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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)

2016 THIRD QUARTERLY REPORT

1. IMPORTANT NOTICE

- 1.1** The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (“GYBYS” or the “Company”) and its directors, supervisors and senior management collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this quarterly report and confirm that there are no false information, misleading statements or material omissions in this quarterly report.
- 1.2** All directors of the Company (the “Director”) attended the 27th meeting of the sixth session of the Board held on 25 October 2016 by means of telephone conference.
- 1.3** The financial reports of the Company and its subsidiaries (collectively, the “Group”), and the Company for the third quarter ended 30 September 2016 (the “Reporting Period”) are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.4** Mr. Li Chuyuan (chairman of the Board), Mr. Wu Changhai (an executive Director) and Ms. Yao Zhizhi (senior manager of the finance department) declared that they warranted that the financial reports contained in this quarterly report were true, accuracy and complete.
- 1.5** This 2016 third quarterly report published in Hong Kong is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (the “Hong Kong Stock Exchange”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571).
- 1.6** This quarterly report is prepared in both English and Chinese. In the event of discrepancy in interpretation, the Chinese version shall prevail.

2. PRINCIPAL FINANCIAL DATA OF THE COMPANY AND CHANGES IN SHAREHOLDERS

2.1 Principal financial data

Items	As at 30 September 2016 (Unaudited)	As at 31 December 2015 (Audited)	Increase/ (Decrease) as compared with 31 December 2015 (%)
Total assets (<i>RMB'000</i>)	25,448,875	15,870,577	60.35
Shareholders' equity attributable to the shareholders of the Company (<i>RMB'000</i>)	17,382,739	8,450,814	105.69
Net assets per share attributable to the shareholders of the Company (<i>RMB</i>)	10.69	6.55	63.35
Items	1 January – 30 September 2016 (Unaudited)	1 January – 30 September 2015 (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2015 (%)
Net cash flow from operating activities (<i>RMB'000</i>)	2,418,381	1,604,415	50.73
Net cash flow from operating activities per share (<i>RMB</i>)	1.49	1.24	19.70

Items	1 January – 30 September 2016 (Unaudited)	1 January – 30 September 2015 (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2015 (%)
Income from operations <i>(RMB'000)</i>	15,543,685	15,070,814	3.14
Net profit attributable to the shareholders of the Company <i>(RMB'000)</i>	1,056,422	960,001	10.04
Net profit attributable to the shareholders of the Company after deducting non-recurring items <i>(RMB'000)</i>	870,624	960,611	(9.37)
Basic earnings per share <i>(RMB)</i>	0.795	0.743	7.00
Diluted earnings per share <i>(RMB)</i>	0.795	0.743	7.00
Ratio of weighted average return on net assets (%)	10.72	11.90	A decrease of 1.18 percentage points
Ratio of weighted average return on net assets after deducting non-operating items (%)	8.84	11.91	A decrease of 3.07 percentage points

Notes: (1) The above financial data and indicators are computed based on the consolidated financial statements.

(2) Non-recurring items include:

Items	Amount for the Reporting Period (1 July – 30 September 2016) (RMB'000)	Amount (1 January – 30 September 2016) (RMB'000)	Notes
Gain/(Loss) on disposal of non-current assets	(357)	(742)	
Tax return, reduction and exemption of ultra vires approval or without formal approval documents	–	–	
Government subsidies recognized as gain/(loss)	65,083	253,614	This is the amount of government subsidies received by the Company's subsidiaries which were transferred to non-operating income in the Reporting Period.
Gain/(Loss) on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company), as well as investment gains received from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	291	(693)	
Write-off of provision for impairment of accounts receivable undergoing independent impairment test	18	1,595	
Gains/(Loss) of entrusted loans	–	–	
Other non-operating income and expenses excluding the above items	(3,294)	(17,975)	
Income tax effect	(9,960)	(48,842)	
Effect on minority interest	(459)	(1,158)	
Total	<u>51,322</u>	<u>185,799</u>	

2.2 The total number of shareholders and the top ten shareholders of the Company as at the end of the Reporting Period

As at 30 September 2016, there were 61,219 shareholders in total, among which, 61,192 shareholders held the Renminbi-denominated ordinary shares (A Shares) and 27 shareholders held overseas listed foreign shares (H Shares).

The top ten shareholders

Shareholders	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares subject to selling restrictions held (share)	Number of shares pledged or locked (share)	Nature of shares
Guangzhou Pharmaceutical Holdings Company (“GPHL”)	732,305,103	45.04	183,178,112	172,390,000	Domestic shares
HKSCC Nominees Limited	219,599,479	13.51	Nil	Unknown	H shares
Guangzhou State-owned Asset Development Holdings Limited	87,976,539	5.41	87,976,539	Unknown	Domestic shares
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	73,313,783	4.51	73,313,783	Unknown	Domestic shares
China Securities Finance Corporation Limited	35,631,704	2.19	Nil	Unknown	Domestic shares
Shanghai Yunfeng New Venture Equity Interest Investment Centre (Limited Partnership)	21,222,410	1.31	21,222,410	Unknown	Domestic shares
Central Huijin Asset Management Co., Ltd.	15,260,700	0.94	Nil	Unknown	Domestic shares
The Industrial and Commercial Bank of China Co., Ltd.- Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	9,945,228	0.61	Nil	Unknown	Domestic shares
Agricultural Bank of China Co., Ltd. – Fu Guo Zhong Zheng State-owned Enterprises Reform Index Hierarchical Securities Investment Fund	7,011,821	0.43	Nil	Unknown	Domestic shares
New China Life Insurance Co., Ltd. – Dividend – Group Dividend – 018L – FH001 Hu	6,380,585	0.39	Nil	Unknown	Domestic shares

The top ten shareholders not subject to restrictions

Shareholders	Number of shares with selling restrictions	Nature of shares (share)
Guangzhou Pharmaceutical Holdings Company ("GPHL")	549,126,991	Domestic shares
HKSCC Nominees Limited	219,599,479	H shares
China Securities Finance Corporation Limited	35,631,704	Domestic shares
Central Huijin Asset Management Co., Ltd.	15,260,700	Domestic shares
The Industrial and Commercial Bank of China Co., Ltd.- Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	9,945,228	Domestic shares
Agricultural Bank of China Co., Ltd. – Fu Guo Zhong Zheng State-owned Enterprises Reform Index Hierarchical Securities Investment Fund	7,011,821	Domestic shares
New China Life Insurance Co., Ltd. – Dividend – Group Dividend – 018L – FH001 Hu	6,380,585	Domestic shares
Zhao Xuguang	5,825,806	Domestic shares
Agricultural Bank of China Co., Ltd. – Guo Tai Guo Zheng Medical and Health Industry Index Classification Securities Investment Fund	5,754,590	Domestic shares
The National Social Security Fund – One Two Portfolio	5,000,000	Domestic shares

Notes:

- (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 whether there is any connection among the above shareholders.

