

Financial Data and Financial Highlights

EXTRACTED FROM THE ACCOUNTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS

Items	2005 RMB'000
1. Total profit	306,741
2. Net profit	184,482
3. Net profit after extraordinary gain and loss (Note)	185,561
4. Profit from principal operations	1,528,752
5. Profit from other operations	43,302
6. Operating profit	308,314
7. Income from investments	(8,063)
8. Government grants and subsidies	720
9. Net non-operating income and expenses	5,770
10. Net cash inflows from operating activities	146,323
11. Net increase in cash and cash equivalents	(263,842)

Note: Non-operating items include:

Items	Amount RMB'000
4 Gain or loss on disposal of long-term shareholding investments and fixed assets	(806)
Government grants and subsidies	720
Gain or loss from short-term investments	(7,659)
Other non-operating income and expenses after deducting provision for value impairment in assets	1,052
Gain or loss on trust investments	(517)
Reversal of provisions for impairments made in previous years	6,642
Income tax effect	553
Minority interests effect	(41)
Total	(1,080)

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DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS AND HK GAAP

		At 31 December 2005 RMB'000	At 31 December 2004 RMB'000
Net assets under PRC Accounting Standards and Systems		2,621,437	2,440,230
Intangible assets capitalised	1	37,367	48,125
Difference arising from fixed assets revaluation	2	128,522	130,833
Deferred government grants income	3	(4,259)	(3,243)
Provision for employee benefits in medical insurance	4	(53,586)	(61,306)
Provision for deferred taxation	5	10,822	5,981
Impairment on goodwill	6	(1,791)	—
Difference in minority interests	11	(15,389)	(15,028)
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Capital and reserve attributable to equity holders of the Company under HK GAAP		2,723,123	2,545,592
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		2005 RMB'000	2004 RMB'000
Net profit under PRC Accounting Standards and Systems		184,482	55,292
Amortization of intangible assets	1	(10,382)	(10,446)
Additional depreciation on revalued fixed assets	2	(1,975)	(1,975)
Government grants recognised as income	3	452	361
Provision for employees benefits in medical insurance	4	6,017	5,476
Deferred taxation, net impact	5	4,841	(6,727)
Impairment on goodwill	6	(1,791)	—
Negative goodwill arising from the additional investment of an external investor into a subsidiary	7	19,819	—
Appropriation to staff bonus and welfare fund charged as expenses	8	(6,074)	(2,693)
Loss recognised arising from dilution in minority interests in a subsidiary		—	(1,908)
Unsettled long outstanding payables written off recognised as income	9	2,397	5,113
Receipt of non-cash donation recognised as income	10	440	—
Differences in minority interests	11	(422)	336
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Profit attributable to equity holders of the Company under HK GAAP		197,804	42,829
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DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS AND HK GAAP *(continued)*

Notes:

- 1) *This is an amortisation of staff quarter reform costs incurred by the Company and its subsidiaries (collectively the "Group") prior to 2000 in relation to purchases of staff quarters by its employees. Under HK GAAP, such costs are recognised as an intangible asset and are subject to amortisation on a straight-line basis over a period of 10 years to reflect the estimated remaining average service life of its employees in which the related economic benefits are recognised. Under PRC Accounting Standards and Systems, the staff quarter reform costs are written off against retained earnings of the year in which they were incurred.*
- 2) *The Group's fixed assets were revalued by the international valuers in 1997 for the purpose of listing the Company's H shares. The revaluation has been reflected in the financial statements of the Group prepared under HK GAAP but not in the financial statements prepared under PRC Accounting Standards and Systems. Accordingly, the depreciation charge under HK GAAP is higher than that calculated under PRC Accounting Standards and Systems as the depreciation charge under HK GAAP is based on the revalued amount of fixed assets.*
- 3) *Government subsidies allocated for fixed assets are recognised as capital reserve in the financial statements prepared in accordance with PRC Accounting Standards and Systems. Under HK GAAP, government subsidies are recognised as deferred income and credited to the income statement on a straight line basis in accordance with the estimated useful lives of the assets.*
- 4) *On 1 December 2001, the Group has participated in a medical insurance scheme set up and managed by the Guangzhou People's Municipal Government as required by the Provisional Rules of Medical Insurance issued by the Guangzhou People's Municipal Government. Medical insurance relating to contributions accrued for the past service rendered by the retired and retiring employees are recognised as expenses in prior years under HK GAAP. However, in the financial statements prepared under PRC Accounting Standards and Systems, medical insurance for the past service is recognised as expenses on cash basis. Cash basis is not acceptable under HK GAAP.*
- 5) *The Group has not made provision for deferred tax in the financial statements prepared in accordance with PRC Accounting Standards and Systems. Under HK GAAP, deferred tax is accounted for using the liability method on all taxable temporary differences for deferred tax liability, and to recognise deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.*
- 6) *Goodwill is amortised using the straight-line method under PRC Accounting Standards and Systems. Under HK GAAP, any impairment on goodwill is accounted for in the income statement on a yearly basis.*
- 7) *Equity in a subsidiary of the Company was diluted due to the issue of new shares to a third party by such subsidiary. Surplus arising from such transaction is recognised as capital reserve in the financial statements prepared in accordance with PRC Accounting Standards and Systems. Under HK GAAP, it is accounted for in the income statement.*
- 8) *This was the staff bonus and welfare fund appropriated from profit after taxation in the financial statements prepared under PRC Accounting Standards and Systems. Under HK GAAP, it was recognised as expenses in the income statement of the year.*
- 9) *Write-off of payable was recognised as capital reserve in the financial statements prepared in accordance with PRC Accounting Standards and Systems. Under HK GAAP, it was recognised in the income statement and was transferred from profit after tax to capital reserve.*
- 10) *Non-cash donation accepted by the Group was recognised as capital reserve in the financial statements prepared in accordance with PRC Accounting Standards and Systems. Under HK GAAP, it was recognised in the income statement and was transferred from profit after tax to capital reserve.*
- 11) *Owing to the above adjustments, there is a difference in net profit / profit attributable to equity holders of the Company prepared under PRC Accounting Standards and Systems and HK GAAP. This results in a difference in the minority interests.*

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PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

1. Extracted from the financial statements prepared in accordance with PRC Accounting Standards and Systems

Indicators	2005	2004	2,003
Income from principal operations (RMB'000)	9,026,340	7,708,314	6,971,963
Net profit (RMB'000)	184,482	55,292	139,795
Total assets (RMB'000)	5,098,095	5,182,878	4,707,039
Shareholders' funds (excluding minority interests) (RMB'000)	2,621,437	2,440,230	2,429,476
Earnings per share (RMB)	0.23	0.07	0.17
Net assets per share (RMB)	3.23	3.01	3.00
Adjusted net assets per share (RMB)	3.17	2.96	2.92
Net cash inflows from operating activities per share (RMB)	0.18	0.25	(0.01)
Return on net assets (fully diluted) (%)	7.04	2.27	5.75
Return on net assets (weighted average) (%)	7.31	2.27	5.87
Return on net assets after deducting non-operating items (weighted average) (%)	7.64	2.63	6.06
Ratio of shareholders' funds (excluding minority interests) (%)	51.42	47.08	51.61
Gearing ratio (%) (Note)	44.94	49.13	44.84

Note: Gearing ratio is calculated according to the following formula: total liabilities / total assets x 100%.

