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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 THIRD 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 11th meeting of the fifth session of the Board held on 28 October 2011.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”), and the Company for the third quarter ended 30 September 2011 (the “Reporting Period”) were prepared in accordance with the PRC Accounting Standards and were unaudited.
- 1.4 Mr. Yang Rongming (the chairman of the Board), 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 third 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 30 September 2011 <i>(Unaudited)</i>	As at 31 December 2010 <i>(Audited)</i>	Increase/(Decrease) as compared with 31 December 2010 <i>(%)</i>
Total assets (RMB'000)	4,832,365	4,476,592	7.95
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	3,733,955	3,539,369	5.50
Net assets per share attributable to the shareholders of the Company (RMB)	4.60	4.36	5.50

Items	1 January – 30 September 2011 <i>(Unaudited)</i>	Increase/(Decrease) as compared with the corresponding period of 2010 <i>(%)</i>
Net cash flow from operating activities (RMB'000)	(161,411)	(647.67)
Net cash flow from operating activities per share (RMB)	(0.20)	(647.67)

Items	The Reporting Period (1 July – 30 September 2011) <i>(Unaudited)</i>	1 January – 30 September 2011 <i>(Unaudited)</i>	Increase/(Decrease) of the Reporting Period as compared with the corresponding period of 2010 <i>(%)</i>
Net profit attributable to the shareholders of the Company (RMB'000)	60,373	239,994	3.04
Basic earnings per share (RMB)	0.074	0.296	3.04
Basic earnings per share after deducting non-recurring items (RMB)	0.072	0.283	8.30
Diluted earnings per share (RMB)	0.074	0.296	3.04
Weighted average return on net assets (%)	1.64	6.57	A decrease of 0.07 percentage point
Weighted average return on net assets after deducting non-operating items (%)	1.59	6.28	An increase of 0.02 percentage point

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

(2) Non-recurring items include:

Items (1 January – 30 September 2011)	Amount <i>(RMB'000)</i>	Explanation
Loss on disposal of non-current assets	(579)	
Government subsidies recognized as gain	14,603	This is the amount of government subsidies received by the Company's subsidiaries and currently transferred to non-operating income.
Loss of 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 liabilities and financial assets available for sale	(3,340)	
Write back of provision for impairment of accounts receivable undergoing independent impairment test	1,265	
Loss from entrusted loans	(537)	
Other non-operating income and expenses excluding the above items	(839)	
Income tax effect	402	
Effect on minority interest (after tax)	(209)	
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Total	10,766	
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2.2 Number of shareholders as at the end of the Reporting Period and the shareholdings of the top ten shareholders (with the Share Reform Plan completed):

As at 30 September 2011, there were 55,041 shareholders in total, among which, 55,004 shareholders holding the Renminbi-denominated ordinary shares (A shares) and 37 shareholders holding overseas listed foreign shares (H shares).

Name of shareholders	No. of shares held as at the end of the Reporting Period (share)	Nature of shares
Guangzhou Pharmaceutical Holdings Limited	390,833,391	Domestic shares
HKSCC Nominees Limited <i>(note)</i>	219,121,389	Foreign capital shares
PICC Property and Casualty Company Limited – Traditional – Common Insurance Products – 008C – CT001SH	7,596,162	Domestic shares
Guangzhou Beicheng Rural Credit Cooperative	5,460,000	Domestic shares
CCB – Accommodational Leading Growing Stock Fund	4,379,898	Domestic shares
Hua Bao Investment Company	2,800,000	Domestic shares
China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002SH	2,609,829	Domestic shares
Huatai Securities – CMB – Huatai Zijin Asset Management Plan No. 3	2,345,525	Domestic shares
PICC Property and Causalty Company Limited	2,316,198	Domestic shares
China Life Insurance Company Limited – Bonus – Personal Bonus	2,312,490	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 30 September 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Cash	377,998	707,397	(46.56)	(1) During the period from 1 January to 30 September 2011, as affected by the State's tightened monetary policy and inflation, capital return of the Group slowed down, accounts receivable and costs increased. (2) The Company contributed an aggregate of RMB180 million to its joint venture and investee company.
Trading financial assets	2,947	11,669	(74.75)	Decrease was mainly due to the Group's redemption of investment in financial products totaling RMB5 million and the decrease in share price of the listed shares of Harbin Pharmaceutical Group Co., Ltd. ("Ha Yao") held by the Company during the period from 1 January to 30 September 2011.
Notes receivable	263,711	200,471	31.55	During the period from 1 January to 30 September 2011, the sales of the Group increased and the settlement of bank acceptance bills increased.
Accounts receivable	601,506	331,183	81.62	Increase in accounts receivable was in line with the increase in sales, which was due to the effective marketing strategies and the expansion of market share for the period from 1 January to 30 September 2011.

