1695)* (證監許可[2012]1695號) from the CSRC. The announcement was published in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn) on 22 December 2012 and on the website of the HKEx (www.hkex.com.hk) on 21 December 2012. The Company carried out various works in relation to the implementation of Major Assets Reorganization Proposal in a timely manner according to the Approvals.
2. On 7 March 2013, the Company published “The Implementation of the Claim for Stock – acquisition of Dissent Shareholders” in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn). “The Registration and Exercise of Put Option for H Shares”, “Overseas Regulatory Announcement” were published on the website of the HKEx (www.hkex.com.hk) on 6 March 2013.
3. On 19 March 2013, the Company published “The Result of Claim for Stock – Acquisition of Dissent Shareholders” and “The Announcement of H Shares” in Shanghai Securities News, the Securities Times and on the website of the SSE (www.sse.com.cn). “The Result of The Registration and Exercise of Put Option For H Shares” and “Overseas Regulatory Announcement” were published on the website of the HKEx (www.hkex.com.hk) on 18 March 2013.

During the declaration period, the Company did not receive any declaration of exercise of options by dissenting A shareholders and H shareholders.

4. On 29 March 2013, Baiyunshan published the “Announcement of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. on Results of Registered Exercise of Cash Option under the Absorption and Merger Proposal by Guangzhou Baiyunshan Pharmaceutical Co., Ltd.” (《廣州白雲山製藥股份有限公司關於廣州藥業股份有限公司換股吸收合併本公司現金選擇權申報結果公告》), which stated that during the period for registration of exercise of cash option by the Baiyunshan shareholders, it received a total of 84,779 valid registration of exercise of cash option, and the concerned transfer and fund settlement for those validly registered shares were completed on 10 April 2013.
5. The Shenzhen Stock Exchange approved the application of de-listing of RMB ordinary shares of Baiyunshan, effective from 26 April 2013 (Shen Zhen Shang [2013] No. 138). On 26 April 2013, Baiyunshan published the “Announcement of the Delisting of Shares of Guangzhou Baiyunshan Pharmaceutical Co., Ltd.”* (《廣州白雲山製藥股份有限公司關於股票終止上市的公告》).



Major Events

XV. MAJOR ASSETS REORGANIZATION (Continued)

6. On 16 May 2013, the Company went through the registration procedures of additional A shares involved in the absorption and merger through share swap with the Depository Corporation. In addition, “Announcement of Results of the Completion of Absorption and Merger of Baiyunshan by Guangzhou Pharmaceutical Company Limited through Share Swap, and Changes in Shareholding and Listing of Additional Shares” (《廣州藥業股份有限公司關於換股吸收合併廣州白雲山製藥股份有限公司完成結果、股份變動暨新增股份上市公告》) were published in the Shanghai Securities News, the Securities Times and the China Securities News and on the website of the SSE (www.sse.com.cn) on 18 May 2013, and published on the website of HKEx (www.hkex.com.hk) on 19 May 2013 respectively.
7. According to the Agreement on Assets Acquisition through Issuing Shares and its supplemental agreement, the Company had signed the Assets Settlement Agreement with the GPHL on 30 June 2013.
8. After the Reporting Period, “Announcement of the issue of shares of the Completion of Absorption and Merger of Baiyunshan of the completion of delivery by Guangzhou Pharmaceutical Company (《廣州藥業股份有限公司關於發行股份購買資產相關資產交割完成的公告》) was published in the Shanghai Securities News, the Securities Times and the China Securities News and on the website of the SSE (www.sse.com.cn) on 3 July 2013 and published on the website of HKEx (www.hkex.com.hk) on 2 July 2013.
9. After the Reporting Period, on 5 July 2013, the Company registered the 34,839,645 shares of newly issued A shares with the Depository Corporation. “The Announcement of the Result of Non-public Issuance of Shares and the Change in Share Capital” was published in Shanghai Securities News, the Securities Times, China Securities News and the website of the SSE (www.sse.com.cn) on 9 July 2013 and on the website of the HKEx (www.hkex.com.hk) on 8 July 2013.
10. The Company published the “The Announcement of the Change of Company Name, Stock Short Name and Other Business of Guangzhou Pharmaceutical Company Limited” and “Change of Company Name, Trademark and Stock Short Name”, the Company’s name changed to Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, stock short name of A share changes to BYS and H share changes to BAIYUNSHAN PH. The specific content of the matter was published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 26 August 2013 and on the website of the HKEx (www.hkex.com.hk) on 23 August 2013.
11. After the Reporting Period, the Company published the “The implementation report of the absorption and merger through share swap, the asset acquisition through issuance of Shares and connected transactions of Guangzhou Pharmaceutical Company Limited”, “Progress of Major Assets Reorganization” and “Overseas Regulatory Announcement”, the Major Assets Reorganization of the Company has been fully implemented and completed.

The specific content of the announcements was published in Shanghai Securities News, the Securities Times, China Securities News and on the website of the SSE (www.sse.com.cn) on 27 August 2013 and on the website of the HKEx (www.hkex.com.hk) on 26 August 2013.

Changes in Share Capital and Shareholders

I. CHANGES IN SHARE CAPITAL

1. Changes in share capital of the Company are set out as follows:

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

2. Explanation for the changes in share capital

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

After the Reporting Period, the Company has issued 34,839,645 ordinary shares of nominal value of RMB1 to GPHL according to the "Issued Shares and Asset Purchase Agreement" and its supplementary agreements. These 34,839,645 A shares are non publicly issued shares of the Company, the circulation of which are conditional. The date on which these newly issued A shares were listed and circulated was 5 July 2013.



Changes in Share Capital and Shareholders

I. CHANGES IN SHARE CAPITAL *(Continued)*

3. Change of shares with selling restrictions

Name of holders	Initial number of shares with selling restrictions <i>(share)</i>	Number of listed shares with selling restrictions <i>(share)</i>	Number of additional shares with selling restrictions for the Reporting Period <i>(share)</i>	Number of shares with selling restrictions at the end of the Reporting Period <i>(share)</i>	Reasons for selling restrictions	Listing date for share with selling restrictions
GPHL	–	–	34,839,645	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.

Changes in Share Capital and Shareholders

II. INFORMATION ON SHAREHOLDERS

- As at 30 June 2013, there were 77,419 shareholders in total, of which 77,385 were holders of domestically listed Renminbi-denominated ordinary shares (A shares) and 34 were holders of overseas listed foreign capital share (H shares).
- The top ten shareholders of the Company 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 % of the total issued share capital (%)	Number of shares with selling restrictions (share)	Number of pledged or locked shares (share)	Nature of shares
GPHL	193,394,645	584,228,036	45.24	34,839,645	Nil	Domestic shares
HKSCC Nominees Limited	78,090	219,533,479	17.70	Nil	Unknown	H shares
China Construction Bank Co., Ltd -Industrial Social Responsibility Securities Investment Fund	4,705,715	7,654,819	0.59	Nil	Unknown	Domestic shares
Shanghai Pudong Development Bank-Guang Fa Small-cap Growth Securities Investment Fund	7,299,151	7,299,151	0.57	Nil	Unknown	Domestic shares
Zhao Xuguang	6,560,000	6,560,000	0.51	Nil	5,747,500	Domestic shares
Zhao Zhihong	5,080,422	5,080,422	0.39	Nil	Unknown	Domestic shares
Commercial Bank of China-Guang Fa Growth Mixed Securities Investment Fund	2,549,977	5,049,977	0.39	Nil	Unknown	Domestic shares
Bank of China-Invesco Great Wall of Dynamic Equilibrium Securities Investment Fun	4,718,428	4,718,428	0.37	Nil	Unknown	Domestic shares
China Life Property and Casualty Insurance Company Limited-Bonus- Personal Bonus-005L-FH002	4,699,925	4,699,925	0.36	Nil	Unknown	Domestic shares
Agricultural Bank of China Co., Ltd. -Invesco Great Wall of Energy Infrastructure Securities Investment Fund	2,300,010	4,500,000	0.35	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 holding shares with selling restrictions of the Company

Name of holders of shares with selling restrictions	Number of shares with selling restrictions (share)	Listing and trading of shares with selling restrictions		Undertakings
		Permitted listing and trading date	Number of additional tradable shares (share)	
GPHL	34,839,645	5 July 2016	34,839,645	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 2013, 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	549,388,391	Beneficial owner	approximately 52.99	-

As far as the directors are aware, as at 30 June 2013, other than as disclosed above, there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of any class of the issued share capital of the Company.

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

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.

Changes in Share Capital and Shareholders

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, REPURCHASED OR CANCELLED ANY OF THE COMPANY'S SHARES DURING THE REPORTING PERIOD.

Directors, Supervisors, Senior Management and Staff

I. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES OF THE COMPANY

1. As at the end of the Reporting Period, interest of the directors, supervisors and senior management in the shares (A shares) of the Company were as follows:

Name	Position	Shares held as at the beginning of the year (share)	Change in the Reporting Period (share)	Shares held as at the end of the Reporting Period (share)	Reason for changing
Yang Rongming	Chairman (resigned on 8 August 2013)	Nil	Nil	Nil	/
Li Chuyuan	Chairman (appointed on 8 August 2013)	Nil	Nil	Nil	/
Cheng Ning	Executive director	Nil	Nil	Nil	/
Wu Changhai	Executive director, general manager	Nil	Nil	Nil	/
Liu Jinxiang	Independent non-executive director	Nil	Nil	Nil	/
Li Shanmin	Independent non-executive director	Nil	Nil	Nil	/
Zhang Yonghua	Independent non-executive director	Nil	Nil	Nil	/
Wong Lung Tak Patrick	Independent non-executive director	Nil	Nil	Nil	/
Qiu Hongzhong	Independent non-executive director	Nil	Nil	Nil	/
Yang Xiuwei	Chairlady of the Supervisory Committee	Nil	Nil	Nil	/
Wu Quan	Supervisor	Nil	Nil	Nil	/
Zhong Yugan	Supervisor	Nil	Nil	Nil	/
Su Guangfeng	Deputy general manager	Nil	Nil	Nil	/
Chen Binghua	Financial controller (resigned on 15 January 2013)	6,240	Nil	6,240	/
Pang Jianhui	Secretary to the Board	Nil	Nil	Nil	/

Directors, Supervisors, Senior Management and Staff

I. INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES OF THE COMPANY *(Continued)*

2. Interest and short positions of the directors, supervisors and senior management in the shares, underlying shares and debentures of the Company.

(1) As at 30 June 2013, the interests or short positions of the directors, supervisors and senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 recorded in the register referred therein, or which were required pursuant to the Model Code of the Rules Governing the Listing Rules to be notified to the Company and the HKEx were as follows:

Senior management

Name	Type of interest	Company	Number of shares <i>(share)</i>
Chen Binghua	Personal	A shares of the Company	6,240

(2) Save as disclosed above, as at 30 June 2013, 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.



Directors, Supervisors, Senior Management and Staff

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

1. On 15 January 2013, the fifth session of the Board resolved to approve Mr. Chen Binghua's resignation as the financial controller of the Company due to personal reason, and Chen Binghua's resignation became effective on the same date.
2. On 8 August 2013, the fifth session of the Board resolved to approve Mr. Yang Rongming's resignation as executive director and chairman of the Company and the head of the Strategic Development and Investment Committees of the Board as he has reached the age of statutory retirement, and Mr. Yang Rongming's resignation became effective on the same date.
3. On 8 August 2013, the fifth session of the Board resolved to approve the election of Mr. Li Chuyuan as the chairman of the Company, with a term of service commencing from the date of election to the date of election of members of the next session of the Board.

III. AT THE END OF THE REPORTING PERIOD, THE NUMBER OF EMPLOYEES ON THE PAYROLL REGISTER OF THE GROUP WAS 11,291. THE EMPLOYEES' REMUNERATION POLICY HAD NO SIGNIFICANT CHANGE COMPARED WITH THE PREVIOUS REPORTING PERIOD. THE TOTAL SALARY PAYMENT FOR THE FIRST HALF OF 2013 WAS APPROXIMATELY RMB512 MILLION.

Consolidated Balance Sheet

As at 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 June 2013 (unaudited)	31 December 2012 (unaudited)
Current assets			
Cash at bank and on hand	5(1)	2,143,286,095.62	1,135,435,400.94
Financial assets held for trading	5(2)	3,014,601.60	2,875,920.00
Notes receivable	5(3)	1,098,677,643.38	844,429,241.87
Accounts receivable	5(5)	989,133,358.78	734,068,939.45
Advances to suppliers	5(7)	417,419,700.00	446,667,535.38
Interest receivable		-	-
Dividends receivable	5(4)	20,000,000.00	-
Other receivables	5(6)	185,282,295.44	120,692,089.05
Inventories	5(8)	2,187,984,910.88	2,065,898,134.19
Current portion of non-current assets		-	-
Other current assets	5(9)	701,849.71	1,598,620.43
Total current assets		7,045,500,455.41	5,351,665,881.31
Non-current assets			
Available-for-sale financial assets	5(10)	19,090,387.69	20,401,660.98
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investments	5(12)	1,895,947,329.24	1,716,546,921.55
Investment properties	5(13)	251,411,254.79	136,194,437.45
Fixed assets	5(14)	1,687,769,274.56	1,591,996,126.73
Construction in progress	5(15)	190,540,011.78	140,077,689.32
Construction materials		-	-
Fixed assets pending for disposal		-	-
Intangible assets	5(16)	478,439,701.91	305,600,782.57
Development costs	5(17)	3,712,051.69	4,112,051.69
Goodwill		-	-
Long-term prepaid expenses	5(18)	6,780,315.27	7,922,664.10
Deferred tax assets	5(19)	356,784,851.75	119,689,836.85
Other non-current assets		-	-
Total non-current assets		4,890,475,178.68	4,042,542,171.24
TOTAL ASSETS		11,935,975,634.09	9,394,208,052.55



Consolidated Balance Sheet

As at 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	<i>Note</i>	30 June 2013 (unaudited)	31 December 2012 (unaudited)
Current liabilities			
Short-term borrowings	5(21)	612,079,800.00	681,217,807.78
Financial liabilities held for trading		-	-
Notes payable	5(22)	74,570,683.98	75,970,070.30
Accounts payable	5(23)	1,607,220,176.69	1,080,597,534.53
Advances from customers	5(24)	816,018,315.40	608,781,707.72
Employee benefits payable	5(25)	326,302,142.22	192,466,940.29
Taxes payable	5(26)	371,328,808.66	154,532,046.97
Interest payable	5(27)	919,833.52	1,069,051.16
Dividends payable	5(28)	31,143,739.48	25,443,653.91
Other payables	5(29)	1,230,051,581.15	654,271,815.63
Current portion of non-current liabilities		-	-
Other current liabilities		-	-
Total current liabilities		5,069,635,081.10	3,474,350,628.29
Non-current liabilities			
Long-term borrowings	5(30)	1,750,272.00	-
Debentures payable		-	-
Long-term payables	5(31)	24,486,069.56	24,413,469.62
Payables for specific projects		-	-
Provisions	5(32)	500,191.19	500,191.19
Deferred tax liabilities	5(19)	6,253,491.86	5,609,484.82
Other non-current liabilities	5(33)	129,629,534.64	133,370,723.47
Total non-current liabilities		162,619,559.25	163,893,869.10
Total liabilities		5,232,254,640.35	3,638,244,497.39

Consolidated Balance Sheet

As at 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	Note	30 June 2013 (unaudited)	31 December 2012 (unaudited)
Shareholders' equity			
Share capital	5(34)	1,291,340,650.00	810,900,000.00
Capital surplus	5(35)	2,489,676,806.97	1,702,773,872.77
Less: Treasury share		-	-
Surplus reserve	5(36)	668,736,291.77	787,731,574.82
Undistributed profits	5(37)	2,070,262,843.12	2,271,551,430.93
Difference on translation of foreign currency financial statements		<u>(7,220,648.70)</u>	<u>(6,604,552.46)</u>
Total equity attributable to shareholders of the Company		6,512,795,943.16	5,566,352,326.06
Minority interest	5(38)	190,925,050.58	189,611,229.10
Total shareholders' equity		<u>6,703,720,993.74</u>	<u>5,755,963,555.16</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		<u>11,935,975,634.09</u>	<u>9,394,208,052.55</u>

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

Legal
representative:

Person in charge of
accounting function:

Person in charge of
accounting department:



Consolidated Income Statement

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited and restated)
1. Revenue	5(39)	9,072,472,793.51	5,649,803,100.48
Less: Cost of sales	5(39)	5,823,243,402.91	3,934,226,059.34
Taxes and surcharges	5(40)	82,868,165.84	52,307,980.97
Selling and distribution expenses	5(41)	1,982,799,577.18	774,688,742.65
General and administrative expenses	5(42)	610,941,855.11	501,390,517.88
Financial expenses	5(43)	18,723,262.98	28,188,917.78
Asset impairment losses	5(44)	5,714,131.84	3,976,905.27
Add: Profit arising from the changes in fair value	5(45)	138,681.60	(256,290.70)
Investment income	5(46)	132,444,637.53	147,454,993.95
Including: Share of profit of associates and jointly controlled entities		129,522,781.96	147,780,202.86
2. Operating profit		680,765,716.78	502,222,679.84
Add: Non-operating income	5(47)	16,056,181.47	16,894,915.45
Less: Non-operating expenses	5(48)	6,762,172.32	7,252,873.67
Including: Losses on disposal of non-current assets		1,106,880.02	200,271.65
3. Total profit		690,059,725.93	511,864,721.62
Less: Income tax expenses	5(49)	83,657,290.28	59,766,234.19
4. Net profit		606,402,435.65	452,098,487.43
Including: Net profit made by the entities being absorbed before the combination		242,018,569.90	228,260,377.05
– Attributable to shareholders of the Company		587,229,435.88	427,396,074.19
– Minority interest		19,172,999.77	24,702,413.24
5. Earnings per share			
– Basic earnings per share	5(50)(a)	0.466	0.339
– Diluted earnings per share	5(50)(b)	0.466	0.339
6. Other comprehensive income	5(51)	(1,664,339.06)	(494,271.23)
7. Total comprehensive income		604,738,096.59	451,604,216.20
– Attributable to shareholders of the Company		585,571,096.97	426,901,333.08
– Minority interest		19,166,999.62	24,702,883.12

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

Legal
representative:

Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited • Interim Report 2013

Person in charge of
accounting function:

Person in charge of
accounting department:

Consolidated Cash Flow Statement

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

ITEM	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		8,504,338,863.87	4,391,292,783.11
Refund of taxes and surcharges		33,108,380.28	16,745,366.97
Cash received relating to other operating activities	5(52)(a)	101,973,406.74	120,491,471.46
Sub-total of cash inflows		8,639,420,650.89	4,528,529,621.54
Cash paid for goods and services		4,378,555,368.55	2,003,425,149.60
Cash paid to and on behalf of employees		1,085,757,085.03	789,729,636.83
Payments of taxes and surcharges		820,597,519.12	466,006,403.34
Cash paid relating to other operating activities	5(52)(b)	987,326,055.57	490,838,341.45
Sub-total of cash outflows		7,272,236,028.27	3,749,999,531.22
Net cash flows from operating activities	5(53)(a)	1,367,184,622.62	778,530,090.32
2. Cash flows from investing activities			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		360,149.60	20,047,517.38
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,971,195.16	2,445,964.65
Cash received relating to other investing activities	5(52)(c)	2,861.70	25,891,859.80
Sub-total of cash inflows		3,334,206.46	48,385,341.83
Cash paid to acquire fixed assets, intangible assets and other long-term assets		238,306,936.41	60,210,620.63
Cash paid to acquire investments		4,500,000.00	300,000.00
Net cash paid to acquire subsidiaries		–	–
Cash paid relating to other investing activities	5(52)(d)	1,561,217.09	4,402,800.08
Sub-total of cash outflows		244,368,153.50	64,913,420.71
Net cash flows from investing activities		(241,033,947.04)	(16,528,078.88)



Consolidated Cash Flow Statement

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ITEM	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (unaudited)
3. Cash flows from financing activities			
Cash received from capital contributions		1,342,300.00	1,300,000.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	-
Cash received from borrowings		357,680,072.00	611,120,000.00
Cash received relating to other financing activities		-	-
Sub-total of cash inflows		359,022,372.00	612,420,000.00
Cash repayments of borrowings		425,067,807.78	642,081,762.16
Cash payments for interest expenses and distribution of dividends or profits		32,133,697.08	144,506,376.34
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		11,058,759.99	17,076,146.58
Cash payments relating to other financing activities		-	-
Sub-total of cash outflows		457,201,504.86	786,588,138.50
Net cash flows from financing activities		(98,179,132.86)	(174,168,138.50)
4. Effect of foreign exchange rate changes on cash and cash equivalents			
		205,424.86	381,549.85
5. Net increase/(decrease) in cash and cash equivalents			
	5(53)(a)	1,028,176,967.58	588,215,422.79
Add: Cash and cash equivalents at beginning of year	5(53)(a)	1,114,346,524.75	626,289,432.69
6. Cash and cash equivalent at end of year			
	5(53)(b)	2,142,523,492.33	1,214,504,855.48

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

Legal
representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

	Attributable to shareholders of the Company								
	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	General risk provision	Undistributed profits	Others	Minority interest	Total shareholders' equity
1. Balance at 31 December 2012 (unaudited and restated)	810,900,000.00	1,702,773,872.77	-	787,731,574.82	-	2,271,551,430.93	(6,604,552.46)	189,611,229.10	5,755,963,555.16
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
2. Balance at 1 January 2013	810,900,000.00	1,702,773,872.77	-	787,731,574.82	-	2,271,551,430.93	(6,604,552.46)	189,611,229.10	5,755,963,555.16
3. Movements for the six months ended 30 June 2013									
480,440,650.00	786,902,934.20	-	(118,995,283.05)	-	(201,288,587.81)	(616,096.24)	1,313,821.48	947,757,438.58	
(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	-	-	-	-	-	-	-	-	
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)	
4. Balance at 30 June 2013 (unaudited and restated)	1,291,340,650.00	2,489,676,806.97	-	668,736,291.77	-	2,070,262,843.12	(7,220,648.70)	190,925,050.58	6,703,720,993.74



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

(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	Minority interest	
1. Balance at 31 December 2011 (audited)	810,900,000.00	1,148,016,718.97	-	602,895,675.46	-	1,219,839,567.46	-	113,520,055.68	3,895,172,017.57
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior year errors	-	-	-	-	-	-	-	-	-
Business combination involving entities under common control	-	554,522,598.83	-	125,952,027.55	-	488,443,972.37	(6,610,910.76)	59,272,663.32	1,221,580,351.31
2. Balance at 1 January 2012	810,900,000.00	1,702,539,317.80	-	728,847,703.01	-	1,708,283,539.83	(6,610,910.76)	172,792,719.00	5,116,752,368.88
3. Movements for the six months of 30 June 2012	-	(958,076.84)	-	-	-	320,508,121.30	191,543.52	8,754,348.96	328,495,936.94
(1) Net profit	-	-	-	-	-	427,396,074.19	-	24,702,413.24	452,098,487.43
(2) Other comprehensive income	-	(686,284.63)	-	-	-	-	191,543.52	469.88	(494,271.23)
Subtotal of items (1) and (2)	-	(686,284.63)	-	-	-	427,396,074.19	191,543.52	24,702,883.12	451,604,216.20
(3) Capital contribution and withdrawal by shareholders	-	(271,792.21)	-	-	-	-	-	1,571,792.21	1,300,000.00
Capital contribution by the shareholders	-	-	-	-	-	-	-	1,300,000.00	1,300,000.00
Share-based payment charged to equity	-	-	-	-	-	-	-	-	-
Others	-	(271,792.21)	-	-	-	-	-	271,792.21	-
(4) Profit distribution	-	-	-	-	-	(106,887,952.89)	-	(17,520,326.37)	(124,408,279.26)
Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	-	(106,887,952.89)	-	(17,520,326.37)	(124,408,279.26)
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	-	-	-	-	-	-	-	-	-
4. Balance at 30 June 2012 (unaudited and restated)	810,900,000.00	1,701,581,240.96	-	728,847,703.01	-	2,028,791,661.13	(6,419,367.24)	181,547,067.96	5,445,248,305.82

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

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Balance Sheet

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

ASSETS	<i>Note</i>	30 June 2013 (unaudited)	31 December 2012 (audited)
Current assets			
Cash at bank and on hand		381,018,548.95	141,232,654.49
Financial assets held for trading		3,014,601.60	2,875,920.00
Notes receivable		343,257,029.95	–
Accounts receivable	15(1)	189,305,702.11	–
Advances to suppliers		21,409,856.43	–
Interest receivable		–	–
Dividends receivable		320,378,479.04	102,098,616.47
Other receivables	15(2)	962,100,527.12	806,021,195.77
Inventories		360,499,530.33	553,530.28
Current portion of non-current assets		–	–
Other current assets		5,619.39	84,871.03
Total current assets		2,580,989,894.92	1,052,866,788.04
Non-current assets			
Available-for-sale financial assets		17,484,500.00	18,452,500.00
Held-to-maturity investments		–	–
Long-term receivables		–	–
Long-term equity investments	15(3)	3,327,586,133.95	2,642,423,792.52
Investment properties		231,718,899.60	34,778,855.83
Fixed assets		421,014,451.88	13,990,379.68
Construction in progress		53,081,193.99	–
Construction materials		–	–
Fixed assets pending for disposal		–	–
Intangible assets		268,351,023.12	–
Development costs		2,200,000.00	–
Goodwill		–	–
Long-term prepaid expenses		625,189.12	–
Deferred tax assets		69,673,394.40	6,703,617.32
Other non-current assets		–	–
Total non-current assets		4,391,734,786.06	2,716,349,145.35
TOTAL ASSETS		6,972,724,680.98	3,769,215,933.39