2. Extracted from the financial statements prepared in accordance with HK GAAP

Indicators	2005	2004	2003	2002	2001
Turnover (RMB'000)	9,026,340	7,709,565	6,973,113	5,943,823	5,334,029
Profit before income tax (RMB'000)	315,493	161,675	307,829	196,360	205,987
Profit attributable to equity holders of the Company (RMB'000)	197,804	42,829	146,667	101,155	95,868
Total assets (RMB'000)	5,316,420	5,413,438	4,954,091	4,410,210	3,877,969
Total liabilities (RMB'000)	2,391,590	2,655,559	2,220,047	1,807,058	1,345,841
Capital and reserve attributable to equity holders of the Company (RMB'000)	2,723,123	2,545,592	2,551,417	2,454,080	2,408,430
Earnings per share (RMB)	0.24	0.05	0.18	0.13	0.12
Capital and reserve attributable to equity holders of the Company per share (RMB)	3.36	3.14	3.15	3.03	2.97
Return on capital and reserve attributable to equity holders of the Company (%)	7.26	1.68	5.75	4.12	3.98
Ratio of capital and reserve attributable to equity holders of the Company (%)	51.22	47.02	51.50	55.65	62.11
Gearing ratio (%) (Note)	44.98	49.05	44.81	40.97	34.70

Note: Gearing ratio is calculated according to the following formula: total liabilities / total assets x 100%.



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FINANCIAL INDICATORS AS REQUIRED BY THE INFORMATION DISCLOSURE FOR COMPANIES ISSUING LISTED SECURITIES (NO. 9) PROMULGATED BY THE CHINA SECURITIES REGULATORY COMMISSION (THE "CSRC") (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AND SYSTEMS)

Profit for the Reporting Period	Return on net assets (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operations	58.32	60.61	1.89	1.89
Operating profit	11.76	12.22	0.38	0.38
Net profit	7.04	7.31	0.23	0.23
Net profit after deducting non-operating items	7.08	7.64	0.23	0.23

CHANGE IN SHAREHOLDERS' FUNDS DURING THE REPORTING PERIOD (CONSOLIDATED)

1. Extracted from the financial statements prepared in accordance with PRC Accounting Standards and Systems

Items	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Include: Statutory public welfare fund RMB'000	Undistributed profit RMB'000	Total equity RMB'000
Opening balance	810,900	1,126,381	480,442	153,572	22,506	2,440,229
Additions	—	23,073	96,717	28,897	194,398	314,188
Deductions	—	—	9,916	3,007	123,064	132,980
Closing balance	<u>810,900</u>	<u>1,149,454</u>	<u>567,243</u>	<u>179,462</u>	<u>93,840</u>	<u>2,621,437</u>

Reasons for the change:

Increase in capital reserve for the Year is mainly due to the following reasons:

- (1) In 2005, Guangzhou Wanglaoji Pharmaceutical Company Limited ("Wanglaoji Pharmaceutical") completed increase of share capital. Its new shareholder injected share capital at a premium which created an capital reserve. The Group is attributable to RMB18,893,000 according to its shareholding percentage.
- (2) The specific grant received by the Group from a government department at the amount of RMB1,335,000 was transferred to project payable after the research and development was completed.
- (3) An amount of RMB2,396,000 of waived payables of the Group was transferred into capital reserve.

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CHANGE IN SHAREHOLDERS' FUNDS DURING THE REPORTING PERIOD (CONSOLIDATED) (continued)

2. FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH HK GAAP

Items	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public Discretionary		Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
					welfare fund <i>RMB'000</i>	surplus reserve <i>RMB'000</i>		
As at 1 January 2005	810,900	781,134	399,832	218,022	153,573	109,000	73,131	2,545,592
Profit for the Year	—	—	—	—	—	—	197,804	197,804
2004 final dividend paid	—	—	—	—	—	—	(20,273)	(20,273)
Transfer from retained earnings	—	—	1,966	38,563	34,119	24,036	(98,684)	—
Effects resulted from the dilution of equity to its subsidiary (which became a jointly controlled entity after the equity was diluted)	—	—	1,9819	(3,455)	(3,006)	(3,455)	(9,903)	—
As at 31 December 2005	<u>810,900</u>	<u>781,134</u>	<u>421,617</u>	<u>253,130</u>	<u>184,686</u>	<u>129,581</u>	<u>142,075</u>	<u>2,723,123</u>