

FINANCIAL SUMMARY AND ANALYSIS

DETAILS OF THE OF THE COMPANY AND ITS SUBSIDIARIES (TOGETHER AS “THE GROUP”) PROFIT FOR THE YEAR

Extracted from the accounts prepared in accordance with PRC accounting standards and systems:

	2002
	Rmb'000
Total profit	287,506
Net profit	158,478
Net profit after non-operating items (note)	162,296
Profit from principal operations	1,289,409
Profit from other operations	31,799
Operating profit	330,613
Income from investments	(16,899)
Government grants and subsidies	314
Net non-operating results	(26,522)
Net cash inflows from operating activities	169,014
Net increase in cash and cash equivalents	126,211
<i>Note: Non-operating items included:</i>	<i>Rmb'000</i>
<i>Government grants and subsidies</i>	<i>314</i>
<i>Net non-operating results</i>	<i>(26,522)</i>
<i>Refund of enterprise income tax</i>	<i>23,087</i>
<i>Income on trading securities</i>	<i>1,634</i>
<i>Net loss arising from assets count</i>	<i>(8,803)</i>
<i>Income tax adjustment</i>	<i>6,472</i>

FINANCIAL SUMMARY AND ANALYSIS

Explanations for the differences between the accounts of Guangzhou Pharmaceutical Co., Ltd. (the “Company”) and the Group for the year ended 31 December 2002 prepared in accordance with PRC accounting standards and systems and accounting principles generally accepted in Hong Kong (“HK GAAP”) are set out below:

	Group		Company	
	2002 Rmb'000	2001 Rmb'000	2002 Rmb'000	2001 Rmb'000
Net assets under PRC accounting standards and systems	2,286,929	2,172,916	2,283,457	2,174,098
Provision for bad debts	(31,211)	(33,905)	—	—
Intangible asset capitalised	69,017	79,463	1,701	1,944
Difference in fixed assets revaluation	134,783	136,758	—	—
Overprovision of research and development cost	4,228	17,463	—	—
Provision for employee benefits	(71,762)	—	—	—
Deferred taxation	23,387	—	—	—
Difference in minority interests	(8,960)	(12,913)	—	—
Dividend proposed and declared	48,654	48,654	48,654	48,654
Reversal of share of net assets of subsidiaries	—	—	(165,539)	(74,171)
Others	—	(6)	—	(6)
Net assets under HK GAAP	2,455,065	2,408,430	2,168,273	2,150,519
Net profit under PRC accounting standards and systems	158,478	146,134	151,794	150,116
Impairment charge on fixed assets and construction in progress	—	(50,119)	—	—
Amortisation of intangible asset capitalised	(10,446)	(10,446)	(243)	(243)
Additional depreciation on revalued fixed assets	(1,975)	(1,975)	—	—
Reversal of overprovided research and development cost	(8,530)	—	—	—
Subsidies income recognised	3,600	3,061	—	—
Provision for employee benefits	(71,762)	—	—	—
Deferred taxation	23,387	—	—	—
Cost of goods sold overstated	—	(2,229)	—	—
Bad debt recovered	—	2,796	—	—
Distribution of staff welfare fund from net profit	(2,144)	(1,334)	—	—
Difference in minority interests	3,953	9,980	—	—
Reversal of share of results of subsidiaries	—	—	(85,872)	(73,186)
Net profit under HK GAAP	94,561	95,868	65,679	76,687