Balance Sheet

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

ASSETS	<i>Note</i>	30 June 2013 (unaudited)	31 December 2012 (audited)
Current liabilities			
Short-term borrowings		414,000,000.00	–
Financial liabilities held for trading		–	–
Notes payable		–	–
Accounts payable		267,080,450.03	853,283.35
Advances from customers		49,684,213.52	32,584.69
Employee benefits payable		78,689,394.55	5,877,718.22
Taxes payable		54,840,302.55	7,456,266.36
Interest payable		919,833.52	–
Dividends payable		59,010.68	588.16
Other payables		392,537,899.50	219,985,169.21
Current portion of non-current liabilities		–	–
Other current liabilities		–	–
Total current liabilities		1,257,811,104.35	234,205,609.99
Non-current liabilities			
Long-term borrowings		1,750,272.00	–
Debentures payable		–	–
Long-term payables		7,874,824.33	–
Payables for specific projects		–	–
Provisions		500,191.19	–
Deferred tax liabilities		5,943,135.29	3,361,888.01
Other non-current liabilities		36,624,656.10	–
Total non-current liabilities		52,693,078.91	3,361,888.01
Total liabilities		1,310,504,183.26	237,567,498.00

Balance Sheet

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

ASSETS	<i>Note</i>	30 June 2013 (unaudited)	31 December 2012 (audited)
Shareholders' equity			
Share capital		1,291,340,650.00	810,900,000.00
Capital surplus		2,457,493,478.39	1,095,415,498.20
Less: Treasury share		-	-
Surplus reserve		296,127,857.17	296,127,857.17
Undistributed profits		1,617,258,512.16	1,329,205,080.02
Difference on translation of foreign currency financial statements		-	-
Total shareholders' equity		5,662,220,497.72	3,531,648,435.39
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		6,972,724,680.98	3,769,215,933.39

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

Legal
representative:

Person in charge of
accounting function:

Person in charge of
accounting department:



Income Statement

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

ITEM	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
1. Revenue	15 (4)	295,603,087.25	27,974,690.42
Less: Cost of sales	15 (4)	143,663,394.76	1,908,702.48
Taxes and surcharges		4,774,751.36	1,930,591.72
Selling and distribution expenses		24,650,631.86	109,443.84
General and administrative expenses		47,888,377.90	19,355,508.72
Financial expenses		5,955,678.94	2,061,756.97
Asset impairment losses		922,408.44	(24,295.24)
Add: Profit arising from changes in fair value		138,681.60	(256,290.70)
Investment income	15 (5)	234,892,640.74	186,228,530.77
Including: Share of profit of associates and jointly controlled entities	15 (5)(c)	91,515,906.01	85,150,074.30
2. Operating profit		302,779,166.33	188,605,222.00
Add: Non-operating income		645,988.50	1,299,985.83
Less: Non-operating expenses		745,509.14	511,643.05
Including: Losses on disposal of non-current assets		980.50	11,643.05
3. Total profit		302,679,645.69	189,393,564.78
Less: Income tax expenses		14,626,213.55	2,578,084.48
4. Net Profit		288,053,432.14	186,815,480.30
5. Other comprehensive income		(744,572.55)	(169,614.64)
6. Total comprehensive income		287,308,859.59	186,645,865.66

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

Legal
representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Cash Flow Statement

For the six months ended 30 June 2012
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

ITEM	Note	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		103,484,768.19	1,795,584.11
Refund of taxes and surcharges		–	–
Cash received relating to other operating activities		36,030,596.24	11,174,013.93
Sub-total of cash inflows		139,515,364.43	12,969,598.04
Cash paid for goods and services		17,923,810.99	1,272,098.18
Cash paid to and on behalf of employees		49,504,895.18	5,956,908.04
Payments of taxes and surcharges		28,531,005.60	3,914,583.20
Cash paid relating to other operating activities		40,133,892.93	8,964,503.43
Sub-total of cash outflows		136,093,604.70	20,108,092.85
Net cash flows from operating activities	15(6)	3,421,759.73	(7,138,494.81)
2. Cash flows from investing activities			
Cash received from disposal of investments		–	–
Net cash received from disposal of subsidiaries		–	–
Cash received from returns on investments		56,129,560.11	121,812,889.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,860,884.15	830.00
Cash received relating to other investing activities		473,528,472.83	249,544,764.77
Sub-total of cash inflows		532,518,917.09	371,358,483.86
Cash paid to acquire fixed assets, intangible assets and other long-term assets		12,322,758.62	400,389.00
Cash paid to acquire investments		–	87,300,000.00
Net cash paid to acquire subsidiaries		–	–
Cash paid relating to other investing activities		200,155,883.78	176,121,860.41
Sub-total of cash outflows		212,478,642.40	263,822,249.41
Net cash flows from investing activities		320,040,274.69	107,536,234.45



Cash Flow Statement

For the six months ended 30 June 2012
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

ITEM	<i>Note</i>	Six months ended 30 June 2013 (unaudited)	Six months ended 30 June 2012 (audited)
3. Cash flows from financing activities			
Cash received from capital contributions		1,342,300.00	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		–	–
Cash received from borrowings		1,156,758.00	–
Cash received relating to other financing activities		–	–
Sub-total of cash inflows		2,499,058.00	–
Cash repayments of borrowings		78,000,000.00	–
Cash payments for interest expenses and distribution of dividends or profits		3,046,864.64	81,473,139.17
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		–	–
Cash payments relating to other financing activities		5,128,333.32	12,504,444.40
Sub-total of cash outflows		86,175,197.96	93,977,583.57
Net cash flows from financing activities		83,676,139.96	(93,977,583.57)
4. Effect of foreign exchange rate changes on cash and cash equivalents			
		–	3,895.25
5. Net increase/(decrease) in cash and cash equivalents			
	15(6)	239,785,894.46	6,424,051.32
Add: Cash and cash equivalents at beginning of year		141,232,654.49	107,691,016.27
6. Cash and cash equivalent at end of period			
		381,018,548.95	114,115,067.59

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

Legal
representative:

Person in charge of
accounting function:

Person in charge of
accounting department:

Statement of Changes in Equity

For the six months ended 30 June 2013

(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
1. Balance at 31 December 2012 (audited)	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 period	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
2. Balance at 1 January 2013	810,900,000.00	1,095,415,498.20	-	296,127,857.17	1,329,205,080.02	3,531,648,435.39
3. Movements for the six months ended 30 June 2013	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	-	-	-	-	-	-
4. Balance at 30 June 2013 (unaudited)	1,291,340,650.00	2,457,493,478.39	-	296,127,857.17	1,617,258,512.16	5,662,220,497.72



Statement of Changes in Equity

For the six months ended 30 June 2013

(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
1. Balance at 31 December 2011 (audited)	810,900,000.00	1,094,637,907.64	-	269,761,211.63	1,172,995,270.13	3,348,294,389.40
Add: Changes in accounting policies	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-
2. Balance at 1 January 2012	810,900,000.00	1,094,637,907.64	-	269,761,211.63	1,172,995,270.13	3,348,294,389.40
3. Movements for the six months ended 30 June 2012						
(1) Net profit	-	(169,614.64)	-	-	105,725,480.30	105,555,865.66
(2) Other comprehensive income	-	(169,614.64)	-	-	-	(169,614.64)
Subtotal of items (1) and (2)	-	(169,614.64)	-	-	186,815,480.30	186,645,865.66
(3) Capital contribution and withdrawal by shareholders	-	-	-	-	-	-
Capital contribution by the shareholders	-	-	-	-	-	-
Share-based payment charged to equity	-	-	-	-	-	-
Others	-	-	-	-	-	-
(4) Profit distribution	-	-	-	-	(81,090,000.00)	(81,090,000.00)
Appropriation to surplus reserves	-	-	-	-	-	-
Appropriation to general risk provision	-	-	-	-	-	-
Profit distribution to shareholders	-	-	-	-	(81,090,000.00)	(81,090,000.00)
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	-	-	-	-	-	-
4. Balance at 30 June 2012 (audited)	810,900,000.00	1,094,468,293.00	-	269,761,211.63	1,278,720,750.43	3,453,850,255.06

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

Legal representative:

Person in charge of accounting function:

Person in charge of accounting department:

Notes to the Financial Statements

For the six months ended 30 June 2013

(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 Pharmaceutical Company Limited (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 210,990,000 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 GYBYS and stock code is 600332.

The Company executed and completed the material assets reorganization transaction, which includes: (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, Polian Co., Ltd. (“Polian Company”) 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 parent company as well as the ultimate holding company of the Company is GPHL.

The Company and its consolidated subsidiaries (together, the “Group”) are principally engaged in the manufacture of CPM and western pharmaceutical products, chemical raw material medicine, biological medicine and pre-packaged food, the wholesale, retail, import and export of western pharmaceutical products, CPM and medical apparatus and the wholesale, retail of Chinese raw medicine.

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 (“烏雞白鳳丸”), Hua Tuo Zai Zao Pill (“華佗再造丸”) and Mi Lian Chuan Bei Pi Pa Jelly (“蜜煉川貝枇杷膏”), Qi 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 (“王老吉涼茶”), etc.

The Group’s current structure mainly include 10 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 3 pharmaceutical trading companies.

These financial statements were approved for issue by the Board of Directors on 30 August 2013.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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 issued thereafter (hereafter referred to as “the Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

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

The financial statements of the Company for the six months ended 30 June 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 30 June 2013 and the operating results, cash flows and other information for the six months then ended 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 2013 to 30 June 2013.

(4) Recording currency

The recording currency is Renminbi (“RMB”).

(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.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

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

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

(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.

(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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(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.

(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 statements exchange rate during the reporting period. Differences on translation of foreign currency financial statements 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 2013
(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 2013

(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 2013
(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 asset is impaired, the Group shall determine the amount of impairment loss.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

In the case of a significant or prolonged decline in the fair value of available-for-sale financial assets, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current year. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

(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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 (Continued)*

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.

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.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(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.

(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).
---	---

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.
---	---



Notes to the Financial Statements

For the six months ended 30 June 2013

(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

(c) Accounts receivable which are subject to group provision

Method for provision by groups are summarised as followed:

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

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(c) Accounts receivable which are subject to group provision (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%

(d) 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 2013

(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 2013
(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, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investee.

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 2013

(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 2013
(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 2013

(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 2013

(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 2013

(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 2013
(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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

(16) Borrowing costs *(Continued)*

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.

(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.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(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.

(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; and
- 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 2013

(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 2013
(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 2013

(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

Government grants are transfers of monetary or non-monetary assets obtained by the Group from the government at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant shall be recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset shall be recognised as deferred revenue, and evenly amortised to profit or loss over the useful life of the related asset. Grants measured at nominal amounts are recognised immediately in profit or loss for the current year.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the enterprise in the subsequent periods, the grant shall be recognised; where the grant is a compensation for related expenses or loss already incurred by the enterprise, the grant shall be recognised immediately in profit or loss for the current year.

(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; and,
- 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 2013

(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 in the 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 2013
(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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 *(Continued)*

(c) Profit distribution

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

(27) Critical accounting estimates and judgments

(a) Current and deferred income tax

The Group is subject to income taxes only in the People's Republic of China (the "PRC") and HongKong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises 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 recognised as management considers it is probable that the future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

3 TAXATION

(1) The types and rates of taxes applicable to the Group

(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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

3 TAXATION (Continued)

(1) The types and rates of taxes applicable to the Group (Continued)

(e) Enterprise income tax

10 subsidiaries of the Group, 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), and Guangzhou Han Fang Comtemporany Pharmaceutical Co., Ltd.(Guangzhou Han Fang), received the “Certificate of High/New Technology Enterprise”, which was jointly issued by Guangdong Provincial Department of Science and Technology, Department of Finance of Guangdong Province, Guangdong Provincial State Tax Bureau and Guangdong Provincial Local Taxation Bureau.

The certificates of the 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. The certificate of Guang Hua, numbering GR201244000497, was issued in November 2012 and the effective period is 3 years. Guangzhou Han Fang, numbering GR201044000004, was issued in September 2010 and the effective period is 3 years. Pursuant to the announcement “The prepayment of Enterprise Income Tax during the process of review for qualification of High/New Technology Enterprises” issued by State of Tax Administration in April 2011, The ratio of enterprise income tax prepayment before the approval of High/New Technology Enterprise is 15%, the qualification of Guangzhou Han Fang is still in progress, the ratio of its enterprise income tax is 15%.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

3 TAXATION (Continued)

(1) The types and rates of taxes applicable to the Group (Continued)

(e) Enterprise income tax (Continued)

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.

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. This certificate would be valid until Baiyunshan is deregistered, or up to its expiration.

Pursuant to the relevant national preferential tax policies for High/New Technology Enterprise, 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 treatment mentioned above, 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%. Polian Company of the group, pays the corporation profits tax in accordance with “Hong Kong Inland Revenue ordinance” at a corporation profits tax rate of 16.5%.

Notes to the Financial Statements

For the six months ended 30 June 2013

(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 (10000)	Scope of business	Paid-in capital at end of period (10000)	Other assets constitution in substance (10000)	Legal Representative	Organisation code	% equity interest held by the Company	Consolidated or not	Minority interests at end of period (10000)	Amount of minority interests adjusted against minority interest in the profit or loss (10000)	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. (10000)
Direct subsidiaries														
Xing Qun	Subsidiary	Guangzhou	Pharmaceutical manufacturing	7,717	Production of CPM	6,887	-	Yan Jangxiong	19051965-X	88.99	Yes	1,824	-	-
Zhong Yi	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	21,741	Production of CPM	21,741	-	Zheng Chunbo	19045979-4	100.00	Yes	-	-	-
Chen Li Ji	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	11,285	Production of CPM	11,285	-	Ouyang Guang	19045381-5	100.00	Yes	-	-	-
Guangzhou Han Fan (*)	Subsidiary	Guangzhou	Pharmaceutical manufacturing	24,608	Research and development of medicine and health products	24,490	-	Huang Xiang	71241880-8	99.49	Yes	71	-	-
Guangzhou Q Ming Pharmaceutical Factory Co., Ltd.	Wholly-owned subsidiary	Guangzhou	Pharmaceutical manufacturing	8,242	Production of CPM	8,242	-	Li Guangliang	19045380-7	100.00	Yes	-	-	-
Jing Xue Tang	Subsidiary	Guangzhou	Pharmaceutical manufacturing	8,623	Production of CPM	7,623	-	Yan Zhuo	19047922-6	88.40	Yes	1,462	-	-
Pen Cao Shou	Subsidiary	Guangzhou	Pharmaceutical manufacturing	6,544	Production of CPM	5,744	-	Wei Danna	19046780-8	87.77	Yes	2,621	-	-
Ca Zhi Lin	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	3,222	Relating of Chinese raw medicine and CPM	3,222	-	Zhou Lushan	19050389-6	100.00	Yes	-	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (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 in substance (0000)	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 interest in subsidiaries shared by minority interest exceeded the opening balance of minority interest. (0000)
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 Yanwen	19347187-7	100.00	100.00	Yes	-	-	-
Guangzhou Baiyunshan Bai Di Bo Technology Co., Ltd. (Guangzhou Bai Di)	subsidiary	Guangzhou	Pharmaceutical manufacturing	13,160	Research and development of medicine	12,980	-	Oren Yanning	79164713-0	98.46	98.46	Yes	105	-	-
Guangzhou Wang Lap J Great Health Industry Co., Ltd. ("WJ Great Health")	Wholly-owned subsidiary	Guangzhou	Food manufacturing	1,000	Production and Sales of Prepackaged food and dairy	1,000	-	Wu Changlai	59161285-3	100.00	100.00	Yes	-	-	-
Guangzhou Guang Yao Yi Gen Biological Product Co., Ltd. (Guangzhou Y Gen)	subsidiary	Guangzhou	Pharmaceutical manufacturing	1,100	Advisory of research and development and technological transformation of biological products	680	-	Liu Juyan	09692899-8	60.00	60.00	Yes	71	-	-
Indirect subsidiaries: O'Ying	subsidiary	Guangzhou	Pharmaceutical manufacturing	10,000	Production of CPM	7,500	-	Wu Changlai	61841494-4	75.00	75.00	Yes	3,891	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (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 in investment substance (0000)	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 year's losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest. (0000)
Guangzhou Jing Xu Tang (JXT) Trading Co., Ltd. (JXT Co., Ltd.) (JXT Co.)	subsidiary	Guangzhou	Pharmaceutical trading	300	Sales of cosmetic	133	-	Chen Zhong	7661883-X	45.08	51.00	Yes	146	-	-
Guangzhou Pan Gao Shou Natural Healthcare Products Co., Ltd. (Pan Gao Shou Natural Healthcare Products Co., Ltd.) (Pan Gao Shou Natural Healthcare Products Co.)	subsidiary	Guangzhou	Pharmaceutical manufacturing	1,400	Production and processing of food and health products	1,400	-	Wei Dehua	19145519-8	87.77	100.00	Yes	-	-	-
Guangzhou Chinese Medicine Corporation Cai Zhi Lin Medicine	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	294	Relating of Chinese raw medicine and CPM	294	-	Zhou Lushan	19055867-3	100.00	100.00	Yes	-	-	-
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	19066119-1	100.00	100.00	Yes	-	-	-
Guangzhou Cai Zhi Lin Corporation Bei Sheng Chinese raw medicine Co., Ltd.	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	500	Relating of Chinese raw medicine and CPM	500	-	Zhou Lushan	78120107-4	100.00	100.00	Yes	-	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (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 in substance (0000)	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 losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest. (0000)
Guangzhou Ao Ma Medical Apparatus Co., Ltd.(Guangzhou Ao Ma)	Wholly-owned subsidiary	Guangzhou	Pharmaceutical trading	688	Trading of medical apparatus	688	-	Lao Zhong	68765859-4	100.00	Yes	-	-	-
Xiang Lin Zhi Guangyao Development Co., Ltd (*)	subsidiary	Luzhi	Pharmaceutical trading	200	Production and trading of local product, and craft	110	-	Huang Yang	58575303-1	54.74	Yes	53	-	-
Guangzhou Pan Gao Shou Food Beverage Co., Ltd (*)	subsidiary	Guangzhou	Pharmaceutical manufacturing	100	Trading of pre-packaged food	100	-	Wei Danna	58338020-6	87.77	Yes	-	-	-
Wuhanzhuo Guangyao Chinese Rew Medicine Development Co., Ltd.	subsidiary	Wuhanzhuo	Pharmaceutical trading	100	Cultivation, purchase and sales of Chinese medicine herbs and agricultural by-products, development, advisory and service of Chinese medicine herbs	80	-	Zhou Lushan	5918546-6	80.00	Yes	18	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (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 in investment substance (0000)	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 losses in subsidiaries shared by minority interest exceeded the opening balance of minority interest. (0000)
Shandong Guangao Chinese Raw Medicine Development Co., Ltd.	subsidiary	Linyi	Pharmaceutical trading	200	Cultivation, purchase and sales of Chinese medicine herbs	120	-	Kong Jian	59303298-7	60.00	Yes	114	-	-
Guizhou Guangao Chinese Raw Medicine Development Co., Ltd. (*)	subsidiary	Kaili	Pharmaceutical trading	200	Cultivation, purchase and sales of Chinese medicine herbs research and development of CPW agricultural by-products development, advisory	140	-	Kong Jian	05084458-6	67.67	Yes	60	-	-
Jingjuwan Guangao Chinese Raw Medicine Development Co., Ltd. (*)	subsidiary	Jingju	Pharmaceutical trading	300	Cultivation, purchase and sales of Chinese medicine herbs	180	-	Zhou Lushan	06885552-0	57.50	Yes	120	-	-

Note *: The reason of difference between ratio of equity interest held and ratio of voting rights held of these six companies is that the Company indirectly holds these six 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.

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (Continued)

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

Name of subsidiaries	Type of subsidiaries	Registration place	Nature of business and principle of activities	Registered capital (10000)	Scope of business	Paid-in capital at end of period (10000)	Other assets constitution investment in substance (10000)	Legal Representative	Organisation Code	% equity interest held by the Company	% Voting rights held	Consolidated or not	Minority interests at end of period (10000)	Amount of minority interests adjusted against minority interest in the profit or loss (10000)	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 (10000)
Tian Xin	subsidiary	Guangzhou	Pharmaceutical manufacturing	4,568	Manufacture, sales of chemical medicine, CPM, crude drug and health products	3,769	-	Chen Kunren	1910465108	82.49	82.49	Yes	3,414	-	-
Guang Hua	subsidiary	Guangzhou	Pharmaceutical manufacturing	5,529	Manufacture of chemical medicine material, CPM and veterinary medicine, cosmetics	4,670	-	Wang Yenchu	1910465116	84.48	84.48	Yes	1,930	-	-
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	191046202X	100.00	100.00	Yes	-	-	-
Bayunshan Weiling Pharmaceutical Co., Ltd. ("Weiling")	Wholly-owned subsidiary	Jiexi	Pharmaceutical manufacturing	1,179	Manufacture and sales of tablet, colostyols and granule.	1,179	-	Fang Yun	618223177	100.00	100.00	Yes	-	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Subsidiaries acquired from establishment or investment (Continued)

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

Name of subsidiaries	Type of subsidiaries	Registration place	Nature of business and principle of activities	Registered capital (10000)	Scopes of business	Paid-in capital at end of period (10000)	Other assets in substance	Legal Representative	Organisation Code	% Voting rights held by Company	Consolidated or not	Minority interests at end of period (10000)	Amount of minority interests adjusted against minority interest in the profit or loss (10000)	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 (10000)
Guangzhou Baiyunshan Pharmaceutical Technological Development Co., Ltd. ("Pharmaceutical Technological")	subsidiary	Guangzhou	Pharmaceutical trading	200	Wholesale of CPMA, chemical medicine material and antibiotic	102	-	Wang Jianchu	721974948	51.00	Yes	1,686	-	-
Guangzhou Baiyunshan Pharmacy	Wholly-owned subsidiary	Guangzhou	Retailing	100	Retail of CDM, common Chinese and western medicine, tobacco and wine, sales of grocery	100	-	Wen Xianwen	19365005-7	100.00	Yes	-	-	-
Guangzhou GPL Baiyunshan Great Hotel Co., Ltd. ("Baiyunshan Great Health Hotel/CHUN CUN")	Wholly-owned subsidiary	Guangzhou	Hotel	50	Retailing, hospitality industry, Chinese catering	50	-	Ca Jingui	58760360-0	100.00	Yes	-	-	-
Polar Company	Wholly-owned subsidiary	Hongkong	Pharmaceutical trading	HK\$ 500	Import and export trading of medicine	HK\$ 500	-	Xu Hanzao	Not applicable	100.00	Yes	-	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(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 subsidiaries	Type of subsidiaries	Registration place	Nature of business and principle of activities	Registered capital (RMB'000)	Scope of business	Paid-in capital at end of period (RMB'000)	Other assets constitution investment in substance (RMB'000)	Legal Representative	Organisation Code	% equity interest held by the Company	% Voting rights held or not	Minority interests at end of period (RMB'000)	Amount of minority interests adjusted against minority interest in the profit or loss (RMB'000)	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 (RMB'000)
Guangxi Ying Kang	subsidiary	Nanning	Pharmaceutical manufacturing	3,188	Wholesale of CPMA, chemical material medicine and antibiotic	1,626	-	Xu Keyi	1922516-6	51.00	51.00	1,655	-	-



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (a) The reason for the increase of the 8 companies in consolidation scope comparing to the preceding period are: (1) The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan, a subsidiary of GPHL, in May 2013. The 7 subsidiaries of Baiyunshan was consolidated into the Company. (2) The Company issued an addition of 4,738,818 A shares to acquire 100% equity interest of Polian Company, a subsidiary of GPHL, in June, 2013.
- (b) The reason for the decrease of 1 company in the consolidation scope is: As in May, 2013, 80% equity interest of Bo Zhou Baiyunshan owned by Baiyunshan has been transferred to HWBYS.

