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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)

2013 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 22nd meeting of the fifth session of the Board held on 26 April 2013, among whom, Mr. Yang Rongming, the chairman of the Board, was unable to attend the meeting due to business and appointed Mr. Li Chuyuan, the vice chairman of the Board, to attend and chair the meeting on his behalf.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”), and the Company for the first quarter ended 31 March 2013 (the “Reporting Period”) were prepared in accordance with the China Accounting Standards for Business Enterprises and were unaudited.
- 1.4 Each of Mr. Yang Rongming (the chairman of the Board), Mr. Wu Changhai (director and general manager), and Ms. Liu Fei (manager of the Finance Department), individually accepts responsibility for ensuring the authenticity and completeness of the financial reports contained in this quarterly report.
- 1.5 This 2013 first quarterly report is published in Hong Kong pursuant to Rules 13.09(2) and 13.10B of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HKEx”) and Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- 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 31 March 2013 <i>(Unaudited)</i>	As at 31 December 2012 <i>(Audited)</i>	Increase/(Decrease) as compared with 31 December 2012 <i>(%)</i>
Total assets (RMB'000)	7,533,446	6,235,394	20.82
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	4,247,111	4,096,589	3.67
Net assets per share attributable to the shareholders of the Company (RMB)	5.24	5.05	3.67

Items	The Reporting Period (1 January – 31 March 2013) <i>(Unaudited)</i>	Increase/(Decrease) as compared with the corresponding period of 2012 <i>(%)</i>
Net cash flow from operating activities (RMB'000)	546,654	745.92
Net cash flow from operating activities per share (RMB)	0.67	745.92

Items	The Reporting Period (1 January – 31 March 2013) <i>(Unaudited)</i>	1 January – 31 March 2013 <i>(Unaudited)</i>	Increase/(Decrease) of the Reporting Period as compared with the corresponding period of 2012 <i>(%)</i>
Net profit attributable to the shareholders of the Company (RMB'000)	153,185	153,185	25.41
Basic earnings per share (RMB)	0.189	0.189	25.41
Basic earnings per share after deducting non-recurring items (RMB)	0.184	0.184	27.37
Diluted earnings per share (RMB)	0.189	0.189	25.41
Weighted average return on net assets (%)	3.67	3.67	An increase of 0.49 percentage point
Weighted average return on net assets after deducting non-operating items (%)	3.58	3.58	An increase of 0.53 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 – 31 March 2013)	Amount	Explanation
	<i>(RMB'000)</i>	
(Loss)/gain on disposal of non-current assets	(124)	
Government subsidies recognized as gain/(loss)	3,171	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income.
Gain 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	464	
Write back of provision for impairment of accounts receivable undergoing independent impairment test	1	
(Loss)/gain from entrusted loans	(245)	
Other non-operating income and expenses excluding the above items	887	
Income tax effect	(365)	
Effect on minority interest (after tax)	(82)	
Total	3,707	

2.2 Number of shareholders as at the end of the Reporting Period and the shareholdings of the top ten shareholders of the Company were as follows (with the Share Reform Plan completed)

As at 31 March 2013, there were 34,797 shareholders of the Company in total, among which, 34,767 shareholders holding the Renminbi-denominated ordinary shares (A shares) and 30 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 (“GPHL”)	390,833,391	Domestic shares
HKSCC Nominees Limited (<i>note</i>)	219,539,389	Foreign capital shares
Bank of China-Invesco Great Wall Ding Yi Equity Investment Fund (LOF)	3,823,529	Domestic shares
Combination of the National Social Securities Fund 107	3,316,227	Domestic shares
Bank of Communications-GuoTuo Rui Yin Innovation Power Securities Investment Fund	3,219,275	Domestic shares
Agricultural Bank of China Co., Ltd.-Invesco Great Wall of Energy Infrastructure Securities Investment Fund	3,156,143	Domestic shares
Bank of China-GalaxyYintai Financial Securities Investment Dividend Fund	3,075,454	Domestic shares
China Construction Bank-Hua Xia Dividend hybrid Equity Investment Fund (LOF)	2,922,170	Domestic shares
Agricultural Bank of China-Chang Xin Yin Li Winnowed Securities Investment Dividend Fund	2,614,760	Domestic shares
China Construction Bank Corporation-Xing Quan Social Responsibility Securities Investment Fund	2,400,615	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 31 March 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Fluctuation (%)	Reasons of fluctuation
Cash	1,252,423	729,534	71.67	This is due to the increase in the Group's sales revenue, raise in the fund re-steams and growth in advances from customers received by the Group during the Reporting Period.
Accounts receivable	818,694	550,052	48.84	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 in the Reporting Period.
Construction in progress	37,742	27,897	35.29	Increase was mainly due to the increased investments in industrial upgrading by the Group during the Reporting Period.
Deferred income tax assets	179,211	79,144	126.44	Increase was mainly due to the increase in deductible temporary differences of employee benefits payable and accrued expense during the Reporting Period.
Notes payable	60,378	38,937	55.07	During the Reporting Period, the Company's trading subsidiaries inclined to settle with suppliers at endorsement of bank notes to circulate necessary funds, in order to control financing costs.

