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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock Code: 0874)

Summary of 2014 Interim Report

1 IMPORTANT NOTICE

- 1.1 This summary is extracted from the full text of the 2014 interim report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “Company”) for the six months ended 30 June 2014 (the “Reporting Period”), which will be published at the website (<http://www.sse.com.cn>) of The Shanghai Stock Exchange (“SSE”), and at the website (<http://www.hkex.com.hk>) of The Stock Exchange of Hong Kong Limited (“HKEx”) and other websites designated by the China Securities Regulatory Commission (“CSRC”). Investors who wish to know more details are advised to refer to the full text of the 2014 interim report carefully
- 1.2 This summary is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.
- 1.3 The financial reports of the Company and its subsidiaries (the “Group”) and the Company for the Reporting Period are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.4 All the information required to be contained in the summary of the 2014 interim report of the Company pursuant to paragraph 46 of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx (the “Listing Rules”) has been included in this summary of 2014 interim report.

1.5 Company profile

Stock short name	BYS	
Stock code	600332 (A share)	
Stock exchange	The Shanghai Stock Exchange	
Stock short name	BAIYUNSHAN PH	
Stock code	0874 (H share)	
Stock exchange	The Stock Exchange of Hong Kong Limited	
	Secretary to the Board	Representative of securities affairs
Name	Chen Jing	Huang Xuezheng
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2 PRINCIPAL FINANCIAL DATA AND CHANGE OF SHAREHOLDERS

2.1 Principal financial data

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

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	Changes as compared with 31 December 2013 (%)
Principal accounting data			
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	7,205,804	6,831,768	5.47
Total assets (RMB'000)	13,799,090	12,249,123	12.65
Net assets per share attributable to the shareholders of the Company (RMB)	5.58	5.29	5.47
	The Reporting Period (Unaudited)	The same period of last year (Unaudited)	Changes as compared with the corresponding period of 2013 (%)
Principal financial indicators			
Basic earnings per share (RMB)	0.522	0.466	12.04
Diluted earnings per share (RMB)	0.522	0.466	12.04
Basic earnings per share after deducting non-recurring items (RMB)	0.511	0.458	11.56
Ratio of weighted average return on net assets (%)	9.73	10.02	A decrease of 0.29 percentage point
Ratio of weighted average return on net assets after deducting non-recurring items (%)	9.53	9.86	A decrease of 0.32 percentage point

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

2.2 Movement in share capital and its components

Applicable Not applicable

2.3 Explanation for the changes in shares

Applicable Not applicable

2.4 Change in shares with selling restrictions

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

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

2.5 The Company's top ten shareholders

Total number of shareholders as at the end of the Reporting Period 80,817

The top ten shareholders of the Company

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

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

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

2.6 Change of controlling shareholder and beneficial owner of the Company

Applicable Not applicable

3 REPORT OF THE BOARD OF DIRECTORS

3.1 Management discussion and analysis

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

Business Review

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

Manufacturing operations

During the Reporting Period, firstly, the manufacturing operations continuously promoted brand, vigorously carried out brands, cultural and academic marketing activities, enhanced the awareness and reputation of brands and products. During the Reporting Period, three Chinese Famous Trademarks, namely “He Ji Gong”, “Pan Gao Shou” and “Tian Xin” were added to the Group, the Group currently possesses 7 Chinese famous trademarks. Secondly, the Company continued to develop the Grand Health sector, strengthened and improved the marketing team and development of marketing channels, strengthened the development of the food and beverage market, raised the merchandise coverage in the market, streamlined brand positioning, properly protected brand assets, improved capacity deployment, accelerated the deployment and building up of its own production capacity. During the Reporting Period, through cooperation with major players in Tencent, Yixun, JD, the World Cup, consumption platform was created with the strategies of hot spots and vogue, and brand marketing was made with the strategies of charity and targeting at young clients through projects such as “Four Season Rainbow”, “Wang Lao Ji Super Luck Cup” etc. At the same time, the Wang Lao Ji initiated the protection and inheritance of Chinese Long-established Brands and Shops, set up a protection benchmark for intellectual property rights, and it set up the northern head office in Beijing, organized the construction of the Herbal Tea Creator-Wang Lao Ji Museum. On 20 April 2014, as the first core major model project for the post-disaster reconstruction of Ya’an, the roof completion of the Wang Lao Ji Ya’an production base was officially made, and trial run was made on 18 July 2014, which would strengthen the overall competitiveness of the products in the whole market. Thirdly, the Group actively pushed scientific research and development and innovation, invention and patent work, nurtured “cash cow product types” and new sources of growth in profits. During the Reporting Period, the production and launching in the market of Cefaclor for suspension, the exclusive new product-Anti-virus capsule (抗病毒軟膠囊) were made smoothly the exclusive new product Enalaprilat felodipine time-