Items	As at 30 September 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Prepayments	88,654	126,960	(30.17)	Decrease was mainly due to the gradual settlement of prepayments by the Group for imports of raw materials and production equipments during the period from 1 January to 30 September 2011.
Other receivables	75,523	43,141	75.06	As at 30 September 2011, other receivables increased mainly due to the increase in deposits, deposits for security and license fees receivable as at the end of the Reporting Period.
Long-term equity investments	1,252,249	952,493	31.47	Increase was mainly due to the increase in capital contribution to the Company's joint venture and investee company, totaling RMB180 million and the recognition of the investment income using the equity method during the period from 1 January to 30 September 2011.
Construction in progress	37,820	27,452	37.77	Increase was mainly due to the increased investment in technical renovation and environmental protection projects by the Company's subsidiaries during the period from 1 January to 30 September 2011.
Deferred income tax assets	58,598	41,627	40.77	Increase was mainly due to the increase in deductible temporary differences of employee benefits payable and accrued expenses during the period from 1 January to 30 September 2011.

Items	As at 30 September 2011 (RMB'000)	As at 31 December 2010 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Short-term borrowings	134,040	38,868	244.86	Increase was mainly due to the increased bank loans, which were mainly for the expansion of sales and import and export trading business of the trading subsidiaries during the period from 1 January to 30 September 2011.
Notes payable	5,622	76,326	(92.63)	Decrease was mainly because the Group inclined to settle with suppliers by endorsement of notes receivable and cash and less notes payable were issued during the period from 1 January to 30 September 2011.
Accounts payable	419,439	264,375	58.65	Increase was mainly due to the longer credit term granted by suppliers to the Company's trading subsidiaries as they actively developed quality clients during the period from 1 January to 30 September 2011.
Salary payable	98,910	61,259	61.46	As at 30 September 2011, increase in salaries payable was mainly due to the increase in un-paid salaries.
Estimated liabilities	3,895	14,397	(72.94)	Decrease in estimated liabilities was due to the amortization of the transitional medical insurance during the period from 1 January to 30 September 2011.
Deferred income tax liabilities	3,927	5,822	(32.56)	Decrease was mainly due to the decrease of temporary difference arising from the continual decrease in the share price of the listed shares of China Everbright Bank Co., Ltd. held by the Company during the period from 1 January to 30 September 2011.

Items	1 January – 30 September 2011 (RMB'000)	1 January – 30 September 2010 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Tax and surcharges	32,825	21,342	53.81	Increase was mainly due to the increase in city maintenance and construction tax and education surcharge of the Group during the period from 1 January to 30 September 2011.
Finance expenses	283	(1,176)	124.06	Increase was mainly due to the increase in bank loans to the Company's trading subsidiaries during the period from 1 January to 30 September 2011, which led to the increase in interest expenses in turn.
Asset impairment losses	2,055	4,226	(51.37)	Decrease was mainly due to the reversal of bad debt provision, which was due to the strengthening of management of accounts receivable during the period from 1 January to 30 September 2011.
Gain from changes in fair value	(3,723)	1,483	(351.09)	Decrease was due to the continual decrease in share price of the listed shares of Ha Yao held by the Company during the period from 1 January to 30 September 2011.
Non-operating expenses	3,736	2,282	63.71	Increase was mainly due to the increase in donations for charity as a result of the active participation in public welfare activities by the Company's subordinated enterprises during the period from 1 January to 30 September 2011.