Items	As at 31 March 2013 (RMB'000)	As at 31 December 2012 (RMB'000)	Fluctuation (%)	Reasons of fluctuation
Advances payable	534,876	336,924	58.75	During the Reporting Period, the subsidiaries of the Company received a large amount of advances from customers.
Accounts payable	1,345,691	736,216	82.78	Increase was mainly due to the longer credit term granted by suppliers to the Company's subordinated enterprises during the Reporting Period.
Taxes payable	254,404	110,113	131.04	As at 31 March 2013, increase was mainly due to the increase in value-added tax and corporate income tax which had not been paid by the Group.
Other payables	653,305	478,854	36.43	As at 31 March 2013, increase in other payables was mainly due to increase in the Group's non-reimbursement of terminal fees and transportation.

Items	1 January – 31 March 2013 <i>(RMB'000)</i>	1 January – 31 March 2012 <i>(RMB'000)</i>	Fluctuation <i>(%)</i>	Reasons of fluctuation
Income from operations	2,972,154	1,826,521	62.72	Increase was mainly due to the effective marketing strategies and the expansion of market share during the Reporting Period.
Cost of operations	1,993,224	1,404,877	41.88	The cost of operations increased in line with the increased sales during the Reporting Period.
Sales taxes and surcharges	24,992	14,203	75.96	The business taxes increased in line with the increase of city maintenance and construction tax, education surcharge and local education surcharge during the Reporting Period.
Sales expenses	635,873	209,937	202.89	During the Reporting Period, the Group actively carried out marketing activities, increase in selling and distribution costs and other sales expenses.
General and administrative expenses	164,762	119,573	37.79	During the Reporting Period, increase in the remuneration of the employees of subsidiaries of the Company and the royalty of the trademark (trade name).
Asset impairment loss	3,224	(1,130)	385.25	Increase was mainly due to the increase in bad debt provision made as a result of increase in accounts receivable during the Reporting Period.
Gain from changes in fair value	464	(144)	422.26	Increase was due to the raise in the share price of the listed shares held by the Company in Harbin Pharmaceutical Group Co., Ltd. and Hafei Aviation Industry Co., Ltd. as compared with the corresponding period of last year during the Reporting Period.

Items	1 January – 31 March 2013 <i>(RMB'000)</i>	1 January – 31 March 2012 <i>(RMB'000)</i>	Fluctuation <i>(%)</i>	Reasons of fluctuation
Investment income	36,128	55,547	(34.96)	During the Reporting Period, the investment income of the Company recognized in equity method decreased as a result of the reduce in the net profit of the Company's joint ventures as compared with the corresponding period of last year.
Non-operating income	4,250	6,579	(35.39)	During the Reporting Period, the government subsidies received by the Company decreased as compared with the corresponding period of last year.
Income tax expense	35,516	11,473	209.56	The profit increased in line with the increased taxes owed during the Reporting Period.
Net cash flow from operating activities	546,654	64,622	745.92	During the Reporting Period, the improvement in net cash flow from operating activities was mainly due to the increase in revenue, improved money collection and increase in advances from customers.
Net cash flow from investing activities	(19,663)	1,698	(1,258.07)	The investment of industrial upgrading and the acquisition of minority shareholders' equity of subordinate subsidiary increased during the Reporting Period.
Net cash flow from financing activities	(6,091)	5,049	(220.66)	The bank borrowings of the Group decreased during the Reporting Period.