released pill, the exclusive specifications Ceftizoxime sodium, imitation drug (仿製藥) sildenafil citrate tablets had entered the reporting for approval of production stage; studies of several R & D projects of several innovative drugs such as sodium cefazolin oxazine amidine had started as planned; 26 invention patents in China, 1 PCT international patent were applied for, 16 invention patents were granted; result verification of 4 technological results such as the “Critical Technology for Modernized Production of TCM (Key Technology for the Commercialization of Separation and Purification of Chinese Medicinal Herbs)” was approved; a 2013 Guangdong Province Technological Progress Third Class Prize was granted to the “Establishment and Commercialization of multi-component hydrophilic matrix Time Released core and small doses of coating Technique Platform” project, public announcement on the 2013 Guangzhou Technological Progress being granted to the “Rabies Vaccine and its Commercialization” project etc. Fourthly, the Group paid close attention to the policies of the sectors, actively responded to the catalogue addition of all places, accelerated the development and distribution of the basic medicine market, raised the medicine usage share of glass root medical organizations. At the same time, the Group actively worked for medicine of low prices, strives for maximising the benefits of the policy brought by the issue of the Catalogue of Medicine at Low Price. During the Reporting Period, over 300 individual quality specifications of the Company and its subordinated were selected in the List of Medicine at Low Price of the State, including main products with sales revenue exceeding RMB 100 million such as Baiyunshan compound Salvia Milltiorrhiz slice, Baiyunshan Ban Lan Gen, Xiao Ke Wan, amoxicillin etc, while 4 exclusive products, namely Xiao Ke Wan, Ru He San Jie Pian, Zhang Yan Ming Pian, and Gu Shen Ding Chuan Wan were also selected. Fifthly, the Group seized the opportunities of the new version of GMP transformation, actively started merger and acquisition work. Sixthly, it properly worked on the Collecting Expired Medicine in Families, demonstrating its civic responsibilities. During the Reporting Period, the “Collecting Expired Medicine in Families (Free Exchange) Mechanism”, the first of its kind in the world made a Guinness World Records, which was the first time that a Chinese company made a world record in the charitable domain. On 13 August 2014, the Company set up the first Chinese pharmaceutical company social responsibility fund-“Healthy Chinese Dream, Expired Medicine Collection” social responsibility fund.

During the Reporting Period, the gross profit margin of the manufacturing operations was 43.93%, representing an increase of 1.64 percentage points as compared with the corresponding period of 2013.

Trading operations

During the Reporting Period, for the trading operations, firstly, the Group vigorously carried out the extending services of the modern medical logistics services, raised its market share. At present, Guangzhou Pharmaceuticals Corporation (“GP Corp.”) signed cooperative agreements for extending services of modern medical logistics with several hospitals such as the Second People’s Hospital of Guangdong Province, the Second People’s Hospital of Liwan District of Guangzhou, the People’s Hospital of Qingyuan etc and several community service centres in Guangzhou respectively. Among them, the “Smart Pharmacy” jointly set up with the Second People’s Hospital of Guangdong Province became a benchmark project of the extending services of modern medical logistics services in China. At the same time, GP Corp. entered into the

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

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

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

3.2 Analysis of the Group's principal activities

3.2.1 Analysis of changes in the financial statement related subjects

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

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

3.3 Analysis of operation results

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

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

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

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

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

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

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

3.4 Investment analysis

3.4.1 Foreign equity investment in the overall analysis

At the end of the Reporting Period, the foreign equity investment of the Group amounted to RMB 2,046,420,000 with a growth of RMB 69,376,000 as compared with the end of 2013, 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 units	Principal business	Shares equity directly held by the Company (%)
GP Corp.	Sales of western pharmaceutical products and medical apparatus	50.00
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd.	Manufacturing, processing and sales of Chinese patent medicine; food and medicine homologous drink and candy	48.05
Guangzhou Nuo Cheng Biological Products Co., Ltd. (“Nuo Cheng”)	Production of Rabies bacterin, export of goods and technology	50.00
Hutchison Whampoa Guangzhou Baiyunshan Chinese Medicine Company Limited	Production, constructing, research and development, and sales of medicine, NHPs, food and Chinese herbs	50.00
Guangzhou Baxter Qiao Guang Pharmaceutical Co, Ltd.	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 Asset Management Co., Ltd.	Fund management	20.00
Guangzhou Goldsum Pharmaceutical technology Co., Ltd.	Research and development; NHPs, Chinese medicine and food	38.25
Guangzhou Baiyunshan Wei Yi Medical Investment Management Co., Ltd.	Medical investment management	50.50
Shanghai Jiu He Tang Chinese medicine Co., Ltd.	Wholesales of medicine	9.53
Beijing Imperial Court Cultural Development Company Limited	Development of Chinese traditional cultural art	10.00