2.3 The total number of shareholders holding preferred shares, the top ten shareholders holding preferred shares, the top ten shareholders holding preferred shares not subject to restrictions as at the end of the Reporting Period

Applicable Not applicable

3. MAJOR EVENTS

3.1 Significant changes in major accounting items and financial indicators of the Company's financial statements and reasons for changes

✓ Applicable □ Not applicable

Items	As at 30 September 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Cash at bank and on hand	13,778,389	4,118,291	234.57	It was due to the fact that as of 30 September 2016, the Group raised proceeds through the non-public offering of RMB-denominated ordinary shares (A shares) and increased the recovery of funds.
Advances to suppliers	213,795	316,796	(32.51)	It was due to the fact that as of 30 September 2016, the amount prepaid by subsidiaries of the Company for purchasing pharmaceutical raw materials and packaging materials decreased.
Dividend receivable	52,939	0	100.00	It was due to the fact that as of 30 September 2016, the investment income recognized by subsidiaries of the Company of joint ventures under the equity method increased.
Other current assets	21,121	108,318	(80.50)	It was due to the fact that as of 30 September 2016, the VAT input tax not deducted of the Group decreased.

Items	As at 30 September 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Development costs	3,017	5,509	(45.24)	It was due to the fact that as of 30 September 2016, the closing balance of development expenses of the Group decreased.
Goodwill	11,500	2,283	403.71	It was due to the fact that as of 30 September 2016, a subsidiary of the Company acquired certain shares in Baiyunshan Hospital.
Long-term prepaid expenses	56,271	24,112	133.37	It was due to the fact that as of 30 September 2016, the expenses on the reconstruction of fixed assets leased by subsidiaries of the Company increased.
Other non-current assets	36,068	0	100.00	It was due to the fact that as of 30 September 2016, the procedure for the transfer of property right still pending completion in relation to the acquisition of assets by subsidiaries of the Company.
Short-term borrowings	263,356	629,683	(58.18)	It was due to the fact that as of 30 September 2016, bank borrowings decreased as subsidiaries of the Company gradually repaid bank borrowings.
Interests payables	245	360	(31.74)	It was due to the fact that as of 30 September 2016, the unpaid bank interest payable by the Group decreased.

Items	As at 30 September 2016 (RMB'000)	As at 31 December 2015 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Other payables	2,659,195	1,755,251	51.50	It was due to the fact that as of 30 September 2016, the accrued expenses of the Group increased.
Deferred income	653,237	183,588	255.82	It was due to the fact that as of 30 September 2016, compensation for government requisition and relocation of property and the subsidy received from the government by subsidiaries of the Company increased.
Deferred tax liabilities	38,029	29,064	30.85	It was due to the fact that as of 30 September 2016, the difference in income tax payable by the Group in the future increased.
Capital surplus	9,875,139	2,346,435	320.86	It was due to the fact that as of 30 September 2016, a premium existed on the share capital of the RMB-denominated ordinary shares (A shares) non-publicly offered by the Group.
Other comprehensive Income	11,354	(733)	1649.66	It was due to the fact that as of 30 September 2016, the price of financial assets available for sale held by the Group increased.

Items	1 January – 30 September 2016 (RMB'000)	1 January – 30 September 2015 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Financial expenses	(55,002.00)	(19,021.00)	(189.17)	During the Reporting Period, subsidiaries of the Company made full use of idle funds and optimized the types of deposits by rationally allocating funds, resulting in a substantial increase in interest income.
Asset impairment losses	857.00	8,495.00	(89.91)	It was due to the fact that during the Reporting Period, the impairment loss provided by the Group decreased.
Profit arising from the changes in fair value	(693.00)	742.00	(193.44)	It was due to the fact that during the Reporting Period, prices of shares held by the Company in AVIC Helicopter Co., Ltd. and Harbin Pharmaceutical Group Co., Ltd. declined.
Investment income	174,700.00	113,223.00	54.30	It was due to the fact that during the Reporting Period, the investment income recognized by the Group of joint ventures under the equity method increased.
Non-operating income	280,460.00	69,340.00	304.47	It was due to the fact that during the Reporting Period, compensation for government requisition and relocation and the subsidy received from the government by subsidiaries of the Company increased.

Items	1 January – 30 September 2016 (RMB'000)	1 January – 30 September 2015 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Non-operating expenses	45,563.00	67,324.00	(32.32)	It was due to the fact that during the Reporting Period, expenses relating to government requisition and relocation incurred by subsidiaries of the Company decreased.
Net cash flows from operating activities	2,418,381.00	1,604,415.00	50.73	It was due to the fact that during the Reporting Period, compensation for government requisition and relocation and the subsidy received from the government by subsidiaries of the Company increased and the payment of taxes and duties decreased.
Net cash flows from investing activities	(190,287.00)	(700,466.00)	72.83	It was due to the fact that during the Reporting Period, the Company's investment in production sites and equipment and funds paid for investment projects decreased.
Net cash flows from financing activities	7,473,584.00	(304,819.00)	2,551.81	It was due to the fact that during the Reporting Period, the Group received proceeds from the non-public offering of RMB-denominated ordinary shares (A shares).

