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# 廣州藥業股份有限公司

**Guangzhou Pharmaceutical Company Limited**

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

(H Share Stock Code: 0874)

## 2011 FIRST QUARTERLY REPORT

### 1. IMPORTANT NOTICE

- 1.1 The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) of Guangzhou Pharmaceutical Company Limited (“GPC” or the “Company”) and its directors, supervisors and senior management collectively and individually accept full responsibility for the authenticity, 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 The directors of the Board attended the 7<sup>th</sup> meeting of the fifth session of the Board held on 28 April 2011, among whom, Mr. Li Shanmin, an independent non-executive director, attended the meeting by means of telephone.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”), and the Company for the first quarter ended 31 March 2011 (the “Reporting Period”) were prepared in accordance with the PRC Accounting Standards and were unaudited.
- 1.4 Mr. Yang Rongming (the chairman), Mr. Wu Changhai (director and general manager), and Mr. Chen Binghua (the financial controller and senior manager of the Finance Department), warrant and confirm the authenticity and completeness of the financial reports contained in this quarterly report.
- 1.5 This 2011 first quarterly report is published in Hong Kong pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- 1.6 This quarterly report is prepared in both English and Chinese. In the event that different interpretation occurs, the Chinese version shall prevail.

## 2. CORPORATE INFORMATION

### 2.1 Principal financial data and indicators

| Items   | As at<br>31 March 2011<br><i>(Unaudited)</i> | As at<br>31 December 2010<br><i>(Audited)</i> | Increase/(Decrease)<br>as compared with<br>31 December 2010<br><i>(%)</i> |
|---|--|---|---|
| Total assets (RMB'000)  | 4,806,731                                    | 4,476,592                                     | 7.37  |
| Shareholder's equity attributable to<br>the shareholders of the Company (RMB'000) | 3,625,794                                    | 3,539,369                                     | 2.44  |
| Net assets per share attributable to<br>the shareholders of the Company (RMB)     | 4.47   | 4.36  | 2.44  |

| Items   | The Reporting period<br>(1 January – 31 March 2011)<br><i>(Unaudited)</i> | Increase/(Decrease) as<br>compared with the<br>corresponding period of 2010<br><i>(%)</i> |
|---|---|---|
| Net cash flow from operating activities (RMB'000)       | (58,467)  | (1,409.65)  |
| Net cash flow from operating activities per share (RMB) | (0.072)   | (1,409.65)  |

| Items   | The Reporting<br>Period<br><i>(Unaudited)</i> | 1 January –<br>31 March 2011<br><i>(Unaudited)</i> | Increase/(Decrease) of<br>the Reporting Period as<br>compared with the<br>corresponding<br>period of 2010<br><i>(%)</i> |
|---|---|--|---|
| Net profit attributable to the shareholders<br>of the Company (RMB'000)           | 86,980  | 86,980   | 27.36   |
| Basic earnings per share (RMB)  | 0.107   | 0.107  | 27.36   |
| Basic earnings per share after<br>deducting non-operating items (RMB)             | 0.101   | 0.101  | 30.22   |
| Diluted earnings per share (RMB)  | 0.107   | 0.107  | 27.36   |
| Weighted average return on net assets ratio (%)                                   | 2.43  | 2.43   | An increase of 0.38<br>percentage point   |
| Ratio of weighted return on net assets after<br>deducting non-operating items (%) | 2.29  | 2.29   | An increase of 0.41<br>percentage point   |

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

(2) Non-operating items include:

| <b>Non-operating Items (1 January – 31 March 2011)</b>  | <b>Amount</b>       | <b>Explanation</b>  |
|---|---------------------|---|
|   | <i>(RMB'000)</i>    |   |
| Loss on disposal of non-current assets  | (140)               |   |
| Government subsidies recognized as gain/(loss)  | 4,059               | This is the amount of government subsidies received by the Company's subsidiaries and currently transferred to non-operating income.  |
| 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 | 211                 |   |
| Write back of provision for impairment of accounts receivable undergoing independent impairment test  | 624                 | During the Reporting Period, the Company's subsidiaries strengthened clearance of accounts receivable, and the accounts receivable for which independent provision for impairment had been made previously were received during the Reporting Period. |
| Loss received from entrusted loans  | (142)               |   |
| Other non-operating income and expenses excluding the above items   | 740                 |   |
| Income tax effect   | (235)               |   |
| Effect on minority interests  | (21)                |   |
| <b>Total</b>  | <b><u>5,096</u></b> |   |

