

Financial Data and Financial Highlights

I. EXTRACTED FROM THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS

Items	2006 (RMB'000)
1 Total profit	370,362
2 Net profit	227,328
3 Net profit after extraordinary non-operating (<i>note</i>)	226,567
4 Profit from principal operations	1,743,185
5 Profit from other operations	41,508
6 Operating profit	366,753
7 Investment income	7,106
8 Grants and subsidies	1,190
9 Net non-operating income and expenses	(4,686)
10 Net cash inflows from operating activities	38,880
11 Net increase in cash and cash equivalents	(127,855)

Note: Non-operating items

Items	Amount (RMB'000)
Losses on disposal of long-term equity investments and fixed assets	(2,455)
Government grants and subsidies	1,190
Gain/(Loss) from short-term investments	6,025
Non-operating expenses after deducting provision for value impairment of assets	(2,214)
Income/(Loss) of entrusted loans	(1,099)
Income tax effect	(591)
Minority interests	(95)
Total	761

II. DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS AND HKFRS

	As at 31 December 2006 (RMB'000)	As at 31 December 2005 (RMB'000)
Net assets under PRC Accounting Standards and Systems	2,788,088	2,621,437
Intangible assets capitalised	27,006	37,367
Difference arising from fixed assets revaluation	126,547	128,522
Deferred government grants	(3,279)	(4,259)
Difference in provision for employee benefits in medical insurance	(60,197)	(53,586)
Provision for deferred taxation	23,082	10,822
Impairment on goodwill	(1,579)	(1,791)
Revaluation of investment properties	13,105	—
Difference in minority interest	(15,384)	(15,389)
Capital and reserves attributable to equity holders of the Company under HKFRS	<u>2,897,389</u>	<u>2,723,123</u>



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II. DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND SYSTEMS AND HKFRS (continued)

	For the year ended 31 December 2006 (RMB'000)	For the year ended 31 December 2005 (RMB'000)
Net profit under PRC Accounting Standards and Systems	227,328	184,482
Amortisation of intangible assets	(10,361)	(10,382)
Additional depreciation on revalued fixed assets	(1,975)	(1,975)
Government grants recognised as income	1,106	452
Difference in provision for employee benefits in medical insurance	(6,611)	6,017
Provision for deferred taxation	12,260	4,841
Reversals of amortisation on goodwill/(Impairment on goodwill)	212	(1,791)
Unsettled long outstanding payables written off recognised as income	2,498	2,397
Negative goodwill arising from the additional investment of an external investor in a subsidiary	—	19,819
Negative goodwill arising from investment in an associate	238	—
Donations recognised as income	91	440
Appropriation to staff bonus and welfare fund charged as expenses	(7,680)	(6,074)
Decline in fair value of investment properties	(12)	—
Gain from disposal of fixed assets recognised as income	729	—
Difference in minority interest	244	(422)
Profit attributable to equity holders of the Company under HKFRS	<u>218,067</u>	<u>197,804</u>

III. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

1. Financial statements prepared in accordance with PRC Accounting Standards and Systems

Indicators	2006	2005	2004
Income from principal operations (RMB'000)	10,241,004	9,026,340	7,708,314
Net profit (RMB'000)	227,328	184,482	55,292
Total assets (RMB'000)	5,409,413	5,098,095	5,182,878
Shareholders' funds (excluding minority interests) (RMB'000)	2,788,088	2,621,437	2,440,230
Earnings per share (RMB)	0.28	0.23	0.07
Net assets per share (RMB)	3.44	3.23	3.01
Adjusted net assets per share (RMB)	3.41	3.17	2.96
Net cash inflows from operating activities per share (RMB)	0.05	0.18	0.25
Return on net assets (fully diluted) (%)	8.15	7.04	2.27
Return on net assets (weighted average) (%)	8.40	7.31	2.27
Return on net assets from net profit after deducting non-operating items (weighted average) (%)	8.74	7.64	2.63
Ratio of shareholders' funds (excluding minority interests) (%)	51.54	51.42	47.08
Gearing ratio (%) (Note)	45.39	44.94	49.13