(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 2013	Net Profits for the six months ended 30 June 2013
Tian Xin	194,946,137.77	39,118,757.15
Guang Hua	127,586,797.20	25,881,935.99
Ming Xing	115,127,421.55	27,432,824.67
Weiling	27,444,412.87	2,118,834.86
Pharmaceutical Technological	34,417,920.48	9,304,848.69
Guangzhou Baiyunshan Pharmacy	(162,851.16)	–
Baiyunshan Great Health Hotel (ZHU XIN CUN)	528,339.72	(74,795.09)
Polian Company	35,410,006.87	2,203,045.88

(b) Entities no-longer in the scope of consolidation

Name of Subsidiary	Net Assets at the Disposal Date	Net Profits from 1 January 2013 to the Disposal Date
Bozhou Baiyunshan	(12,887,925.53)	(1,186,266.10)

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

(4) Business combination involving entities under common control

- (a) The combination date is 31 May 2013, The Company issued an addition of 445,601,005 A shares(RMB 1 per share) of equity securities as combination cost for absorbing and merging Baiyunshan through share swap.
- (i) Determination basis of combination date:The date of the Company obtaining control of Baiyunshan is recognised as combination date.
- (ii) The share swap price of absorbing and merging Baiyunshan is based on the A shares' average price of the 20 transaction days before the announcement date of the board resolution regarding the first discussion of the related matters of the assets reorganisation. The price is RMB12.10 and RMB11.5 per share confirmed after ex right and ex interest respectively, which determined the share swap ratio is 1:0.95, the number of shares of Baiyunshan before the swap is 469,053,689 shares, in exchange for the 445,601,005 A shares of the Company.
- (iii) Baiyunshan is a jointly stock company reorganised in year 1992. Approved by the China Securities Regulatory Commission to issue shares for public floatation. The headquarter is located in Guangzhou, major business scope is pharmaceutical manufacturing. As at the date of combination, Baiyunshan has 7 subsidiaries.
- (iv) For investment properties, Baiyunshan and its subsidiaries adopts fair value model for their subsequent measurement, but the Company uses cost model as the basis for subsequent measurement, and the two policies are inconsistent with each other. The Company retrospectively adjusted then consolidated the assets and liabilities of Baiyunshan in accordance with the article 7 in the Accounting Standard for Business Enterprises-Business Combinations. The information is as follows:

Item	Combination date (immediately before retrospective adjustment)	Combination date (immediately after retrospective adjustment)
Total assets	2,783,368,290.43	2,525,349,622.76
Including:		
Investment properties	252,975,150.00	33,450,853.22
Total liabilities	1,122,404,509.48	1,081,716,426.89



Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Business combination involving entities under common control (Continued)

(a) (Continued)

(v) The assets and liabilities of Baiyunshan when combining into the Company are as follows:

Item	Combination date	As at preceding balance sheet date
Current assets	1,335,391,826.15	1,303,941,767.74
Non-current assets	1,189,957,796.61	1,116,943,758.34
Including: Investment properties	33,450,853.22	34,103,919.04
Current liabilities	968,885,355.20	1,045,020,791.21
Non-current liabilities	112,831,071.69	83,219,503.14

(vi) The relevant information of Baiyunshan from the beginning to the date of combination is as follows:

Party being absorbed	From the beginning to the combination date		
	Income	Net profits	Net cash flow from operating activities
Baiyunshan	1,250,164,778.28	150,987,964.15	76,776,452.20

(vii) Only Tian Xin among the 7 subsidiaries of Baiyunshan has investment properties. The Company retrospectively adjusted and consolidated the financial statement of Tian Xin in accordance with the Accounting the article 12 in the Accounting Standard for Business Enterprises-Consolidated Financial Statements. The information is as follows:

Item	Combination date (immediately before retrospective adjustment)	Combination date (immediately after retrospective adjustment)
Total assets	415,542,648.23	390,673,761.53
Including:		
Investment properties	15,063,340.00	1,311,330.65
Total liabilities	206,165,342.43	202,463,964.37

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Business combination involving entities under common control (Continued)

(a) (Continued)

(viii) The assets and liabilities of 7 subsidiaries of Baiyunshan on the date of combination are as follows:

Name of company	As at the combination date		As at preceding balance sheet date	
	Total assets	Total liabilities	Total assets	Total liabilities
Tian Xin	390,673,761.53	202,463,964.37	431,246,832.54	275,419,451.92
Guang Hua	316,825,458.83	193,345,727.22	248,009,729.40	146,304,868.19
Ming Xing	318,634,618.42	209,147,185.73	267,056,346.84	179,299,810.01
Wei Ling	64,674,609.37	37,830,183.29	47,184,790.78	21,859,212.77
Pharmaceutical Technology	227,127,041.42	193,896,573.34	212,942,262.23	173,329,190.44
Guangzhou Baiyunshan Pharmacy	(33,044.27)	129,806.89	(33,044.27)	129,806.89
Baiyunshan Great Health Hotel (ZHU XIN CUN)	1,589,894.63	1,156,902.55	1,520,836.66	917,701.85

(ix) The information of subsidiaries of Baiyunshan from the beginning to the date of combination is as follows:

Acquiree	Basis of business combination involving enterprises under common control	Controller	From the beginning to the combination date		
			Income	Net profits	Net cash flow from operating activities
Tian Xin	Tian Xin and the Company are under control of GPLH, and the control is not transitory	GPLH	403,359,221.44	32,382,416.54	11,225,236.31
Guang Hua	Guang Hua and the Company are under control of GPLH, and the control is not transitory	GPLH	240,238,314.64	21,774,870.40	372,451.18
Ming Xing	Ming Xing and the Company are under control of GPLH, and the control is not transitory	GPLH	251,018,254.22	21,745,134.93	63,990,303.57



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Business combination involving entities under common control (Continued)

(a) (Continued)

(ix) (Continued)

Acquiree	Basis of business combination involving enterprises under common control	Controller	From the beginning to the combination date		
			Income	Net profits	Net cash flow from operating activities
Weiling	Weiling and the Company are under control of GPLH, and the control is not transitory	GPLH	95,719,648.38	1,518,848.07	9,745,029.91
Pharmaceutical Technology	Pharmaceutical Technology and the Company are under control of GPLH, and the control is not transitory	GPLH	1,014,204,553.92	8,117,396.29	12,524,307.82
Guangzhou Baiyunshan Pharmacy	Guangzhou Baiyunshan Pharmacy and the Company are under control of GPLH, and the control is not transitory	GPLH	-	-	-
Baiyunshan Great Health Hotel (ZHU XIN CUN)	Baiyunshan Great Health Hotel (ZHU XIN CUN) and the Company are under control of GPLH, and the control is not transitory	GPLH	1,001,569.39	(170,142.73)	(30,802.69)

(b) The combination date is 30 June 2013, the Company issued an addition of 4,738,818 shares (RMB 1 per share) as combination cost, and acquire 100% equity of Polian Company.

(i) Determination basis of combination date: The date of the company obtaining control of Polian Company is determined as combination date.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

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

(4) Business combination involving entities under common control *(Continued)*

(b) *(Continued)*

- (ii) The share swap price of acquiring Polian Company is based on the A shares' average price of the 20 transaction days before the announcement date of the board resolution regarding the first discussion of the related matters of the assets reorganisation. The price is RMB12.10 per share confirmed after ex right and ex interest respectively. Pursuant to the "Report of asset appraisal on the equity of Polian Company acquired by the Company." (Zhong Tian Heng Ping Bao Zi [2012] No. 027) issued by China Valuer International Co., Ltd. the appraisal value on 31 December 2011 of Polian Company is RMB57,339.7 thousand, and the Company has issued 4,738,818 A shares for the acquisition of Polian Company.
- (iii) Polian Company was incorporated in the year of 1988 in Hong Kong, its major business scope is operation of State-owned assets and investment.
- (iv) The accounting period of Polian Company is from 1 April to 31 March, which is inconsistent with the Company's accounting year from 1 January to 31 December. The Company adjusted then consolidated the financial statements of Polian Company in accordance with the article 13 in the Accounting Standard for Business Enterprises-Consolidated Financial Statements.
- (v) For investment properties, Polian Company adopts fair value model for subsequent measurement, but the Company uses cost model as a basis for subsequent measurement, and the two policies are inconsistent with each other. The Company adjusted then consolidated the financial statements of Polian Company in accordance with the article 12 in the Accounting Standard for Business Enterprises-Consolidated Financial Statements. The information is as follows:

Item	Combination date (before retrospective adjustment)	Combination date (after retrospective adjustment)
Total assets	95,347,312.99	76,553,037.23
Including:		
Investment properties	23,060,122.50	4,266,799.33
Total liabilities	43,203,965.49	41,143,030.36



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Business combination involving entities under common control (Continued)

- (vi) The assets and liabilities of Polian Company on the date of combination are as follows:

Name of company	As at the combination date		As at previous balance sheet date	
	Total assets	Total liabilities	Total assets	Total liabilities
Polian Company	76,553,037.23	41,143,030.36	71,162,613.85	37,339,556.62

- (vii) The relevant information of Polian Company from the beginning to the date of combination is as follows:

Acquiree	Basis of business combination involving enterprises under common control	From the beginning to the combination date		
		Controller	Income	Cash flow from operating activities
Polian Company	Polian Company and the Company are under control of GPLH, and the control is not transitory	GPLH	135,875,425.65	2,203,045.88
				12,888,392.07

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

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

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

4 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Notes to the adjustment of the previous statements made by Business combination involving entities under common control (Continued)

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

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

Main information of income statement	The group (audited)	Six months ended 30 June 2012			Consolidation (unaudited & restated)
		Baiyunshan (unaudited & restated)	Polian Company (unaudited & restated)	Adjustment (unaudited & restated)	
Revenue	3,498,046,152.32	2,387,197,517.16	25,904,634.12	(261,345,203.12)	5,649,803,100.48
Profits	240,474,941.16	264,296,279.24	592,732.34	(3,141,272.90)	502,222,679.84
Total profits	248,618,294.04	265,794,968.14	592,732.34	(3,141,272.90)	511,864,721.62
Net profits	226,312,028.39	228,260,377.04	494,931.51	(2,968,849.51)	452,098,487.43

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

The information of Polian Company which is restated in the above-mentioned table is the information after the adjustment for the non-coterminous accounting years of the Group and Polian Company, and this information also included retrospective adjustment made for measuring the investment properties using the cost method.

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

(6) Translation of overseas operating entity.

Polian Company, a subsidiary of the Company, is a foreign operating entity, the assets and liabilities items among the balance sheet of Polian Company 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 2013

(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 2013			31 December 2012		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
Cash on hand-						
RMB			932,282.76			2,229,430.51
Hong Kong Dollars ("HKD")	5,087.38	0.7966	4,052.35	7,950.98	0.8109	6,447.05
			936,335.11			2,235,877.56
Bank deposits-						
RMB			2,102,140,683.40			1,113,762,054.16
US Dollars ("USD")	2,813,139.51	6.1787	17,381,545.09	146,867.20	6.2855	923,132.60
HKD	3,204,342.57	0.7966	2,552,419.08	5,004,306.80	0.8109	4,057,742.17
Euro (EUR)	503,925.91	8.0536	4,058,417.71	467,470.45	8.3132	3,886,193.87
Yen (JPY)	50,000,006.00	0.0626	3,130,350.38	2.00	0.0730	0.15
Great Britain Pound (GBP)	0.11	9.4213	1.04	0.11	10.1611	1.12
			2,129,263,416.70			1,122,629,124.07
Other deposits-						
RMB			13,051,289.64			10,534,715.84
HKD	44,007.49	0.7966	35,054.17	44,007.49	0.8109	35,683.47
			13,086,343.81			10,570,399.31
			2,143,286,095.62			1,135,435,400.94

Details of restricted cash are listed as follows:

	30 June 2013	31 December 2012
Deposit for notes payable	187,950.00	20,540,491.86
Deposit for housing fund	574,653.29	548,384.33
	762,603.29	21,088,876.19

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Financial assets held for trading

	30 June 2013	31 December 2012
Listed shares	<u>3,014,601.60</u>	<u>2,875,920.00</u>
Including: market value of listed investment	<u>3,014,601.60</u>	<u>2,875,920.00</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

	30 June 2013	31 December 2012
Bank acceptance notes	1,095,545,774.21	840,354,449.11
Trade acceptance notes	<u>3,131,869.17</u>	<u>4,074,792.76</u>
	<u>1,098,677,643.38</u>	<u>844,429,241.87</u>

(b) As at 30 June 2013 and 31 December 2012, there are no notes receivable that are being pledged.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[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 2013 and 31 December 2012, there are no notes receivable that are reclassified to accounts receivable due to inability of the companies of issuance.

(ii) The bank acceptance notes receivable that are not matured but have been endorsed amounted to RMB 1,257,641 thousand (as at 31 December 2012: RMB 1,449,306 thousand), the top five of which are summarised as follows:

Issuing company	Date of issuance	Due date	Amount
Guangdong Tian Shi Li Yue Jian Pharmaceutical Co.,Ltd.	2013.04.10	2013.07.10	9,671,091.00
Jiu Zhou Tong Pharmaceutical Group Co.,Ltd.	2013.01.28	2013.07.28	8,000,000.00
Zhongshan Pharmaceutical Co.,Ltd.	2013.04.11	2013.07.11	5,351,341.32
Guangdong Yi Li Pharmaceutical Co.,Ltd.	2013.01.04	2013.07.04	5,000,000.00
Guangzhou Teng Tai Fuel Chemical Co.,Ltd.	2013.05.06	2013.11.06	5,000,000.00

(iii) As at 30 June 2013, the trade acceptance notes that are not matured but have been endorsed amounted to RMB 6,985 thousand (as at 31 December 2012: RMB 2,952 thousand). the top five of which are summarised as follows:

Issuing company	Date of issuance	Due date	Amount
Shanghai Dong Yao Han Fei Enterprise Development Co., Ltd.	2013.05.27	2013.11.26	3,530,260.00
Guangdong Jiu Zhou Tong Pharmaceutical Co., Ltd.	2013.05.22	2013.08.22	1,021,291.71
Shanghai Dong Yao Han Fei Enterprise Development Co., Ltd.	2013.03.12	2013.09.11	971,025.00
Guangdong Jiu Zhou Tong Pharmaceutical Co., Ltd.	2013.04.08	2013.07.08	969,058.52
Guangdong Jiu Zhou Tong Pharmaceutical Co., Ltd.	2013.04.08	2013.07.08	493,622.10

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Notes receivable (Continued)

(d) As at 30 June 2013, notes receivable that are not matured but have been discounted are summarised as follows:

(i) Amount as at 30 June 2013, the bank acceptance notes that are not matured but have been discounted amounted to RMB 93,699 thousand (as at 31 December 2012: RMB115,632 thousand), and the top five of which are summarised as follows:

Issuing company	Date of issuance	Due date	Amount
Guangdong Jiu Zhou Tong Pharmaceutical Co., Ltd.	2013.03.29	2013.09.29	8,000,000.00
Guangdong Tai Tong Pharmaceutical Co., Ltd.	2013.01.18	2013.07.18	4,800,000.00
Guangdong Fu Lin Pharmaceutical Co., Ltd.	2013.01.29	2013.07.29	4,500,000.00
Tian Jin Jian Run Iron Trading Co.,Ltd.	2013.01.16	2013.07.16	3,931,452.20
Jiu Zhou Tong Pharmaceutical Group Co.,Ltd.	2013.01.18	2013.07.18	3,600,000.00

(ii) As at 30 June 2013 and 31 December 2012, there are no trade acceptance notes that are not matured but have been discounted.

(4) Dividends receivable

Item	31 December 2012	Add	Less	30 June 2013	Reason of	
					unrecoverable	Impaired or not
Dividends receivable within 1 year aging	-	20,000,000.00	-	20,000,000.00	Note1	
Including: HWBYS	-	20,000,000.00	-	20,000,000.00		No

Note 1: A jointly controlled company, HWBYS convened a board meeting in June, 2013, which resolved to distribute RMB40,000 thousand cash dividends and pay before 31 December. As at 30 June 2013, the Company has not received this cash dividend.

(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.



Notes to the Financial Statements

For the six months ended 30 June 2013
 (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)

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

	30 June 2013	31 December 2012
Within 1 year	987,929,977.56	732,153,204.20
1 to 2 years	11,221,107.92	9,434,815.86
2 to 3 years	2,639,578.19	1,412,507.17
3 to 4 years	3,784,752.86	5,258,079.41
4 to 5 years	3,197,487.21	4,098,045.03
Over 5 years	7,389,531.79	55,780,992.95
	<u>1,016,162,435.53</u>	<u>808,137,644.62</u>

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

	30 June 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	4,906,187.50	0.48%	4,391,750.00	89.51%
Subject to provision by groups:				
Group 1	1,005,375,399.65	98.94%	16,779,031.79	1.67%
Individually insignificant but subject to separate provision	5,880,848.38	0.58%	5,858,294.96	99.62%
	<u>1,016,162,435.53</u>	100.00%	<u>27,029,076.75</u>	2.66%

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

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

	31 December 2012			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	4,947,794.34	0.61%	4,333,356.84	87.58%
Subject to provision by groups:				
Group 1	794,304,269.21	98.29%	60,849,767.26	7.66%
Individually insignificant but subject to separate provision	8,885,581.07	1.10%	8,885,581.07	100.00%
	<u>808,137,644.62</u>	100.00%	<u>74,068,705.17</u>	9.17%

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

(c) As at 30 June 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	3,406,187.50	2,891,750.00	84.90%	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%	Although the group has sued this company, it is expected that the amount could not be recoverable.
	<u>4,906,187.50</u>	<u>4,391,750.00</u>	89.51%	



Notes to the Financial Statements

For the six months ended 30 June 2013
 (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 2013			31 December 2012		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	987,863,797.47	98.26%	9,878,636.41	731,958,099.59	92.15%	7,319,581.00
1 to 2 years	9,721,107.92	0.97%	972,110.82	7,463,705.76	0.94%	746,370.56
2 to 3 years	1,390,416.15	0.14%	417,124.85	962,968.50	0.12%	288,890.56
3 to 4 years	851,762.68	0.08%	425,881.36	1,552,009.82	0.20%	776,004.92
4 to 5 years	2,315,185.40	0.23%	1,852,148.32	3,242,826.60	0.41%	2,594,261.28
Over 5 years	3,233,130.03	0.32%	3,233,130.03	49,124,658.94	6.18%	49,124,658.94
	1,005,375,399.65	100.00%	16,779,031.79	794,304,269.21	100.00%	60,849,767.26

- (e) As at 30 June 2013, 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, it is expected that the amount could not be recovered.
Customer 2	477,000.16	477,000.16	100.00%	This company is in financial difficulty and it is expected that the amount could not be recovered.
Customer 3	470,000.00	470,000.00	100.00%	Although the Group has sued this company, it is expected that the amount could not be recovered.
Others	4,424,959.22	4,402,405.80	99.49%	It is expected that the amount could not be recovered.
	5,880,848.38	5,858,294.96	99.62%	

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(f) As at 30 June 2013 and 31 December 2012. There is no material accounts receivable which have past due but not impaired.

(g) Reversal or collection during the current period is as follows:

Item	Reason of reversal or collection	Basis of provisions previously made	Accumulated provision for bad debts made before reversal or collection	Amount received	Amount of reversal of provision for bad debts
Accounts receivable due from certain customers	Some receivables were collected due to efforts on collection	Certain customer were not able to settle the receivables according to contracts or agreements	222,456.83	221,207.84	1,248.99

(h) There are no accounts receivable that have been collected by restructuring or other manners during the current period.

(i) Accounts receivable (RMB 46,682 thousand) that are written off during the current period are analysed as follows:

	Nature	Amount	Reason	Arising from related party transaction or not
Baiyun Trading Department	Payment	8,146,626.00	It is verified that the amount could not be recovered	Yes
Hong Kong Xin Min Pharmaceutical Co.,Ltd.	Payment	7,965,357.40	It is verified that the amount could not be recovered	Yes
Beijing Heng He Kang Jian Pharmaceutical Co.,Ltd.	Payment	1,441,606.84	It is verified that the amount could not be recovered	No
Anguo Jin Zhou Medicine Store	Payment	1,207,975.00	It is verified that the amount could not be recovered	No



Notes to the Financial Statements

For the six months ended 30 June 2013

(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)

- (i) Accounts receivable (RMB 46,682 thousand) that are written off during the current period analysed as follow: (Continued)

	Nature	Amount	Reason	Arising from related party transaction or not
Wuhan Jiang Han District Pharmaceutical Co.,Ltd. Kang Xin Pharmaceutical Sales Department	Payment	1,191,862.84	It is verified that the amount could not be recovered	No
Hong Kong Hua Jia	Payment	1,093,328.57	It is verified that the amount could not be recovered	No
Managing Department of supplier	Payment	894,507.27	It is verified that the amount could not be recovered	No
Sichuan Ziyang Medicine Co., Ltd.	Payment	887,173.28	It is verified that the amount could not be recovered	No
HongKong Hui Da	Payment	623,790.53	It is verified that the amount could not be recovered	No
Tangshan Pharmaceutical Co.,Ltd.	Payment	525,960.15	It is verified that the amount could not be recovered	No
Others	Payment	22,704,181.05	It is verified that the amount could not be recovered	No
Total		<u>46,682,368.93</u>		

- (j) As at 30 June 2013, accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is account receivable of RMB14 thousand from GPHL (as at 31 December 2012: account receivable of RMB5 thousand from GPHL).

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(k) As at 30 June 2013, the top five of accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Aging	% of total balance
Customer 1	Third Party	36,789,101.23	Within 1 year	3.63%
Customer 2	Third Party	36,709,605.00	Within 1 year	3.61%
Customer 3	Third Party	25,539,930.32	Within 1 year	2.51%
Customer 4	Related party	25,399,177.18	Within 1 year	2.50%
Customer 5	Third Party	23,693,752.04	Within 1 year	2.33%
		<u>148,131,565.77</u>		<u>14.58%</u>

(l) As at 30 June 2013, accounts receivable from related parties accounted for 5.92% of total accounts receivable balance (as at 31 December 2012: 4.61%), refer to Note 6 for details.

(m) There are no accounts receivable derecognised due to transfer of financial assets during the current period.

(n) As at 30 June 2013, there are no securitizations that targeted at accounts receivable.

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

	30 June 2013			31 December 2012		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	2,207,475.55	6.1787	13,639,329.19	3,292,105.21	6.2855	20,692,441.88
HKD	6,494,093.26	0.79655	5,172,869.99	4,079,670.98	0.8109	3,308,001.22
EUR	219,726.70	8.0536	1,769,590.95	13,842.70	8.3132	115,077.68
JPY	-	-	-	94,162,500.00	0.0731	6,879,284.85
			<u>20,581,790.13</u>			<u>30,994,805.63</u>



Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Other receivables

	30 June 2013	31 December 2012
Petty cash	12,059,352.73	7,575,235.72
Deposits	19,949,455.59	18,264,564.35
Staff advances	35,441,364.64	22,924,389.79
Receivables due from external parties	76,112,409.88	53,977,036.93
Receivables due from related parties (Note 6(5))	32,087,894.73	6,121,139.00
Tax refund for exports	12,403,116.61	25,430,444.37
Taxes pending for customs registration	5,832,696.98	6,382,157.92
Others	9,284,222.22	10,414,648.03
	203,170,513.38	151,089,616.11
Less: provision for bad debts	17,888,217.94	30,397,527.06
	185,282,295.44	120,692,089.05

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

	30 June 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	10,529,216.98	5.18%	10,529,216.98	100.00%
Subject to provision by groups:				
Group 1	28,775,748.43	14.16%	2,405,135.95	8.36%
Group 2	57,970,482.55	28.53%	-	-
Group 3	32,087,894.73	15.79%	100,000.00	0.31%
Group 4	68,953,305.68	33.95%	-	-
Individually insignificant but subject to separate provision	4,853,865.01	2.39%	4,853,865.01	100.00%
	203,170,513.38	100.00%	17,888,217.94	8.80%

Notes to the Financial Statements

For the six months ended 30 June 2013
 (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)

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

	31 December 2012			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	10,970,395.15	7.26%	10,970,395.15	100.00%
Subject to provision by groups:				
Group 1	12,852,138.28	8.51%	2,099,027.22	16.33%
Group 2	55,149,369.93	36.49%	-	-
Group 3	6,121,139.00	4.05%	100,000.00	1.63%
Group 4	48,764,189.86	32.28%	-	-
Individually insignificant but subject to separate provision	17,232,383.89	11.41%	17,228,104.69	99.98%
	<u>151,089,616.11</u>	100.00%	<u>30,397,527.06</u>	20.12%



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 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 could not be recovered.
Other receivables 4	1,025,878.50	1,025,878.50	100.00%	As this company went bankrupt, it is expected that the amount could not be recovered.
Other receivables 5	502,043.54	502,043.54	100.00%	As this company is on liquidation procedures, it is expected that the amount could not be recovered.
Others	2,811,577.59	2,811,577.59	100.00%	It is expected that the amount could not be recovered.
	<u>10,529,216.98</u>	<u>10,529,216.98</u>	100.00%	

Notes to the Financial Statements

For the six months ended 30 June 2013
(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) The groups of other receivables in which provisions are made using aging analysis method are analysed as follows:

	30 June 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	23,988,355.46	83.35%	239,883.56	9,095,857.00	70.77%	90,958.57
1 to 2 years	2,370,726.20	8.24%	237,072.61	820,813.83	6.39%	82,081.38
2 to 3 years	520,803.28	1.81%	156,240.99	883,583.80	6.87%	265,075.14
3 to 4 years	243,729.42	0.85%	121,864.72	558,747.33	4.35%	279,373.67
4 to 5 years	10,300.00	0.04%	8,240.00	557,989.33	4.34%	446,391.47
Over 5 years	1,641,834.07	5.71%	1,641,834.07	935,146.99	7.28%	935,146.99
	28,775,748.43	100.00%	2,405,135.95	12,852,138.28	100.00%	2,099,027.22

- (d) 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	1,251,982.00	1,251,982.00	100.00%	It is expected that the amount could not be recovered
Other receivables 2	1,114,797.46	1,114,797.46	100.00%	It is expected that the amount could not be recovered
Other receivables 3	643,040.30	643,040.30	100.00%	It is expected that the amount could not be recovered
Other receivables 4	392,823.33	392,823.33	100.00%	It is expected that the amount could not be recovered
Other receivables 5	257,782.95	257,782.95	100.00%	It is expected that the amount could not be recovered
Others	1,193,438.97	1,193,438.97	100.00%	It is expected that the amount could not be recovered
	4,853,865.01	4,853,865.01	100.00%	



Notes to the Financial Statements

For the six months ended 30 June 2013

(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)

- (e) 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.
- (f) There are no other receivables that have been collected by restructuring or other manners in the current period.
- (g) Other receivables (RMB 11,790 thousand) that have been written off in the current period are analysed as follows:

	Nature	Amount	Reason	Arising from related party transaction or not
Hong Kong Hong Xing	Current account	6,489,601.00	It is verified that the amount could not be recoverable	No
Baiyun District Tax Bureau	Tax in advance	940,000.00	It is verified that the amount could not be recoverable	No
Baiyun Company	Current account	850,165.00	It is verified that the amount could not be recoverable	Yes
Withholding Tax	Tax withholding	742,729.77	It is verified that the amount could not be recoverable	No
Chengdu CPM Technology Development	Current account	647,703.90	It is verified that the amount could not be recoverable	No
Others	Current account	2,120,041.38	It is verified that the amount could not be recoverable	No
Total		<u>11,790,241.05</u>		

- (h) As at 30 June 2013, other receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company is RMB652 thousand from GPLL. (As at 31 December 2012: RMB897 thousand).