Invested units	Principal business	Shares equity directly held by the Company (%)
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.	Financial service	—
Shenzhen Zhong Lian Guangshen Pharmaceutical Group Co., Ltd.	Production and sales of medicine and NHPs	—

Stock Investments

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

Information on the Company's interests in the shares of other listed companies

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

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

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

3.4.2 During the Reporting Period, the Group did not have any entrusted investment activities.

3.4.3 The Company's entrusted loans during the Reporting Period

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

As at 30 June 2014, the Company provided entrusted loans totaling RMB 323,000,000 to its subsidiaries.

3.4.4 Use of Proceeds from the issue of A shares

Applicable Not applicable

3.4.5 The fund-raising project

Applicable Not applicable

3.5 The principal subsidiaries and companies in which the Company has shareholding interest during the Reporting Period

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

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

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

3.6 Analysis of financial conditions

3.6.1 Liquidity

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

3.6.2 Financial resources

As at 30 June 2014, cash and cash equivalents of the Group amounted to RMB 2,806,837,000 (30 June 2013: RMB 2,142,523,000), out of which approximately 99.45% and 0.55% were denominated in Renminbi and foreign currencies, like Hong Kong dollars, respectively.

As at 30 June 2014, the Group had bank borrowings of RMB 501,964,000 (30 June 2013: RMB 613,830,000), including short-term borrowings of RMB 493,337,000 (30 June 2013: RMB 612,080,000) and long-term borrowings of RMB 8,627,000 (30 June 2013: RMB 1,750,000).

3.6.3 Capital structure

As at 30 June 2014, the Group's current liabilities amounted to RMB 6,178,791,000 (30 June 2013: RMB 5,069,635,000), representing an increase of 21.88% as compared with the corresponding period of 2013, and its long-term liabilities was RMB 185,276,000 (30 June 2013: RMB 162,260,000), with an increase of 13.93% as compared with the corresponding period of 2013. The shareholders' equity attributable to the shareholders of the Company amounted to RMB 7,205,804,000 (30 June 2013: RMB 6,512,796,000), with an increase of 10.64% as compared with the corresponding period of 2013.

3.6.4 Capital expenditure

The Group expects the capital expenditure for 2014 to be approximately RMB 1,173 million, among which the expenditure in the first half of 2014 amounted to RMB 249 million (in the first half of 2013: RMB 538 million), which would be mainly applied in the construction of factories and infrastructure, GMP authentication and innovation, purchases of machines, equipment, upgrading the information system, etc. The Group will raise funds to meet the capital requirements of capital expenditure by resorting to its internal funds, bank loans, etc..

3.6.5 Exposure to fluctuations in exchange rates

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

3.6.6 Contingent liabilities

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

3.6.7 Charge on the Group's assets

As at 30 June 2014, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited, a wholly-owned subsidiary of the Company, had a general banking facility of HK\$ 300,000 and a letter of credit, a letter of trust with total limit of HK\$ 100,000,000 and drawn up an unearned credit with US\$ 264,000, HK\$ 10,311,000, YAS 66,346,000 granted by Bank of China (Hong Kong) Limited with a charge over its fixed assets, properties and buildings with original value of HK\$ 8,893,000 and net value of HK\$ 6,580,000 and investment properties as a pledge with original value of HK\$ 6,843,000 and net value of HK\$ 4,167,000 as the charge.

3.6.8 Bank loans, overdraft and other borrowings

As at 30 June 2014, the bank loans of the Group amounted to RMB 501,964,000 (31 December 2013: RMB 518, 279,000), with a decrease of RMB 16,315,000 as compared with the beginning of 2014. The above bank loans included short-term loans of RMB 493,337,000 and long-term loans of RMB 8,627,000.

3.6.9 Gearing ratio

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

3.6.10 Material investment

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

3.6.11 As at the end of the Reporting Period, the number of employees on the payroll register of the Group was 11,594. The remuneration policy for the employees had no significant change as compared with the previous reporting period. The total salary payment for the first half of 2014 was approximately RMB 562 million.