3.2 Explanation and analysis on major events and their impact and solutions

Applicable Not applicable

3.3 Performance of the undertakings by the Company, its shareholders and ultimate controller

✓ Applicable □ Not applicable

3.3.1 Equity incentive implemented by listed company

Item	Content
Background of the undertaking	Undertakings in connection with equity division reform
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none"> 1. In order to improve the value of the listed company, after the reform, the controlling shareholder of the Company, GPLH will, to the extent permitted by laws and regulations and subject to the approval of the supervision authority, support the Company to set up an equity incentive mechanism as the prerequisite for management to fulfill their rights of options based on the performance growth of the listed company. 2. Upon the original undertakings, GPLH made further undertakes: In order to fully mobilize the initiative and creativity of the management team of the listed company, realize the sustainable development and improve the value of the listed company, GPLH undertakes that it will, to the extent permitted by laws and regulations and subject to the approvals of the supervisory authorities, monitor and support Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited to set up incentive scheme for long and medium term within three years from the date of this undertaking letter, which scheme stipulate the growth in profits of the Company as a condition and link to market value.
Time and period of the undertaking	The original undertaking was given in March 2006. On 25 June 2014, GPLH supplemented the original undertaking. The undertaking remains valid until it has been fully performed.
Valid period for performance	Up to 25 June 2017
Whether strictly and timely performed	Being performed
Specification	Yes

3.3.2 Independence of listed company

Item	Content
Background of the undertakings	Undertakings related to major assets reorganization (the “Major Assets Reorganization”)
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none"> <li data-bbox="751 414 1473 874">1. After completion of the Major Assets Reorganization, GPLH, the controlling shareholder of the Company, will comply with the requirements of relevant laws and regulations, regulatory documents and the Articles of Association of the Company, and exercise shareholder’s right according to laws and will not affect the independence of the Company by exerting its influence as a controlling shareholder and will maintain the integrity and independence of the Company in respect of assets, employees, finance, organization and business. <li data-bbox="751 927 1473 1044">2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.3 Avoiding competition

Item	Content
Background of undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	<ol style="list-style-type: none"> <li data-bbox="751 372 1471 1138">1. After completion of the Major Assets Reorganization, GPLH and its controlled subsidiaries should avoid engaging in business and operations which substantially compete with those of the subsisting the Company after completion of the Major Assets Reorganization, and avoid increasing investment in companies and enterprises, other than GYBYS and its subsidiaries, which engages in business and operations which substantially compete with those of GYBYS. GPLH will not and will procure its subsidiaries not to engage in the same or similar business of GYBYS in order to avoid direct or indirect competition with the operation and business of GYBYS. In addition, GPLH will voluntarily and will vigorously procure its subsidiaries to give up competition with GYBYS if GPLH and its subsidiaries will bring unfair impact on GYBYS in respect of market shares, business opportunities and allocation of resources. <li data-bbox="751 1181 1471 1351">2. GPLH is willing to bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by GYBYS due to any breach of the above undertakings. <li data-bbox="751 1393 1471 1517">3. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.4 Regulating connected transactions

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	<ol style="list-style-type: none"> <li data-bbox="751 417 1473 1134">1. After completion of the Major Assets Reorganization, GPLH and its subsidiaries should minimize and regulate connected transactions with GYBYS. If there is any unavoidable connected transaction, GPLH and its controlled subsidiaries will sign agreement with GYBYS in accordance with laws and perform legal procedures. They will also fulfill the information disclosure obligations and pursue the reporting and approval procedures according to the requirements of relevant laws and regulations, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Listing Rules of Hong Kong Stock Exchange and the Articles of Association of Guangzhou Pharmaceutical Company Limited, and warrant that it will not undermine the legitimate rights and interests of the subsisting GYBYS after completion of the Major Assets Reorganization and its other shareholders. <li data-bbox="751 1187 1473 1304">2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.5 Restricting the sale of shares

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	Within 36 months from the registration date of such shares, GPLH and its associate companies will not transfer the shares they acquired as a result of GYBYS's acquisition of assets from GPLH through issue of shares. After such period, any transfer of the shares will be made according to relevant requirements of CSRC and SSE.
Time and period of the undertaking	The undertaking was given on 29 February 2012 and remains valid until it has been fully performed.
Valid period for performance	<p>The Company completed the registration of its newly Missued shares on 5 July 2013 with its share registrar, and the performance period will be ended on 5 July 2016.</p> <p>On 25 October 2016, the Company published an announcement on the listing of the non-publicly offered restricted shares. The newly issued shares will be listed on 28 October 2016.</p>
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.6 Undertakings related to trademark

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder, the Company
Details of the undertakings	<p>GPHL and the Company mutually undertake as follows in relation to transactions under the Trademark Custody Agreement between Guangzhou Pharmaceutical Company Limited and Guangzhou Pharmaceutical Holdings Limited (the “Agreement”):</p> <ol style="list-style-type: none"> <li data-bbox="751 604 1471 1178">1. Both parties will enter into a supplemental agreement (“Supplemental Agreement”) to the Agreement as soon as possible after the Agreement becoming effective and before they enter into the first new or renewal licensing agreement relating to the licensing of Wang Lao Ji trademarks in custody under the Agreement, with the specific arrangement for new/renewal trademark license to be negotiated by the parties separately. Both parties also agreed that the Supplemental Agreement shall (i) embody the requirement for GPHL to pay the Company a basic custody fee of RMB1 million per year as set out in the Agreement; and(ii) specify that 20% of the new licenses fees will be the custody income for the Company and the remaining 80% will be retained by GPHL. <li data-bbox="751 1225 1471 1683">2. Both parties further undertake that the Supplemental Agreement they entered into in the future under the above arrangement will comply with applicable provisions of the listing rules of HKEx and SSE (including but not limited to the requirements of Chapter 14A of the Listing Rules of HKEx and Chapter 10 of the Listing Rules of SSE relating to continuing connected transactions/connected transactions in the ordinary course of business, including that the Supplemental Agreement must specify its validity term, the estimated annual cap of custody income, other terms that must be set out, and etc.).
Time and period of undertaking	The undertaking was given on 26 March 2012 and remains valid until it has been fully performed.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.7 Undertakings related to properties with legal defects