**2.2 Number of shareholders and the top ten shareholders of the Company and their shareholdings at the end of the Reporting Period (with the Share Reform Plan completed):**

As at 31 March 2011, there were 59,120 shareholders in total, among which, 59,085 shareholders holding the Renminbi-denominated ordinary shares (A shares) and 35 shareholders holding overseas listed foreign shares (H shares).

| <b>Name of shareholders</b>  | <b>No. of shares held<br/>as at the end of<br/>the Reporting Period<br/>(share)</b> | <b>Nature of shares</b> |
|--|---|-------------------------|
| Guangzhou Pharmaceutical Holdings Limited                                | 390,833,391   | Domestic shares         |
| HKSCC Nominees Limited ( <i>note</i> )                                   | 219,249,299   | H shares                |
| Guangzhou Beicheng Rural Credit Cooperative                              | 8,742,000   | Domestic shares         |
| CCB – Rongtong Leading Growing stock fund                                | 3,679,908   | Domestic shares         |
| National Social Security Fund 108 Combination                            | 2,999,889   | Domestic shares         |
| Yinfeng Securities Investment Fund                                       | 2,291,980   | Domestic shares         |
| ICBC – BOCOM Schrodgers Tendency<br>Priority Securities Investment Funds | 2,099,913   | Domestic shares         |
| Tao Hai'an   | 1,928,087   | Domestic shares         |
| Huaxia Growing Securities Investment Funds                               | 1,809,533   | Domestic shares         |
| Zhongrong International Trust – No. 5 Feifan Structuring                 | 1,800,000   | Domestic shares         |

*Note:* According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.

### 3 MAJOR EVENTS

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

Applicable    Not applicable

| Items                 | As at<br>31 March<br>2011<br><i>(RMB'000)</i> | As at<br>31 December<br>2010<br><i>(RMB'000)</i> | Increase/<br>(Decrease)<br>(%) | Reason for change   |
|-----------------------|---|--|--------------------------------|---|
| Notes receivable      | 293,843                                       | 200,471  | 46.58                          | During the Reporting Period, the settlement of bank acceptance bills of the Group increased.  |
| Accounts receivable   | 490,336                                       | 331,183  | 48.06                          | During the Reporting Period, the sales revenue of the Group increased and the accounts receivable increased accordingly.  |
| Prepayment            | 189,281                                       | 126,960  | 49.09                          | During the Reporting Period, the Company's trading enterprises made advance payment for imported raw materials and purchase of equipments.                                |
| Short-term borrowings | 54,558  | 38,868   | 40.37                          | During the Reporting Period, the Company's trading enterprises actively extended their import and export business, and loans denominated in foreign currencies increased. |
| Accounts payable      | 404,927                                       | 264,375  | 53.16                          | During the Reporting Period, the Company's trading enterprises actively developed quality downstream clients and obtained longer commercial credit terms.                 |
| Advance payments      | 175,069                                       | 99,011   | 76.82                          | During the Reporting Period, the Company's trading enterprises received advance payments for imported raw materials and purchase of equipments.                           |
| Accrued expenses      | 58,048  | 34,421   | 68.64                          | As at 31 March 2011, the accrued but unpaid advertising costs and transportation fees of the Group increased.   |

| <b>Items</b>                             | <b>The Reporting Period</b><br><i>(RMB'000)</i> | <b>The corresponding period of 2010</b><br><i>(RMB'000)</i> | <b>Increase/ (Decrease)</b><br><i>(%)</i> | <b>Reason for change</b>  |
|--|---|---|---|---|
| Sales taxes and surcharges               | 11,395  | 7,577   | 50.38                                     | During the Reporting Period, the corporate tax payable of the Group increased as a result of the growth in the Group's total profit.  |
| Investment income                        | 36,008  | 12,613  | 185.48                                    | During the Reporting Period, the investment income of the Company recognized in equity method increased as the result of the growth in the net profit of the Company's joint ventures as compared with the corresponding period of last year. |
| Income tax expense                       | 13,237  | 5,248   | 152.22                                    | During the Reporting Period, the corporate income tax payable of the Group increased as a result of the growth in the Group's total profit.   |
| Net cash flows from operating activities | (58,467)  | (3,873)   | (1,409.65)                                | During the Reporting Period, the accounts receivable of the Group increased and the corporate tax payable of the Group increased as a result of the growth in the import and export business.   |
| Net cash flows from investing activities | (21,505)  | 1,588   | (1,454.33)                                | During the Reporting Period, the purchase of the Group's financing products increased.  |
| Net cash flows from financing activities | 15,054  | (5,489)   | 374.25                                    | During the Reporting Period, the Company's trading enterprises actively extended the import and export business and loans denominated in foreign currencies increased.  |