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

- (i) As at 30 June 2013, 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	Related party	19,156,420.50	Within 1 year	9.43%
Other receivables 2	Third party	12,403,116.61	Within 1 year	6.10%
Other receivables 3	Related party	8,459,711.36	Within 1 year	4.16%
Other receivables 4	Third party	5,832,696.98	Within 1 year	2.87%
Other receivables 5	Third party	5,536,435.17	Within 1 year	2.73%
		<u>51,388,380.62</u>		<u>25.29%</u>

- (j) As at 30 June 2013, accounts receivable from related parties accounted for 15.79% of total other accounts receivable balance (as at 31 December 2012: 4.05%); refer to Note 6 for details.
- (k) There are no other receivables derecognised due to transfer of financial assets during the current period.
- (l) As at 30 June 2013, there are no securitizations that targeted at other receivables.
- (m) As at 30 June 2013, the other receivables denominated in foreign currencies are summarised as follows:

	30 June 2013			31 December 2012		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
HKD	1,836,281.95	0.79655	1,462,690.39	783,924.04	0.8108	635,644.81
			<u>1,462,690.39</u>			<u>635,644.81</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Advances to suppliers

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

	30 June 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	388,614,912.74	93.10%	439,593,021.58	98.41%
1 to 2 years	25,600,637.87	6.13%	3,071,649.81	0.69%
2 to 3 years	220,218.07	0.05%	90,086.72	0.02%
Over 3 years	2,983,931.32	0.72%	3,912,777.27	0.88%
	417,419,700.00	100.00%	446,667,535.38	100.00%

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

	Relation with the Group	Amount	Aging	Reason of unsettlement
Supplier 1	Third party	53,836,791.01	Within 1 year	Normal purchases
Supplier 2	Third party	32,707,037.07	Within 1 year	Normal purchases
Supplier 3	Third party	22,275,269.49	Within 1 year	Normal purchases
Supplier 4	Third party	21,620,020.43	Within 1 year	Normal purchases
Supplier 5	Third party	14,923,850.40	Within 1 year	Normal purchases
		145,362,968.40		

(c) As at 30 June 2013 and 31 December 2012, 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 2013, the advances to related parties accounted for 2.36% of the total balance of advances to suppliers (as at 31 December 2012: 0.71%); refer to Note 6 for details.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Advances to suppliers (Continued)

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

	30 June 2013			31 December 2012		
	Foreign Currency	Exchange rate	RMB	Foreign Currency	Exchange rate	RMB
USD	1,304,573.48	6.1796	8,061,742.27	81,144.00	6.2982	511,057.10
HKD	35,055,510.46	0.7967	27,928,484.90	54,694,649.30	0.8115	44,383,646.99
EUR	44,049.60	8.0383	354,083.90	2,206,255.60	8.2211	18,137,855.73
			36,344,311.07			63,032,559.82

(f) There are no significant advances to suppliers with aging over one year.

(8) Inventories

(a) Classification of Inventories

	30 June 2013			31 December 2011		
	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	20,781,226.54	-	20,781,226.54	4,633,011.92	-	4,633,011.92
Raw materials	656,359,836.56	1,435,167.59	654,924,668.97	570,735,254.37	3,101,901.17	567,633,353.20
Work in progress	145,516,526.28	-	145,516,526.28	180,150,442.91	-	180,150,442.91
Semi-finished goods	164,745,582.90	981,315.46	163,764,267.44	150,787,462.46	981,315.46	149,806,147.00
Finished goods	668,377,621.12	9,009,385.43	659,368,235.69	693,610,834.47	9,465,771.70	684,145,062.77
Low-value consumables	4,235,922.22	-	4,235,922.22	4,124,577.02	131,357.96	3,993,219.06
Packaging materials	105,122,588.38	-	105,122,588.38	93,238,068.23	22,220.70	93,215,847.53
Goods In processing contract	11,086,101.82	-	11,086,101.82	8,476,288.80	-	8,476,288.80
Commodity Stocks	422,875,939.24	369,712.41	422,506,226.83	375,160,220.61	1,383,440.37	373,776,780.24
Others	679,146.71	-	679,146.71	67,980.76	-	67,980.76
	2,199,780,491.77	11,795,580.89	2,187,984,910.88	2,080,984,141.55	15,086,007.36	2,065,898,134.19



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Inventories (Continued)

(b) Provisions for declines in the value of inventories

	31 December 2012	Current period reductions	Current period additions			30 June 2013
			Reversal	Write-off	Other reductions	
Raw materials	3,101,901.17	1,095,108.47	-	2,718,936.46	42,905.59	1,435,167.59
Work in progress	981,315.46	-	-	-	-	981,315.46
Finished goods	9,465,771.70	2,986,574.67	909,854.78	2,533,106.16	-	9,009,385.43
Low-value consumables	131,357.96	-	-	-	131,357.96	-
Packaging materials	22,220.70	-	-	-	22,220.70	-
Commodity stocks	1,383,440.37	17,635.55	-	727,348.24	304,015.27	369,712.41
	<u>15,086,007.36</u>	<u>4,099,318.69</u>	<u>909,854.78</u>	<u>5,979,390.86</u>	<u>500,499.52</u>	<u>11,795,580.89</u>

(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	0.14%
Commodity stocks	Carrying amount over net realisable value	Increase in market price	-

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Other current assets

	30 June 2013	31 December 2012
Deductible Input VAT	701,849.79	1,525,807.40
Provisional Income Tax paid	-	72,813.03
	701,849.79	1,598,620.43

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

	30 June 2013	31 December 2012
Available-for-sale shares	19,090,387.69	20,401,660.98

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.

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investments 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)
1. Jointly controlled entities												
GP Corp.	Sino-foreign equity joint venture	Guangzhou	FRITZ-HORLACHER	Trading of western pharmaceutical products and medical apparatus	70,000	50.00%	50.00%	818,589	616,363	202,237	1,135,343	9,715
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. ("Wang Lao Ji")	Sino-foreign equity joint venture	Guangzhou	Wang Jianji	Production processing, sales of CPM beverage and candies	20,476	48.05%	48.05%	176,098	81,412	94,686	148,086	7,477
Guangzhou Promise Biological Products Co., Ltd. (Nuo Cheng)(Note 1)	Stock corporation	Guangzhou	Zhou Lijun	Production of Freeze-dried rabies vaccine for human use; import of goods, import & export of technology	8,400	49.24%	50.00%	31,022	12,365	18,657	6,446	1,388
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%	126,986	64,565	62,401	91,192	9,551
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%	17,338	14,581	2,757	10,510	(921)

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investments 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)
2. Associates												
Hangzhou Zhehai Han Fang Chinese Medical Infor. Engineering Co., Ltd.	Limited Liability Company	Hangzhou	Ou Habin	Infor. engineering and infor. service	100	44.00%	44.00%	6	4	2	-	-
Golden Eagle Fund Management Co., Ltd	Limited Liability Company	Zhuhai	Liu Dong	Fund management	25,000	20.00%	20.00%	18,919	2,317	16,602	5,660	(1,508)
Guangzhou Jishen Medical Co., Ltd.	Limited Liability Company	Guangzhou	Geo 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	Qiao Yong	Medical investment management	2,000	50.50%	41.00%	-	-	-	-	-

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 2013, the paid-in capital of the Company and 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 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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 2012	% Equity interest held	% Voting rights held	Impairment provision	Impairment provided in the current period	Cash dividend in current period
Equity method:									
GP Corp.	396,589,139.78	885,089,213.72	41,956,102.38	936,445,316.10	50.00%	50.00%	-	-	-
Wang Lao Ji	102,035,124.44	418,650,001.89	35,924,583.83	454,574,585.32	48.05%	48.05%	-	-	-
Nuo Cheng	42,000,000.00	85,015,307.46	6,989,165.18	92,004,472.64	49.24%	50.00%	-	-	-
HMBYS	100,000,000.00	271,656,205.28	20,996,538.51	292,652,743.79	50.00%	50.00%	-	-	20,000,000.00
Baxter Cao Guang	37,000,000.00	18,391,904.41	(4,604,762.21)	13,787,142.20	50.00%	50.00%	-	-	-
Guangzhou Jinshen Medical Co., Ltd.	765,000.00	-	-	-	38.25%	38.25%	-	-	-
Hangzhou Zhefa Han Fang Chinese Medical Infr. Engineering Co., Ltd.	440,000.00	-	-	-	44.00%	44.00%	-	-	-
Golden Eagle Fund Management Co., Ltd.	50,000,000.00	36,297,916.34	(3,000,000.00)	33,297,916.34	20.00%	20.00%	-	-	-
Wei Yi Co., Ltd.	2,020,000.00	2,020,000.00	-	2,020,000.00	50.50%	41.00%	-	-	-
Subtotal	730,849,264.22	1,687,128,548.30	97,061,607.69	1,794,190,156.59	-	-	-	-	20,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

(a) Details of long-term equity investments

Entity	Investment cost	31 December 2013	Current period movement	30 June 2012	% Equity interest held	% Voting rights held	Impairment provision	Impairment provided in the current period	Cash dividend in current period
Cost method:									
Shanghai Jilue 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)	218,399.05	218,399.05	-	218,399.05	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	-	-
Dongbiao 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 Enterprise 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.	7,677,876.51	7,677,876.51	-	7,677,876.51	13.00%	13.00%	-	-	-
Guangzhou Yu Fa Medical Instrument Co., Ltd.	100,000.00	100,000.00	-	100,000.00	10.00%	10.00%	100,000.00	-	-
Baxter Healthcare (Note 3)	82,338,800.00	-	82,338,800.00	82,338,800.00	12.50%	12.50%	-	-	-
Guangzhou Bank of Commerce	100,000.00	100,000.00	-	100,000.00	-	-	-	-	-
Subtotal	106,276,530.17	23,971,923.88	82,338,800.00	106,310,723.88	-	-	4,553,351.23	-	-
Total	837,127,794.39	1,721,100,472.78	179,400,407.69	1,900,500,880.47	-	-	4,553,351.23	-	20,000,000.00

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 have not participated in the operation of Mazhong Medicine of Qi Xing and Sales Store of Peking Road of Guangzhou Medicine Co., Ltd., nor exercised significant influence on them, in which the investments were measured using the cost method.

3) As in June, 2013 the Company completed the acquiring of 12.5% equity of Baxter Healthcare held by GPLH by issuing an addition of 6,804,860 shares to GPLH. The issued price is based on the A shares' average price of the 20 transaction days before the announcement date of the board resolution regarding the first discussion of the related matters of the assets reorganisation. The price is RMB12.10 per share confirmed after ex right and ex interest. Pursuant to the "Report of asset appraisal on the equity of Baxter Healthcare acquired by the Company," [Zhong Tian Heng Ping Bao Zi [2012] No. 028] issued by China Valuer International Co., Ltd. the appraisal value on 31 December 2011 of Baxter Healthcare is RMB82,338.8 thousand, which increases 6,804,860 A share of the Company



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Long-term equity investments (Continued)

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

(13) Investment properties

(a) Investment properties-cost method

	31 December 2012	Current period addition	Current period disposal	30 June 2013
Cost	266,574,616.45	119,217,027.00	1,808,300.89	383,983,342.56
Buildings	255,540,223.18	119,217,027.00	1,808,300.89	372,948,949.29
Land use rights	11,034,393.27	–	–	11,034,393.27
Accumulated depreciation and amortisation	130,380,179.00	3,872,341.60	1,680,432.83	132,572,087.77
Buildings	125,601,608.55	3,759,258.65	1,680,432.83	127,680,434.37
Land use rights	4,778,570.45	113,082.95	–	4,891,653.40
Net book value	136,194,437.45			251,411,254.79
Buildings	129,938,614.63			245,268,514.92
Land use rights	6,255,822.82			6,142,739.87
Provision for impairment	–	–	–	–
Buildings	–	–	–	–
Land use rights	–	–	–	–
Carrying amount	136,194,437.45			251,411,254.79
Buildings	129,938,614.63			245,268,514.92
Land use rights	6,255,822.82			6,142,739.87

(i) Depreciation charges for the six months ended 30 June 2013 amounted to RMB3,760 thousand (for the six months ended 30 June 2012: RMB3,815 thousand); Amortisation charges for the six months ended 30 June 2013 amounted to RMB113 thousand (for the six months ended 30 June 2012: RMB113 thousand).

(ii) As for the six months ended 30 June 2013, The decrease of cost and accumulated depreciation of the investment properties arising from the fluctuations in exchange is RMB115 thousand and RMB38 thousand respectively. (As for the six months ended 30 June 2012: RMB36 thousand and RMB11 thousand respectively.)

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

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

(13) Investment properties *(Continued)*

(a) Investment properties-cost method *(Continued)*

- (iii) The land use right among the investment properties is located in Mainland China, and the useful life is 10-50 years.
- (iv) This issued price is based on the A shares' average price of 20 transaction days before the announcement date of the board resolution regarding the first discussion of the related matters of the assets reorganisation. The price is RMB12.10 per share confirmed after ex right and ex interest. Pursuant to the "Report of asset appraisal on the equity of real estate and trademark purchased by the Company" (Zhong Tian Heng Ping Bao Zi [2012] No. 026) issued by China Valuer International Co., Ltd. the appraisal value on 31 December 2011 of the above-mentioned buildings is RMB230,740 thousand, When the above-mentioned properties are transferred to and registered under the name of the Company, the area is 137.74 square meters less than that agreed in the appraisal report, GPHL made up the difference with cash RMB1,342,300 Pursuant to the different usage of the above-mentioned buildings, RMB117,040 thousand is recorded as investment properties, RMB113,700 thousand is recorded as fixed assets.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Fixed assets

(a) Fixed assets

	31 December 2012	Current period additions	Current period reductions	30 June 2013
Cost	3,412,942,476.09	191,692,003.66	52,337,752.18	3,552,296,727.57
Buildings	1,665,966,056.24	132,305,312.89	13,108,070.15	1,785,163,298.98
Machinery and equipment	1,369,055,227.85	39,550,577.39	32,556,431.62	1,376,049,373.62
Motor vehicles	96,621,115.02	1,886,381.34	3,985,712.87	94,521,783.49
Electronic equipments	130,148,838.75	8,830,345.59	381,470.33	138,597,714.01
Office equipment	97,747,414.62	7,842,338.80	2,306,067.21	103,283,686.21
Decoration and fixtures	53,403,823.61	1,277,047.65	–	54,680,871.26
Accumulated depreciation	1,800,884,864.47	81,055,913.06	37,395,856.40	1,844,544,921.13
Buildings	631,690,904.98	28,401,073.63	3,357,601.94	656,734,376.67
Machinery and equipment	899,376,682.29	40,975,435.37	27,822,013.14	912,530,104.52
Motor vehicles	70,164,361.40	2,369,913.70	3,723,232.52	68,811,042.58
Electronic equipments	88,031,607.21	4,448,825.24	314,287.93	92,166,144.52
Office equipment	62,281,091.54	3,421,919.45	2,178,720.87	63,524,290.12
Decoration and fixtures	49,340,217.05	1,438,745.67	–	50,778,962.72
Provision for impairment	20,061,484.89	–	78,953.01	19,982,531.88
Buildings	9,818,341.35	–	–	9,818,341.35
Machinery and equipment	8,386,959.95	–	78,953.01	8,308,006.94
Motor vehicles	217,914.47	–	–	217,914.47
Electronic equipments	1,635,422.74	–	–	1,635,422.74
Office equipment	2,846.38	–	–	2,846.38
Decoration and fixtures	–	–	–	–
Carrying amount	1,591,996,126.73			1,687,769,274.56
Buildings	1,024,456,809.91			1,118,610,580.96
Machinery and equipment	461,291,585.61			455,211,262.16
Motor vehicles	26,238,839.15			25,492,826.44
Electronic equipments	40,481,808.80			44,796,146.75
Office equipment	35,463,476.70			39,756,549.71
Decoration and fixtures	4,063,606.56			3,901,908.54

- (i) For the six months ended 30 June 2013, the fixed assets transferred from construction in progress amounted to RMB51,898 thousand (for the six months ended 30 June 2012: RMB12,422 thousand).

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Fixed assets (Continued)

(a) Fixed assets (Continued)

- (ii) As for the six months ended 30 June 2013, the decrease of cost and accumulated depreciation of fixed assets is due to fluctuations in exchange amount are RMB152 thousand and RMB47 thousand respectively. (As for the six months ended 30 June 2012: RMB48 thousand and RMB14 thousand respectively)
- (iii) Depreciation expenses for the six months ended 30 June 2013 amounted to RMB81,056 thousand in total (for the six months ended 30 June 2012: RMB83,279 thousand), of which RMB50,305 thousand, RMB1,280 thousand and RMB29,471 thousand were charged to cost of sales, selling and distribution expenses and general and administrative expenses, respectively (for the six months ended 30 June 2012: RMB55,077 thousand, RMB1,352 thousand and RMB26,850 thousand, respectively).

- (b) As at 30 June 2013, the buildings and the machinery and equipment are temporarily idle, which are analysed as follows:

	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount	Note
Buildings	430,613.36	169,507.75	-	261,105.61	Entrust an agency to lease currently
Machinery and equipment	730,884.08	285,201.51	445,682.57	-	Chinese medicine slicing machine

- (c) As at 30 June 2013, fixed assets which were lack of ownership certificate are summarised as follows:

	Carrying amount	Reason	Estimated date of obtaining the ownership certificate
Buildings	17,838,134.01	Procedures are not complete, so the certificates are not handled.	Uncertain
Motor vehicles	168,562.50	Procedures are not complete, so the ownership cannot be transferred	Uncertain
	<u>18,006,696.51</u>		



Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Fixed assets (Continued)

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

	30 June 2013 Carrying Amount	31 December 2012 Carrying Amount
Buildings	<u>14,876,582.69</u>	<u>11,533,263.06</u>

(e) The increase amounted to RMB113,700 thousand at current period of fixed assets is due to the purchase of the buildings owned by GPLH by issuing an addition of 19,069,338 shares to GPLH in June 2013, (refer to Note 5(13)(a))

(f) As at 30 June 2013, Polian Company, 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 HKD6,854 thousand of the buildings of fixed assets and the original value amounted to HKD6,843 thousand, the net value amounted to HKD5,480 thousand of investment properties.

(15) Construction in progress

	30 June 2013			31 December 2012		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Construction in progress	<u>191,661,064.66</u>	<u>1,121,052.88</u>	<u>190,540,011.78</u>	<u>141,198,742.20</u>	<u>1,121,052.88</u>	<u>140,077,689.32</u>

(15) Construction in progress (Continued)

(a) Movement of construction in progress

	31 December 2012	Budget	Current period reductions			30 June 2013	Source of funds	% contribution in budget
			Current period additions	Transferred to Fixed assets	Other reductions			
Sewage Disposal Line of Zhongyi	479,176.40	1,076,307.00	233,421.26	432,329.53	280,288.13	Self-funding	66.21%	
EMS System	725,000.00	1,940,000.00	435,000.00	-	-	Self-funding	59.79%	
Yunpu New Equipment Project	2,010,767.87	8,500,000.00	617,508.03	685,119.48	1,943,156.42	Self-funding	30.92%	
Holeless casting machine and site improvement	-	9,500,000.00	-	-	-	Self-funding	53.03%	
Showroom construction of Zhongyi	935,000.00	18,760,000.00	282,000.00	-	1,217,000.00	Self-funding	6.49%	
Bag-packaging Line of Second Manufacturing Department	1,280,000.00	1,280,000.00	1,094,017.09	-	1,094,017.09	Self-funding	65.47%	
Pill Line	1,534,400.00	2,500,000.00	-	-	1,534,400.00	Self-funding	61.38%	
Demigill Bag-packaging Auto-line & Site improvement	-	5,000,000.00	290,361.85	-	290,361.85	Self-funding	5.81%	
Qien Production Line	627,634.00	14,300,000.00	-	-	627,634.00	Self-funding	4.39%	
Improvement Project for Sewage Disposal Line	1,041,218.92	1,500,000.00	30,000.00	-	1,071,218.92	Self-funding	71.41%	
Solvent tank farm project	425,178.29	1,300,000.00	-	-	425,178.29	Self-funding	32.71%	
Road works dormitory surrounding	456,505.08	1,630,000.00	-	-	456,505.08	Self-funding	28.01%	
New Equipment (other construction)	172,335.23	2,000,000.00	57,259.57	57,259.57	172,335.23	Self-funding	11.48%	
Near-infrared line detection Tenthredin-heard Fritillary Bulb Dose	5,232,967.54	5,500,000.00	62,603.45	-	5,295,570.99	Self-funding	96.28%	
Extract Equipment	-	1,474,000.00	737,000.00	-	737,000.00	Self-funding	50.00%	
Tonic Auto-packaging Line	329,247.86	2,300,000.00	-	329,247.86	-	Self-funding	14.32%	
Auto-packaging Line	1,067,100.00	1,500,000.00	446,677.77	-	1,513,777.77	Self-funding	100.92%	
Office Building Construction	233,776.58	8,000,000.00	2,657,056.19	-	2,690,832.77	Self-funding	36.14%	
Research of Bio Vaccine & Industrialisation Platform	104,628.00	25,600,000.00	2,157,718.26	-	2,262,246.26	Self-funding	8.84%	
Office Equipment	-	2,375,000.00	1,183,509.92	1,043,484.32	140,025.60	Self-funding	49.83%	
Office Equipment & Motor Vehicle	-	6,110,000.00	2,977,482.38	234,615.38	2,742,867.00	Self-funding	48.73%	
Pill Preparation Line Technological Transformation Project	2,260,189.40	4,000,000.00	1,571,533.84	-	3,681,723.24	Self-funding	95.79%	
GMP Site Improvement	32,000.00	6,920,000.00	207,554.70	-	239,554.70	Self-funding	3.46%	

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

Notes to the Financial Statements

For the six months ended 30 June 2013

(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)

	31 December 2012	Budget	Current period reductions		30 June 2013	Source of funds	% contribution in budget
			Current period additions	Transferred to Fixed assets			
General Factory New Freezer Installation	580,499.46	10,334,999.40	24,995.29	605,494.75	-	Self-funding	5.86%
General Factory Powder Inj. Equipment Project	17,086,499.47	69,700,000.00	14,843,034.60	-	31,929,534.07	Self-funding	45.81%
General Factory Oral Cephalosporins Improvement	1,220,912.42	7,850,000.00	-	-	1,220,912.42	Self-funding	15.55%
General Factory Solid Preparation GMP Improvement	1,215,879.66	1,300,000.00	-	1,215,879.66	-	Self-funding	93.53%
Stopping Machine	-	13,500,000.00	657,094.02	-	657,094.02	Self-funding	4.87%
Chemical Factory Sterile APIs No.204 Workshop Technology Improvement	806,092.36	3,260,000.00	-	-	806,092.36	Self-funding	24.73%
Chemical Factory Cephalosporins Sterile APIs Line Improvement	1,634,570.12	49,381,100.00	11,372,478.60	-	13,007,048.72	Self-funding	26.89%
Chemical Factory Oral API GMP Improvement	302,226.52	11,695,100.00	923,734.44	-	1,225,960.96	Self-funding	10.49%
Adhesive Plaster Workshop Improvement	-	1,660,000.00	94,339.62	-	94,339.62	Self-funding	5.69%
Tian Xin Powder Inj. Project	1,418,491.76	7,000,000.00	1,641,974.20	1,282,817.95	1,777,648.01	Self-funding	43.72%
Tian Xin Chemical Institute Project	18,682,592.40	22,510,156.24	3,847,563.84	6,023,543.53	16,486,612.71	Self-funding	100.00%
Tian Xin Wei D 2 Tartaric Acid Inj.	200,000.00	15,000,000.00	-	-	200,000.00	Self-funding	1.33%
Tian Xin Aseptic Water Inj Workshop	9,135,611.46	20,000,000.00	2,537,567.34	4,108,874.69	7,564,304.11	Self-funding	58.37%
Tian Xin Waste Water Recycling	178,629.00	1,200,000.00	151,216.00	-	329,845.00	Self-funding	27.49%
Tian Xin Powder Injector & Screw Aboor Line	1,757,128.42	19,900,000.00	-	-	1,757,128.42	Self-funding	8.87%
Tian Xin Cephalosporins Workshop Improvement	6,293,373.98	11,025,587.25	2,732,213.27	3,352,432.62	7,673,154.63	Self-funding	100.00%
Tian Xin Water Inj Workshop	11,770,288.08	14,616,530.49	2,846,262.41	5,530,299.66	9,086,230.83	Self-funding	100.00%
Tian Xin Penicillin GMP Improvement	-	12,900,000.00	5,134,404.29	-	5,134,404.29	Self-funding	39.80%
Tian Xin GMP Improvement	-	19,460,000.00	12,654,354.58	-	12,654,354.58	Self-funding	68.55%
Ming Xing Equipment Improvement	14,548,708.07	67,430,000.00	9,700,345.35	3,057,177.69	21,191,875.73	Self-funding	35.96%
Ming Xing Cong Hua Xing Zhou Workshop	8,272,855.00	9,710,000.00	1,198,993.52	7,060,687.20	2,411,161.32	Self-funding	97.55%
Ming Xing Workshop Improvement	4,983,395.90	16,100,000.00	1,863,502.99	3,409,401.77	3,437,497.12	Self-funding	42.53%
Ming Xing Decoration	1,511,650.00	10,110,000.00	5,747,200.45	123,349.00	7,135,501.45	Self-funding	71.80%
New Factory of Wei Ling	927,221.73	45,760,000.00	210,800.00	-	1,138,021.73	Self-funding	2.49%
Others	19,025,111.22	46,053,257.38	10,656,072.75	13,346,301.35	15,976,689.22	Self-funding	
	141,198,742.20		103,878,851.87	51,986,316.01	191,661,064.66		