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	<ol style="list-style-type: none"> 1. GPHL will promote the development of the subsisting listed company, protect the interests of minority investors, and proactively take measures to solve the issue of Baiyunshan properties with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised. 2. Guaranteeing that the subsisting listed company will be able to continue occupying and using such properties after completion of the merger and that it will not incur any additional cost nor suffer any material adverse impact due to such issue. 3. After completion of the merger, GPHL will fully compensate the Company within 2 months from the date of incurring of the actual losses (not including the tax normally incurred in respect of changing the registration name and transfer in relation to the properties and the land premium in relation to the changes from non-granted landuse rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by the Company due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by the Company, and such losses include but not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that the Company and minority investors will not suffer any damage there under.
Time and period of undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Specification	Yes

3.3.8 Undertakings related to trademarks which did not complete the transfer procedures

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	<p>As at 28 June 2013, the registration formalities for the transfer of 388 trademarks within the assets proposed to be acquired to the Company were not yet completed. The consideration for these trademarks was RMB51.1416 million, mainly including two categories: 54 major trademarks under its six major series namely “Chen Li Ji”, “Pan Gao Shou”, “Xing Qun”, “Zhong Yi”, “Qi Xing” and “Jing Xiu Tang” licensed by GPLH for use by the Company and its subsidiaries, and GPLH’s 334 trademarks which are registered by GPLH domestically and overseas for joint or defensive purposes (including 277 domestic trademarks and 57 overseas trademarks).</p> <p>With respect to the trademarks proposed by acquired under the Major Assets Reorganization but still pending for registration of transfer, GPLH undertook to:</p> <ol style="list-style-type: none"> 1. complete the procedure for the transfer of those assets to the Company as soon as possible; 2. ensure that the Company can use these trademarks without having to pay any consideration before the transfer of those assets to the Company; and 3. to fully indemnify the Company and other third parties (including but not limited to third party institutions such as the share registrar and the SSE) in cash in respect of any losses incurred by the Company and such third parties within two days from the date on which such losses are actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.

Item	Content
	<p data-bbox="751 187 1469 263">On the basis of the original undertakings, GPLH made further undertakings as follows:</p> <ol data-bbox="751 314 1469 1630" style="list-style-type: none"> <li data-bbox="751 314 1469 555">1. The transfer of all those trademarks to GYBYS will be completed within 3 years from the date of issue of this letter of undertaking letter issued. The Company ensures that GYBYS can use these trademarks without having to pay any consideration before the transfer of those trademarks; <li data-bbox="751 606 1469 1172">2. If the transfer of those trademarks has not been completed by the end of the abovementioned undertaking period, the Company will pay compensation to GYBYS in cash within 10 working days according to the valuation of the trademarks in respect of which the transfer procedure has not been completed (based on the “Asset Evaluation Report on the Asset Evaluation Project of the Proposed Acquisition by Guangzhou Pharmaceutical Company Limited of the Real Estate and Trademarks held by Guangzhou Pharmaceutical Holdings Limited through the Private Placing of New Shares” (Zhong Tian Heng Ping Ping Zi [2012] No. 26) issued by China Valuer International Co., Ltd.); and <li data-bbox="751 1223 1469 1630">3. to fully indemnify GYBYS and/or any third parties in cash in respect of any losses incurred by GYBYS and/or such third parties within two days from the date on which such losses are actually incurred, if due to any reasons, GYBYS cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to GYBYS, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.

Item	Content
	<p>In view of the fact that the above undertaking has been basically completed, the two additional trademarks registered in Thailand are respectively: Zhongyi (中一) brand and fig. (trademark number Tm184722), GPC and fig. (trademark number Tm200961), in respect of which transfer applications have been submitted in March 2014. However, because of the applications are under review by the Intellectual Property Office of Thailand, the transfer procedure has not been completed so far. The two trademarks registered in Thailand are joint or defensive trademarks. In order to fulfill the undertaking of reorganization and safeguard the interests of the Company as soon as possible, the Company and GPLH have entered into the Letter of Confirmation on Payment of Trademark Compensation, confirming:</p> <ol style="list-style-type: none"> <li data-bbox="751 810 1481 1261">1. GPLH shall offer cash compensation to the Listed Company based on the appraised value of the two trademarks registered in Thailand. The appraised value is determined based on the appraised value in the “Asset Evaluation Report on the Asset Evaluation Project of the Proposed Acquisition by Guangzhou Pharmaceutical Company Limited of the Real Estate and Trademarks held by Guangzhou Pharmaceutical Holdings Limited through the Private Placing of New Shares” (Zhong Tian Heng Ping Ping Zi [2012] No.026) issued by Zhongtian Hengping; <li data-bbox="751 1310 1481 1549">2. When the conditions for completing the procedure for the transfer of the two trademarks registered in Thailand have been satisfied, the two trademarks registered in Thailand will be transferred to the Company in accordance with the aforesaid appraised value.
Time and period of the undertaking	The original undertaking was given on 28 June 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 23 April 2014. The undertaking remains valid until it has been fully performed. The Company had received cash compensation on 27 September 2016.
Valid period for performance	N/A
Whether timely and strictly performed	Basically fully performed
Specification	Yes

3.3.9 Undertakings related to trademarks

Item	Content
Background of the undertakings	Undertakings related to Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertakings	<ol style="list-style-type: none"> <li data-bbox="751 442 1471 1044">1. GPLH undertakes that, within 2 years from the date of satisfying any conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption. <li data-bbox="751 1066 1471 2023">2. On the basis of the original undertaking, Guangzhou Pharmaceutical Holdings Limited further undertakes as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within 2 years commencing from the transferable day, Guangzhou Pharmaceutical Holdings Limited shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by Guangzhou Pharmaceutical Holdings Limited after the Execution Day (inclusive of today) for the “Supplementary Agreement to the Agreement of Trademark Custody”. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the state-owned assets authority.