### **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 beneficial owner**

Applicable     Not applicable

### **3.4 Early warning and explanation for negative impact on profit for the next reporting period, or significant profit fluctuation in comparison to the corresponding period of 2010**

Applicable     Not applicable

### **3.5 The status of implementation of cash dividend policy during the Reporting Period**

Pursuant to the resolution in relation to the proposed profit distribution and dividend payment for the year 2010 passed at the meeting of the Board on 25 March 2011, the Board proposed to distribute the final dividend of RMB0.05 per share (including tax) for 2010, with the total amount of RMB40,545,000.

The above proposal is subject to the approval by shareholders at the 2010 annual general meeting of the Company.

## 4 APPENDIX

The financial statements prepared in accordance with the PRC accounting standards (unaudited)

### Balance Sheet

As at 31 March 2011

| Items                                   | Consolidated                                |   | The Company                                 |   |
|---|---|---|---|---|
|   | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) |
| <b>ASSETS</b>                           |   |   |   |   |
| <b>Current assets:</b>                  |   |   |   |   |
| Cash                                    | 658,170,087.44                              | 707,396,997.50                                    | 183,085,623.21                              | 213,007,698.60                                    |
| Trading financial assets                | 5,884,764.90                                | 11,669,292.02                                     | 5,884,764.90                                | 6,669,292.02                                      |
| Notes receivable                        | 293,842,554.37                              | 200,470,880.49                                    | 550,627.21                                  | 5,609,282.66                                      |
| Accounts receivable                     | 490,336,128.75                              | 331,182,885.42                                    | 5,773,307.29                                | 9,733,387.79                                      |
| Prepayment                              | 189,281,297.17                              | 126,959,980.73                                    | 95,075.66                                   | —   |
| Interests receivable                    | —   | —   | —   | —   |
| Dividends receivable                    | —   | —   | 73,448,099.44                               | 73,448,099.44                                     |
| Other receivables                       | 60,991,514.70                               | 42,773,798.29                                     | 474,849,621.90                              | 436,817,367.74                                    |
| Inventories                             | 784,581,162.33                              | 755,055,590.28                                    | 403,296.30                                  | 132,488.56  |
| Prepaid expenses                        | 4,625,851.09                                | 367,104.88  | —   | —   |
| Entrusted loans                         | —   | —   | 228,000,000.00                              | 233,000,000.00                                    |
| Non-current assets<br>due within 1 year | —   | —   | —   | —   |
| Other current assets                    | —   | —   | —   | —   |
| <b>Total current assets</b>             | <b>2,487,713,360.75</b>                     | <b>2,175,876,529.61</b>                           | <b>972,090,415.91</b>                       | <b>978,417,616.81</b>                             |
| <b>Non-currents assets:</b>             |   |   |   |   |
| Available-for-sale<br>financial assets  | 24,892,252.73                               | 25,615,245.16                                     | 23,171,500.00                               | 23,958,000.00                                     |
| The held-to-maturity<br>investments     | —   | —   | —   | —   |
| Long-term receivables                   | —   | —   | —   | —   |
| Long-term equity investment             | 987,209,368.23                              | 952,492,546.46                                    | 2,181,075,979.00                            | 2,145,413,498.40                                  |
| Investment properties                   | 106,960,425.02                              | 108,517,274.59                                    | 37,127,664.81                               | 37,463,208.95                                     |
| Fixed assets                            | 1,019,647,664.95                            | 1,040,084,682.18                                  | 14,467,692.90                               | 14,569,977.14                                     |
| Construction in progress                | 29,175,458.97                               | 27,452,013.77                                     | —   | —   |
| Construction supplies                   | —   | —   | —   | —   |
| Disposal of fixed assets                | —   | —   | —   | —   |
| Intangible assets                       | 96,119,467.31                               | 96,963,070.09                                     | —   | —   |
| Development expenses                    | 1,184,908.20                                | 996,251.69  | —   | —   |