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

- (b) For the six months ended 30 June 2013, there are no borrowing costs eligible for capitalization.
- (c) As at 30 June 2013, the construction progress of significant constructions in progress are analysed as follows:

	Progress
Research of Bio Vaccine & Industrialization Platform	Preparation phase
General Factory Powder Inj. Equipment Project	Construction phase
Chemical Factory Cephalosporins Sterile APIs Line Improvement	Construction phase
Tian Xin Chemical Institute Project	Construction completed, pending for acceptance and settlement
Tian Xin Asepsis Water Inj Workshop	Construction phase
Ming Xing Equipment Improvement	Construction phase
New Factory of Wei Ling	Preparation phase



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Intangible assets

(a) Details of intangible assets

	31 December 2012	Current period additions	Current period reductions	30 June 2013
Original cost	438,613,186.87	193,062,308.87	20,158,246.90	611,517,248.84
Land use rights	296,508,122.08	138,651,075.00	20,037,730.66	415,121,466.42
Industrial patents and technologies	14,782,555.11	320,000.00	–	15,102,555.11
Non-patent technologies	9,932,451.20	1,340,000.00	–	11,272,451.20
Trademarks	107,922,764.54	51,141,600.00	–	159,064,364.54
Others	9,467,293.94	1,609,633.87	120,516.24	10,956,411.57
Accumulated amortisation	131,608,793.02	1,445,051.79	1,379,909.16	131,673,935.65
Land use rights	80,070,824.41	–365,303.96	1,288,452.75	78,417,067.70
Industrial patents and technologies	6,544,035.50	257,457.95	–	6,801,493.45
Non-patent technologies	7,054,763.05	623,051.33	–	7,677,814.38
Trademarks	32,659,590.72	9,538.60	–	32,669,129.32
Others	5,279,579.34	920,307.87	91,456.41	6,108,430.80
Impairment	1,403,611.28	–	–	1,403,611.28
Land use rights	480,700.24	–	–	480,700.24
Industrial patents and technologies	453,343.04	–	–	453,343.04
Non-patent technologies	–	–	–	–
Trademarks	469,568.00	–	–	469,568.00
Others	–	–	–	–
Carrying amount	305,600,782.57			478,439,701.91
Land use rights	215,956,597.43			336,223,698.48
Industrial patents and technologies	7,785,176.57			7,847,718.62
Non-patent technologies	2,877,688.15			3,594,636.82
Trademarks	74,793,605.82			125,925,667.22
Others	4,187,714.60			4,847,980.77

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Intangible assets

(a) Details of intangible assets (Continued)

The increase at current period of the intangible assets is mainly due to the purchase of the trademark owned by GPLH by issuing an addition of 4,226,579 shares to GPLH in June 2013. The issued price is based on the A share's average price of the 20 transaction days before the announcement date of the board resolution regarding the first discussion of the related matters of the asset reorganisation. The price is RMB12.10 per share confirmed after ex right and ex interest. Pursuant to the "Report of asset appraisal on the equity of real estate and trademark acquired by the Company." (Zhong Tian Heng Ping Bao Zi [2012] No. 026) issued by China Valuer International Co., Ltd. the appraisal value on 31 December 2011 of the above-mentioned trademarks is RMB51,142 thousand.

For the six months ended 30 June 2013, the amortisation of intangible assets amounted to RMB1,445 thousand (for the six months ended 30 June 2012: RMB4,798 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.

(17) Development costs

	31 December 2012	Current period additions	Current period transferred out		30 June 2013
			Recognised in profit or loss in current period	Recognised as intangible assets	
Capitalised expenditures	4,112,051.69	-	-	400,000.00	3,712,051.69
Expensed expenditures	-	117,473,240.64	117,473,240.64	-	-
	<u>4,112,051.69</u>	<u>117,473,240.64</u>	<u>117,473,240.64</u>	<u>400,000.00</u>	<u>3,712,051.69</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Long-term prepaid expenses

	31 December 2012	Current period additions	Current period amortisation	Other reductions	30 June 2013
Building decoration and fixtures	3,512,483.37	594,588.47	719,387.98	-	3,387,683.86
Basketball field construction	302,052.89	-	72,492.69	-	229,560.20
ERP system fee	2,445.64	-	2,445.64	-	-
Installation of the product identification code for the packing production line	450,189.96	-	142,165.25	-	308,024.71
Others	3,655,492.24	269,122.90	1,069,568.64	-	2,855,046.50
	<u>7,922,664.10</u>	<u>863,711.37</u>	<u>2,006,060.20</u>	<u>-</u>	<u>6,780,315.27</u>

(19) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

	30 June 2013	31 December 2012
Impairment provision of construction in progress	255,089.79	168,157.94
Impairment provision of long-term equity investment	892,551.22	587,551.22
Provision for declines in values of inventories	1,394,936.69	1,463,417.21
Provision for bad debts	7,296,822.00	6,472,906.53
Impairment provision of fixed assets	3,647,670.86	2,759,072.90
Difference arising from accounting and tax depreciations of fixed assets	1,532,305.18	1,364,267.38
Long-term prepaid expenses	104,567.06	79,941.40
Changes in fair value of financial assets held for trading	624,193.43	658,863.83
Employee benefits payable	65,257,761.27	29,889,994.83
Provisions	125,047.80	125,047.80
Other payables	234,386,549.89	44,119,637.18
Other non-current liabilities	16,119,856.74	12,144,522.52
Deductible tax losses	4,708,613.65	5,395,982.41
Provision for impairment of intangible assets	561,996.07	404,927.53
Difference arising from accounting and tax amortisations of intangible assets	69,749.98	85,124.98
Elimination of unrealised profits arising from the inter-company transactions	19,442,611.56	13,926,312.20
Others	364,528.56	44,108.99
	<u>356,784,851.75</u>	<u>119,689,836.85</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

(b) Deferred tax liabilities

	30 June 2013	31 December 2012
Other receivables-rental income	1,535,754.41	1,733,304.25
Changes in fair value of available-for-sale financial assets	1,848,585.95	2,130,188.97
Depreciation balance of fixed assets revaluation	574,288.50	351,644.40
Amortisation balance of intangible assets revaluation	2,294,863.00	1,394,347.20
	<u>6,253,491.86</u>	<u>5,609,484.82</u>

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

	30 June 2013	31 December 2012
Deductible temporary differences	65,486,142.66	58,698,183.03
Deductible tax losses	77,879,357.48	74,828,065.19
	<u>143,365,500.14</u>	<u>133,526,248.22</u>

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

	30 June 2013	31 December 2012
2013	12,543,318.83	17,539,311.81
2014	20,736,039.32	21,659,097.66
2015	13,246,797.36	13,246,797.36
2016	10,930,542.71	10,978,815.15
2017	11,404,043.21	11,404,043.21
2018	9,018,616.05	—
	<u>77,879,357.48</u>	<u>74,828,065.19</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(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)*

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

	30 June 2013	31 December 2012
Impairment provision of construction in progress	1,121,052.88	1,121,052.88
Impairment provision of long-term equity investment	3,610,204.88	3,610,204.88
Provision for declines in values of inventories	7,128,004.18	9,540,880.31
Provision for bad debts	33,555,609.04	31,734,749.19
Impairment provision of fixed assets	16,270,675.30	16,085,021.22
Difference arising from accounting and tax depreciation of fixed assets	9,118,418.52	9,095,115.89
Changes in fair value of financial assets held for trading	2,496,773.72	2,635,455.32
Employee benefits payable	305,365,970.00	162,179,950.91
Other payables	1,001,243,513.17	223,047,278.78
Other non-current liabilities	82,915,940.86	80,786,260.13
Deductible tax losses	31,390,757.64	35,973,216.05
Elimination of unrealised profits arising from the inter-company transactions	98,986,660.86	70,607,032.22
Provision for impairment of intangible assets	2,411,892.85	2,448,806.43
Difference arising from accounting and tax amortisation of intangible assets	464,999.85	567,499.85
Long term prepaid expenses	418,268.25	319,765.59
Provisions	500,191.19	500,191.19
Others	2,430,190.42	2,723,239.55
	1,599,429,123.61	652,975,720.39

Notes to the Financial Statements

For the six months ended 30 June 2013
(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 are recognized are summarised as follows

	30 June 2013	31 December 2012
Other receivables-rental income	6,547,405.96	7,741,993.71
Changes in fair value of available-for-sale financial assets	7,678,703.49	8,868,480.43
Depreciation balance of fixed assets revaluation	2,297,154.00	2,344,296.00
Amortisation balance of intangible assets revaluation	9,179,452.00	9,295,648.00
	25,702,715.45	28,250,418.14

(20) Provision for asset impairment

	31 December 2012	Current period additions	Current period transferred out			30 June 2013
			Reversal	Write-off	Other reductions	
Provision for bad debts	104,466,232.23	2,747,124.76	222,456.83	58,472,609.98	3,600,995.49	44,917,294.69
Provision for declines in value of inventories	15,086,007.36	4,099,318.69	909,854.78	5,979,390.86	500,499.52	11,795,580.89
Impairment provision of long-term equity investments	4,553,551.23	-	-	-	-	4,553,551.23
Impairment provision of fixed assets	20,061,484.89	-	-	78,953.01	-	19,982,531.88
Impairment provision of construction in progress	1,121,052.88	-	-	-	-	1,121,052.88
Impairment provision of intangible assets	1,403,611.28	-	-	-	-	1,403,611.28
Impairment provision of goodwill	475,756.92	-	-	-	-	475,756.92
	147,167,696.79	6,846,443.45	1,132,311.61	64,530,953.85	4,101,495.01	84,249,379.77



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Short-term borrowings

	30 June 2013	31 December 2012
Credit loans	492,079,800.00	510,217,807.78
Guaranteed bank borrowings	120,000,000.00	171,000,000.00
	<u>612,079,800.00</u>	<u>681,217,807.78</u>

- (a) As at 30 June 2013 and 31 December 2012, there are no overdue short-term borrowings.
- (b) As at 30 June 2013 and 31 December 2012, there are no borrowings under mortgaged.
- (c) As at 30 June 2013, there are no pledged bank borrowings.
- (d) As at 30 June 2013, the weighted average interest rate of short-term borrowings is 6.0297% per annum (as at 31 December 2012: 6.3719% per annum).

(22) Notes payable

	30 June 2013	31 December 2012
Bank acceptance notes	<u>74,570,683.98</u>	<u>75,970,070.30</u>

As at 30 June 2013, notes payable amounting to RMB74,571 thousand were expected to be due within 1 year (as at 31 December 2012: RMB75,970 thousand).

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) Accounts payable

(a) Details of accounts payable

	30 June 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,582,596,938.75	98.47%	1,055,453,503.56	97.67%
Over 1 year	24,623,237.94	1.53%	25,144,030.97	2.33%
	1,607,220,176.69	100.00%	1,080,597,534.53	100.00%

(b) As at 30 June 2013 and 31 December 2012, 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 2013, the amount of accounts payable to related parties accounted for 0.92% of the total balance (as at 31 December 2012: 1.26%); refer to Note 6 for details.

(d) As at 30 June 2013, there are no accounts payable that are individually significant whose aging are over 1 year. (as at 31 December 2012:nil).

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

	30 June 2013			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	717,266.90	6.1787	4,431,776.99	2,124,843.11	6.2855	13,355,672.72
HKD	3,152,105.80	0.7965	2,510,809.87	3,442,121.10	0.8108	2,791,043.89
EUR	193,526.00	8.0536	1,558,580.99	13,460.00	8.3132	111,896.21
JPY	66,346,145.00	0.0626	4,153,733.10	-	Not applicable	-
			12,654,900.95			16,258,612.82



Notes to the Financial Statements

For the six months ended 30 June 2013

(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

(a) Details of advances from customers

	30 June 2013		31 December 2012	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	772,859,383.41	94.71%	600,613,501.37	98.66%
Over 1 year	43,158,931.99	5.29%	8,168,206.35	1.34%
	816,018,315.40	100.00%	608,781,707.72	100.00%

(b) As at 30 June 2013 and 31 December 2012, 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 2013, advances from related parties accounted for 5.59% of the total balance (as at 31 December 2012: 4.81%): refer to Note 6 for details.

(d) As at 30 June 2013 and 31 December 2012, there are no advances from customers that are individually significant whose aging are over 1 year.

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

	30 June 2013			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
USD	1,777,614.94	6.2139	11,045,875.98	847,336.02	6.3174	5,352,984.07
HKD	25,330,425.19	0.7966	20,179,080.36	28,022,259.73	0.8109	22,722,514.31
EUR	-	Not applicable	-	295,982.00	8.3132	2,460,569.29
			31,224,956.34			30,536,067.67

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Employee benefits payable

	31 December 2012	Current period additions	Current period reductions	30 June 2013
Wages and salaries, bonuses, allowances and subsidies	130,859,894.27	512,322,023.53	467,914,430.21	175,267,487.59
Staff welfare	385,730.60	49,345,845.94	42,345,100.16	7,386,476.38
Social insurances	517,520.10	138,473,680.95	135,341,868.60	3,649,332.45
Including: Medical insurance	(7,341.30)	32,590,687.48	32,564,141.88	19,204.30
Basic pension insurance	350,005.62	71,926,799.40	72,138,041.09	138,763.93
Annuity	179,667.77	20,715,238.65	17,423,123.79	3,471,782.63
Unemployment insurance	2,569.89	6,884,391.45	6,871,214.72	15,746.62
Work injury insurance	–	3,253,461.62	3,249,997.69	3,463.93
Maternity insurance	(7,381.88)	2,895,622.23	2,887,869.31	371.04
Other insurances	–	207,480.12	207,480.12	–
Housing funds	216,941.41	50,623,968.00	50,311,443.00	529,466.41
Labor union funds and employee education funds	4,274,288.66	15,288,056.53	15,149,203.88	4,413,141.31
Non-monetary welfare	–	11,384.16	11,384.16	–
Compensation for lay-off	–	962,750.20	962,750.20	–
Housing allowance	19,503,820.29	8,127,883.77	7,305,442.50	20,326,261.56
Service fee	30,663,631.29	450,524,782.70	371,621,696.79	109,566,717.20
Staff and workers' bonus and welfare fund	4,909,965.67	–	694,757.82	4,215,207.85
Others	1,135,148.00	8,717,346.24	8,904,442.77	948,051.47
	<u>192,466,940.29</u>	<u>1,234,397,722.02</u>	<u>1,100,562,520.09</u>	<u>326,302,142.22</u>

As at 30 June 2013, employee benefits payable mainly include the wages, bonus and service fee of June 2013 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 current year.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Taxes payable

	30 June 2013	31 December 2012
VAT	76,426,495.06	45,037,064.85
Business tax	836,552.61	1,219,665.04
City maintenance and construction tax	7,412,160.26	4,187,031.94
Education surcharge	3,218,200.48	1,862,207.15
Local education surcharge	2,091,264.80	1,170,452.64
Enterprise income tax	263,621,523.17	86,016,944.13
Individual income tax	1,433,953.66	8,229,720.63
Land appreciation tax	491,001.60	15,236.00
Real-estate tax	6,021,659.53	1,010,788.36
Land-use tax	2,823,039.28	–
Urban area embankment maintenance fee	6,516,813.44	5,320,581.51
Stamp duty	434,886.54	460,737.39
Others	1,258.23	1,617.33
	371,328,808.66	154,532,046.97

(27) Interest payable

Item	30 June 2013	31 December 2012
Interest payable of short-term borrowings	919,833.52	1,069,051.16

(28) Dividends payable

Investors	30 June 2013	31 December 2012
Public shares	58,965.67	778.11
Baiyunshan Group	45.01	45.01
Minority shareholders	31,084,728.80	25,442,830.79
	31,143,739.48	25,443,653.91

Notes to the Financial Statements

For the six months ended 30 June 2013
(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:

	30 June 2013	31 December 2012
Within 1 year	1,114,250,572.92	575,791,829.78
Over 1 year	115,801,008.23	78,479,985.85
	<u>1,230,051,581.15</u>	<u>654,271,815.63</u>

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

	30 June 2013	31 December 2012
Deposits	75,238,242.98	70,859,551.72
Technology development expenses	3,548,563.20	523,747.85
Rental expenses	2,117,197.04	824,335.92
Payables to third parties	78,759,842.88	75,149,025.34
Amount due to employees	4,452,265.78	9,522,314.75
Payables to related parties (Note 6(5))	38,735,249.71	19,325,960.05
Accruals for purchase of fixed assets	3,690,239.50	7,220,848.99
Sales rebate	151,509,086.38	164,716,926.03
Accrued expenses	850,422,435.89	289,101,764.45
Others	21,578,457.79	17,027,340.53
	<u>1,230,051,581.15</u>	<u>654,271,815.63</u>



Notes to the Financial Statements

For the six months ended 30 June 2013
 (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

	30 June 2013	31 December 2012
Rental expenses	5,566,637.26	4,615,372.88
Agent fees	10,556,454.01	14,065,872.20
Advertising expenses	651,806,878.56	183,959,826.29
Utilities	6,071,030.14	4,020,583.74
Transportation expenses	118,424,556.04	46,439,123.26
Conference expenses	4,339,276.81	4,005,350.93
Research and development expenses	4,000,000.00	3,608,789.40
Marketing expenses	17,897,866.59	9,828,754.99
Travelling expenses	5,434,131.50	3,117,490.40
Consulting expenses	9,908,018.00	6,977,935.69
Others	16,417,586.98	8,462,664.67
	850,422,435.89	289,101,764.45

- (d) As at 30 June 2013, other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company are other payables of RMB38,690 thousand to GPHL (as at 31 December 2012: RMB16,551 thousand to GPHL).
- (e) As at 30 June 2013, other payables to related parties accounted for 3.15% of the total balance (as at 31 December 2012: 2.95%): refer to Note 6 for details.
- (f) As at 30 June 2013 and 31 December 2012, significant other payables whose aging are over 1 year mainly include unsettled balance for purchase of fixed assets and intangible assets, and purchase deposit.
- (g) As at 30 June 2013, all other payables are denominated in foreign currencies as follows:

	30 June 2013			31 December 2012		
	Amount	Exchange rate	RMB	Amount	Exchange rate	RMB
HKD	2,879,000.86	0.7966	2,293,268.14	3,168,039.16	0.8109	2,568,804.55
			2,293,268.14			2,568,804.55

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(30) Long-term borrowings

(a) Classification of long-term borrowings

Category of borrowings	30 June 2013	31 December 2012
Borrowings on credit	1,750,272.00	–

(b) Top five of the long-term borrowings

Company	Beginning	Ending	Currency	Ratio (%)	30 June 2013	31 December 2012
Industrial Bank Co., Ltd Guangzhou Branch	3 May 2013	2 May 2016	RMB	6.15	593,514.00	–
Industrial Bank Co., Ltd Guangzhou Branch	5 June 2013	2 May 2016	RMB	6.15	1,156,758.00	–

(31) Long-term payables

	30 June 2013	31 December 2012
State fund	21,014,110.79	21,014,110.79
Department of Finance of Guangxi Zhuang Autonomous Region	2,264,426.47	2,264,426.47
State Pharmaceutical Administration	305,000.00	305,000.00
Others	902,532.30	829,932.36
	24,486,069.56	24,413,469.62

(32) Predicted liabilities

	30 June 2013	31 December 2012
Predicted loss of rejection	500,191.19	500,191.19



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

(33) Other non-current liabilities

	30 June 2013	31 December 2012
Government grants related to assets:		
Technology funds granted by government	39,454,432.98	40,264,856.27
Relocation compensation	3,078,545.35	3,261,367.57
Financial discount	1,988,619.57	2,024,553.03
Special fund of environmental protection	5,511,203.56	5,685,277.72
Innovating platform construction	8,168,649.18	7,855,927.73
Others	3,300,847.76	3,419,562.08
	61,502,298.40	62,511,544.40
Government grants related to income:		
Technology funds granted by government	58,664,087.92	61,795,720.51
Special fund of technology exports	817,232.06	817,232.06
Industrial project fund	3,301,199.39	3,101,199.39
Special fund of energy-saving improvement	726,000.00	726,000.00
Special fund of innovative firms	1,173,848.23	1,173,848.23
Others	3,148,223.06	2,943,207.80
	67,830,590.66	70,557,207.99
Appropriation to Long-term services fund	296,645.58	301,971.08
Total	129,629,534.64	133,370,723.47

Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Share capital

	31 December 2012		Current period addition (+) / reduction (-)				30 June 2013		
	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	-	-	-	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 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Share capital (Continued)

	31 December 2011		Current period addition (+)/reduction(-)				30 June 2012		
	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	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Shares without restriction of trading:									
RMB ordinary shares	591,000,000.00	72.88	-	-	-	-	-	591,000,000.00	72.88
Foreign shares listed in the PRC	-	-	-	-	-	-	-	-	-
Foreign shares listed out of the PRC	219,900,000.00	27.12	-	-	-	-	-	219,900,000.00	27.12
Others	-	-	-	-	-	-	-	-	-
Shares without restriction of trading-subtotal	810,900,000.00	100.00	-	-	-	-	-	810,900,000.00	100.00
Total share capital	810,900,000.00	100.00	-	-	-	-	-	810,900,000.00	100.00

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Share capital (Continued)

The Company executed and completed the material assets reorganization transaction, which is including: (1) The Company issued an addition of 445,601,005 A shares by way of share swap to absorb and merger Baiyunshan, a subsidiary of GPLH, in May 2013. (2) The Company issued an addition of 34,839,645 A shares to GPLH as consideration payment, to acquire the buildings and trademarks which are owned by GPLH or GPLH has the right to dispose, and 100% equities of Polian Company, a subsidiary of GPLH, and 12.5% equities of Baxter Healthcare held by GPLH. The Company completed the registration of share on 5 July 2013. After the above-mentioned assets reorganization was completed, the Company's total share capital was 1,291,340,650. The addition A shares issued by way of share swap to absorb and merger Baiyunshan in May 2013, and the addition A shares issued to acquire the relevant assets held by GPLH in June 2013, have been verified by Capital Verification Report issued by BDO CHINA SHU LUN PAN CPAs LLP with reference is Xin Hui Shi Bao Zi [2013] No.410242 and Xin Hui Shi Bao Zi [2013] No.410253 respectively.

(35) Capital surplus

	31 December 2012	Current period additions	Current period reductions	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>
	31 December 2011	Current period additions	Current period reductions	30 June 2012
Share premium	914,006,770.47	–	–	914,006,770.47
Other capital surplus	788,532,547.33	–	958,076.84	787,574,470.49
Including: Transfer of capital surplus recognized under the previous accounting system	24,955,836.66	–	–	24,955,836.66
	<u>1,702,539,317.80</u>	<u>–</u>	<u>958,076.84</u>	<u>1,701,581,240.96</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

(35) Capital surplus *(Continued)*

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

- (a) The decrease of capital surplus amounted to RMB1,024 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 RMB726 thousand due to the decline in the price of the A-share of China Everbright Bank Company Limited held by the Group and the decrease of RMB298 thousand due to the increase in the price of the A-share of Bank of Communications held by the Group.
- (b) The recognized investment losses of Pan Gao Shou arising from the purchasing of 10% minority shareholding of Guangzhou Pan Gao Shou Health Products Co., Ltd. and the net assets difference is allocated against capital surplus. The portion calculated at the increased shareholding ratio of the Group is RMB3,348 thousand.
- (c) 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 RMB19 thousand based on its share of interest in GP Corp..
- (d) As the sales of Bozhou Baiyunshan, a subsidiary of the Company, in the current period, the Group recognized the decrease in capital surplus amounted to RMB4,644 thousand based on its share of interest.
- (e) The Company issued 30,101 thousand shares to acquire the relevant assets of GPHL at current period, the fair value of the acquired assets exceed the issued shares for RMB 334,119 thousand, the Company increase capital surplus RMB334,119 thousand accordingly.
- (f) The Company issued 445,601 thousand shares by way of share swap to absorb and merger Baiyunshan, Upon the completion of acquiring Polian Company by issuing 4,739 thousand shares to GPHL, the Company will transfer the capital surplus arising from common control when preparing the 2012 financial statements and decrease RMB450,340 thousand of capital surplus.
- (g) As in May, 2013 the Company merger Baiyunshan under common control and transfer the surplus reserve amounted to RMB118,559 thousand and undistributed profits amounted to RMB793,598 thousand into the capital surplus of the Company amounted to RMB912,157 thousand on 31 May 2013.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Surplus reserve

	31 December 2012	Current period additions	Current period reductions	30 June 2013
Statutory surplus reserve	668,805,957.33	–	118,995,283.05	549,810,674.28
Discretionary 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>
	31 December 2011	Current period additions	Current period reductions	30 June 2012
Statutory surplus reserve	609,922,085.52	–	–	609,922,085.52
Discretionary surplus reserve	118,925,617.49	–	–	118,925,617.49
	<u>728,847,703.01</u>	<u>–</u>	<u>–</u>	<u>728,847,703.01</u>

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

- (a) As the sales of Bozhou Baiyunshan, a subsidiary of the Company, in the current period, the Group recognized the decrease in surplus reserve amounted to RMB437 thousand based on its share of interest.
- (b) As in May 2013, the Company absorbed and merged Baiyunshan under common control and transfer the surplus reserve amounted to RMB118,559 thousand into the capital surplus of the Company on 31 May 2013.