3.6.12 Guarantees

Guarantees provided to parties other than the Company's subsidiaries

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

The Company's guarantees provided to its subsidiaries

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

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

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

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

3.7.1 Pursuant to the resolutions on profit and dividend distribution passed at the 2013 annual general meeting held on 26 June 2014, a final dividend of RMB2.30 (including tax) for every 10 shares held was approved and paid, in cash, to all shareholders of the Company, based on the total share capital of 1,291,340,650 shares at the end of 2013;

3.7.2 The final dividend of RMB0.23 (including tax) per share for 2013 was paid to the Company's H shareholders whose names appeared on the register of the Company as at 4 August 2014 on 20 August 2014;

3.7.3 According to the announcement for 2013 final dividend published in Shanghai Securities News (上海證券報), Securities Times (證券時報), China Securities Journal (中國證券報), Securities Daily (證券日報) in the PRC on 24 July 2014, the registration date for A shares was 29 July 2014, the ex-dividend date was 30 July 2014 and the dividend payment date was 30 July 2014.

3.8 The Board did not recommend the payment of interim dividends for the six months ended 30 June 2014 nor propose any increase in share capital from the capitalization of capital reserve.

3.9 Issues and difficulties encountered in operations and plans for the second half of 2014

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

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

- A. to continue to push on the “integration works” in an all-round manner, accelerate the implementation of strategy of centralized and integration of procurement, and meanwhile, accelerate the injection of assets such as the “Wang Lao Ji” trademarks and Guangzhou Pharmaceutical Research General Institute Company Limited, deepen the integrated operation.
- B. to make great efforts to advance six strategic works including layout optimization of production capability, improvement of technical quality, arrangement and building with own production capacity, budget risk management, team building and standardization of marketing to accelerate the development of great health industry.
- C. to seize the favorable opportunities of policies, actively advance mergers and acquisitions, and vigorously accelerate the development of the pharmaceutical industry. In the meantime, expand its business in new medical and health industry.
- D. to actively respond to the bidding policies for basic medicine, seize the opportunities in the catalogue of low price medicine related policies and to expand its share in the usage of medicine in fundamental medical institutions.
- E. to vigorously explore the extended service of modern logistics, construct a new pattern of grand commerce, and meanwhile, create an electronic commercial platform of medicine and health and expand the new channel for marketing.
- F. to enhance the investment in scientific research, and focus on the new research and development projects; to accelerate the research and development of new medicine, technical innovation and transformation results to promote the product structure to transfer from general medicine to innovative new drugs with high added value; explore the new functions and utilities of “old” medicine and actively promote the scientific key and special projects and technical transformation of the large categories of medicine.

3.10 Purchase, sale or repurchase of shares

Neither of the Company or any of its subsidiaries had purchased, sold, repurchased or cancelled any of the Company's listed shares during the Reporting Period.

3.11 Corporate Governance

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

3.12 Model Code for Securities Transactions by directors and supervisors

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

3.13 The Audit Committee of the sixth session of the Board is comprised of four independent non-executive directors and one of them possessed appropriate professional qualification. The Audit Committee had reviewed the Group's accounting principles, accounting standards and method as well as discussed the audit affairs, internal controls and financial report with the management, including the unaudited interim report ended at 30 June 2014.

3.14 Appointment and resignation of directors, supervisors and senior management of the Company during and after the Reporting Period

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

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

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

3.14.2 At the 1st meeting of the sixth session of the Board held on 28 January 2014, Mr. Li Chuyuan was appointed as the chairman of the Company and Mr. Chen Mao was appointed as the vice chairman of the Company.

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

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

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

3.14.4 At the 1st meeting of the sixth session of the Supervisory Committee held on 28 January 2014, Mr. Xian Jiaxiong was appointed as the chairman of the sixth session of the Supervisory Committee whose term of office was from the date of appointment up to the date when members of the new session of the Supervisory Committee are elected.

3.15 Other important matters

3.15.1 As approved at the 23th meeting of the fifth session of the Board, WLJ Great Health, a wholly-owned subsidiary of the Company, proposed to establish Wanglaoji herbal tea production base in Ya'an to offer more jobs opportunities, the total investment of the project was expected to be RMB 298 million. To date, the production line of the project has started a trial run on schedule and entered the stage of trial production debugging, which is striving to put into operation at the end of 2014.