Items	1 January – 30 September 2011 (RMB'000)	1 January – 30 September 2010 (RMB'000)	Fluctuation (%)	Reason of fluctuation
Net cash flows from operating activities	(161,411)	29,472	(647.67)	As affected by the State's tightened monetary policy and inflation during the period from 1 January to 30 September 2011, capital return of the Group slowed down, accounts receivable increased and cash outflow from operating activities increased as costs for raw material and employees grew.
Net cash flows from investing activities	(239,376)	(8,841)	(2,607.58)	Decrease was mainly due to the capital contribution to the Company's joint venture and investee company during the period from 1 January to 30 September 2011, which amounted to RMB180 million.
Net cash flows from financing activities	50,320	(65,649)	176.65	Increase was mainly due to the increase in bank loans, which were mainly for the expansion of sales and import and export trading business of the trading subsidiaries during the period from 1 January to 30 September 2011.

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

1. Pursuant to the resolutions on profit and dividend distribution passed at the 2010 Annual General Meeting held on 21 June 2011, the 2010 final dividend of RMB0.50 (including tax) for every 10 shares held was approved and paid, in cash, to all shareholders of the Company, based on the total share capital of 810,900,000 shares as at the end of 2010;
2. The final dividend of RMB0.05 (including tax) per share for 2010 was paid to the Company's H shareholders whose names appeared on the register of the Company as at 20 May 2011 on 12 August 2011;
3. According to the announcement for 2010 final dividend published on Shanghai Securities News and Securities Times in the PRC on 11 July 2011, the registration date for A shares was 14 July 2011, the ex-dividend date was 15 July 2011 and the dividend payment date was 12 August 2011.

4. APPENDIX

Prepared in accordance with PRC Accounting Standards (unaudited)

Balance Sheet

As at 30 September 2011

Items	Consolidated		The Company	
	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)
ASSETS				
Current assets:				
Cash	377,997,659.98	707,396,997.50	72,603,329.00	213,007,698.60
Trading financial assets	2,946,566.20	11,669,292.02	2,946,566.20	6,669,292.02
Notes receivable	263,711,171.20	200,470,880.49	–	5,609,282.66
Accounts receivable	601,505,882.26	331,182,885.42	3,309,689.84	9,733,387.79
Prepayment	88,654,226.40	126,959,980.73	–	–
Interest receivable	–	–	–	–
Dividend receivable	–	–	153,290,104.05	73,448,099.44
Other receivables	75,522,727.66	43,140,903.17	489,740,162.78	436,817,367.74
Inventories	856,244,527.46	755,055,590.28	401,625.54	132,488.56
Entrusted loans	–	–	228,000,000.00	233,000,000.00

Items	Consolidated		The Company	
	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)
Non-current assets due within 1 year	–	–	–	–
Other current assets	–	–	–	–
Total current assets	2,266,582,761.16	2,175,876,529.61	950,291,477.41	978,417,616.81
Non-currents assets:				
Available-for-sale financial assets	19,331,356.64	25,615,245.16	17,847,500.00	23,958,000.00
The held-to-maturity investments	–	–	–	–
Long-term receivables	–	–	–	–
Long-term equity investments	1,252,248,530.93	952,492,546.46	2,438,026,906.42	2,145,413,498.40
Investment properties	103,877,010.87	108,517,274.59	36,456,576.53	37,463,208.95
Fixed assets	991,271,303.85	1,040,084,682.18	14,349,807.13	14,569,977.14
Construction in progress	37,819,985.63	27,452,013.77	–	–
Construction supplies	–	–	–	–
Disposal of fixed assets	–	–	–	–
Intangible assets	94,752,585.77	96,963,070.09	–	–
Development expenses	792,251.69	996,251.69	–	–
Goodwill	–	–	–	–
Long-term deferred expenses	7,091,469.60	6,967,625.69	–	–
Deferred income tax assets	58,597,831.64	41,627,089.31	3,069,075.68	1,777,407.75
Other non-current assets	–	–	–	–
Total non-current assets	2,565,782,326.62	2,300,715,798.94	2,509,749,865.76	2,223,182,092.24
Total assets	4,832,365,087.78	4,476,592,328.55	3,460,041,343.17	3,201,599,709.05
Liabilities and shareholders' equity:				
Current liabilities:				
Short-term borrowings	134,039,640.99	38,867,878.83	–	30,000,000.00
Trading financial liabilities	–	–	–	–
Notes payable	5,622,149.39	76,326,446.93	–	–
Accounts payable	419,439,220.08	264,375,227.56	346,254.37	511,104.98
Advances payable	71,953,465.77	99,011,229.83	31,189.69	56,508.19
Salary payable	98,910,337.96	61,258,810.66	1,446,142.10	3,566,497.59
Taxes payable	34,718,003.45	44,924,602.21	2,509,266.27	5,851,655.08
Interests payable	–	–	–	–
Dividend payable	139,227.32	113,739.69	(566.43)	(728.60)
Other payables	127,976,416.77	129,248,607.08	119,974,599.51	11,131,124.40