Item	Content
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH made supplement to relevant contents on 15 June 2012 and the period of validity is up to the date on which the undertakings is fully performed.
Valid period for performance	No
Whether timely and strictly performed	In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the commencing date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration. As approved at the 8th meeting of the sixth session of the Board of the Company, the resolution on the amendment to the performance period of injection of Wang Lao Ji trademark series was submitted to the first extraordinary general meeting in 2016 held on 13 March 2016 and was approved.
Specification	Yes

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

3.4 Warning and explanation for negative impact on profit in respect of the beginning of 2016 up to the next reporting period, or significant profit fluctuation in comparison to the corresponding period of 2015

Applicable Not applicable

3.5 Compared with the most recent financial report, the scope of consolidation has not changed.

4. APPENDIX

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

Consolidated Balance Sheet

As at 30 September 2016

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Current assets:		
Cash at bank and on hand	13,778,388,784.80	4,118,291,426.52
Settlement provisions	-	-
Placements	-	-
Financial assets based on fair value to confirm profit or loss	5,806,363.07	6,499,789.60
Derivative financial assets	-	-
Notes receivable	1,272,562,420.57	1,450,035,581.39
Accounts receivable	1,140,846,813.05	1,051,642,996.39
Advances to suppliers	213,795,298.92	316,795,764.49
Premiums receivable	-	-
Receivables from reinsurers	-	-
Reinsurance contract reserve	-	-
Interest receivable	-	-
Dividend receivable	52,938,523.45	-
Other receivables	213,889,358.96	209,264,412.47
Financial assets purchased under resale agreements	-	-
Inventories	2,453,247,187.65	2,543,866,145.35
Classified as assets held for sale	-	-
Current portion of non-current assets	-	-
Other current assets	<u>21,121,405.18</u>	<u>108,317,835.73</u>
Total current assets	<u>19,152,596,155.65</u>	<u>9,804,713,951.94</u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Non-currents assets:		
Entrusted loans and advances	–	–
Available-for-sale financial assets	387,927,347.17	328,372,231.24
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investment	2,206,200,397.54	2,111,212,976.44
Investments properties	233,583,371.07	234,615,086.24
Fixed assets	1,929,749,318.25	1,933,901,738.15
Construction in progress	416,928,248.10	555,906,380.17
Construction materials	–	–
Disposal of fixed assets	–	–
Production of biological assets	–	–
Oil and gas assets	–	–
Intangible assets	643,259,493.84	540,174,651.69
Development costs	3,017,046.84	5,509,098.53
Goodwill	11,499,562.74	2,282,952.18
Long-term prepaid expenses	56,270,533.21	24,112,146.30
Deferred tax assets	371,776,362.57	329,776,054.32
Other non-current assets	36,067,500.00	–
Total non-current assets	<u>6,296,279,181.33</u>	<u>6,065,863,315.26</u>
Total assets	<u><u>25,448,875,336.98</u></u>	<u><u>15,870,577,267.20</u></u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Current liabilities:		
Short-term borrowings	263,355,860.16	629,683,464.69
Borrowings from central banks	-	-
Deposits and deposits by banks	-	-
Funds borrowed	-	-
Financial liabilities at fair value through profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable	360,217,928.91	292,607,099.65
Accounts payable	2,347,722,588.57	2,636,474,108.05
Advances from customers	816,214,954.57	974,514,210.30
Financial assets sold under repurchase agreements	-	-
Fee and commission payable	-	-
Employee benefits payable	355,601,284.92	413,029,738.15
Taxes payable	84,524,470.50	74,514,458.11
Interests payable	245,488.55	359,628.56
Dividend payable	41,263,862.43	52,066,098.91
Other payables	2,659,194,847.13	1,755,251,103.41
Payables to reinsurers	-	-
Insurance contract	-	-
Brokerage deposits	-	-
Acting underwriting securities	-	-
Classified as liabilities held for sale	-	-
Current portion of non-current liabilities	-	-
Other current liabilities	-	-
Total current liabilities	6,928,341,285.74	6,828,499,909.83
Non-current liabilities:		
Long-term borrowings	32,245,909.41	39,755,174.34
Debentures payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payable	20,707,855.59	22,219,899.34
Long-term employee benefits payable	304,857.66	296,646.40
Payables for specific projects	19,058,160.00	19,058,160.00
Provisions	60,471,029.53	64,162,534.32
Deferred income	653,236,642.91	183,587,858.83
Deferred tax liabilities	38,029,445.53	29,063,935.23
Other non-current liabilities	-	-
Total non-current liabilities	824,053,900.63	358,144,208.46
Total liabilities	7,752,395,186.37	7,186,644,118.29

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Shareholders' equity:		
Share capital	1,625,790,949.00	1,291,079,250.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Capital surplus	9,875,139,062.16	2,346,435,108.64
Less: Treasury shares	-	-
Other comprehensive Income	11,354,016.08	-732,678.19
Special reserves	-	-
Surplus reserves	930,522,262.36	930,522,262.36
General risk reserve	-	-
Undistributed profits	<u>4,939,932,740.68</u>	<u>3,883,510,490.48</u>
Total equity attributable to the Shareholders of the parent Company	17,382,739,030.28	8,450,814,433.29
Minority interests	<u>313,741,120.33</u>	<u>233,118,715.62</u>
Total shareholders' equity	<u>17,696,480,150.61</u>	<u>8,683,933,148.91</u>
Total liabilities and shareholders' equity	<u>25,448,875,336.98</u>	<u>15,870,577,267.20</u>

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

Parent Company Balance Sheet

As at 30 September 2016

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Current assets:		
Cash at bank and on hand	9,280,597,754.08	992,260,432.73
Financial assets based on fair value to confirm profit or loss	5,806,363.07	6,499,789.60
Derivative financial assets	–	–
Notes receivable	576,922,239.18	432,494,330.23
Accounts receivable	325,226,579.06	367,642,513.31
Advances to suppliers	4,455,432.62	10,283,339.24
Interest receivable	–	–
Dividend receivable	163,451,469.16	200,930,968.29
Other receivables	1,246,637,154.35	1,099,573,150.44
Inventories	322,257,138.34	373,333,246.04
Classified as assets held for sale	–	–
Current portion of non-current assets	–	–
Other current assets	4,436,425.74	349,406.68
Total current assets	11,929,790,555.60	3,483,367,176.56
Non-currents assets:		
Available-for-sale financial assets	323,658,253.51	276,380,753.51
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investment	4,119,386,719.80	3,884,977,707.45
Investments properties	218,764,309.33	225,037,945.52
Fixed assets	494,063,599.95	475,499,950.79
Construction in progress	4,496,861.63	138,529,406.52
Construction materials	–	–
Fixed assets pending for disposal	–	–
Production of biological assets	–	–
Oil and gas assets	–	–
Intangible assets	379,457,478.10	272,001,250.47
Development costs	2,217,046.84	3,997,046.84
Goodwill	–	–
Long-term prepaid expenses	1,928,588.31	578,686.87
Deferred tax assets	34,033,633.94	34,033,633.94
Other non-current assets	–	–
Total non-current assets	5,578,006,491.41	5,311,036,381.91
Total assets	17,507,797,047.01	8,794,403,558.47