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 up to 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.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Undistributed profits

	Six months ended 30 June 2013	Six months ended 30 June 2012
Undistributed profits at the beginning of the year (before adjustments)	2,271,551,430.93	1,708,283,539.83
Adjustments of undistributed profits at the beginning of the year (Add: positive; Less: negative)	—	—
Undistributed profits at the beginning of the year (after adjustments)	2,271,551,430.93	1,708,283,539.83
Add: Net profit for the current period	587,229,435.88	427,396,074.19
Less: Appropriation for statutory surplus reserve	—	—
Less: Others	788,518,023.69	106,887,952.89
Undistributed profits at the end of the period	<u>2,070,262,843.12</u>	<u>2,028,791,661.13</u>

- (a) As at 30 June 2013, surplus reserves of the Company's subsidiaries amounting to RMB 163,832 thousand is included in undistributed profits (as at 31 December 2012: RMB163,832 thousand).
- (b) As the sales of Bozhou Baiyunshan, a subsidiary of the Company, Capital surplus and surplus reserve which amounted to RMB5,080 thousand at the beginning of period shall transfer to the undistributed profits at the end of period.
- (c) As in May 2013, the Company absorbed and merged Baiyunshan under common control and transfer the undistributed profits amounted to RMB793,598 thousand into the capital surplus of the Company on 31 May 2013.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(38) Minority interest

Investees	Investment relationship with the Company	30 June 2013	31 December 2012
Xing Qun	Direct subsidiary	16,239,345.58	14,706,616.89
Guangzhou Han Fan	Direct subsidiary	713,335.32	687,926.00
Jing Xiu Tang	Direct subsidiary	14,617,373.38	18,094,021.67
Pan Gao Shou	Direct subsidiary	26,213,855.89	26,671,196.07
Guangzhou Bai Di	Direct subsidiary	1,052,263.26	1,100,972.57
Xizang Lin Zhi Guangyao Development Co., Ltd.	Indirect subsidiary	533,354.39	647,392.22
Guangxi Ying Kang	Direct subsidiary	16,547,524.78	16,678,285.66
Qi Xing	Indirect subsidiary	38,910,795.17	40,462,248.66
Jingyuxian Guangyao Dong E Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,200,000.00	1,200,000.00
Jing Xiu Tang 1790	Indirect subsidiary	1,461,208.72	1,428,624.84
Guangzhou Yi Gan	Direct subsidiary	707,422.38	2,868,856.19
Pan Gao Shou Natural Healthcare	Indirect subsidiary	–	829,359.13
Tian Xin	Direct subsidiary	34,135,068.72	27,285,374.39
Guang Hua	Direct subsidiary	19,801,470.92	15,784,594.46
Pharmaceutical Technology	Direct subsidiary	16,864,738.05	19,410,362.18
Wulanchabu Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	182,932.21	200,000.00
Guizhou Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	600,000.00	600,000.00
Shandong Guangyao Chinese Raw Medicine Development Co., Ltd.	Indirect subsidiary	1,144,361.81	955,398.17
		190,925,050.58	189,611,229.10



Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Revenue and cost of sales

	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 sales	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

	Six months ended 30 June 2012		
	Main operation	Other operation	Subtotal
Revenue	5,574,585,113.13	75,217,987.35	5,649,803,100.48
Cost of sales	3,915,931,692.33	18,294,367.01	3,934,226,059.34
Gross profit	1,658,653,420.80	56,923,620.34	1,715,577,041.14

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

	Revenue of main operation		Cost of main operation	
	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
Manufacture	7,257,864,649.76	3,777,134,278.21	4,188,599,323.65	2,239,500,056.68
Trading	1,743,100,166.13	1,797,450,834.92	1,616,009,432.20	1,676,431,635.65
	9,000,964,815.89	5,574,585,113.13	5,804,608,755.85	3,915,931,692.33

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Revenue and cost of sales (Continued)

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

	Revenue of main operation		Cost of main operation	
	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
Southern China	4,831,482,766.43	3,491,831,941.89	3,273,287,097.05	2,524,037,878.10
Eastern China	1,744,505,711.42	698,642,105.89	1,020,177,361.55	463,033,764.19
Northern China	909,167,322.80	476,784,507.07	533,984,694.57	285,758,269.13
Northeastern China	185,651,499.08	134,179,055.30	114,249,903.10	77,721,494.38
Southwestern China	873,947,667.83	480,420,628.96	551,029,793.23	342,217,975.21
Northwestern China	332,037,435.38	149,368,387.47	193,647,320.40	84,189,742.67
Other countries	124,172,412.95	143,358,486.55	118,232,585.95	138,972,568.65
	9,000,964,815.89	5,574,585,113.13	5,804,608,755.85	3,915,931,692.33

(c) Top five of the revenue of the Group amounted to RMB 716,682 thousand in total (for the six months ended 30 June 2012 RMB 749,177 thousand), which accounts for 7.95% of the total revenue of the Group (for the six months ended 30 June 2012: 13.44%)

	Revenue of the main operation	Percentage of the total revenue of the main operation of the group
Customer 1	204,722,725.46	2.27%
Customer 2	131,522,131.67	1.46%
Customer 3	129,076,441.11	1.43%
Customer 4	127,681,818.90	1.42%
Customer 5	123,678,582.24	1.37%
	716,681,699.38	7.95%



Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Revenue and cost of sales (Continued)

(d) Revenue from other operation

	Six months ended 30 June 2013	Six months ended 30 June 2012
Leases of assets	42,457,932.84	41,978,195.89
Sales of materials	1,793,336.56	6,524,050.36
License fee income	13,158,385.89	12,116,824.56
Consulting fee income	664,398.84	220,284.92
Medicine slotting fee income	300,052.80	305,388.60
Technology services income	492,265.26	2,051,566.32
Utilities expense collected on behalf	5,035,614.47	6,253,910.93
Management fee	1,474,372.59	2,372,650.39
Labour income	468,696.67	699,201.67
Others	5,662,921.70	2,695,913.71
	71,507,977.62	75,217,987.35

(e) Cost of other operation

	Six months ended 30 June 2013	Six months ended 30 June 2012
Depreciation of assets leased out	7,791,085.53	6,468,866.66
Cost of materials sold	1,714,365.91	3,467,365.33
Utilities expense collected on behalf	6,814,278.99	6,266,088.08
Labour fee	468,696.67	630,405.61
Management fee	33,886.62	997,986.05
Others	1,812,333.34	463,655.28
	18,634,647.06	18,294,367.01

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(40) Taxes and surcharges

	Six months ended 30 June 2013	Six months ended 30 June 2012
Business tax	4,876,383.51	4,154,729.89
City maintenance and construction tax	43,270,602.39	25,682,823.38
Education surcharge	18,611,475.78	11,072,157.39
Local education surcharge	12,403,498.70	7,388,406.90
Housing Real-estate tax	3,704,825.00	4,007,812.77
Others	1,380.46	2,050.64
	82,868,165.84	52,307,980.97

Basis of calculation: refer to Note 3.

(41) Selling and distribution expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Employee benefit expenses	615,060,796.27	349,305,085.57
Sales service fees	38,309,232.70	25,053,517.39
Travelling expenses	47,064,221.74	32,311,622.22
Entertainment expenses	8,641,342.11	3,991,912.32
Office expenses	8,765,168.91	4,548,697.76
Transportation expenses	221,163,468.70	43,298,693.94
Rental expenses	8,482,461.06	5,959,891.06
Conference expenses	29,778,865.34	30,000,346.06
Advertising and promotion fees	935,348,095.26	219,780,620.37
Consulting fees	15,415,530.95	14,247,202.50
Depreciation charges	1,280,096.50	1,352,036.56
Others	53,490,297.64	44,839,116.90
	1,982,799,577.18	774,688,742.65



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) General and administrative expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Employee benefit expenses	274,839,472.90	228,282,208.66
Insurance premium	1,294,158.59	1,116,163.14
Depreciation charges	24,728,146.36	24,663,371.88
Utilities	2,833,512.15	3,837,099.48
Administrative expenses	9,451,188.12	8,946,963.66
Travelling expenses	5,400,544.45	4,803,993.82
Transportation expenses	7,868,220.01	5,642,219.81
Entertainment expenses	15,174,212.68	12,250,656.22
Repairing expenses	12,666,954.01	7,712,362.31
Rental expenses	8,390,371.01	7,559,126.50
Conference expenses	4,623,056.26	1,722,357.44
Research and development expenses	117,473,240.64	108,490,363.29
Taxation charges	26,604,838.79	15,896,211.56
Amortisation	5,356,059.69	9,339,636.20
Professional service fees	11,400,489.96	14,754,179.89
Audit fees	181,603.77	550,000.00
Consulting fees	1,608,772.74	1,797,660.41
Trademark License fees	45,361,244.68	6,967,962.95
Others	35,685,768.30	37,057,980.66
	610,941,855.11	501,390,517.88

(43) Financial expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest expenses	20,983,907.00	31,872,793.08
Discount interest expenses of notes	2,896,886.56	892,745.12
Interest income	(5,777,822.79)	(4,468,591.70)
Exchange (gains)/losses	303,825.86	(623,070.13)
Bank charges	1,236,364.35	1,329,847.41
Cash discounts	(919,898.00)	(814,815.00)
	18,723,262.98	28,188,917.78

For the six months ended 30 June 2013 and the six months ended 30 June 2012, all interest expenses belong to borrowings which loan repayment dates are within 5 years.

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Asset impairment losses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Provision for bad debts	2,524,667.93	2,277,512.83
Declines in values of inventories	3,189,463.91	1,699,392.44
	5,714,131.84	3,976,905.27

(45) Profit arising from changes in fair value

	Six months ended 30 June 2013	Six months ended 30 June 2012
Gain or loss arising from changes in fair value of listed shares of Hafei Aviation Industry Co., Ltd held by the Group	208,116.00	(42,201.30)
Loss arising from changes in fair value of listed shares of Harbin Pharmaceutical Group Co., Ltd. held by the Group	(69,434.40)	(214,089.40)
	138,681.60	(256,290.70)



Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Investment income

(a) Investment income details

	Six months ended 30 June 2013	Six months ended 30 June 2012
Investment income from financial assets:		
Income from financial assets held for trading	9,249.60	41,326.48
Income from available-for-sale financial assets	350,900.00	6,190.90
Income from entrusted loans	(487,850.79)	(372,726.29)
	(127,701.19)	(325,208.91)
Income from long-term equity investment:		
Income from disposal of long-term equity investments	129,522,781.96	147,780,202.86
Investment income from disposal of long-term equity investment	3,049,556.76	-
	132,572,338.72	147,780,202.86
	132,444,637.53	147,454,993.95

(b) Details of investment income from long-term equity investments under equity method are as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012
GP Corp.	45,162,187.95	41,550,171.85
Wang Lao Ji	35,585,057.44	49,078,813.80
Nuo Cheng	6,989,165.18	24,432,787.32
Golden Eagle Fund Management Co., Ltd	(3,000,000.00)	(1,327,952.47)
HWBYS	49,391,133.60	33,429,550.25
Baxter Qiao Guang	(4,604,762.21)	616,832.11
	129,522,781.96	147,780,202.86

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(47) Non-operating income

	Six months ended 30 June 2013	Six months ended 30 June 2012
Gain on disposal of non-current assets	14,712.35	224,883.34
Including: gain on disposal of fixed assets	14,712.35	224,883.34
Government grants	10,873,889.82	12,746,190.12
Penalty income	384,519.20	873,375.91
Sales of scraps	1,465,605.59	451,482.84
Waived liabilities	55,522.34	16,317.25
Compensation for relocation	1,107,886.62	30,000.00
Others	2,154,045.55	2,552,665.99
	16,056,181.47	16,894,915.45

Details of government grants:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Government grants related to assets:		
Technology funds granted by government	2,417,673.29	630,701.35
Government subsidies for interests	35,933.46	35,933.46
Compensation for relocation	182,822.22	911,880.95
Specific funds of environmental protection	174,074.16	173,840.75
Innovating platform construction	167,278.55	175,737.44
Others	118,714.32	647,139.25
	3,096,496.00	2,575,233.20
Government grants related to assets:		
Technology funds granted by government	7,000,801.70	5,812,576.25
Funds granted by Guangzhou Baiyun District Government	-	3,200,000.00
Specific funds of development	399,438.00	-
Others	377,154.12	1,158,380.67
	7,777,393.82	10,170,956.92
	10,873,889.82	12,746,190.12



Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(48) Non-operating expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Loss on disposal of non-current assets	1,106,880.02	200,271.65
Including: Loss on disposal of fixed assts	1,106,880.02	200,271.65
Public welfare donations	4,643,139.87	5,092,334.62
Penalty and overdue fines	779,582.19	49,945.76
Others	232,570.24	1,910,321.64
	6,762,172.32	7,252,873.67

(49) Income tax expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax	319,826,695.12	101,886,392.79
Deferred income tax	(236,169,404.84)	(42,120,158.60)
	83,657,290.28	59,766,234.19

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

	Six months ended 30 June 2013	Six months ended 30 June 2012
Total profit	690,059,725.93	511,864,721.62
Income tax expenses calculated at applicable tax rates	172,514,931.48	127,966,180.41
Tax effect of different rates applicable to subsidiaries	(39,237,125.08)	(41,495,739.34)
Income not subject to tax	(56,797,472.54)	(33,746,249.23)
Expenses not deductible for tax purposes	8,801,238.11	5,257,630.52
Tax effect of utilization of previously unrecognized tax losses	(5,729,473.01)	(965,140.10)
Tax losses for which no deferred income tax asset was recognized	2,297,801.74	2,142,617.20
Tax effect of temporary differences on which deferred tax assets are not recognised	3,592,997.59	1,050,984.18
Others	(1,785,608.01)	(444,049.45)
	83,657,290.28	59,766,234.19

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) 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:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Consolidated net profit attributable to ordinary shareholders of the Company	587,229,435.88	427,396,074.19
Weighted average number of ordinary shares outstanding:	1,261,239,823.00	1,261,239,823.00
Weighted average basic earnings per share of weighted average:	0.466	0.339

(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:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Consolidated net profit attributable to ordinary shareholders of the Company	587,229,435.88	427,396,074.19
Number of ordinary shares outstanding:	1,291,340,650.00	1,261,239,823.00
Overall diluted basic earnings per share	0.455	0.339



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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

(50) 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 2013, there were no potential ordinary shares (for the six months ended 30 June 2012: nil), diluted earnings per share is equal to basic earnings per share.

(51) Other comprehensive income

	Six months ended 30 June 2013	Six months ended 30 June 2012
Losses arising from available-for-sale financial assets	(1,311,273.29)	(212,511.00)
Less: Income tax effect arising from available-for-sale financial assets	(281,603.02)	(57,210.90)
	(1,029,670.27)	(155,300.11)
Recognition of share of other comprehensive income of the investee based on equity method	(18,572.55)	11,885.36
Difference on translation of foreign currency financial statements	(616,096.24)	191,543.52
Others	-	(542,400.00)
	(1,664,339.06)	(494,271.23)

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Notes to the consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Non-operating income	4,965,167.62	6,159,269.14
Other operation income	74,942,789.84	64,653,679.05
Government grants	16,287,626.49	6,304,782.42
Interest income	5,777,822.79	4,074,628.81
Others	-	39,299,112.04
	101,973,406.74	120,491,471.46

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash payments of selling and distribution expenses	746,307,202.12	225,040,791.34
Cash payments of general and administrative expenses	221,913,164.62	95,586,820.44
Financial expenses-bank charges	4,133,250.91	908,661.24
Others	14,972,437.92	169,302,068.43
	987,326,055.57	490,838,341.45



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Notes to the consolidated cash flow statement (Continued)

(c) Cash received relating to other investing activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash received from repayment of deposits for short-term loan	–	25,891,762.16
Interest received from securities accounts	2,861.70	97.64
	2,861.70	25,891,859.80

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Tax expenses arising from the interest income of entrusted loans	1,430,150.45	1,182,800.08
Subsidiaries sold	131,066.64	–
Deposits for short-term loan	–	3,220,000.00
	1,561,217.09	4,402,800.08

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Supplementary information of cash flow statements

(a) Supplementary information of cash flow statements

(i) Reconciliation of net profit to cash flow operating activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net profit	606,402,435.65	452,098,487.43
Add: Provision for assets impairment	5,714,131.84	3,976,905.27
Depreciation of fixed assets, and depreciation and amortisation of Investment properties	84,928,254.66	87,359,651.91
Amortisation of intangible assets	1,445,051.79	4,533,728.65
Amortisation of long-term prepaid expenses	2,006,060.20	3,116,051.06
Loss (less: gain) on disposal of fixed assets, intangible assets and other long-term assets	311,934.16	(224,883.34)
Loss on scrapping of fixed assets	780,233.51	200,271.65
Loss (less: gain) on changes in fair value	(138,681.60)	256,290.70
Financial expenses	19,858,584.14	31,872,802.08
Investment gain	(132,444,637.53)	(147,454,993.95)
Decrease in deferred tax assets	(237,095,014.90)	(42,011,456.03)
Increase/(less: decrease) in deferred tax liabilities	925,610.06	(108,702.57)
Decrease in inventories	(124,775,741.08)	41,961,290.12
Decrease of operating receivables	(557,991,748.99)	(637,527,777.11)
Increase of operating payables	1,697,258,150.71	980,482,424.45
Others	-	-
Net cash flows from operating activities	<u>1,367,184,622.62</u>	<u>778,530,090.32</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) 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

	Six months ended 30 June 2013	Six months ended 30 June 2012
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

	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash at the end of period	2,142,523,492.33	1,214,504,855.48
Less: cash at the beginning of year	1,114,346,524.75	626,289,432.69
Add: cash equivalents at end of the period	-	-
Less: cash equivalents at beginning of the year	-	-
Net movement in cash and cash equivalents	<u>1,028,176,967.58</u>	<u>588,215,422.79</u>

The cash and cash equivalents do not include housing fund of RMB575 thousand and security deposit for bank payable notes of 188 thousand.

(b) Details of cash and cash equivalents

	30 June 2013	31 December 2012
Cash	2,142,523,492.33	1,214,504,855.48
Including: Cash on hand	936,335.11	1,544,939.83
Bank deposits that are readily available for payment	2,129,263,416.70	1,192,638,005.55
Other cash that are readily available for payment	12,323,740.52	20,321,910.10
Cash equivalents	-	-
Total cash and cash equivalents	<u>2,142,523,492.33</u>	<u>1,214,504,855.48</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(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	Yang Rongming	Manufacturing and trading	125,281	43.72%	43.72%	Guangzhou State-owned Assets Supervision and Administration Commission	23124735-0

Registered capital and changes in registered capital of the parent company:

	31 December 2012 and 30 June 2013 (RMB'0000)
GPHL	125,281

The percentage of equity interests and voting rights held by the parent company in the Company

	30 June 2013	
	% equity interest held	% voting rights held
GPHL	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 2013

(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	FRITZ HORLACHER	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	Zuhai	Liu Dong	Fund management	25,000	20.00%	20.00%	74448348-X
Guangzhou Jinshen Medical Co., Ltd.	Limited Liability Company	Guangzhou	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	Guangzhou	Qiao Yong	Medical investment management	2,000	50.50%	41.00%	058918922

Notes to the Financial Statements

For the six months ended 30 June 2013
(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
HongKong Xin Min Pharmaceutical Company	Controlled by the same parent company	Not applicable
Baiyun Trading Department	Controlled by the same parent company	Not applicable
Guangzhou Yu Fa Medical Apparatus Co., Ltd.	Controlled by the same parent company	618407881
Foreign trading department of Gaungzhou Baiyun Corporation	Controlled by the same parent company	Not applicable
Sales department of Gaungzhou Baiyun Corporation	Controlled by the same parent company	Not applicable
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 2013		Six months ended 30 June 2012	
				Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
HWBYS	Purchase of goods	Chinese raw medicine or medicine	Market price	19,440,658.77	0.36	5,703,322.58	0.15
GP Corp.	Purchase of goods	Chinese raw medicine or medicine	Market price	72,730,634.66	1.34	54,020,841.50	1.38
Wang Lao Ji	Purchase of goods	Chinese raw medicine or medicine	Market price	6,550,780.35	0.12	13,464,195.20	0.34
				98,722,073.78	1.82	73,188,359.28	1.87



Notes to the Financial Statements

For the six months ended 30 June 2013

(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	Six months ended 30 June 2013		Six months ended 30 June 2012	
				Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
GPHL	Sales of goods	Chinese raw medicine or medicine	Market price	22,159.28	-	187,228.96	-
Guangzhou Pharmaceutical Industrial Research Institute	Sales of goods	Chinese raw medicine or medicine	Market price	28,205.13	-	-	-
HWBYS	Sales of goods	Chinese raw medicine or medicine	Market price	91,605,731.42	1.02	53,594,099.32	0.96
GP Corp.	Sales of goods	Chinese raw medicine or medicine	Market price	204,722,725.46	2.27	238,012,973.80	4.28
Wang Lao Ji	Sales of goods	Chinese raw medicine or medicine	Market price	91,672,258.53	1.02	54,634,560.44	0.98
Nuo Cheng	Sales of goods	Chinese raw medicine or medicine	Market price	120,529.93	-	24,786.32	-
Baxter Qiao Guang	Sales of goods	Chinese raw medicine or medicine	Market price	174,162.40	-	5,538.46	-
				388,345,772.15	4.31	346,459,187.30	6.22

Notes to the Financial Statements

For the six months ended 30 June 2013
(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) Guaranteed by related parties and guarantees for related parties:

1) The shareholders renders guarantee for the company as follows:

Name of company	Nature of guarantee	Maximum guarantee	Actual amount as at 30 June 2013	Duration
GPHL	loans for working capital	100,000,000.00	50,000,000.00	1 year

2) The company renders guarantee for subsidiaries as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount as at 30 June 2013	Duration
Cai Zhi Lin	loans for working capital	30,000,000.00	10,000,000.00	6 months
Cai Zhi Lin	loans for working capital		10,000,000.00	1 year
Cai Zhi Lin	Bank acceptance notes		8,547,384.20	6 months
Cai Zhi Lin	Bank acceptance notes	30,000,000.00	10,000,000.00	1 year
Cai Zhi Lin	Bank acceptance notes		22,260,400.00	1 year
Cai Zhi Lin	Bank acceptance notes	30,000,000.00	10,000,000.00	1 year
Cai Zhi Lin	Bank acceptance notes	30,000,000.00	30,000,000.00	1 year
Guangzhou Han Fan	Bank acceptance notes	10,000,000.00	1,253,000.00	6 months
Pharmaceutical Import & Export	Bank acceptance notes	50,000,000.00	16,561,439.85	6 months
Ming Xing	loans for working capital	40,000,000.00	-	-
			118,622,224.05	

3) The company renders guarantee for associates as follows:

Name of the guaranteed company	Nature of guarantee	Maximum guarantee	Actual amount as at 30 June 2013	Duration
Nuo Cheng	loans for working capital	60,000,000.00	60,000,000.00	1 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 2013

(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 Agreements

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 agreement expired on 31 December 2010. The tenancy agreement was renewed by the Company and GPHL on 27 August 2010 with expiry date on 31 December 2013. The 6 subsidiaries of the Group, including Cai Zhi Lin and Qi Xing should pay GPHL RMB536 thousand of the above-mentioned for the current period (for the six months ended 30 June 2012: RMB625 thousand).

2) Office Tenancy Agreement-Second Floor in front stalls and back stalls of GPHL located at No. 45 North Shamian Street

Pursuant to the Office Tenancy Agreement entered into by the Company and GPHL on 1 November 2007, the Company rents the second floor in front stalls of GPHL located at No. 45 North Street Shamian at a fixed annual rent (which is subject to the adjustment of standard rent as prescribed by Guangzhou Real Estate Administration Bureau). The Office Tenancy Agreement expired on 31 August 2010. The Office Tenancy Agreement was renewed by the Company and GPHL on 27 August 2010 with expiry date on 31 August 2013. The lease term is from 1 September 2010 to 31 August 2013

Pursuant to the Tenancy Agreement entered into by the Company and GPHL on 28 August 1998, GPHL agreed to build a new office building and has granted to the Group the right to use certain premises as the office building (back stalls of GPHL located at No.45 North Shamian Street). The lease payment is at 38% discount of the standard rent as prescribed by Guangzhou Real Estate Administration Bureau on the date when the Official Tenancy Agreement is signed. Since GPHL needed capital to enlarge the new office building, the Company agreed to pay RMB6,000 thousand within 180 days after the Tenancy Agreement was signed. GPHL promised to use the advances only for enlargement of the new office buildings as well as agreed to offset the rental with the advances.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)*

2) *(Continued)*

Pursuant to the Office Tenancy Agreement entered into by the Company and GPHL on 6 February 2004, the Company rented the back stalls of GPHL located at No.45 North Shamian Street, the lease term is up to the date when the advances for rentals is completely offset. As at 30 June 2013, the balance of the advances for rentals is RMB204 thousand (as at 31 December 2012, the ending balance of the rent is RMB480 thousand).