Items	Consolidated		The Company	
	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)	At the end of the Reporting Period (RMB)	At the beginning of the year (RMB)
Non-current liabilities due within 1 year	–	–	–	–
Other current liabilities	–	–	–	–
Total current liabilities	892,798,461.73	714,126,542.79	124,306,885.51	51,116,161.64
Non-current liabilities:				
Long-term borrowings	–	–	–	–
Bonds payable	–	–	–	–
Long-term payables	4,423,405.56	4,423,405.56	–	–
Special payables	–	–	–	–
Estimated liabilities	3,895,404.72	14,396,857.57	29,639.29	73,633.45
Deferred income tax liabilities	3,926,731.09	5,822,215.05	3,238,576.53	5,044,811.04
Other non-current liabilities	83,731,045.16	96,283,137.99	–	–
Total non-current liabilities	95,976,586.53	120,925,616.17	3,268,215.82	5,118,444.49
Total liabilities	988,775,048.26	835,052,158.96	127,575,101.33	56,234,606.13
Shareholders' equity:				
Share capital	810,900,000.00	810,900,000.00	810,900,000.00	810,900,000.00
Capital reserves	1,147,856,658.61	1,152,720,122.24	1,094,977,663.45	1,099,698,769.68
Less: Treasury shares	–	–	–	–
Surplus reserves	578,042,160.61	578,042,160.61	244,907,696.78	244,907,696.78
Retained profits	1,197,156,365.95	997,707,102.24	1,181,680,881.61	989,858,636.46
Exchange difference on foreign currency capital	–	–	–	–
Shareholders' equity attributable to the shareholders of the Company	3,733,955,185.17	3,539,369,385.09		
Minority interests	109,634,854.35	102,170,784.50		
Total shareholders' equity	3,843,590,039.52	3,641,540,169.59	3,332,466,241.84	3,145,365,102.92
Total liabilities and shareholders' equity	4,832,365,087.78	4,476,592,328.55	3,460,041,343.17	3,201,599,709.05

Consolidated Income Statement

1 January – 30 September 2011

Items	1 July – 30 September 2011 (RMB)	1 July – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
1. Income from operations	1,305,025,527.75	1,111,871,635.39	4,122,366,838.32	3,433,860,875.37
Including: income from principal operations	1,280,115,100.63	1,089,301,998.63	4,050,646,897.03	3,372,067,818.89
2. Cost of operations	977,365,720.71	806,285,576.46	3,095,450,189.82	2,478,846,723.08
Including: cost of principal operations	974,751,688.51	801,193,750.80	3,083,760,916.24	2,468,683,948.31
Less: Taxes and surcharges	9,789,542.82	7,099,125.43	32,825,319.26	21,341,892.47
Sales expenses	167,937,213.63	160,320,316.45	512,321,112.91	445,340,242.58
General and administrative expenses	126,572,890.27	119,766,610.76	344,334,720.29	339,669,178.29
Finance expenses	1,100,481.07	(572,609.71)	282,933.19	(1,176,075.05)
Asset impairment loss	532,536.05	509,847.43	2,055,389.35	4,226,202.83
Add: Gain from changes in fair value	(2,094,979.70)	1,525,598.34	(3,722,725.82)	1,482,645.06
Investment income	41,155,651.18	39,687,140.37	125,432,148.76	100,561,434.96
Including: Share of profits from associates and joint venture	41,165,594.85	38,137,263.02	124,776,557.87	95,228,269.34
3. Operating profit	60,787,814.68	59,675,507.28	256,806,596.44	247,656,791.19
Add: Non-operating income	5,823,363.03	5,754,306.13	16,921,190.12	16,596,630.04
Less: Non-operating expenses	2,451,401.41	1,029,272.03	3,735,782.46	2,281,968.30
Including: Loss from disposal of non-current assets	604,430.14	142,755.46	859,514.43	234,582.02
4. Total profit	64,159,776.30	64,400,541.38	269,992,004.10	261,971,452.93
Less: Income tax	1,104,068.07	4,603,940.37	20,350,457.79	28,035,578.84