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

3.3.1 Independence of listed company

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to the major assets reorganization (the “Major Assets Reorganization”)
Undertakings	<ol style="list-style-type: none">1. After completion of the Major Assets Reorganization, GPLH, the controlling shareholder of the Company, will comply with requirements of relevant laws and regulations, regulatory documents and the Articles of Association of Guangzhou Pharmaceutical Company Limited, and exercise shareholder’s right according to laws and will not affect the independence of GPC by exerting its influence as a controlling shareholder and will maintain the integrity and independence of GPC in respect of assets, employees, finance, organisation and business.2. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in GPC.
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by the China Securities Regulatory Commission (“CSRC”).

3.3.2 Avoiding Horizontal Competition

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	<ol style="list-style-type: none"> 1. After completion of the Major Assets Reorganization, GPHL and its controlling subsidiaries (“subsidiaries”, excluding GPC and its subsidiaries) should avoid engaging in business and operations which substantially compete with those of the subsisting GPC after completion of the Major Assets Reorganization (“new GPC”), and avoid increasing investment in companies and enterprises, other than new GPC and its subsidiaries, which engages in business and operations which substantially compete with those of new GPC. GPHL will not and will procure its subsidiaries not to engage in the same or similar business of new GPC to avoid direct or indirect competition with the operation and business of new GPC. In addition, GPHL will voluntarily and will vigorously procure its subsidiaries to give up competing with new GPC if GPHL and its subsidiaries will bring unfair impact on new GPC in respect of market shares, business opportunities and allocation of resources. 2. GPHL is willing to bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by new GPC due to any breach of the above undertakings. 3. The undertaking letter will remain effective so long as GPC legally and validly exists and GPHL owns controlling interest in GPC.
Time and period of undertaking	Long-term
Any period for performance	Performance not started yet
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	For resolving potential competition completely, GPHL undertakes that it will transfer 100% equity interest of Guangzhou Pharmaceutical Research Institute* (廣州醫藥研究總院) (the limited company) to GPC within two years from the date Guangzhou Pharmaceutical Research Institute completed the ownership reform and its shares became transferable in accordance with requirements of the laws and regulations then in force.
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

3.3.3 Regulating related party transactions

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	<ol style="list-style-type: none">1. After completion of the Major Assets Reorganization, GPLH and its subsidiaries (excluding GPC and its subsidiaries) should minimize and regulate connected transactions with new GPC. If there is any unavoidable connected transaction, GPLH and its subsidiaries will sign an agreement with new GPC 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 HKEx and the Articles of Association of Guangzhou Pharmaceutical Company Limited, and warrant that it will not harm the legitimate rights and interests of the New GPC after completion of the Major Assets Reorganization and its other shareholders.2. The undertaking letter will remain effective so long as GPC legally and validly exists and GPLH owns controlling interest in GPC.
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

3.3.4 Restricting the sale of shares

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	Within 36 months from the registration date of such shares, GPHL and its associate companies will not transfer the shares they acquired as a result of GPC's acquisition of assets from GPHL through issue of shares. After such period, any transfer of the shares will be made according to relevant requirements of CSRC and The Shanghai Stock Exchange ("SSE").
Time and period of undertaking	36 months from the registration date of the shares
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

3.3.5 Undertakings related to trademarks

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	<p>GPHL undertakes that, within two years from the date of satisfying any conditions set out below, it will legally transfer the trademarks in WangLaoJi series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to GPC according to requirements of laws and regulations then in force:</p> <ol style="list-style-type: none"> 1. 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 2. Hung To (Holdings) Company Limited* (鴻道(集團)有限公司) legally ceases to own the right of pre-emption over the WangLaoJi trademarks under the license agreement.
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

Item	Content
Undertaking entity	Controlling shareholder and GPC
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	<p>GPLH and GPC 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> <p>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 WangLaoJi 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 GPLH to pay GPC 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 GPC and the remaining 80% will be retained by GPLH.</p> <p>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.).</p>
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	<p>Relevant undertakings were disclosed in the Preliminary Proposal of the Reorganization. The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.</p>