The Company should pay GPHL RMB546 thousand regarding the two office tenancy contracts as mentioned above for the current period (for the six months ended 30 June 2012: RMB546 thousand).

As in June 2013, the Company purchased buildings for pharmaceutical manufacturing which is owned by GPHL or GPHL has the right to dispose of 388 trademarks, 100% equity interest of Polian Company and 12.50% equity interest of Baxter Healthcare by issuing shares to GPHL as the consideration. The buildings and offices which are rented to Cai Zhi Lin and Second Floor in front stalls and back stalls of GPHL are located at No. 45 North Shamian Street of the above-mentioned tenancy agreement formed part of the assets purchased in exchange for the consideration shares.

Upon the completion of the above-mentioned acquisition of assets from GPHL, the Company has rented the Fifth Floor in No.45 North Shamian Street of the purchased buildings to GPHL for office use, with a lease term of 3 years and the first annual rental of RMB510 thousand which increases annually by a progressive rate of 5%.



Notes to the Financial Statements

For the six months ended 30 June 2013

(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

Pursuant to the Trademark License Agreement entered into by the Group and GPLH on 1 September 1997, GPLH has granted the Group an exclusive right to use 38 trademarks owned by GPLH for a term of 10 years since the License Agreement was signed. The Group agreed to pay a license fee for the use of the trademarks at 0.1% of the aggregate net sales of the Group (not including WLJ Great Health). The License Agreement expired on 1 September 2007. GPLH issued on 21 November 2000 the Letter of Undertaking to GPC with respect to the Extension of the Trademark License Agreement upon its Expiration by which the Trademark License Agreement will be automatically renewed for a term of 10 years after expiration of the original agreement. The Group should pay GPLH RMB4,116 thousand of trademarks license fee for the current period (for the six months ended 30 June 2012: RMB3,779 thousand).

As in June 2013, the Company completed the purchase of the buildings for pharmaceuticals manufacturing which is owned by GPLH or GPLH has the right to dispose, 388 trademarks, 100% equity interest of Polian Company and 12.50% equity of Baxter Healthcare by the consideration of issuing shares to GPLH. The above mentioned trademarks formed part of the assets purchased in exchange for the consideration shares.

Pursuant to the arrangement of the Confirmation for Delivery of Assets entered into by the Company and GPLH: (1) From the date of the Confirmation for Delivery of Assets was signed, the Company shall have and undertake the total profit or loss of the underlying assets, and the Company shall have and undertake any of the present or prospective right, equity, risk, loss, obligation, responsibility and liability no matter the transfer and/or registration of the underlying assets is completed or not, the Company shall undertake the relevant contingent liabilities and count of law suit; (2) GPLH committed to endeavour the procurement of the transfer of the trademarks, and granted the right for the unconditional use of the trademarks during the transfer; (3) GPLH committed to compensate the Company for cash within 10 working days for the trademarks for which the transfer was rejected by the State Trademark Bureau based on the assessed value (The assessed value of the "assessed value of the assessed real estate and trademarks purchased by the Company". (Zhong Tian Heng Ping Ping Zi [2012] No. 026) issued by China Valuer International Co., Ltd. shall prevail.) of those trademarks. As at the reporting date, the Company and its subsidiaries has been authorised for the use of the 54 core trademarks out of the 388 trademarks under the purchase, with the licensing period ended in September 2017, in addition, the trademarks under the purchase have not been subject to no judicial seizure or freeze. The above-mentioned transfer of the purchased trademarks is still under progress.

Notes to the Financial Statements

For the six months ended 30 June 2013

(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)*

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 WLJ Great Health are to entitled to 53% and 47% of the license fee respectively.

Pursuant to the Trademark License Supplementary Agreement entered into by 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 Wang Lao Ji are to entitled 53% and 47% of the license fee respectively.

The Company should receive RMB47,161 thousand of the license fee from WLJ Great Health and Wang Lao Ji for the current period (for the six months ended 30 June 2012: RMB12,117 thousand) and these two companies should pay GPLH RMB53,182 thousand(for the six months ended 30 June 2012: RMB13,664 thousand).

The arrangement of the Trademark Trusteeship Agreement and Trademark Trusteeship Supplementary Agreement entered into by GPLH and the Company(GPLH 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 2013

(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.

Pursuant to the arbitral clause of Trademark License Agreement entered into by GPLH and applying party Hung To (Group) Co., Ltd. (Hung To) in May, 2000. GPLH conducted prosecution to China International Economic and Trade Arbitration Commission, and the Commission issued the notice of acceptance, numbering L20110176, in May, 2012, GPLH received the arbitral award (Zhong Guo Mao Zhong Cai Zi [2012] No.0240) issued by China International Economic and Trade Arbitration Commission, arbitral award is as follows: (1) Wang Lao Ji Trademark License Supplementary Agreement and Supplementary to Wang Lao Ji Trademark License Agreement were declared invalid; (2) Hung To shall stop using Wang Lao Ji trademark. (3) GPLH and Hung To shall pay half of the arbitration fees respectively. As at the reporting date, there are significant uncertainties among the relevant subsequent events of the above-mentioned agreement.

In July, 2012, Hung 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.

Notes to the Financial Statements

For the six months ended 30 June 2013
 (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)

(iv) Employee residence service fee

Name of entity	Six months ended 30 June 2013 (RMB'000)	Six months end 30 June 2012 (RMB'000)
Employee residence GPHL service fee	<u>138</u>	<u>187</u>

Pursuant to the employee residence service contract entered into by GPHL and the Group on 1 September 1997, as well as the supplementary notice issued on 31 December 1997, GPHL agreed to continue to provide residence for employees. The residence service fee is charged at 6% of carrying amount of the employee residence. The employee residence service contract was renewed on 27 August 2010 and the renewed residence service contract will be expired on 31 December 2013.

(v) Employee benefits of key management personnel

Employee benefits of the Group's key management personnel amounted to RMB1,253 thousand for the six months ended 30 June of 2013 (for the six months ended 30 June 2012: RMB1,204 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 include 15 persons for the six months ended 30 June of 2013 (for the six months ended 30 June 2012: 15 persons), among which 10 persons received their salaries from the Group (for the six months ended 30 June 2012: 11 persons).



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 2013		31 December 2012	
Related Parties		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Notes receivable:	GP Corp.	25,000,000.00	-	9,400,000.00	-
	HWBYS	3,700,000.00	-	-	-
		<u>28,700,000.00</u>	<u>-</u>	<u>9,400,000.00</u>	<u>-</u>
Accounts receivable:	GPHL	14,164.74	141.65	4,763.40	47.63
	Guangzhou Pharmaceutical Industrial Research Institute	21,000.00	210.00	-	-
	HWBYS	21,219,989.85	212,199.90	10,052,548.03	113,608.68
	GP Corp.	25,399,177.18	253,991.77	2,147,125.60	20,642.75
	Wang Lao Ji	13,437,657.87	134,376.58	8,859,080.68	88,590.81
	Nuo Cheng	29,000.00	290.00	7,600.00	76.00
	Baxter Qiao Guang	-	-	64,574.80	645.75
	HongKong Xin Min Pharmaceutical Company.	-	-	7,965,400.00	7,965,400.00
	Baiyun Trading Department	-	-	8,146,600.00	8,146,600.00
	<u>60,120,989.64</u>	<u>601,209.90</u>	<u>37,247,692.51</u>	<u>16,335,611.62</u>	

Notes to the Financial Statements

For the six months ended 30 June 2013
(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 2013		31 December 2012	
Related Parties		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Other	GPHL	651,856.53	-	896,960.10	-
receivables:	Guangzhou South China Medical Apparatus Co., Ltd.	100,000.00	100,000.00	100,000.00	100,000.00
	HWBYS (Note 1)	19,156,420.50	-	1,484,499.42	-
	GP Corp.	7,600.00	-	7,600.00	-
	Wang Lao Ji	8,459,711.36	-	1,915,199.20	-
	Baxter Qiao Guang	3,712,306.34	-	57,880.28	-
	Foreign trade department of Gaungzhou Baiyun Corporation	-	-	1,659,000.00	-
		<u>32,087,894.73</u>	<u>100,000.00</u>	<u>6,121,139.00</u>	<u>100,000.00</u>
Advances to	HWBYS	1,058,828.16	-	2,115,330.13	-
suppliers:	GP Corp.	8,259,866.22	-	-	-
	Wang Lao Ji	529,983.55	-	838,130.40	-
	Guangzhou Yu Fa Medical Apparatus Co., Ltd.	-	-	210,278.62	-
		<u>9,848,677.93</u>	<u>-</u>	<u>3,163,739.15</u>	<u>-</u>

Note 1: The other receivables of HWBYS include the other receivables amounted to RMB18,106 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 accounts receivables are the borrowings and interests of Bozhou Baiyunshan to Baiyunshan, which is arisen before the transformation.



Notes to the Financial Statements

For the six months ended 30 June 2013

(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

		30 June 2013	31 December 2012
	Related Parties		
Notes Payable:	GP Corp.	8,054,300.00	8,654,300.00
	HWBYS	1,493,842.30	–
		9,548,142.30	8,654,300.00
Accounts Payable:	HWBYS	1,246,095.27	2,738,973.63
	GP Corp.	13,579,905.23	10,833,697.92
	Wang Lao Ji	3,352.31	–
		14,829,352.81	13,572,671.55
Other Payables:	GPHL	38,690,249.71	16,550,960.05
	HWBYS	20,000.00	2,750,000.00
	GP Corp.	25,000.00	25,000.00
		38,735,249.71	19,325,960.05
Advances from customers:	HWBYS	9,461,526.09	65,236.00
	GP Corp	8,063,614.06	4,918,408.67
	Wang Lao Ji	28,129,246.55	24,294,003.19
		45,654,386.70	29,277,647.86

Notes to the Financial Statements

For the six months ended 30 June 2013

(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.

As at the reporting date, this case has been under the jurisdiction of the Chongqing First Intermediate 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.

- (3) Pursuant to the Cooperative Development Contract entered into by Tian Xin, a subsidiary of the Company, Guangdong Guangyuan Engineering Co., Ltd. (Guangyuan, an entity registered in China) and Bank of China Guangdong Branch (BOC) on 10 October 1994, the contracting parties agreed to develop a parcel of land owned by Tian Xin which is located in the East Jianglingxia Street, Guigang Ave.(the parcel) for a real estate project. Pursuant to the contract, Tian Xin shall render the parcel and complete relevant formalities, BOC shall provide funds for construction and Guangyuan shall be responsible for the construction work, Tian Xin shall receive RMB30,000 thousand for relocation, when the construction is completed, these three contracting parties shall be distributed corresponding floor areas of flat units and carpark units of the project. Tian Xin has received RMB30,000 thousand for relocation in October 1994. But this project could not be normally procured due to disputes during the process. BOC took legal proceedings to Guangzhou Intermediate People's court in August 2004 and requested for declaration of the Cooperative Development Contract to be invalid and Tian Xin should return the RMB30,000 thousand relocation fee.

Tian Xin made a counter claim in November 2004. Pursuant to the judgment ((2004) Sui Zhong Fa Min Si Chu Zi No.118) from Guangzhou Intermediate People's court on 22 September 2009, the Cooperative Development Contract entered into by Tian Xin, Guangyuan and BOC is deemed to be invalid, Guangyuan shall return the investment fund amounted to RMB37,500 thousand to BOC, Tian Xin does not need to fulfill the obligation of repayment. Afterwards, BOC and Tian Xin lodged an appeal, Guangdong Higher People's Court handed down its judgment ((2009) Yue Gao Fa Min Yi Zhong Zi No.210) on 25 May 2011 which declared that the Cooperative Development Contract entered into by Tian Xin, Guangyuan and BOC is valid and the contract was terminated on 5 April 2004, Guangyuan shall return the investment fund of RMB37,500 thousand to BOC and shall pay Tian Xin damages of RMB11,650 thousand. Guangyuan and BOC shall pay the acceptance fees, legal costs and the fees incurred for the counter claim. Tian Xin applied execution to Guangzhou Intermediate People's Court (Intermediate court), and this execution was terminated due to Intermediate court found that Guangyuan had no properties to complete the execution.



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

7 CONTINGENCIES (Continued)

- (4) Chemical Pharmaceutical Factory acquired the acceptance note numbering 4010005120001382 from the another subsidiary of the Company, Baiyunshan General Factory by purchasing and sales of goods, the acceptance note amounted to RMB1,500 thousand and the drawer was Ningbo Tianyuan Machinery Co., Ltd., the payee was Xiangshan Botai Machinery Co., Ltd., the payer was Xiangshan Lvyue City Credit Co., Ltd.. Pursuant to the Civil Judgement ((2011) Yong Xiang Cui Zi No.18) issued by Zhejiang Xiangshan People's Court(Xiangshan Court) on 12 November 2011,Zhejiang Runtai Trade Co., Ltd. (Runtai) shall apply for the procedure of public summons as lost this acceptance note. Runtai has the right to apply for payment to payer as no one apply for rights during the procedure of public summons and completion of the procedure. Thus, Chemical Pharmaceutical Factory unable to accept this note, conducted prosecution to Xiangshan Court, the applications are as follows: A. The above-mention Civil Judgement should be repealed; B. Runtai shall pay RMB1,500 thousand and interest; C. Xiangshan Lvyue City Credit Co., Ltd. shall undertake joint and several liability; Pursuant to the Civil Judgement ((2012) Yong Xiang Shang Chu Zi No.561) issued by Xiangshan Court on 3 March 2013, Chemical Pharmaceutical Factory has the right of acceptance note numbering 4010005120001382, Runtai should pay Chemical Pharmaceutical Factory RMB1,500 thousand and, compensate the loss of interest and reject other prosecutions of Chemical Pharmaceutical Factory within 30 days from the judgement is effective. Chemical Pharmaceutical Factory lodged an appeal to Ningbo Intermediate People's Court, Bank of Ningbo Donghai (Xiangshan Lvyue City Credit Co., Ltd.) shall undertake joint and several liability of the RMB1,500 thousand and and interest. Pursuant to the Civil Judgement ((2013) Zhe Yong Shang Zhong Zi No.553) issued by Zhejiang Ningbo Intermediate People's Court on 31 July 2013, the appeal was rejected and original judgement was affirmed.

8 COMMITMENTS

(1) Capital 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 2013	31 December 2012
Building, machinery and equipment	<u>96,890,046.26</u>	<u>124,632,743.31</u>

The Group's share of the jointly controlled entities' capital commitments are as follows:

	30 June 2013	31 December 2012
Building, machinery and equipment	<u>63,421,889.95</u>	<u>8,368,312.12</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

8 COMMITMENTS (Continued)

(1) Capital commitments (Continued)

(b) Capital commitments authorised by the management but are not yet contracted for

	30 June 2013	31 December 2012
Investment	362,860,000.00	4,500,000.00
Building, machinery and equipment	96,504,020.71	69,350,000.00
	<u>459,364,020.71</u>	<u>73,850,000.00</u>

(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	
Remaining leasing term	30 June 2013	31 December 2012
Within 1 year	22,136,299.95	22,083,604.55
1 to 2 years	17,429,010.80	22,196,649.83
2 to 3 years	2,762,769.20	14,055,922.32
Over 3 years	5,553,361.39	64,233,255.20
	<u>47,881,441.34</u>	<u>122,569,431.90</u>

The rental expenses under operating lease amounting to RMB18,408 thousand are recognized in the profit or loss for for the six months ended 30 June 2013 (for the six months ended 30 June 2012: RMB27,032 thousand).



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

8 COMMITMENTS *(Continued)*

(3) Fulfillment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 31 December 2012.

9 EVENTS AFTER THE BALANCE SHEET DATE

As at 10 July 2013, The name of the Company was changed to Baiyunshan Group Co., Ltd. which was approved by Guangzhou Administrative Bureau for Industry and Commerce.

10 OTHER SIGNIFICANT EVENTS

There are no significant debt restructurings and non-monetary transactions incurred in the current period.

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 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

11 SEGMENT INFORMATIONMENT INFORMATION (Continued)

- (1) The segment information for the six months ended 30 June 2013 and as of 30 June 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	8,104,758,525.51	1,809,405,549.46	6,915,763,440.22	(4,893,951,881.10)	11,935,975,634.09
Total liabilities	5,292,612,886.19	1,636,416,235.20	1,011,302,215.26	(2,708,076,696.30)	5,232,254,640.35
Long-term equity investments in associates and jointly controlled entities	92,004,472.64	-	1,702,185,683.95	-	1,794,190,156.59
Additions of non-current assets other than long-term equity investments	247,422,857.33	3,356,691.68	304,117,824.35	-	554,897,373.36



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

11 SEGMENT INFORMATIONMENT INFORMATION (Continued)

(2) The segment information for the six months ended 30 June 2012 and as of 30 June 2012 are as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	3,827,814,999.73	1,794,155,704.08	27,832,396.67	-	5,649,803,100.48
Inter-segment revenue	45,404,128.21	1,005,810,976.99	11,011,587.20	(1,062,226,692.40)	-
Interest income	(2,477,494.60)	(339,325.37)	(1,651,771.73)	-	(4,468,591.70)
Interest expenses	9,135,976.04	17,394,127.25	25,318,968.18	(19,898,339.27)	31,950,732.20
Share of profit or loss of associates and jointly controlled entities	24,432,787.32	-	119,925,978.60	3,421,436.94	147,780,202.86
Asset impairment losses	2,253,587.47	1,979,370.89	26,140.27	(282,193.36)	3,976,905.27
Depreciation and amortisation	87,459,912.72	2,492,609.08	5,056,909.82	-	95,009,431.62
Total profit	399,802,596.49	28,629,570.51	197,692,001.39	(114,259,446.77)	511,864,721.62
Income tax expenses	23,311,658.06	7,430,183.51	34,497,965.33	(5,473,572.71)	59,766,234.19
Net profit (Including: minority interest)	376,490,938.43	21,199,387.00	163,194,036.06	(108,785,874.05)	452,098,487.44
Total assets	6,483,706,428.27	1,519,008,150.69	6,189,522,725.19	(4,798,029,251.60)	9,394,208,052.55
Total liabilities	3,833,980,620.23	1,376,955,396.75	1,095,994,888.74	(2,668,686,408.33)	3,638,244,497.39
Long-term equity investments in associates and jointly controlled entities	85,315,307.46	-	1,612,470,197.15	(656,955.71)	1,697,128,548.90
Additions of non-current assets other than long-term equity investments	159,540,358.08	2,692,852.58	8,472,034.12	-	170,705,244.78

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

11 SEGMENT INFORMATIONMENT 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:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue from external customers		
PRC	8,948,300,380.56	5,506,444,613.93
Other countries/area	124,172,412.95	143,358,486.55
	<u>9,072,472,793.51</u>	<u>5,649,803,100.48</u>
Total non-current assets	30 June 2013	31 December 2012
PRC	4,493,078,522.05	3,880,339,896.02
Other countries/area	21,521,417.20	22,110,777.39
	<u>4,514,599,939.25</u>	<u>3,902,450,673.41</u>

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 2013

(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 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised as follows:

	30 June 2013					
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency -						
Cash at bank and on hand	17,381,545.09	2,591,525.60	4,058,417.71	3,130,350.38	1.04	27,161,839.82
Accounts receivable	13,639,329.19	5,172,869.99	1,769,590.95	-	-	20,581,790.13
Other receivables	-	1,462,690.39	-	-	-	1,462,690.39
	<u>31,020,874.28</u>	<u>9,227,085.98</u>	<u>5,828,008.66</u>	<u>3,130,350.38</u>	<u>1.04</u>	<u>49,206,320.34</u>
Financial liabilities denominated in foreign currency -						
Short-term borrowings	-	-	-	-	-	-
Accounts payable	4,431,776.99	2,510,809.87	1,558,580.99	4,153,733.10	-	12,654,900.95
Other payables	-	2,293,268.14	-	-	-	2,293,268.14
	<u>4,431,776.99</u>	<u>4,804,078.01</u>	<u>1,558,580.99</u>	<u>4,153,733.10</u>	<u>-</u>	<u>14,948,169.09</u>
	31 December 2012					
	USD	HKD	EUR	JPY	GBP	Total
Financial assets denominated in foreign currency -						
Cash at bank and on hand	923,132.60	4,099,872.69	3,886,193.87	0.15	1.12	8,909,200.42
Accounts receivable	20,692,441.88	3,308,001.22	115,077.68	6,879,284.85	-	30,994,805.63
Other receivables	-	635,644.81	-	-	-	635,644.81
	<u>21,615,574.48</u>	<u>8,043,518.72</u>	<u>4,001,271.55</u>	<u>6,879,285.00</u>	<u>1.12</u>	<u>40,539,650.86</u>
Financial liabilities denominated in foreign currency -						
Short-term borrowings	4,967,807.78	-	-	-	-	4,967,807.78
Accounts payable	13,355,672.72	2,791,043.89	111,896.21	-	-	16,258,612.83
Other payables	-	2,568,804.55	-	-	-	2,568,804.55
	<u>18,323,480.50</u>	<u>5,359,848.44</u>	<u>111,896.21</u>	<u>-</u>	<u>-</u>	<u>23,795,225.16</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(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 2013, 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 RMB2,569 thousand (As at 31 December 2012: lower/higher RMB1,256 thousand) higher/lower.

(b) Interest rate risk

As at 30 June 2013, the Group has no long-term interest bearing 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 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

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.

	30 June 2013					Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	
Financial assets –						
Cash at bank and on hand	2,143,286,095.62	-	-	-	-	2,143,286,095.62
Notes receivable	1,098,677,643.38	-	-	-	-	1,098,677,643.38
Accounts receivable	1,016,162,435.53	-	-	-	-	1,016,162,435.53
Other receivables	198,052,973.26	-	-	-	-	198,052,973.26
	<u>4,456,179,147.79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,456,179,147.79</u>
Financial liabilities –						
Short-term borrowings	630,170,572.67	-	-	-	-	630,170,572.67
Notes payable	74,570,683.98	-	-	-	-	74,570,683.98
Accounts payable	1,607,220,176.69	-	-	-	-	1,607,220,176.69
Other payables	1,230,051,581.15	-	-	-	-	1,230,051,581.15
Long-term payables	-	-	-	24,486,069.56	-	24,486,069.56
	<u>3,542,013,014.49</u>	<u>-</u>	<u>-</u>	<u>24,486,069.56</u>	<u>-</u>	<u>3,566,499,084.05</u>
Provision of guarantees	<u>60,000,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000,000.00</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

12 FINANCIAL INSTRUMENT AND RISK (Continued)

(3) Liquidity risk (Continued)

31 December 2012

	Within 1 year	1-2 years	2-5 years	Over 5 years	Without fixed maturity	Total
Financial assets -						
Cash at bank and on hand	1,135,435,400.94	-	-	-	-	1,135,435,400.94
Notes receivable	844,429,241.87	-	-	-	-	844,429,241.87
Accounts receivable	808,137,644.62	-	-	-	-	808,137,644.62
Other receivables	148,836,927.66	-	-	-	-	148,836,927.66
	<u>2,936,839,215.09</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,936,839,215.09</u>
Financial liabilities -						
Short-term borrowings	701,235,380.26	-	-	-	-	701,235,380.26
Notes payable	75,970,070.30	-	-	-	-	75,970,070.30
Accounts payable	1,080,597,534.53	-	-	-	-	1,080,597,534.53
Other payables	654,271,815.63	-	-	-	-	654,271,815.63
Long-term payables	-	-	-	24,413,469.62	-	24,413,469.62
	<u>2,512,074,800.72</u>	<u>-</u>	<u>-</u>	<u>24,413,469.62</u>	<u>-</u>	<u>2,536,488,270.34</u>
Provision of guarantees	<u>49,000,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,000,000.00</u>

The repayment periods of the bank loans and other loans are analysed as follow:

	30 June 2013		31 December 2012	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Wholly repayable within five years	<u>630,170,572.67</u>	<u>-</u>	<u>701,235,380.26</u>	<u>-</u>



Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[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 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	3,014,601.60	-	-	3,014,601.60
Available-for-sale				
financial assets –	-	-	-	-
Available-for-sale				
equity instruments	19,090,387.69	-	-	19,090,387.69
	<u>22,104,989.29</u>	<u>-</u>	<u>-</u>	<u>22,104,989.29</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

12 FINANCIAL INSTRUMENT AND RISK (Continued)

(4) Fair value (Continued)

(b) Financial instruments measured at fair value (Continued)

As at 31 December 2012, 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				
debenture held for				
trading	2,875,920.00	–	–	2,875,920.00
Available-for-sale				
financial assets –	–	–	–	–
Available-for-sale				
equity instruments	20,401,660.98	–	–	20,401,660.98
	<u>23,277,580.98</u>	<u>–</u>	<u>–</u>	<u>23,277,580.98</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 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

13 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 December 2012	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 2013
Financial assets -					
Financial assets at fair value					
through profit or loss	2,875,920.00	138,681.60	-	-	3,014,601.60
Available-for-sale financial assets	20,401,660.98	-	1,311,273.29	-	19,090,387.69
	<u>23,277,580.98</u>	<u>138,681.60</u>	<u>1,311,273.29</u>	<u>-</u>	<u>22,104,989.29</u>

14 FINANCIAL ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

	31 December 2012	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 2013
Financial assets -					
Cash and bank	8,909,200.42	-	-	-	27,161,839.82
Accounts receivable	30,994,805.63	-	-	-	20,581,790.13
Other receivables	635,644.81	-	-	-	1,462,690.39
	<u>40,539,650.86</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,206,320.34</u>
Financial liabilities -					
Short-term borrowings	4,967,807.78	-	-	-	-
Accounts payable	16,258,612.83	-	-	-	12,654,900.95
Other payables	2,568,804.55	-	-	-	2,293,268.14
	<u>23,795,225.15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,948,169.09</u>

Notes to the Financial Statements

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

The majority of the Company's sales are transacted at cash, advances or bank notes.