Items	1 July – 30 September 2011 (RMB)	1 July – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
5. Net profit	63,055,708.23	59,796,601.01	249,641,546.31	233,935,874.09
Net profit attributable to the shareholders of the Company	60,373,229.08	58,591,865.01	239,994,263.71	227,369,205.56
Minority interests	2,682,479.15	1,204,736.00	9,647,282.60	6,566,668.53
6. Earnings per share				
(1) Basic earnings per share	0.074	0.072	0.296	0.280
(2) Diluted earnings per share	0.074	0.072	0.296	0.280
7. Other comprehensive income	(2,044,873.29)	7,654,306.81	(4,866,990.57)	6,744,939.20
8. Total comprehensive income	61,010,834.94	67,450,907.82	244,774,555.74	240,680,813.29
(1) Comprehensive income attributable to the shareholders of the Company	58,332,260.90	66,247,495.42	235,130,800.08	234,132,600.64
(2) Comprehensive income attributable to the minority shareholders	2,678,574.04	1,203,412.40	9,643,755.66	6,548,212.65

Income Statement of the Company

1 January – 30 September 2011

Items	1 July – 30 September 2011 (RMB)	1 July – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
1. Income from operations	15,800,444.07	83,826,817.52	46,982,349.58	672,105,062.72
Including: income from principal operations	3,039,990.29	73,602,164.60	11,969,585.09	644,717,839.12
2. Cost of operations	3,325,632.07	70,609,350.33	12,761,058.63	628,655,110.14
Including: cost of principal operations	2,990,087.93	70,273,806.19	11,754,426.21	627,648,477.72
Less: Taxes and surcharges	888,694.85	901,594.23	2,538,333.65	2,412,062.34
Sales expenses	60,074.70	1,650,941.44	209,072.07	7,312,646.99
General and administrative expenses	6,612,264.64	9,136,115.83	18,444,727.94	22,657,266.58
Finance expenses	1,046,353.07	(698,564.20)	852,575.24	(1,525,526.61)
Asset impairment loss	325,973.18	(602,544.33)	(470,305.69)	(509,138.06)
Add: Gain from changes in fair value	(2,094,979.70)	1,525,598.34	(3,722,725.82)	1,482,645.06
Investment income	32,884,104.01	40,151,319.20	225,381,166.97	192,806,037.38
Including: Share of profits from associates and joint venture	30,082,417.49	37,631,713.09	112,751,639.25	95,496,536.44
3. Operating profit	34,330,575.87	44,506,841.76	234,305,328.89	207,391,323.78
Add: Non-operating income	130.00	602.66	1,071,543.22	537,877.20
Less: Non-operating expenses	7,646.51	3,213.46	9,648.24	7,914.29
Including: Loss from disposal of non-current assets	7,646.51	2,984.22	8,880.51	3,300.62
4. Total profit	34,323,059.36	44,504,230.96	235,367,223.87	207,921,286.69
Less: Income tax	(463,164.19)	(1,453,393.41)	2,999,978.72	2,273,505.87
5. Net profit	34,786,223.55	45,957,624.37	232,367,245.15	205,647,780.82
6. Other comprehensive income	(1,883,833.40)	7,707,351.22	(4,721,106.23)	7,491,006.06
7. Total comprehensive income	32,902,390.15	53,664,975.59	227,646,138.92	213,138,786.88