| Items                                       | Consolidated                                |   | The Company                                 |   |
|---|---|---|---|---|
|   | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) |
| Goodwill                                    | —   | —   | —   | —   |
| Long-term deferred expenses                 | 6,793,899.82                                | 6,967,625.69                                      | —   | —   |
| Deferred income tax assets                  | 47,034,560.14                               | 41,627,089.31                                     | 1,238,629.23                                | 1,777,407.75                                      |
| Other non-current assets                    | —   | —   | —   | —   |
| <b>Total non-current assets</b>             | <b>2,319,018,005.37</b>                     | <b>2,300,715,798.94</b>                           | <b>2,257,081,465.94</b>                     | <b>2,223,182,092.24</b>                           |
| <b>Total assets</b>                         | <b>4,806,731,366.12</b>                     | <b>4,476,592,328.55</b>                           | <b>3,229,171,881.85</b>                     | <b>3,201,599,709.05</b>                           |
| <b>Liabilities and shareholders' equity</b> |   |   |   |   |
| <b>Current liabilities:</b>                 |   |   |   |   |
| Short-term borrowings                       | 54,558,264.21                               | 38,867,878.83                                     | 30,000,000.00                               | 30,000,000.00                                     |
| Trading financial liabilities               | —   | —   | —   | —   |
| Notes payable                               | 69,768,765.52                               | 76,326,446.93                                     | —   | —   |
| Accounts payable                            | 404,927,054.05                              | 264,375,227.56                                    | 543,717.21                                  | 511,104.98  |
| Advances payment                            | 175,069,128.24                              | 99,011,229.83                                     | 41,853.69                                   | 56,508.19   |
| Salaries payable                            | 67,872,704.19                               | 61,258,810.66                                     | 1,875,848.78                                | 3,566,497.59                                      |
| Taxes payable                               | 48,394,012.48                               | 44,924,602.21                                     | 2,776,353.34                                | 5,851,655.08                                      |
| Interests payable                           | —   | —   | —   | —   |
| Dividend payable                            | 113,546.99                                  | 113,739.69  | (921.30)                                    | (728.60)  |
| Other payables                              | 85,239,637.36                               | 94,828,011.18                                     | 2,816,185.53                                | 6,750,296.51                                      |
| Accrued expenses                            | 58,047,984.09                               | 34,420,595.90                                     | 3,830,827.89                                | 4,380,827.89                                      |
| Non-current liabilities due within 1 year   | —   | —   | —   | —   |
| Other current liabilities                   | —   | —   | —   | —   |
| <b>Total current liabilities</b>            | <b>963,991,097.13</b>                       | <b>714,126,542.79</b>                             | <b>41,883,865.14</b>                        | <b>51,116,161.64</b>                              |
| <b>Non-current liabilities:</b>             |   |   |   |   |
| Long-term borrowings                        | —   | —   | —   | —   |
| Bonds payable                               | —   | —   | —   | —   |
| Long-term payables                          | 4,423,405.56                                | 4,423,405.56                                      | —   | —   |
| Special payables                            | —   | —   | —   | —   |
| Estimated liabilities                       | 10,896,373.28                               | 14,396,857.57                                     | 58,968.73                                   | 73,633.45   |
| Deferral income tax liabilities             | 5,425,327.56                                | 5,822,215.05                                      | 4,658,042.65                                | 5,044,811.04                                      |
| Other non-current liabilities               | 90,288,467.81                               | 96,283,137.99                                     | —   | —   |
| <b>Total non-current liabilities</b>        | <b>111,033,574.21</b>                       | <b>120,925,616.17</b>                             | <b>4,717,011.38</b>                         | <b>5,118,444.49</b>                               |
| <b>Total liabilities</b>                    | <b>1,075,024,671.34</b>                     | <b>835,052,158.96</b>                             | <b>46,600,876.52</b>                        | <b>56,234,606.13</b>                              |
| <b>Shareholders' equity:</b>                |   |   |   |   |
| Share capital                               | 810,900,000.00                              | 810,900,000.00                                    | 810,900,000.00                              | 810,900,000.00                                    |
| Capital reserves                            | 1,152,164,266.73                            | 1,152,720,122.24                                  | 1,099,091,193.38                            | 1,099,698,769.68                                  |