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	<p>In addition to the original undertaking letter, GPHL further undertakes as follows:</p> <p>After completing all relevant reporting and approval procedures, GPHL will transfer the 29 WangLaoJi series trademarks, other WangLaoJi related trademarks legally acquired and owned by GPHL after the signing date (including that date) of the Supplemental Agreement to the Trademark Custody Agreement and the 4 trademarks to GPC according to the laws and regulations then in force, within two years from the date on which all the legal disputes relating to the WangLaoJi trademarks have been resolved. GPC may acquire them in cash or by means of acquisition of assets through issue of shares, and the transfer price will be determined in accordance with laws based on the appraised value ascertained in the asset appraisal report issued by a valuation institution having securities services qualification and approved by state-owned assets authorities.</p>
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	<p>Relevant undertakings were disclosed in the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.</p>

3.3.6 Undertakings related to properties with legal defects

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
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 Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (“Baiyunshan”) properties which have 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 GPC 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 land-use rights to granted land-use rights) in case there are any penalties imposed on or losses incurred by GPC due to the legal defects in the building ownership or land use rights of the Baiyunshan properties to be acquired by GPC, and such losses including but not limited to all economic losses in connection with any civil, administration and criminal liabilities, to ensure that GPC and minority investors will not suffer any damage thereunder.
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

Item	Content
Undertaking entity	Controlling shareholder
Type of undertakings	Undertakings related to Major Assets Reorganization
Undertakings	For the unauthorized constructions under the Real Estate Title Certificates of GPLH, GPLH undertakes to bear all relevant costs incurred due to such unauthorized constructions (including but not limited to costs incurred for demolishing the unauthorized constructions as required by relevant government authorities).
Time and period of undertaking	Long-term
Any period for performance	N/A
Whether timely and strictly performed	N/A
Solution	N/A
Remark	Relevant undertakings were disclosed in the Reorganization Report (draft). The prerequisite for the performance of the undertaking letter is the approval of the Major Assets Reorganization by CSRC.

Save for the above, there is no outstanding undertaking that requires specific disclosure.

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 2012

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 year 2012 passed at the 21st meeting of the fifth session of the Board held on 28 February 2013, in order to ensure that the Major Assets Reorganization will not be affected by the dividend payout, the Board suggested that: 1) no final dividend payment for year 2012 and no increase in share capital by transfer from capital reserve was proposed; and 2) upon the completion of the implementation of the Major Assets Reorganization, the Company will consider distributing a special dividend to its shareholders, and the cash dividend distribution will not be less than 10% of the net profit attributable to the shareholders of the Company for year 2012.

The above proposal is subject to the approval by shareholders at the 2012 annual general meeting of the Company.

3.6 Major Assets Reorganization

The Company has applied for a suspension of trading in the A shares on the SSE and the H shares on the HKEx with effect from 7 November 2011, as GPHL, the controlling shareholder of the Company, planned for the proposed Major Assets Reorganization involving the Company. During the period of suspension in the trading of its shares, the Company continued to fulfill its disclosure obligations in respect of the progress of the Major Assets Reorganization on a timely basis, and made further announcements regarding the progress of the Major Assets Reorganization every five trading days.

The 13th meeting of the fifth session of the Board of the Company was held on 29 February 2012 and the Board approved the matters in relation to the Major Assets Reorganization, including the absorption and merger of Baiyunshan by the Company through share swap of additional A shares, and the asset acquisition by the Company through issuance of A shares to GPHL. Trading in the A shares and H shares of the Company resumed on 28 March 2012.

The 17th meeting of the fifth session of the Board was held on 15 June 2012 and the Board approved the transactions, including the absorption and merger of Baiyunshan by the Company through share swap of additional A shares, and the asset acquisition by the Company through issuance of A shares to GPHL.

The first extraordinary general meeting in 2012, the first class meeting of holders of domestic shares in 2012 and the first class meeting of holders of overseas listed foreign capital shares in 2012 were held on 19 September 2012 and the relevant shareholders approved matters, including the absorption and merger of Baiyunshan by the Company through share swap using additional A shares, and the asset acquisition by the Company through issuance of A shares to GPHL.