FINANCIAL SUMMARY AND ANALYSIS

PRINCIPAL FINANCIAL DATA AND FINANCIAL INDICATORS

1 Extracted from the accounts prepared in accordance with PRC accounting standards and systems:

	2002	2001	2001	2000	2000
	Rmb'000	<i>Rmb'000</i>	Restated <i>Rmb'000</i>	<i>Rmb'000</i>	Restated <i>Rmb'000</i>
Income from principal operations	5,943,823	5,334,029	5,334,029	4,222,857	4,222,857
Net profit	158,478	146,134	146,134	146,234	141,214
Total assets	4,173,194	3,697,239	3,702,113	3,063,915	3,017,797
Shareholders' equity (excluding minority interests)	2,286,929	2,172,910	2,172,916	1,373,105	1,326,404
Earnings per share	Rmb0.20	Rmb0.18	Rmb0.18	Rmb0.20	Rmb0.19
Net assets per share	Rmb2.82	Rmb2.68	Rmb2.68	Rmb1.87	Rmb1.81
Adjusted net assets per share	Rmb2.74	Rmb2.59	Rmb2.59	Rmb1.74	Rmb1.68
Net cash inflows from operating activities per share	Rmb0.21	Rmb0.17	Rmb0.17	Rmb0.39	Rmb0.39
Return on net assets (fully diluted)	6.93%	6.73%	6.73%	10.65%	10.65%
Return on net assets (weighted average)	7.04%	7.04%	7.04%	10.15%	10.02%
Return on net assets after deducting exceptional items (weighted average)	7.20%	7.11%	7.11%	8.78%	8.96%
Ratio of shareholders' funds	54.80%	58.77%	58.69%	44.82%	43.95%
Gearing ratio	41.94%	38.23%	38.19%	51.89%	52.90%

2 Extracted from the accounts prepared in accordance with HK GAAP:

	2002	2001	2000	1999	1998
	Rmb'000	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Turnover	5,943,823	5,334,029	4,222,857	3,454,492	3,326,658
Profit before taxation	196,360	205,987	204,572	178,115	161,921
Net profit for the year	94,561	95,868	135,250	128,688	123,724
Total assets	4,361,135	3,877,969	3,256,426	3,072,057	2,998,567
Total liabilities	1,906,069	1,469,539	1,657,609	1,593,832	1,612,385
Shareholders' funds	2,455,066	2,408,430	1,598,817	1,478,225	1,386,182
Earnings per share	Rmb0.117	Rmb0.119	Rmb0.185	Rmb0.176	Rmb0.169
Net assets per share	Rmb3.03	Rmb2.97	Rmb2.18	Rmb2.02	Rmb1.89
Return on net assets	3.85%	3.98%	8.46%	8.71%	8.93%
Ratio of shareholders' funds	56.29%	62.11%	49.10%	48.12%	46.23%
Gearing ratio	43.71%	37.89%	50.90%	51.88%	53.77%

Note: Gearing ratio is calculated: total liabilities / total assets x 100%

FINANCIAL SUMMARY AND ANALYSIS

CHANGE IN SHAREHOLDERS' FUNDS DURING THE YEAR (CONSOLIDATED)

1 Extracted from the accounts prepared in accordance with PRC accounting standards and systems:

	Share Capital Rmb	Capital Reserve Rmb	Surplus Reserve Rmb	including: Statutory Public Welfare fund Rmb	Retained Earnings Rmb	Total Equity Rmb
Opening balance	810,900,000.00	1,109,075,604.20	251,928,845.40	82,925,402.32	1,011,627.95	2,172,916,077.55
Additions	—	6,415,663.74	87,398,458.89	26,803,510.06	162,449,891.28	256,264,013.91
Deductions	—	1,157,043.30	2,897,459.13	—	138,196,910.36	142,251,412.79
Closing balance	<u>810,900,000.00</u>	<u>1,114,334,224.64</u>	<u>336,429,845.16</u>	<u>109,728,912.38</u>	<u>25,264,608.87</u>	<u>2,286,928,678.67</u>

Reasons of change: Increase in the surplus reserve by 33.54% represents the transfer from the profit and loss account.

2 Extracted from the accounts prepared in accordance with HK GAAP:

	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 equity Rmb'000
At 1 January 2002	810,900	780,405	440,151	120,402	92,758	37,861	125,953	2,408,430
Profit for the year	—	—	—	—	—	—	94,561	94,561
Transfer from retained earnings	—	—	3,204	40,233	16,971	28,205	(88,613)	—
2001 final dividend paid	—	—	—	—	—	—	(48,654)	(48,654)
Reversal of overprovided share issue expense	—	729	—	—	—	—	—	729
At 31 December 2002	<u>810,900</u>	<u>781,134</u>	<u>443,355</u>	<u>160,635</u>	<u>109,729</u>	<u>66,066</u>	<u>83,247</u>	<u>2,455,066</u>