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

- 3.15.2 As agreed by the 2nd meeting of the Strategic Development and Investment Committee in 2014, Guangzhou Baiyunshan Guang Hua Pharmacy Co., Ltd. (“Guang Hua”), a subsidiary of the Company, formed Guangzhou Baiyunshan Guang Hua Health Food Company together with Beijing Kang Bao Rui Bio-technology Company (“Beijing Kang Bao Rui”). The registered capital of the new company is RMB10 million, among which, Guang Hua invested RMB7.5 million in cash and held 75% interest therein while Beijing Kang Bao Rui invested RMB2.5 million in cash and held 25% interest therein. The new company has been formed in early April 2014.
- 3.15.3 As agreed by the 2nd meeting of the Strategic Development and Investment Committee of the Company in 2014, the Company established Guangzhou Baiyunshan Medical and Health Industry Investment Company Limited, the registered capital of which was RMB10 million and the Company held 100% interest therein. It was mainly engaged in investments in fields such as medical care, health management, health maintenance and provision for the old-aged. The new company got its business license on 28 May 2014 and was inaugurated on 24 June 2014.
- 3.15.4 As agreed by the 2nd meeting of the Strategic Development and Investment Committee in 2014, the Company delisting acquire 14.07% interest of Hunan Tian Jing Pharmaceutical Company Limited with the price which is no more than RMB5 million. The transaction mentioned above is in progress.

4 FINANCIAL REPORTS

4.1 Financial statements prepared in accordance with the China Accounting Standards for Business Enterprises

(All amounts in Renminbi yuan unless otherwise stated)

Consolidated Balance Sheet

ITEMS	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
Current assets			
Cash at bank and on hand		2,845,245,762.68	1,935,681,740.06
Financial assets held for trading		3,408,360.50	3,362,667.20
Notes receivable		1,518,938,913.88	1,326,353,755.90
Accounts receivable	4.1.4	1,147,362,123.58	973,184,749.11
Advances to suppliers		640,092,171.45	613,882,321.78
Interest receivable		—	—
Dividends receivable		—	—
Other receivables		208,811,880.69	181,145,718.26
Inventories		2,351,728,661.59	2,245,829,748.05
Current portion of non-current assets		—	—
Other current assets		5,729,379.99	19,347,581.15
Total current assets		8,721,317,254.36	7,298,788,281.51
Non-current assets			
Available-for-sale financial assets		16,897,919.96	17,608,107.28
Hold-to-maturity investments		—	—
Long-term receivables		—	—
Long-term equity investments		2,041,866,136.16	1,972,490,292.04
Investment properties		240,919,634.78	246,309,245.37
Fixed assets		1,789,624,523.16	1,731,881,945.85
Construction in progress		401,284,695.09	335,422,694.18
Construction materials		—	—
Fixed assets pending for disposal		—	—
Intangible assets		385,636,681.74	368,856,694.63
Development costs		12,501,954.57	3,716,517.68
Goodwill		—	—
Long-term prepaid expenses		6,432,061.47	7,099,055.93
Deferred tax assets		182,609,302.12	266,950,316.92
Other non-current assets		—	—
Total non-current assets		5,077,772,909.05	4,950,334,869.88
TOTAL ASSETS		13,799,090,163.41	12,249,123,151.39

Consolidated Balance Sheet (Continued)

ITEMS	<i>Note</i>	30 June 2014 <i>(unaudited)</i>	31 December 2013 <i>(audited)</i>
Current liabilities			
Short-term borrowings		493,336,504.21	509,651,500.77
Financial liabilities held for trading		—	—
Notes payable		132,676,933.56	130,773,655.25
Accounts payable	4.1.5	2,432,651,302.33	1,470,360,537.61
Advances from customers		613,302,453.83	875,579,547.32
Employee benefits payable		314,791,888.56	334,427,927.83
Taxes payable		174,501,152.82	403,383,688.38
Interest payable		280,000.00	675,414.98
Dividends payable		337,030,578.41	113,513,301.13
Other payables		1,680,219,993.33	1,211,712,507.04
Current portion of non-current liabilities		—	—
Other current liabilities		—	—
Total current liabilities		6,178,790,807.05	5,050,078,080.31
Non-current liabilities			
Long-term borrowings		8,627,418.40	8,627,419.10
Debentures payable		—	—
Long-term payables		22,415,752.40	22,215,752.40
Payables for specific projects		19,058,160.00	19,058,160.00
Provisions		500,191.19	500,191.19
Deferred tax liabilities		3,368,995.67	3,475,327.44
Other non-current liabilities		131,305,910.67	122,931,526.01
Total non-current liabilities		185,276,428.33	176,808,376.14
Total liabilities		6,364,067,235.38	5,226,886,456.45
SHAREHOLDERS' EQUITY			
Share capital		1,291,340,650.00	1,291,340,650.00
Capital surplus		2,490,821,607.48	2,493,788,078.69
Less: Treasury share		—	—
Surplus reserve		723,819,753.76	723,819,753.76
Undistributed profits		2,707,165,387.70	2,330,514,583.35
Difference on translation of foreign currency financial statements		(7,343,129.35)	(7,695,173.92)
Total equity attributable to shareholders of the Company		7,205,804,269.59	6,831,767,891.88
Minority interest		229,218,658.44	190,468,803.06
Total shareholders' equity		7,435,022,928.03	7,022,236,694.94
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		13,799,090,163.41	12,249,123,151.39