The Company received the China Securities Regulatory Commission (“CSRC”)’s Acceptance Notice of the Application for Administrative Permission (No. 121723)* (中國證監會行政許可申請受理通知書(No.121723)) from the CSRC on 15 October 2012, that the Application for Administrative Permission submitted by the Company has been accepted by CSRC.

On 30 November 2012, the Company was notified by CSRC that the Absorption and Merger of Baiyunshan through Share Swap, Asset Acquisition through Issuance of shares and Connected Transactions of the Company was approved unconditionally by the Merger and Reorganization Audit Committee of Listed Companies of CSRC at its thirty-third meeting in 2012.

On 21 December 2012, the Company received the “Approval of the Asset Acquisition through Issuance of Shares to GPHL and the Absorption and Merger of Baiyunshan by the Company” (Zhengjianxuke[2012] No.1695)* (證監許可[2012]1695號) from the CSRC.

The announcement on the implementation of Put Option for the GPC Dissenting Shareholders holding A shares of the Absorption and Merger of Baiyunshan by the Company (the “A share Put Option Implementation”) and the announcement of the indicative notice of the Absorption and Merger of Baiyunshan was published on Shanghai Securities News, the Securities Times and the website of the SSE (www.sse.com.cn) on 7 March 2013, and the announcement of registration and exercise of the Put Option for H Shares and the relevant overseas regulatory announcement on the A share Put Option Implementation were published on the website of the HKEx (www.hkex.com.hk) on 6 March 2013.

The announcement on the results of Put Option for the GPC Dissenting Shareholders holding A shares on Absorption and Merger of Baiyunshan by the Company (the “A share Put Option Results”) was published in Shanghai Securities News, the Securities Times and the website of the SSE (www.sse.com.cn) on 19 March 2013, and the announcement on the results of registration and exercise of the Put Option for H Shares and the relevant overseas regulatory announcement on the A share Put Option Results were published on the website of the HKEx (www.hkex.com.hk) on 18 March 2013.

The announcement on the completion of the cross-market transferring registration of the Baiyunshan’s investors of the Company, the announcement on the implementation of the Absorption and Merger of Baiyunshan through Share Swap and the announcement on questions and answers of the relevant questions of the Absorption and Merger of Baiyunshan through Share Swap (“the Announcements”) were published in Shanghai Securities News, the Securities Times and the website of the SSE (www.sse.com.cn) on 26 April 2013, and the overseas regulatory announcement on the Announcements were published on the website of HKEx (www.hkex.com.hk) on 25 April 2013.

The Company and the relevant parties are currently carrying out various works required for implementing the Major Assets Reorganization.

4 APPENDIX

Prepared in accordance with China Accounting Standards for Business Enterprises (unaudited)

Balance Sheet

As at 31 March 2013

Items	Consolidated		The Company	
	At the end of the Reporting Period (RMB)	At the beginning of the Reporting Period (RMB)	At the end of the Reporting Period (RMB)	At the beginning of the Reporting Period (RMB)
ASSETS				
Current assets:				
Cash	1,252,423,004.57	729,534,429.40	127,599,273.19	141,232,654.49
Trading financial assets	3,340,243.50	2,875,920.00	3,340,243.50	2,875,920.00
Notes receivable	580,655,514.46	482,012,872.73	—	—
Accounts receivable	818,694,385.95	550,052,455.36	680.00	—
Prepayment	530,055,145.24	415,610,318.50	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	—	98,098,616.47	102,098,616.47
Other receivables	96,470,428.47	89,197,788.97	831,728,256.75	806,021,195.77
Inventories	1,439,605,030.42	1,276,405,502.48	26,092.66	553,530.28
Entrusted loans	—	—	—	—
Non-current assets due within 1 year	—	—	—	—
Other current assets	1,170,823.72	1,598,620.43	—	84,871.03
Total current assets	4,722,414,576.33	3,547,287,907.87	1,060,793,162.57	1,052,866,788.04
Non-currents assets:				
Available-for-sale financial assets	21,047,819.18	20,095,830.52	19,481,000.00	18,452,500.00
The held-to-maturity	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investment	1,445,829,650.84	1,412,218,693.41	2,675,213,103.60	2,642,423,792.52
Investments properties	94,788,561.88	96,320,091.40	34,443,311.69	34,778,855.83
Fixed assets	933,820,276.53	952,239,309.32	13,734,606.53	13,990,379.68
Construction in progress	37,741,531.59	27,897,312.69	272,000.00	—
Construction supplies	—	—	—	—
Disposal of fixed assets	—	—	—	—
Intangible assets	91,740,663.91	92,449,396.92	45,833.33	—
Development expenses	392,251.69	792,251.69	—	—