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

	30 June 2013	31 December 2012
Within 1 year	189,633,710.47	—
1 to 2 years	2,870,677.67	—
2 to 3 years	423,045.88	—
3 to 4 years	57,112.03	—
4 to 5 years	50,153.53	—
Over 5 years	3,350,110.11	—
	196,384,809.69	—

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

	30 June 2013			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provisions	1,500,000.00	0.76%	1,500,000.00	100.00%
Subject to provision by groups: group with credit risk characteristic by aging	194,030,183.45	98.80%	4,724,481.34	2.43%
Individually insignificant but subject to separate provisions	854,626.24	0.44%	854,626.24	100.00%
	196,384,809.69	100.00%	7,079,107.58	3.60%



Notes to the Financial Statements

For the six months ended 30 June 2013
 (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)

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

	31 December 2012			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provisions	-	-	-	-
Subject to provision by groups:				
group with credit risk characteristic by aging	-	-	-	-
Individually insignificant but subject to separate provisions	-	-	-	-
	-	-	-	-
	-	-	-	-

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

(c) As at 30 June 2013, Individually significant and subject to separate provisions are as follow:

	Ending balance	Amount of bad debts	Ratio	Reason
Tangshan Xin Hua Co.,Ltd. of Zhong Xin Pharmaceutical	1,500,000.00	1,500,000.00	100.00%	Although the Group has suited this company, it is expected that the amount would not be recoverable.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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)

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

	30 June 2013			31 December 2012		
	Ending balance	% of total balance	Provision for bad debts	Ending balance	% of total balance	Provision for bad debts
Within 1 year	189,633,710.47	97.72%	1,896,337.10	-	-	-
1 to 2 years	1,370,677.67	0.71%	137,067.77	-	-	-
2 to 3 years	423,045.88	0.22%	126,913.76	-	-	-
3 to 4 years	57,112.03	0.03%	28,556.02	-	-	-
4 to 5 years	50,153.53	0.03%	40,122.82	-	-	-
Over 5 years	2,495,483.87	1.29%	2,495,483.87	-	-	-
	<u>194,030,183.45</u>	100.00%	<u>4,724,481.34</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (e) As at 30 June 2013, 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 6 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 7 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
	<u>854,626.24</u>	<u>854,626.24</u>	100.00%	

- (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 2013

(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 2013, 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 2013, 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	49,429,242.48	Within 1 year	25.17%
Customer 2	Third party	34,378,765.00	Within 1 year	17.51%
Customer 3	Third party	14,239,491.88	Within 1 year	7.25%
Customer 4	Third party	11,811,000.00	Within 1 year	6.01%
Customer 5	Third party	10,820,145.84	Within 1 year	5.51%
		<u>120,678,645.20</u>		<u>61.45%</u>

- (k) Accounts receivable from related parties are analysed as follows:

Name of the entity	Relation with the Company	Amount	Aging	% of total balance
Pharmaceutical Technology	Subsidiary	49,429,242.48	Within 1 year	25.17%
Tian Xin	Wholly-owned subsidiary	6,827,820.50	Within 1 year	3.48%
Pharmaceutical Import & Export	Wholly-owned subsidiary	850,822.06	Within 1 year	0.43%
GP Corp.	Jointly controlled entity	80,200.00	Within 1 year	0.04%
HWBYS	Jointly controlled entity	35,144.99	Within 1 year	0.02%
		<u>57,223,230.03</u>		<u>29.14%</u>

- (l) There are no accounts receivables derecognized during the current period.
- (m) As at 30 June 2013, there are no securitizations that targeted at accounts receivable.

Notes to the Financial Statements

For the six months ended 30 June 2013
(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

	30 June 2013	31 December 2012
Receivables due from related parties	913,928,178.75	800,146,569.54
Including: entrusted loan	323,000,000.00	318,000,000.00
others	590,928,178.75	482,146,569.54
Rentals, deposits and staff advances	9,424,512.09	5,839,903.68
Others	44,075,211.36	536,766.09
	967,427,902.20	806,523,239.31
Less: provision for bad debts	5,327,375.08	502,043.54
	962,100,527.12	806,021,195.77

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

	30 June 2013	31 December 2012
Within 1 year	893,057,462.01	805,541,195.77
1 to 2 years	42,672,739.84	-
2 to 3 years	256,606.39	-
3 to 4 years	13,000.00	-
4 to 5 years	1,732,524.85	-
Over 5 years	29,695,569.11	982,043.54
	967,427,902.20	806,523,239.31



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 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	14,590,532.70	1.51%	1,385,219.99	9.49%
Group 2	25,542,523.57	2.64%	-	0.00%
Group 3	913,928,178.75	94.47%	-	0.00%
Group 4	9,424,512.09	0.97%	-	0.00%
Individually insignificant but subject to separate provision	3,010,033.98	0.31%	3,010,033.98	100.00%
	967,427,902.20	100.00%	5,327,375.08	0.55%

	31 December 2012			
	Ending balance	% of total balance	Provision for bad debts	Ratio
Individually significant and subject to separate provision	502,043.54	0.07%	502,043.54	100%
Subject to provision by groups:	-	-	-	-
Group 1	-	-	-	-
Group 2	5,754,774.58	0.71%	-	-
Group 3	800,146,569.54	99.21%	-	-
Group 4	119,851.65	0.01%	-	-
Individually insignificant but subject to separate provision	-	-	-	-
	806,523,239.31	100.00%	502,043.54	0.07%

Notes to the Financial Statements

For the six months ended 30 June 2013
(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%	Unable to be collected
Other receivables 2	430,077.57	430,077.57	100.00%	Unable to be collected
	<u>932,121.11</u>	<u>932,121.11</u>	100.00%	

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

	30 June 2013			31 December 2012		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	12,803,842.82	87.75%	128,038.43	-	-	-
1 to 2 years	575,103.73	3.94%	57,510.37	-	-	-
2 to 3 years	17,021.37	0.12%	5,106.41	-	-	-
3 to 4 years	-	-	-	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	1,194,564.78	8.19%	1,194,564.78	-	-	-
	<u>14,590,532.70</u>	<u>100.00%</u>	<u>1,385,219.99</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (e) There are no other 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 2013, other receivables due from shareholders who hold more than 5% of the voting rights of the Company was receivables due from GPHL amounted to RMB204 thousand (31 December 2012: RMB480 thousand due from GPHL).



Notes to the Financial Statements

For the six months ended 30 June 2013

(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 2013, 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	531,157,133.97	Within 1 year	54.90%
Pharmaceutical Import and Export	Wholly-owned subsidiary	128,326,323.59	Within 1 year	13.27%
Xing Qun	Subsidiary	67,981,859.38	Within 1 year	7.03%
Guangzhou Bai Di	Subsidiary	58,333,632.25	Within 1 year	6.03%
Weiling	Subsidiary	48,371,160.14	Within 1 year	5.00%
		<u>834,170,109.33</u>		<u>86.23%</u>

(i) Other receivables due from related parties are analysed as follows:

	Relation with the Company	Amount	% of total balance
GPHL	Parent company	204,000.00	0.02%
HWBYS	Jointly controlled entity	19,156,420.50	1.99%
Wang Lao Ji	Jointly controlled entity	8,459,711.36	0.87%
Baxter Qiao Guang	Jointly controlled entity	3,712,306.34	0.38%
Xing Qun	Subsidiary	67,981,859.38	7.03%
Zhong Yi	Wholly-owned subsidiary	4,200,812.09	0.43%
Chen Li Ji	Wholly-owned subsidiary	1,478,069.83	0.15%
Guangzhou Han Fan	Subsidiary	9,714,105.28	1.00%
Qi Xing	Indirect subsidiary	2,493,830.41	0.26%
Jing Xiu Tang	Subsidiary	1,031,296.01	0.11%
Pan Gao Shou	Subsidiary	1,998,199.45	0.21%
Cai Zhi Lin	Wholly-owned subsidiary	531,157,133.97	54.90%
Pharmaceutical Import and Export	Wholly-owned subsidiary	128,326,323.59	13.27%
Guangzhou Bai Di.	Subsidiary	58,333,632.25	6.03%
WLJ Great Health	Wholly-owned subsidiary	21,304,409.62	2.20%
Guangxi Ying Kang	Subsidiary	6,000,000.00	0.62%
Weiling	Wholly-owned subsidiary	48,371,160.14	5.00%
Pharmaceutical Technology	Subsidiary	4,908.53	0.00%
		<u>913,928,178.75</u>	<u>94.47%</u>

(k) As at 30 June 2013, there are no other receivables that are derecognised.

(l) As at 30 June 2013, there are no securitizations that targeted at other receivables.

Notes to the Financial Statements

For the six months ended 30 June 2013

(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 2012	Current period movement	30 June 2013	% 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.	396,689,139.78	865,917,236.29	40,502,140.20	906,419,376.49	50.00%	50.00%	-	-	-
Wang Lao Ji	102,035,124.44	417,553,982.86	36,666,057.44	453,141,040.30	48.05%	48.05%	-	-	-
HMB'S	100,000,000.00	-	290,130,541.33	290,130,541.33	50.00%	50.00%	-	-	20,000,000.00
Baxter Qiao Guang	37,000,000.00	-	13,787,142.20	13,787,142.20	50.00%	50.00%	-	-	-
Associates:									
Guangzhou Jintan Medical Co., Ltd.	765,000.00	-	-	-	38.25%	38.25%	-	-	-
Golden Eagle Asset Management Co., Ltd.	50,000,000.00	36,297,916.34	(3,000,000.00)	33,297,916.34	20.00%	20.00%	-	-	-
Wei Yi Co., Ltd.	2,020,000.00	-	2,020,000.00	2,020,000.00	50.50%	41.00%	-	-	-
Sub-total of equity method	688,409,264.22	1,319,771,135.49	379,024,881.17	1,698,796,016.66	N/A	N/A	-	-	20,000,000.00
Cost method:									
Subsidiaries:									
Xing Qun	125,322,300.00	125,322,300.00	-	125,322,300.00	88.99%	88.99%	-	-	42,896,072.66
Zhong Yi	324,320,391.34	324,320,391.34	-	324,320,391.34	100.00%	100.00%	-	-	24,739,246.79
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	91.97%	91.97%	55,000,000.00	-	11,409,023.45
Guangzhou Qi Xing Factory Co., Ltd	126,775,500.00	126,775,500.00	-	126,775,500.00	100.00%	100.00%	-	-	9,602,060.62
Jing Xiu Tang	101,489,800.00	101,489,800.00	-	101,489,800.00	88.40%	88.40%	-	-	17,079,708.78
Pan Gao Shou	144,298,200.00	144,298,200.00	-	144,298,200.00	87.77%	87.77%	69,000,000.00	-	4,948,126.54
Ca Zhi Lun	89,078,900.00	89,078,900.00	-	89,078,900.00	100.00%	100.00%	-	-	-
Pharmaceutical Import & Export	18,357,303.24	18,357,303.24	-	18,357,303.24	100.00%	100.00%	47,000,000.00	-	24,769,410.51
Guangzhou Bai Di	129,145,812.38	129,145,812.38	-	129,145,812.38	98.48%	98.48%	-	-	-
Guangxi Ying Yang	21,536,540.49	21,536,540.49	-	21,536,540.49	51.00%	51.00%	-	-	-
WU Great Health	10,000,000.00	10,000,000.00	-	10,000,000.00	100.00%	100.00%	-	-	-
Guangzhou Yi Gan	6,600,000.00	6,600,000.00	-	6,600,000.00	60.00%	60.00%	-	-	-
Peilan Company	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%	-	-	-
Ming Xing	12,581,294.18	12,581,294.18	-	12,581,294.18	100.00%	100.00%	-	-	-
Weiling	10,444,783.49	10,444,783.49	-	10,444,783.49	100.00%	100.00%	-	-	-
Guangzhou Baiyunshan Pharmacy	1,000,000.00	1,000,000.00	-	1,000,000.00	100.00%	100.00%	-	-	-
Pharmaceutical Technology	1,020,000.00	1,020,000.00	-	1,020,000.00	51.00%	51.00%	-	-	-
Baiyunshan Great Health Hotel (ZHUJIN CUN)	500,000.00	-	500,000.00	500,000.00	100.00%	100.00%	-	-	-

Notes to the Financial Statements

For the six months ended 30 June 2013

(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 2012	Current period movement	30 June 2013	% Equity interest held	% Voting rights held	Provision for impairment	Impairment losses recognised in current period	Cash dividend in current period
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	5,000,000.00	5,000,000.00	10,000,000.00	11.12%	11.12%	-	-	-
Shenzhen Zhonglan 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	-	-
Baxter 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 Dongning 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	1,803,165,117.29	1,493,652,657.03	309,512,460.26	1,803,165,117.29	N/A	N/A	174,975,000.00	-	134,945,650.35
Total	2,491,574,381.51	2,813,423,792.52	688,537,341.43	3,501,961,133.95	N/A	N/A	174,975,000.00	-	154,945,650.35

Notes to the Financial Statements

For the six months ended 30 June 2013
(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

	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 sales	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

	Six months ended 30 June 2012		
	Main operations	Other operations	Subtotal
Revenue	1,292,567.52	26,682,122.90	27,974,690.42
Cost of sales	1,237,614.20	671,088.28	1,908,702.48
Gross profit	54,953.32	26,011,034.62	26,065,987.94

(a) Revenue and cost of main operations by natures are summarised as follows:

	Revenue from main operations		Cost of main operations	
	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
Manufacturing	207,043,037.31	–	125,046,832.72	–
Trading	713,218.77	1,292,567.52	679,407.76	1,237,614.20
	207,756,256.08	1,292,567.52	125,726,240.48	1,237,614.20



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (Continued)

(4) Revenue and cost of sales (Continued)

(b) Revenue from main operations Cost of main operations

	Revenue from main operations		Cost of main operations	
	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
Southern China	155,804,858.75	1,292,567.52	99,141,644.69	1,237,614.20
Eastern China	25,521,602.83	–	10,378,230.07	–
Northern China	8,453,434.32	–	5,030,611.44	–
North east China	2,704,326.70	–	1,957,527.26	–
South west China	14,798,969.51	–	8,956,292.21	–
North west China	473,063.97	–	261,934.81	–
Other countries	–	–	–	–
	207,756,256.08	1,292,567.52	125,726,240.48	1,237,614.20

(c) The total top five of customer sales is RMB 138,009 thousand, which is 66.43% of revenue from main operations this year.

	Revenue from main operations	% of revenue from main operations of the company
Customer 1	113,891,877.12	54.82%
Customer 2	8,632,478.63	4.16%
Customer 3	5,811,965.81	2.80%
Customer 4	5,423,306.11	2.61%
Customer 5	4,249,059.83	2.04%
	138,008,687.50	66.43%

Notes to the Financial Statements

For the six months ended 30 June 2013
(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) Investment income details

	Six months ended 30 June 2013	Six months ended 30 June 2012
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	8,070,934.78	6,166,331.38
Income from long-term equity investments under cost method	134,945,650.35	94,912,125.09
Income from long-term equity investments under equity method	91,515,906.01	85,150,074.30
Income from disposal long-term equity investments	–	–
	<u>234,892,640.74</u>	<u>186,228,530.77</u>

(b) Investment income from long-term equity investments under cost method

	Six months ended 30 June 2013	Six months ended 30 June 2012
Zhong Yi	42,398,072.66	28,443,286.46
Chen Li Ji Factory	24,739,246.79	22,641,772.04
Guangzhou Qi Xing Factory Co., Ltd.	11,409,023.45	13,663,605.17
Jing Xiu Tang	9,602,060.62	13,868,632.12
Pan Gao Shou	17,079,709.78	12,592,687.68
Pharmaceutical Import & Export	4,948,126.54	3,702,141.62
WLJ Great Health	24,769,410.51	–
	<u>134,945,650.35</u>	<u>94,912,125.09</u>



Notes to the Financial Statements

For the six months ended 30 June 2013
 (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

	Six months ended 30 June 2013	Six months ended 30 June 2012
Wang Lao Ji	35,585,057.44	49,078,386.35
GP Corp.	40,520,712.75	37,399,640.42
HWBYS	18,777,756.73	–
Baxter Qiao Guang	(367,620.91)	–
Golden Eagle Fund Management Co., Ltd	(3,000,000.00)	(1,327,952.47)
	91,515,906.01	85,150,074.30

(6) Supplementary information to the Company's cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net profit	288,053,432.14	186,815,480.30
Add: Provisions for asset impairment	922,408.44	(24,295.24)
Depreciation and amortisation of fixed assets and investment property	4,713,438.20	1,176,490.06
Amortisation of intangible assets	442,658.92	–
Amortisation of long-term prepaid expenses	49,060.71	–
Gains on disposal of fixed assets, intangible assets and other long-term assets	1,686.55	11,643.05
Losses on scrapping of fixed assets	–	–
Loss (less: gains) on change in fair value	(138,681.60)	256,290.70
Financial expenses	7,367,734.62	2,721,913.70
Investment income	(234,892,640.74)	(197,083,367.97)
Decrease in deferred tax assets	(62,969,777.08)	(1,325,167.69)
Increase (less: decrease) in deferred tax liabilities	2,823,247.28	(13,364.95)
Decrease (less: increase) in inventories	(363,273,338.29)	(122,394.39)
Decrease in operating receivables	(968,894,873.70)	(4,552,818.81)
Increase in operating payables	1,329,217,404.28	5,001,096.43
Others	–	–
Net cash flows from operating activities	3,421,759.73	(7,138,494.81)

Notes to the Financial Statements

For the six months ended 30 June 2013
(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 (Continued)

(b) Investing and financing activities that do not involve cash receipts and payments

	Six months ended 30 June 2013	Six months ended 30 June 2012
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

	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash at end of period	381,018,548.95	114,115,067.59
Less: cash at beginning of year	141,232,654.49	107,691,016.27
Add: cash equivalents at end of period	-	-
Less: cash equivalents at beginning of year	-	-
	<hr/>	<hr/>
Net movement in cash and cash equivalents	<u>239,785,894.46</u>	<u>6,424,051.32</u>



Notes to the Financial Statements

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

16 NET CURRENT ASSETS

	Group	
	30 June 2013	31 December 2012
Current assets	7,045,500,455.41	5,351,665,881.31
Less: Current liabilities	5,069,635,081.10	3,474,350,628.29
Net current assets	1,975,865,374.31	1,877,315,253.02

	Company	
	30 June 2013	31 December 2012
Current assets	2,580,989,894.92	1,052,866,788.04
Less: Current liabilities	1,257,811,104.35	234,205,609.99
Net current assets	1,323,178,790.57	818,661,178.05

17 TOTAL ASSETS LESS CURRENT LIABILITIES

	Group	
	30 June 2013	31 December 2012
Total assets	11,935,975,634.09	9,394,208,052.55
Less: current liabilities	5,069,635,081.10	3,474,350,628.29
Total assets less current liabilities	6,866,340,552.99	5,919,857,424.26

	Company	
	30 June 2013	31 December 2012
Total assets	6,972,724,680.98	3,769,215,933.39
Less: current liabilities	1,257,811,104.35	234,205,609.99
Total assets less current liabilities	5,714,913,576.63	3,535,010,323.40

Supplementary Information

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

1 SUMMARY OF NON-RECURRING PROFIT OR LOSS

Item	Six months ended 30 June 2013	Six months ended 30 June 2012
Losses on disposal of non-current assets	(1,092,167.67)	24,611.69
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)	10,873,889.82	12,746,190.12
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	138,681.60	(256,290.70)
Reversal of provision for bad-debts of accounts receivable subject to separate provision	222,456.83	125,105.36
Gains or losses arising from entrusted loan granted to other entities	(487,850.79)	4,893,503.71
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	731,509.67	(3,128,760.03)
Other non-operating income and expenses other than the aforementioned items	-	-
Other profit or loss items meeting the definition of non-recurring profit or loss	683,727.04	(1,647,242.06)
Impact on income tax	31,639.44	(66,895.08)
Total	9,671,152.98	12,690,223.01



Supplementary Information

For the six months ended 30 June 2013
 (All amounts in Renminbi yuan unless otherwise stated)
 [English Translation for Reference Only]

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE:

Six months ended 30 June 2013	Weighted average return on net assets (%)	Earnings per share	
		Weighted average basic earnings per share	Weighted average diluted earnings per share
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

Six months ended 30 June 2012	Weighted average return on net assets (%)	Earnings per share	
		Weighted average basic earnings per share	Weighted average diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	8.32%	0.339	0.339
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	8.07%	0.329	0.329

Supplementary Information

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE: (Continued)

Six months ended 30 June 2013	Overall diluted return on net assets (%)	Earnings per share	
		Overall diluted basic earnings per share	Overall diluted e 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

Six months ended 30 June 2012	Overall diluted return on net assets (%)	Earnings per share	
		Overall diluted basic earnings per share	Overall diluted e earnings per share
Net profit attributable to ordinary shareholders of the Company	8.12%	0.339	0.339
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	7.88%	0.329	0.329



Supplementary Information

For the six months ended 30 June 2013

(All amounts in Renminbi yuan unless otherwise stated)

[English Translation for Reference Only]

3 REASONS FOR EXCEPTIONAL ITEMS IN FINANCIAL STATEMENTS

Items	At 30 June 2013 (RMB'000)	At 31 December 2012 (RMB'000)	Fluctuation (%)	Reasons of fluctuation
Cash at bank and on hand	2,143,286	1,135,435	88.76	The Group's sales increased with more fund reflowing and advances from customers.
Notes receivable	1,098,678	844,429	30.11	The Group's acceptance notes increased with the purchasing & sales of goods.
Accounts receivable	989,133	734,069	34.75	The subsidiaries of the Group increased the sales on credit.
Other receivables	185,282	120,692	53.52	The borrowings of employee increased with the settle accounts at the reporting period.
Investment properties	251,411	136,194	84.60	The Company purchased investment properties from GPHL by issuing share at current period.
Construction in progress	190,540	140,078	36.02	The Group increased input into construction programs, such as technology innovation, GMP improvement
Intangible assets	478,440	305,601	56.56	The Group's land use right increased at current period.
Deferred tax assets	356,785	119,690	198.09	The growth of deferred income tax assets resulted from the increase in accrued expenses and temporary variance derived from employee benefits payable.
Accounts payable	1,607,220	1,080,598	48.73	The Company's trading subsidiaries developed high-quality suppliers actively, for better credit terms.
Advances from customers	816,018	608,782	34.04	The Company's subsidiary WLJ Great Health received amount of payment for goods from dealers in advance.
Employee benefits payable	326,302	192,467	69.54	By June 30th 2013, the Group's employee benefits payable went up.
Taxes payable	371,329	154,532	140.29	By June 30th 2013, The large growth of business income taxes is due to the large growth of deductible differences.
Other payables	1,230,052	654,272	88.00	By June 30th 2013, The Group's advertising and transport expenses in advance has increased.
Capital share	1,291,341	810,900	59.25	The Company's capital share increased with the merger of Baiyunshan and the assets purchased from GPHL at current period.

Supplementary Information

For the six months ended 30 June 2013
(All amounts in Renminbi yuan unless otherwise stated)
[English Translation for Reference Only]

3 REASONS FOR EXCEPTIONAL ITEMS IN FINANCIAL STATEMENTS (Continued)

Items	Six months ended 30 June 2013 (RMB'000)	Six months ended 30 June 2012 (RMB'000)	Fluctuation (%)	Reasons of fluctuation
Revenue	9,072,473	5,649,803	60.58	The Group's sales and WLJ Great Health's sales increased in a large amount.
Cost of sales	5,823,243	3,934,226	48.01	The operating cost increased with the growth of sales at current period.
Taxes and surcharges	82,868	52,308	58.42	The relevant tax increased with the growth of operating income.
Selling and distribution expenses	1,982,800	774,689	155.95	The Group increased the expenses of advertising, salesman and transport in order to launched marketing campaigns actively and improve sales income at current period.
Financial expenses	18,723	28,189	(33.58)	The Group improved inner capital management and decreased borrowings from the bank.
Asset impairment losses	5,714	3,977	43.68	The Group's account receivables increased, therefore bad debt provision according to aging went up.
Profit arising from changes in fair value	139	(256)	154.30	The share price of financial assets held for trading rises at current period but falls of a year ago.
Income tax	83,657	59,766	39.97	The growth of the profits of the subsidiaries of the Company.
Net cash flows from operating activities	1,367,185	778,530	75.61	The Group's sales increased with more fund reflowing and advances from customers.
Net cash flows from investing activities	(241,034)	(16,528)	(1,358.33)	The growth of the purchased assets, there is no acquired investing income of last year and the return of the short-term borrowings guarantee of the trading subsidiaries.
Net cash flows from financing activities	(98,179)	(174,168)	43.63	The decrease of dividend warrants, interest and external borrowings at current period.



Documents Available for Inspection

- I. The financial statements signed by the legal representative, the manager of the Financial Department of the Company and the authorized person of the auditor;
- II. The auditor's reports sealed and 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, Securities Times and China Securities News during the Reporting Period;
- IV. The documents listed above are available at the Secretariat of the Company.