Consolidated Income Statement

ITEMS	<i>Note</i>	January to June 2014 <i>(unaudited)</i>	January to June 2013 <i>(unaudited)</i>
1. Revenue	4.1.6	10,020,290,337.63	9,072,472,793.51
Less: Cost of sales	4.1.6	6,453,609,857.96	5,823,243,402.91
Taxes and surcharges		89,535,264.35	82,868,165.84
Selling and distribution expenses		2,159,617,604.65	1,982,799,577.18
General and administrative expenses		616,146,099.74	610,941,855.11
Financial expenses		(3,043,187.21)	18,723,262.98
Asset impairment losses		6,106,650.01	5,714,131.84
Add: Profit arising from changes in fair value		45,693.30	138,681.60
Investment income		141,647,947.34	132,444,637.53
Including: Share of profit of associates and jointly controlled entities		142,114,609.80	129,522,781.96
2. Operating profit		840,011,688.77	680,765,716.78
Add: Non-operating income	4.1.7	21,111,186.57	16,056,181.47
Less: Non-operating expenses		5,151,263.45	6,762,172.32
Including: Losses on disposal of non-current assets		796,820.20	1,106,880.02
3. Total profit		855,971,611.89	690,059,725.93
Less: Income tax expenses	4.1.8	158,318,794.74	83,657,290.28
4. Net profit		697,652,817.15	606,402,435.65
Including: Pre-acquisition revenue of the acquired company		–	242,018,569.90
– Attributable to shareholders of the Company		673,659,153.85	587,229,435.88
– Minority interest		23,993,663.30	19,172,999.77
5. Earnings per share			
– Basic earnings per share	4.1.9	0.522	0.466
– Diluted earnings per share	4.1.9	0.522	0.466
6. Other comprehensive income		(2,614,147.96)	(1,664,339.06)
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period		(2,614,147.96)	(1,664,339.06)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period		–	–
7. Total comprehensive income		695,038,669.19	604,738,096.59
– Attributable to shareholders of the Company		671,044,727.21	585,571,096.97
– Minority interest		23,993,941.98	19,166,999.62

4.1.1 Basis of preparation

The Ministry of Finance were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations, The Ministry of Finance issued 5 new and revised standards in January and February 2014, which include <Accounting Standards for Business Enterprises No.9-Employee Compensation>(revised), <Accounting Standards for Business Enterprises No.30-The Presentation of Financial Statements>(revised), <Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements>(revised), <Accounting Standards for Business Enterprises No.39-Fair Value Measurement>, <Accounting Standards for Business Enterprises No.40-The Joint Venture Arrangements>(hereinafter collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”), and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (revised 2010) issued by the China Securities Regulatory Commission.

4.1.2 Accounting policies

There are no significant changes in the accounting policies applied in preparing of these financial statements compared to the accounting policies applied in preparation of the financial statements for the year ended 31 December 2013.