| Items   | Consolidated                                |   | The Company                                 |   |
|---|---|---|---|---|
|   | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) | At the end of the Reporting Period<br>(RMB) | At the beginning of the Reporting Period<br>(RMB) |
| Less: Treasury shares   | —   | —   | —   | —   |
| Surplus reserves  | 578,042,160.61                              | 578,042,160.61                                    | 244,907,696.78                              | 244,907,696.78                                    |
| Retained profits  | 1,084,687,175.77                            | 997,707,102.24                                    | 1,027,672,115.17                            | 989,858,636.46                                    |
| Exchange difference on foreign currency capital                             | —   | —   | —   | —   |
| <b>Shareholders' equity attributable to the shareholders of the Company</b> | <b>3,625,793,603.11</b>                     | <b>3,539,369,385.09</b>                           | <b>3,182,571,005.33</b>                     | <b>3,145,365,102.92</b>                           |
| Minority interests  | 105,913,091.67                              | 102,170,784.50                                    |   |   |
| <b>Total shareholders' equity</b>   | <b>3,731,706,694.78</b>                     | <b>3,641,540,169.59</b>                           | <b>3,182,571,005.33</b>                     | <b>3,145,365,102.92</b>                           |
| <b>Total liabilities and shareholders' equity</b>                           | <b>4,806,731,366.12</b>                     | <b>4,476,592,328.55</b>                           | <b>3,229,171,881.85</b>                     | <b>3,201,599,709.05</b>                           |

## Income Statement

1 January – 31 March 2011

| Items   | Consolidated                  |  | The Company                   |  |
|---|-------------------------------|--|-------------------------------|--|
|   | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) |
| <b>1. Income from operations</b>                              | <b>1,377,122,798.56</b>       | <b>1,240,678,837.90</b>                                | <b>13,427,968.16</b>          | <b>302,435,463.87</b>                                  |
| Including: income from principal operations                   | 1,356,985,423.62              | 1,223,438,212.77                                       | 4,587,090.35                  | 292,330,714.52   |
| <b>2. Cost of operations</b>                                  | <b>1,031,491,108.47</b>       | <b>927,353,353.31</b>                                  | <b>4,841,387.08</b>           | <b>285,937,211.59</b>                                  |
| Include: cost of principal operations                         | 1,027,485,093.64              | 924,898,277.64   | 4,505,842.94                  | 285,601,667.45   |
| Less: sales taxes and surcharges                              | 11,394,599.35                 | 7,577,137.43   | 724,383.11                    | 857,856.00   |
| Sales expenses  | 162,436,308.53                | 135,721,549.75   | 71,202.92                     | 2,976,813.71   |
| General and administrative expenses                           | 106,221,422.96                | 111,072,279.96   | 7,494,012.82                  | 6,688,119.50   |
| Finance expenses  | 361,373.93                    | (265,358.33)   | (315,293.38)                  | (480,703.75)   |
| Asset impairment loss   | 1,142,542.96                  | (169,027.53)   | (621,814.02)                  | (20,042.12)  |
| Add: Gain from movement in fair value                         | (784,527.12)                  | 76,853.34  | (784,527.12)                  | 76,853.34  |
| Investment income   | 36,008,016.56                 | 12,613,196.81  | 37,766,922.14                 | 13,112,340.27  |
| Including: Share of profits from associates and joint venture | 35,939,203.99                 | 12,634,941.17  | 35,680,181.90                 | 11,082,713.39  |
| <b>3. Operating profit</b>                                    | <b>99,298,931.80</b>          | <b>72,078,953.46</b>                                   | <b>38,216,484.65</b>          | <b>19,665,402.55</b>                                   |
| Add: Non-operating income                                     | 5,311,399.63                  | 5,006,016.61   | 1,029,121.00                  | 507,274.54   |
| Less: Non-operating expenses                                  | 651,949.59                    | 313,613.25   | 866.73                        | 4,384.43   |
| Include: Loss from disposal of non-current assets             | 146,769.54                    | 26,911.19  | 99.00                         | –  |
| <b>4. Total profit</b>  | <b>103,958,381.84</b>         | <b>76,771,356.82</b>                                   | <b>39,244,738.92</b>          | <b>20,168,292.66</b>                                   |
| Less: Income tax expense                                      | 13,237,324.76                 | 5,248,274.73   | 1,431,260.21                  | (823,948.45)   |
| <b>5. Net profit</b>  | <b>90,721,057.08</b>          | <b>71,523,082.09</b>                                   | <b>37,813,478.71</b>          | <b>20,992,241.11</b>                                   |
| Net profit attributable to the shareholders of the Company    | 86,980,073.53                 | 68,294,942.38  |                               |  |
| Minority interests  | 3,740,983.55                  | 3,228,139.71   |                               |  |
| <b>6. Earnings per share</b>                                  |                               |  |                               |  |
| (1) Basic earnings per share                                  | 0.107                         | 0.084  |                               |  |
| (2) Diluted earnings per share                                | 0.107                         | 0.084  |                               |  |