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



Financial Data and Financial Highlights

III. PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS *(continued)*

2. Accounts prepared in accordance with HKFRS

Indicators	2006	2005	2004	2003	2002
Turnover (RMB'000)	10,241,004	9,026,340	7,709,565	6,973,113	5,943,823
Profit before income tax (RMB'000)	349,155	315,493	161,675	307,829	196,360
Profit attributable to equity holders of the Company (RMB'000)	218,067	197,804	42,829	146,667	101,155
Total assets (RMB'000)	5,640,964	5,316,420	5,413,438	4,954,091	4,410,210
Total liabilities (RMB'000)	2,560,584	2,391,590	2,655,559	2,220,047	1,807,058
Capital and reserves attributable to equity holders of the Company (RMB'000)	2,897,389	2,723,123	2,545,592	2,551,417	2,454,080
Earnings per share (RMB)	0.27	0.24	0.05	0.18	0.13
Capital and reserves attributable to equity holders of the Company per share (RMB)	3.57	3.36	3.14	3.15	3.03
Return on capital and reserves attributable to equity holders of the Company (%)	7.53	7.26	1.68	5.75	4.12
Ratio of Capital and reserves attributable to equity holders of the Company (%)	51.36	51.22	47.02	51.50	55.65
Gearing ratio (%) (Note)	45.39	44.98	49.05	44.81	40.97

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

IV. 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	
	Fully diluted (%)	Weighted average (%)	Fully diluted (RMB)	Weighted average (RMB)
Profit from principal operations	62.52	64.40	2.15	2.15
Operating profit	13.15	13.55	0.45	0.45
Net profit	8.15	8.40	0.28	0.28
Net profit after deducting non-operating items	8.13	8.74	0.28	0.28



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V. CHANGE IN SHAREHOLDERS' FUNDS DURING THE REPORTING PERIOD IN 2006 (CONSOLIDATED)

1. Extracted from the accounts prepared in accordance with the 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)	Retained earnings (RMB'000)	Shareholders' funds (RMB'000)
Opening balance	810,900	1,149,454	567,243	179,462	93,840	2,621,437
Additions	—	3,766	261,755	—	229,215	494,736
Deductions	—	—	180,935	179,462	147,150	328,085
Closing balance	<u>810,900</u>	<u>1,153,220</u>	<u>648,063</u>	<u>—</u>	<u>175,905</u>	<u>2,788,088</u>

Reasons for the changes:

- According to the newly promulgated Company Law and Document Cai Qi [2006] No.67 issued by the Ministry of Finance, an enterprise's balance in statutory public welfare fund as at 31 December 2005 shall be transferred to surplus reserve for its management purposes. The Group transferred its balance in statutory public welfare fund of RMB 179,049,000 to statutory surplus reserve at the end of the Year.
- The liquidation of The Chinese Herbal Medicine Wholesale Division under Guangzhou Chinese Medicine Corporation ("Chinese Medicine Corporation"), a subsidiary of the Company, was completed during the Year, whose surplus reserve amounting to RMB 1,887,000 was transferred to the retained earnings, including statutory surplus reserve of RMB860,000, statutory public welfare fund of RMB413,000 and discretionary surplus reserve of RMB614,000.

2. Extracted from the accounts prepared in accordance with HKFRS

Items	Share capital (RMB'000)	Share premium (RMB'000)	Capital reserve (RMB'000)	Statutory surplus reserve (RMB'000)	Statutory public welfare fund (RMB'000)	Discretionary surplus reserve (RMB'000)	Retained earnings (RMB'000)	Total (RMB'000)
As at 1 January 2006	810,900	781,134	421,617	253,130	184,686	129,581	142,075	2,723,123
Profit for the Year	—	—	—	—	—	—	218,067	218,067
Dividend relating to 2005	—	—	—	—	—	—	(56,763)	(56,763)
Transfers	—	—	2,690	230,098	(184,686)	35,408	(83,510)	—
Revaluation of investment properties	—	—	13,116	—	—	—	—	13,116
Disposal of a subsidiary	—	—	—	(154)	—	—	—	(154)
As at 31 December 2006	<u>810,900</u>	<u>781,134</u>	<u>437,423</u>	<u>483,074</u>	<u>—</u>	<u>164,989</u>	<u>219,869</u>	<u>2,897,389</u>