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Current liabilities:		
Short-term borrowings	184,431,644.92	80,000,000.00
Financial liabilities based on fair value to confirm profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable	-	-
Accounts payable	216,261,977.00	164,807,485.98
Advances from customers	9,545,857.50	113,379,962.09
Employee benefits payable	77,176,299.29	77,538,021.54
Taxes payable	50,314,432.16	48,847,537.91
Interests payable	-	73,458.32
Dividend payable	156,225.47	156,225.47
Other payables	1,307,941,534.44	1,085,613,978.86
Classified as liabilities held for sale	-	-
Current portion of non-current liabilities	-	-
Other current liabilities	-	-
Total current liabilities	1,845,827,970.78	1,570,416,670.17
Non-current liabilities:		
Long-term borrowings	-	-
Debentures payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payable	7,876,324.33	7,876,324.33
Long-term employee benefits payable	-	-
Payables for specific projects	-	-
Provisions	84,006,207.19	46,244,031.19
Deferred income	81,471,612.28	62,576,138.23
Deferred tax liabilities	4,133,394.48	4,541,769.48
Other non-current liabilities	-	-
Total non-current liabilities	177,487,538.28	121,238,263.23
Total liabilities	2,023,315,509.06	1,691,654,933.40

Items	At the end of the Reporting Period (RMB)	At the beginning of 2016 (RMB)
Shareholders' equity:		
Share capital	1,625,790,949.00	1,291,079,250.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Capital surplus	9,820,141,973.37	2,291,438,019.85
Less: Treasury shares	-	-
Other comprehensive Income	10,693,346.07	13,102,882.57
Special reserves	-	-
Surplus reserves	557,913,827.76	557,913,827.76
Undistributed profits	<u>3,469,941,441.75</u>	<u>2,949,214,644.89</u>
Total shareholders' equity	<u>15,484,481,537.95</u>	<u>7,102,748,625.07</u>
Total liabilities and shareholders' equity	<u>17,507,797,047.01</u>	<u>8,794,403,558.47</u>

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

Consolidated Income Statement

1 January-30 September 2016

Items	1 July – 30 September 2016 (RMB)	1 July – 30 September 2015 (RMB)	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
1. Revenue	4,686,415,546.92	4,591,150,374.49	15,543,684,867.01	15,070,813,896.71
Including: Income from operations	4,686,415,546.92	4,591,150,374.49	15,543,684,867.01	15,070,813,896.71
Interest Income	–	–	–	–
Premiums earned	–	–	–	–
Fee and commission income	–	–	–	–
2. Total cost from operations	4,497,229,054.04	4,361,096,157.08	14,613,127,370.72	13,988,091,227.11
Including: Cost of operations	3,108,408,347.72	2,964,071,135.51	9,843,647,883.56	9,575,746,196.80
Interest expense	–	–	–	–
Fee and commission expense	–	–	–	–
Surrenders	–	–	–	–
Net claims paid	–	–	–	–
Net reserves for insurance contracts	–	–	–	–
Policyholder dividends	–	–	–	–
Reinsurance expenses	–	–	–	–
Taxes and surcharges	33,045,950.98	42,651,300.78	118,978,132.23	143,240,815.10
Selling and distribution expenses	996,507,447.43	1,031,794,559.73	3,625,188,427.81	3,272,606,809.46
General and administrative expenses	385,355,447.66	327,251,226.04	1,079,457,974.26	1,007,023,026.24
Financial expenses	(25,169,309.96)	(1,056,780.31)	(55,001,857.30)	(19,020,897.80)
Asset impairment losses	(918,829.79)	(3,615,284.67)	856,810.16	8,495,277.31
Add: Profit arising from the changes in fair value	290,510.40	(1,636,480.60)	(693,426.53)	742,118.30
Investment income	29,414,666.39	12,810,979.63	174,700,042.30	113,222,747.32
Including: Share of profits from associates and jointly controlled entities	28,136,425.40	11,113,773.35	173,408,026.60	111,142,170.49
Exchange gains	–	–	–	–
3. Operating profit	218,891,669.67	241,228,716.44	1,104,564,112.06	1,196,687,535.22
Add: Non-operating income	76,791,389.13	10,404,605.65	280,460,051.95	69,339,541.41
Including: Gain on disposal of Non-current assets	3,242.04	112,536.81	316,557.08	218,755.33
Less: Non-operating expenses	15,358,231.05	16,126,022.78	45,563,477.33	67,324,459.51
Including: Losses from disposal of non-current assets	359,908.67	197,319.22	1,058,412.90	731,122.90
4. Total profit	280,324,827.75	235,507,299.31	1,339,460,686.68	1,198,702,617.12

Items	1 July – 30 September 2016 (RMB)	1 July – 30 September 2015 (RMB)	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
Less: Income tax expense	46,195,506.10	44,484,228.31	242,203,268.51	214,997,160.42
5. Net profit	<u>234,129,321.65</u>	<u>191,023,071.00</u>	<u>1,097,257,418.17</u>	<u>983,705,456.70</u>
Including: Pre-acquisition net profit of the acquired company	–	(372,567.56)	–	(372,567.56)
Net profit attributable to the shareholders of the Company	224,615,728.31	184,763,176.56	1,056,422,250.20	960,001,444.60
Minority interests	9,513,593.34	6,259,894.44	40,835,167.97	23,704,012.10
6. After-tax net income of other comprehensive income	2,386,005.33	(6,893,922.14)	12,081,216.54	(3,933,222.59)
After-tax net income of other comprehensive income attributable to the parent company owner	2,386,607.28	(6,880,843.57)	12,086,694.27	(3,928,903.16)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period	–	–	–	–
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset	–	–	–	–
(2) Portion of items will not be classified into profit or loss when under equity method	–	–	–	–
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period	2,386,607.28	(6,880,843.57)	12,086,694.27	(3,928,903.16)
(1) Portion of items will be classified into profit or loss when under equity method	(172,276.18)	(30,668.88)	(95,411.50)	(91,652.84)
(2) Profit or loss arising from changes in fair value of available for sale financial assets	1,082,822.76	(8,290,236.57)	8,442,912.76	(5,368,621.46)
(3) Profit or loss arising from reclassification of held to maturity investments as available for sale financial assets	–	–	–	–
(4) The effective hedging portion of profit or loss arising from cash flow hedging instruments	–	–	–	–