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

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

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

- (1) The segment information for the six months ended 30 June 2014 and as of 30 June 2014 are as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,647,729,182.89	2,353,053,105.96	19,508,048.78	–	10,020,290,337.63
Inter-segment revenue	148,038,521.85	3,039,867,038.15	60,060,666.55	(3,247,966,226.55)	–
Interest income	(22,843,329.04)	(528,905.54)	(711,056.74)	1,807,278.13	(22,276,013.19)
Interest expenses	17,676,152.19	20,465,331.44	12,035,321.00	(30,721,393.86)	19,455,410.77
Share of profit or loss of associates and jointly controlled entities	23,517,070.83	–	107,385,434.91	11,212,104.06	142,114,609.80
Asset impairment losses	4,505,477.60	9,887,528.88	(1,833.53)	(8,284,522.94)	6,106,650.01
Depreciation and Amortization	86,550,920.43	2,442,241.72	8,220,757.44	–	97,213,919.59
Total profit	675,173,948.57	46,109,438.73	416,038,085.66	(281,349,861.07)	855,971,611.89
Income tax expenses	96,722,298.96	10,672,515.83	58,076,517.34	(7,152,537.39)	158,318,794.74
Net profit (Including: minority interest)	578,451,649.61	35,436,922.90	357,961,568.32	(274,197,323.68)	697,652,817.15
Total assets	9,520,345,126.80	2,976,240,367.25	7,157,293,146.14	(5,854,788,476.78)	13,799,090,163.41
Total liabilities	6,348,054,400.69	2,761,160,041.16	1,084,185,580.50	(3,829,332,786.97)	6,364,067,235.38
Long-term equity investments in associates and jointly controlled entities	103,737,572.52	–	1,836,371,390.99	–	1,940,108,963.51
Additions of non-current assets other than long-term equity investments	240,459,311.53	2,175,756.45	850,934.51	–	243,486,002.49

(2) The segment information for January to June 2013 and as of 31 December 2013 are as follows:

	Manufacturing	Trading	Unallocated	Elimination	Total
Revenue	7,303,109,790.96	1,749,842,943.55	19,520,059.00	–	9,072,472,793.51
Inter-segment revenue	122,147,863.37	2,025,632,779.43	51,086,082.86	(2,198,866,725.66)	–
Interest income	8,892,371.30	460,109.09	1,039,077.47	(4,613,735.07)	5,777,822.79
Interest expenses	12,692,037.44	18,361,029.46	21,045,020.96	(29,137,192.30)	22,960,895.56
Share of profit or loss of associates and jointly controlled entities	–	–	103,013,282.26	26,509,499.70	129,522,781.96
Asset impairment losses	3,702,685.55	2,471,595.25	68,923.46	(529,072.42)	5,714,131.84
Depreciation and Amortization	84,827,398.39	2,415,668.60	1,208,352.16	(72,052.50)	88,379,366.65
Total profit	442,358,504.08	25,998,305.32	270,440,302.66	(48,737,386.13)	690,059,725.93
Income tax expenses	39,345,934.42	6,318,870.82	43,508,784.41	(5,516,299.37)	83,657,290.28
Net profit (Including: minority interest)	403,012,569.65	19,679,434.50	226,931,518.25	(43,221,086.75)	606,402,435.65
Total assets	8,177,645,896.25	2,166,054,216.66	6,918,419,046.40	(5,012,996,007.92)	12,249,123,151.39
Total liabilities	5,222,107,061.12	1,986,384,749.68	1,103,419,355.88	(3,085,024,710.23)	5,226,886,456.45
Long-term equity investments in associates and jointly controlled entities	121,162,661.82	–	1,749,570,457.57	–	1,870,733,119.39
Additions of non-current assets other than long-term equity investments	421,774,612.38	4,726,393.21	304,296,402.52	–	730,797,408.11

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

Revenue from external customers	Six months ended 30 June 2014	Six months ended 30 June 2013
PRC	9,757,491,000.81	8,948,300,380.56
Other countries	262,799,336.82	124,172,412.95
	<u>10,020,290,337.63</u>	<u>9,072,472,793.51</u>
 Total non-current assets	 30 June 2014	 31 December 2013
PRC	4,857,859,344.26	4,645,092,792.07
Other countries	20,406,342.71	20,683,653.62
	<u>4,878,265,686.97</u>	<u>4,665,776,445.69</u>

4.1.4 Accounts receivable

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

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

	30 June 2014	31 December 2013
Within 1 year	1,136,542,756.42	961,563,413.82
1 to 2 years	20,989,990.80	21,462,412.04
2 to 3 years	4,092,683.77	5,779,861.24
3 to 4 years	4,767,298.80	871,321.18
4 to 5 years	4,033,335.13	4,836,377.21
Over 5 years	9,663,249.39	8,577,552.93
	<u>1,180,089,314.31</u>	<u>1,003,090,938.42</u>
Less: Provision for bad debts	32,727,190.73	29,906,189.31
	<u>1,147,362,123.58</u>	<u>973,184,749.11</u>

4.1.5 Accounts payable

The ageing of accounts payable is analyzed as follows:

	30 June 2014	31 December 2013
Within 1 year	2,395,363,296.17	1,440,862,487.84
Over 1 year	37,288,006.16	29,498,049.77
	<u>2,432,651,302.33</u>	<u>1,470,360,537.61</u>

4.1.6 Revenue and cost of sales

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

	Six months ended 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

4.1.7 Non-operating income

Gain on disposal of non-current assets is amounted to RMB99,184.42 (for the six months ended 30 June 2013: RMB14,712.35).