| Items   | Consolidated                     |  | The Company                      |  |
|---|----------------------------------|--|----------------------------------|--|
|   | The Reporting<br>Period<br>(RMB) | The corresponding<br>period of the<br>previous year<br>(RMB) | The Reporting<br>Period<br>(RMB) | The corresponding<br>period of the<br>previous year<br>(RMB) |
| <b>7. Other comprehensive<br/>income</b>  | <b>(554,531.89)</b>              | <b>(362,180.25)</b>  | <b>(607,576.30)</b>              | <b>(125,149.55)</b>  |
| <b>8. Total comprehensive<br/>income</b>  | <b>90,166,525.19</b>             | <b>71,160,901.84</b>   | <b>37,205,902.41</b>             | <b>20,867,091.56</b>   |
| (1) Comprehensive income<br>attributable to the<br>shareholders of the<br>Company | 86,424,218.02                    | 67,938,641.53  |                                  |  |
| (2) Comprehensive income<br>attributable to the<br>minority shareholders          | 3,742,307.17                     | 3,222,260.31   |                                  |  |

## Cash Flow Statement

1 January – 31 March 2011

| Item  | Consolidated                  |  | The Company                   |  |
|---|-------------------------------|--|-------------------------------|--|
|   | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) |
| <b>1. Cash flows from operating activities</b>  |                               |  |                               |  |
| Cash received from sale of goods and rendering of services                                | 1,396,783,841.48              | 1,257,509,443.44                                       | 19,864,956.91                 | 269,082,341.51   |
| Refund of taxes and levies  | 4,806,464.97                  | 3,960,507.34   | –                             | –  |
| Cash received operating activities  | 25,088,580.61                 | 24,916,254.44  | 3,514,442.05                  | 3,535,985.77   |
| <b>Sub-total of cash inflows from operating activities</b>                                | <b>1,426,678,887.06</b>       | <b>1,286,386,205.22</b>                                | <b>23,379,398.96</b>          | <b>272,618,327.28</b>                                  |
| Cash paid for goods and services  | 1,075,363,542.45              | 966,997,284.84   | 11,063,084.68                 | 272,086,970.23   |
| Cash paid to and on behalf of employees   | 184,860,445.77                | 157,626,571.24   | 3,434,942.06                  | 5,006,832.93   |
| Taxes paid  | 118,082,543.29                | 84,127,440.00  | 5,285,062.04                  | 6,470,678.00   |
| Cash paid relating to other operating activities  | 106,838,883.12                | 81,507,751.05  | 10,112,496.40                 | 3,987,906.22   |
| <b>Sub-total of cash outflows from operating activities</b>                               | <b>1,485,145,414.63</b>       | <b>1,290,259,047.13</b>                                | <b>29,895,585.18</b>          | <b>287,552,387.38</b>                                  |
| <b>Net cash flows from operating activities</b>   | <b>(58,466,527.57)</b>        | <b>(3,872,841.91)</b>                                  | <b>(6,516,186.22)</b>         | <b>(14,934,060.10)</b>                                 |
| <b>2. Cash flows from investing activities</b>  |                               |  |                               |  |
| Cash received from investment   | 227,900,000.00                | 119,650,000.00   | –                             | 6,000,000.00   |
| Cash received from disposal of subsidiaries   | –                             | –  | –                             | –  |
| Cash received from investment income  | 211,051.66                    | 91,857.69  | –                             | 1,528.93   |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets | 7,090.00                      | 7,606,451.00   | 100.00                        | –  |
| Other cash received from investing activities   | 531,364.66                    | 531,364.66   | 33,027,687.99                 | 47,673,064.66  |