Items	1 July – 30 September 2016 (RMB)	1 July – 30 September 2015 (RMB)	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
(5) Differences arising from translation of foreign currency financial statements	1,476,060.70	1,440,061.88	3,739,193.01	1,531,371.14
(6) Others	-	-	-	-
After-tax net income of other comprehensive income attributable to minority shareholders equity	(601.95)	(13,078.57)	(5,477.73)	(4,319.43)
7. Total comprehensive income	<u>236,515,326.98</u>	<u>184,129,148.86</u>	<u>1,109,338,634.71</u>	<u>979,772,234.11</u>
Total comprehensive income attributable to the shareholders of the Company	227,002,335.59	177,882,332.99	1,068,508,944.47	956,072,541.44
Comprehensive income attributable to the shareholders of minority shareholders' equity	9,512,991.39	6,246,815.87	40,829,690.24	23,699,692.67
8. Earnings per share				
(1) Basic earnings per share	0.17	0.14	0.80	0.74
(2) Diluted earnings per share	0.17	0.14	0.80	0.74

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

Income Statement of the Company

1 January-30 September 2016

Items	1 July – 30 September 2016 (RMB)	1 July – 30 September 2015 (RMB)	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
1. Revenue	647,709,786.78	578,439,206.75	2,109,002,055.70	2,231,418,108.27
Less: Cost of sales	313,856,720.30	291,272,873.23	991,408,058.95	1,126,673,538.21
Taxes and surcharges	6,898,394.93	7,512,209.25	29,810,597.87	29,030,939.22
Selling and distribution expenses	99,696,981.76	78,855,367.28	359,946,522.28	395,881,357.60
General and administrative expenses	124,779,328.44	99,986,902.65	320,256,332.10	306,825,459.06
Financial expenses	(8,564,425.28)	5,809,540.78	(4,136,429.83)	16,749,863.29
Asset impairment losses	5,535,014.06	713,516.59	7,085,618.64	1,395,083.87
Add: Profit arising from the changes in fair value	290,510.40	(1,636,480.60)	(693,426.53)	742,118.30
Investment income	31,826,649.13	34,358,316.97	160,768,834.36	171,473,763.28
Including: Share of profits from associates and jointly controlled entities	30,650,352.21	24,511,579.64	162,935,299.66	146,738,817.99
2. Operating profit	<u>137,624,932.10</u>	<u>127,010,633.34</u>	<u>564,706,763.52</u>	<u>527,077,748.60</u>
Add: Non-operating income	4,856,499.46	1,991,154.53	17,144,636.92	10,030,783.74
Including: Gains on disposal of Non-current assets	3,242.04	111,342.87	19,472.52	157,368.02
Less: Non-operating expenses	1,068,508.02	23,305.17	1,788,728.78	556,219.58
Including: Losses from disposal of non-current assets	13,083.02	9,846.83	19,782.96	218,183.48
3. Total profit	<u>141,412,923.54</u>	<u>128,978,482.70</u>	<u>580,062,671.66</u>	<u>536,552,312.76</u>
Less: Income tax expenses	16,306,235.51	16,533,036.00	59,335,874.80	54,494,488.37
4. Net profit	<u>125,106,688.03</u>	<u>112,445,446.70</u>	<u>520,726,796.86</u>	<u>482,057,824.39</u>
5. Other comprehensive income	(18,001.18)	(7,641,568.88)	(2,409,536.50)	(5,234,152.84)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period	-	-	-	-
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset	-	-	-	-

Items	1 July – 30 September 2016 (RMB)	1 July – 30 September 2015 (RMB)	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
(2) Portion of items will not be classified into profit or loss when under equity method	-	-	-	-
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period	(18,001.18)	(7,641,568.88)	(2,409,536.50)	(5,234,152.84)
(1) Portion of items will be classified into profit or loss when under equity method	(172,276.18)	(30,668.88)	(95,411.50)	(91,652.84)
(2) Profit or loss arising from changes in fair value of available for sale financial assets	154,275.00	(7,610,900.00)	(2,314,125.00)	(5,142,500.00)
(3) Profit or loss arising from reclassification of held to maturity investments as available for sale financial assets	-	-	-	-
(4) The effective hedging portion of profit or loss arising from cash flow hedging instruments	-	-	-	-
(5) Differences arising from translation of foreign currency financial statements	-	-	-	-
(6) Others	-	-	-	-
6. Total comprehensive income	<u>125,088,686.85</u>	<u>104,803,877.82</u>	<u>518,317,260.36</u>	<u>476,823,671.55</u>
7. Earnings per share				
(1) Basic earnings per share	-	-	-	-
(2) Diluted earnings per share	-	-	-	-