4.1.8 Income tax expenses

	Six months ended June 2014	Six months ended June 2013
Current income tax	168,101,360.05	319,826,695.12
Deferred income tax	(9,782,565.31)	(236,169,404.84)
	<u>158,318,794.74</u>	<u>83,657,290.28</u>

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

	Six months ended June 2014	Six months ended June 2013
Total profit	855,971,611.89	690,059,725.93
Income tax expenses calculated		
at applicable tax rates	213,992,902.97	172,514,931.48
Tax effect of different rates applicable to subsidiaries	(24,041,541.07)	(39,237,125.08)
Adjust effect for income tax of previous period	25,358.88	–
Gain of loss belong to cooperative enterprise & joint venture	(32,488,234.36)	(56,797,472.54)
Non-taxable revenue	(907,393.56)	–
Expenses not deductible for tax purposes	606,625.29	8,801,238.11
Tax losses for which no deferred income tax asset was recognised	1,131,076.58	(1,624,281.69)
Income tax expenses	158,318,794.74	83,657,290.28

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

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

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

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

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

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

4.1.9 Earnings per share

(a) Basic earnings per share

(i) Weighted average basis earnings per share

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	673,659,153.85	587,229,435.88
Weighted average number of ordinary shares outstanding	1,291,340,650.00	1,261,239,823.00
Basis earnings per share	0.522	0.466

(ii) Overall diluted basic earnings per share

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

	Six months ended 30 June 2014	Six months ended 30 June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	673,659,153.85	587,229,435.88
Number of ordinary share outstanding	1,291,340,650.00	1,291,340,650.00
Basic earnings per share fully diluted	<u>0.522</u>	<u>0.455</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusted net profit for the current year attributable to ordinary shareholders by the adjusted weighted average number of ordinary shares outstanding. For the six months ended 30 June 2014, there were no potential ordinary shares (for the six months ended 30 June 2013: nil), diluted earnings per share is equal to basic earnings per share.

4.1.10 Dividends

Pursuant to the resolution of annual general meeting in 2013 on 26 June 2014, the Group distributed cash dividends amounted to RMB297,008 thousand which was calculated by issued shares amounted to 1,291,340,650 to all shareholders, total distributed cash dividends was RMB0.23 per share.

4.1.11 Net current assets

	30 June 2014	31 December 2013
Current assets	8,721,317,254.36	7,298,788,281.51
Less: Current liabilities	6,178,790,807.05	5,050,078,080.31
Net current assets	<u>2,542,526,447.31</u>	<u>2,248,710,201.20</u>

4.1.12 Total assets less current liabilities

	30 June 2014	31 December 2013
Total assets	13,799,090,163.41	12,249,123,151.39
Less: current liabilities	6,178,790,807.05	5,050,078,080.31
Total assets less current liabilities	<u>7,620,299,356.36</u>	<u>7,199,045,071.08</u>

4.2 There is no significant change in accounting policies, estimation and audit method when compared with the 2013 annual report.

4.3 There is no major correction of accounting error during the Reporting Period.

4.4 Explanation on changes in scope of consolidation as compared with the previous annual report

For the six months ended 30 June 2014, the Company had three newly merged companies, details of which are as below:

4.4.1 In February 2014, the Company and Guangzhou Xingzhou Pharmaceutical Co., Ltd. jointly invested RMB86.48 million to set up Guangzhou Baiyunshan Xingzhou Pharmaceutical Co., Ltd., the shareholding of the Company was 75%.

4.4.2 In April 2014, Guang Hua, a subsidiary of the Company, jointly set up Guangzhou Baiyunshan Guang Hua Health Food Co., Ltd. with other shareholders with a registered capital of RMB10 million, the proportion of capital contribution subscribed by Guang Hua constituted 75% of the registered capital.

4.4.3 In May 2014, the Company set up Guangzhou Baiyunshan Medical and Health Industry Investment Company Limited with a registered capital of RMB10 million, the proportion of capital contribution subscribed by the Company constituted 100% of the registered capital.

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

The Board of
**Guangzhou Baiyunshan Pharmaceutical
Holdings Company Limited**

Guangzhou, the PRC, 29 August 2014

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