| Item   | Consolidated                  |  | The Company                   |  |
|--|-------------------------------|--|-------------------------------|--|
|  | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) |
| <b>Sub-total of cash inflows from investing activities</b>                           | <b>228,649,506.32</b>         | <b>127,879,673.35</b>                                  | <b>33,027,787.99</b>          | <b>53,674,593.59</b>                                   |
| Cash paid for purchase of fixed assets, intangible assets and other long-term assets | 11,560,947.75                 | 20,928,220.51  | 149,360.00                    | 11,600.00  |
| Cash paid for investments  | 222,900,000.00                | 105,250,000.00   | —                             | 1,600,000.00   |
| Cash paid for purchase of subsidiaries   | —                             | —  | —                             | —  |
| Other cash paid in relation to investing activities                                  | 15,693,259.84                 | 113,602.05   | 56,002,874.46                 | 42,113,602.05  |
| <b>Sub-total of cash outflows from investing activities</b>                          | <b>250,154,207.59</b>         | <b>126,291,822.56</b>                                  | <b>56,152,234.46</b>          | <b>43,725,202.05</b>                                   |
| <b>Net cash flows from investing activities</b>                                      | <b>(21,504,701.27)</b>        | <b>1,587,850.79</b>                                    | <b>(23,124,446.47)</b>        | <b>9,949,391.54</b>                                    |
| <b>3. Cash flows from financing activities</b>                                       |                               |  |                               |  |
| Proceeds from absorbing investments  | —                             | —  | —                             | —  |
| Include: Cash received from minority shareholders from subsidiaries                  | —                             | —  | —                             | —  |
| Cash received from borrowings  | 25,690,385.38                 | —  | —                             | —  |
| Other proceeds relating to financing activities                                      | —                             | —  | —                             | —  |
| <b>Sub-total of cash inflows from financing activities</b>                           | <b>25,690,385.38</b>          | <b>—</b>   | <b>—</b>                      | <b>—</b>   |
| Repayment of borrowings  | 10,000,000.00                 | 5,000,000.00   | —                             | —  |
| Cash paid for distribution of dividends, profits or interests                        | 636,451.98                    | 489,157.26   | 281,442.70                    | —  |
| Include: Dividend and profit payable to minority shareholders from subsidiaries      | —                             | —  | —                             | —  |
| Other cash paid in relating to financing activities                                  | —                             | —  | —                             | —  |

| Item   | Consolidated                  |  | The Company                   |  |
|--|-------------------------------|--|-------------------------------|--|
|  | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) | The Reporting Period<br>(RMB) | The corresponding period of the previous year<br>(RMB) |
| Sub-total of cash outflows from financing activities                     | 10,636,451.98                 | 5,489,157.26   | 281,442.70                    | –  |
| Net cash flows from financing activities                                 | 15,053,933.40                 | (5,489,157.26)   | (281,442.70)                  | –  |
| 4. Effects of foreign exchange rate changes on cash and cash equivalents | –                             | –  | –                             | –  |
| 5. Net increase in cash and cash equivalents                             | (64,917,295.44)               | (7,774,148.38)   | (29,922,075.39)               | (4,984,668.56)   |
| Add: Cash and cash equivalents at the beginning of the period            | 694,759,174.34                | 667,385,437.68   | 213,007,698.60                | 223,165,989.78   |
| 6. Cash and cash equivalents at the end of the Reporting Period          | 629,841,878.90                | 659,611,289.30   | 183,085,623.21                | 218,181,321.22   |

The Board of  
**Guangzhou Pharmaceutical Company Limited**

Guangzhou, the PRC, 28 April 2011

*As at the date of this report, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Mr. Shi Shaobin and Mr. Wu Changhai as executive directors, and Mr. Liu Jinxiang, Mr. Li Shanmin, Mr. Zhang Yonghua, Mr. Wong Lung Tak Patrick and Mr. Qiu Hongzhong as independent non-executive directors.*