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

Consolidated Cash Flow Statement

1 January-30 September 2016

Items	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	13,423,052,755.44	15,174,153,910.29
Customer deposits and interbank net increase in deposits	–	–
Net increase in borrowings from central banks	–	–
Borrowing funds from other financial institutions		
Net increase	–	–
Receipt of the original insurance contract cash	–	–
Net cash received from reinsurance business	–	–
Net increase in policyholders' deposits and investments	–	–
Net increase of disposal of trading financial assets	–	–
Charge interest, fees and commissions	–	–
Net increase of capital borrowed	–	–
Net increase in repo operations funds	–	–
Refund of taxes and surcharges	4,316,234.92	41,521,384.36
Cash received relating to other operating activities	955,804,584.72	305,904,325.25
Sub-total of cash inflows	<u>14,383,173,575.08</u>	<u>15,521,579,619.90</u>
Cash paid for goods and services	6,388,681,203.25	8,073,265,278.50
Net increase in loans and advances to customers	–	–
Central banks and interbank deposits Cash	–	–
Pay the original insurance contract paid in cash	–	–
Payment of interest, fees and commissions	–	–
Policyholder dividends paid in cash	–	–
Cash paid to and on behalf of employees	2,338,703,489.78	2,291,506,078.81
Payments of taxes and surcharges	1,317,140,384.61	1,586,046,058.00
Cash paid relating to other operating activities	1,920,267,186.46	1,966,347,319.45
Sub-total of cash outflows	<u>11,964,792,264.10</u>	<u>13,917,164,734.76</u>
Net cash flows from operating activities	<u>2,418,381,310.98</u>	<u>1,604,414,885.14</u>

Items	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
2. Cash flows from investing activities		
Cash received from disposal of investments	1,009,818.38	–
Cash received from returns on investments	11,236,284.83	52,936,863.27
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	498,031.70	333,188.15
Net cash received from sales of subsidiaries	–	–
Cash received from other investing activities	5,450,861.37	8,518,714.65
Sub-total of cash inflows	18,194,996.28	61,788,766.07
Cash paid to acquire fixed assets, intangible assets and other long-term assets	156,491,483.88	375,419,434.39
Cash paid to acquire investments	50,000,000.00	311,341,753.98
Net increase in loans	–	–
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	1,990,385.70	75,493,146.72
Sub-total of cash outflows	208,481,869.58	762,254,335.09
Net cash flows from investing activities	(190,286,873.30)	(700,465,569.02)
3. Cash flows from financing activities		
Cash received from capital contributions	7,876,087,481.43	11,760,000.00
Including: Cash received from capital contributions by minority shareholders to subsidiaries	–	11,760,000.00
Cash received from borrowings	273,440,278.77	626,046,974.90
Cash received from issuance of bonds	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows	8,149,527,760.20	637,806,974.90
Cash repayments of borrowings	647,093,996.01	540,138,377.63
Cash payments for interest expenses and distribution of dividends or profits	27,435,801.89	394,141,020.46
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	9,089,283.15	9,530,391.96
Cash payments relating to other financing activities	1,414,292.86	8,346,170.65
Sub-total of cash outflows	675,944,090.76	942,625,568.74
Net cash flows from financing activities	7,473,583,669.44	(304,818,593.84)

Items	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
4. Effects of foreign exchange rate changes on cash and cash equivalents	<u>566,656.37</u>	<u>965,937.10</u>
5. Net increase in cash and cash equivalents	9,702,244,763.49	600,096,659.38
Add: Cash and cash equivalents at the beginning of the period	<u>3,837,603,553.98</u>	<u>3,049,032,036.67</u>
6. Cash and cash equivalents at the end of the period	<u><u>13,539,848,317.47</u></u>	<u><u>3,649,128,696.05</u></u>

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

Cash Flow Statement of Company

1 January-30 September 2016

Items	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	1,386,361,990.58	1,378,240,093.43
Refund of taxes and surcharges	–	–
Cash received relating to other operating activities	429,699,241.85	489,487,453.54
Sub-total of cash inflows	<u>1,816,061,232.43</u>	<u>1,867,727,546.97</u>
Cash paid for goods and services	224,435,939.31	283,833,787.88
Cash paid to and on behalf of employees	447,498,642.49	472,985,014.54
Payments of taxes and surcharges	298,586,141.73	260,230,103.94
Cash paid relating to other operating activities	151,759,623.68	238,964,192.13
Sub-total of cash outflows	<u>1,122,280,347.21</u>	<u>1,256,013,098.49</u>
Net cash flows from operating activities	<u>693,780,885.22</u>	<u>611,714,448.48</u>
2. Cash flows from investing activities		
Cash received from disposal of investments	–	–
Cash received from returns on investments	126,550,345.05	152,942,221.14
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	58,800.00	–
Net cash received from sales of subsidiaries	–	–
Cash received from other investing activities	556,880,370.87	673,151,492.82
Sub-total of cash inflows	<u>683,489,515.92</u>	<u>826,093,713.96</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	8,115,525.94	125,743,269.18
Cash paid to acquire investments	141,600,000.00	455,147,900.00
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	624,986,574.61	458,674,219.15
Sub-total of cash outflows	<u>774,702,100.55</u>	<u>1,039,565,388.33</u>
Net cash flows from investing activities	<u>(91,212,584.63)</u>	<u>(213,471,674.37)</u>

Items	1 January – 30 September 2016 (RMB)	1 January – 30 September 2015 (RMB)
3. Cash flows from financing activities		
Cash received from capital contributions	7,872,387,481.43	–
Cash received from borrowings	214,431,644.92	80,000,000.00
Cash received relating to other financing activities	–	295,000,000.00
Sub-total of cash inflows	<u>8,086,819,126.35</u>	<u>375,000,000.00</u>
Cash repayments of borrowings	110,000,000.00	130,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	3,020,030.03	366,730,284.51
Cash payments relating to other financing activities	288,505,285.07	228,886,461.59
Sub-total of cash outflows	<u>401,525,315.10</u>	<u>725,616,746.10</u>
Net cash flows from financing activities	<u>7,685,293,811.25</u>	<u>(350,616,746.10)</u>
4. Effects of foreign exchange rate changes on cash and cash equivalents	–	–
5. Net increase in cash and cash equivalents	8,287,862,111.84	47,626,028.01
Add: Cash and cash equivalents at the beginning of the period	<u>960,889,437.00</u>	<u>709,868,368.22</u>
6. Cash and cash equivalents at the end of the period	<u>9,248,751,548.84</u>	<u>757,494,396.23</u>

Legal Representative: Director of the Financial Work: Manager of Finance Department:
Mr. Li Chuyuan Mr. Wu Changhai Ms. Yao Zhizhi

4.2 Audited Report.

Applicable Not applicable

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 25 October 2016

As at the date of this report, 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. Chu Xiaoping and Mr. Jiang Wenqi as independent non-executive directors.