Cash Flow Statement

1 January – 30 September 2011

Items	Consolidated		The Company	
	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
1. Cash flows from operating activities				
Cash received from sales of goods and rendering of services	4,340,317,686.86	3,725,547,174.34	31,910,776.93	721,483,444.85
Refund of tax and levies	25,073,690.04	10,310,342.24	491,181.48	590,576.94
Other cash received relating to operating activities	83,032,571.05	97,687,261.40	17,444,446.02	20,932,063.27
Sub-total of cash inflows from operating activities	4,448,423,947.95	3,833,544,777.98	49,846,404.43	743,006,085.06
Cash paid for goods and services	3,347,840,707.69	2,772,765,882.95	20,218,334.46	691,696,613.41
Cash paid to and on behalf of employees	569,261,937.82	483,279,046.09	8,825,871.47	14,093,012.64
Taxes paid	323,012,290.07	256,532,160.98	10,454,137.93	16,780,312.48
Cash paid relating to other operating activities	369,719,663.80	291,495,336.45	15,785,857.77	15,716,078.14
Sub-total of cash outflows from operating activities	4,609,834,599.38	3,804,072,426.47	55,284,201.63	738,286,016.67
Net cash flows from operating activities	(161,410,651.43)	29,472,351.51	(5,437,797.20)	4,720,068.39
2. Cash flows from investing activities				
Cash received from investment	5,000,000.00	26,000,000.00	–	6,000,000.00
Cash received from disposal of subsidiaries	–	1,222,384.81	–	–
Cash received from investment income	1,192,921.70	37,919,878.03	25,576,544.28	81,572,069.02
Cash received from disposal of fixed assets, intangible assets and other long-term assets	431,306.00	11,546,761.82	47,339.00	860.00
Other cash received from investing activities	3,411,414.44	37,821,422.00	302,189,558.74	283,310,766.13

Items	Consolidated		The Company	
	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
Sub-total of cash inflows from investing activities	10,035,642.14	114,510,446.66	327,813,442.02	370,883,695.15
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	43,526,630.27	68,163,351.93	528,057.00	140,309.00
Cash paid for purchase of investments	180,000,000.00	31,769,051.50	180,000,000.00	1,600,000.00
Cash paid for purchasing subsidiaries	–	–	–	–
Other cash paid in relation to investing activities	25,884,592.32	23,418,995.53	319,290,778.18	390,804,691.91
Sub-total of cash outflows from investing activities	249,411,222.59	123,351,398.96	499,818,835.18	392,545,000.91
Net cash flows from investing activities	(239,375,580.45)	(8,840,952.30)	(172,005,393.16)	(21,661,305.76)
3. Cash flows from financing activities				
Proceeds from absorbing investments	–	–	–	–
Including: Cash received from minority shareholders from subsidiaries	–	–	–	–
Cash received from borrowings	158,051,167.25	30,000,000.00	–	30,000,000.00
Other proceeds relating to financing activities	–	–	110,000,000.00	–
Sub-total of cash inflows from financing activities	158,051,167.25	30,000,000.00	110,000,000.00	30,000,000.00
Repayment of borrowings	62,879,405.09	52,290,057.34	30,000,000.00	–
Cash paid for distribution of dividends, profits or interests	44,852,207.96	43,358,797.88	40,957,234.79	39,072,158.87

Items	Consolidated		The Company	
	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)	1 January – 30 September 2011 (RMB)	1 January – 30 September 2010 (RMB)
Including: Dividend and profit payable to minority shareholders from subsidiaries	1,995,832.56	1,775,059.78	–	–
Other cash paid in relating to financing activities	–	–	2,003,944.45	–
Sub-total of cash outflows from financing activities	107,731,613.05	95,648,855.22	72,961,179.24	39,072,158.87
Net cash flows from financing activities	50,319,554.20	(65,648,855.22)	37,038,820.76	(9,072,158.87)
4. Effects of foreign exchange rate changes on cash and cash equivalents	–	–	–	–
5. Net increase in cash and cash equivalents	(350,466,677.68)	(45,017,456.01)	(140,404,369.60)	(26,013,396.24)
Add: Cash and cash equivalents at the beginning of the period	696,347,134.34	667,385,437.68	213,007,698.60	223,165,989.78
6. Cash and cash equivalents at the end of the period	345,880,456.66	622,367,981.67	72,603,329.00	197,152,593.54

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 28 October 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.