Items	Consolidated		The Company	
	At the end of the	At the beginning	At the end of the	At the beginning
	Reporting Period	of the Reporting	Reporting Period	of the Reporting
	(RMB)	Period	(RMB)	Period
		(RMB)		(RMB)
Goodwill	–	–	–	–
Long-term deferred expenses	6,407,032.91	6,948,817.51	–	–
Deferred income tax assets	179,211,403.62	79,144,106.56	5,005,262.86	6,703,617.32
Other non-current assets	52,730.00	–	–	–
Total non-current assets	2,811,031,922.15	2,688,105,810.02	2,748,195,118.01	2,716,349,145.35
Total assets	7,533,446,498.48	6,235,393,717.89	3,808,988,280.58	3,769,215,933.39
Liabilities and shareholders' equity:				
Current liabilities:				
Short-term borrowings	77,500,000.00	82,467,807.78	–	–
Trading financial liabilities	–	–	–	–
Notes payable	60,377,537.53	38,936,645.00	–	–
Accounts payable	1,345,690,652.01	736,216,314.15	858,213.23	853,283.35
Advances payable	534,876,234.82	336,924,384.28	32,584.69	32,584.69
Salary payable	138,909,846.88	131,740,297.59	6,854,793.08	5,877,718.22
Taxes payable	254,404,180.72	110,112,508.64	6,947,506.72	7,456,266.36
Interests payable	–	–	–	–
Dividend payable	138,728.30	138,728.30	588.16	588.16
Other payables	653,305,017.96	478,853,800.97	212,507,696.50	219,985,169.21
Non-current liabilities due within 1 year	–	–	–	–
Other current liabilities	–	–	–	–
Total current liabilities	3,065,202,198.22	1,915,390,486.71	227,201,382.38	234,205,609.99
Non-current liabilities:				
Long-term borrowings	–	–	–	–
Bonds payable	–	–	–	–
Long-term payable	4,423,405.56	4,423,405.56	–	–
Special payables	–	–	–	–
Estimated liabilities	–	–	–	–
Deferred income tax liabilities	4,023,682.67	3,863,493.22	3,610,505.90	3,361,888.01
Other non-current liabilities	84,764,107.14	87,395,999.11	–	–
Total non-current liabilities	93,211,195.37	95,682,897.89	3,610,505.90	3,361,888.01
Total liabilities	3,158,413,393.59	2,011,073,384.60	230,811,888.28	237,567,498.00

Items	Consolidated		The Company	
	At the end of the	At the beginning	At the end of the	At the beginning
	Reporting Period	of the Reporting	Reporting Period	of the Reporting
	(RMB)	Period	(RMB)	Period
		(RMB)		(RMB)
Shareholders' equity:				
Share capital	810,900,000.00	810,900,000.00	810,900,000.00	810,900,000.00
Capital reserves	1,146,101,908.43	1,148,765,832.02	1,096,161,373.96	1,095,415,498.20
Less: Treasury shares	—	—	—	—
Surplus reserves	629,262,321.00	629,262,321.00	296,127,857.17	296,127,857.17
Retained profits	1,660,846,411.88	1,507,661,282.20	1,374,987,161.17	1,329,205,080.02
Exchange difference on foreign currency capital	—	—	—	—
Shareholders' equity attributable to the Shareholders of the Company	4,247,110,641.31	4,096,589,435.22		
Minority interests	127,922,463.58	127,730,898.07		
Total shareholders' equity	4,375,033,104.89	4,224,320,333.29	3,578,176,392.30	3,531,648,435.39
Total liabilities and shareholders' equity	7,533,446,498.48	6,235,393,717.89	3,808,988,280.58	3,769,215,933.39

Income Statement

1 January — 31 March 2013

Items	Consolidated		The Company	
	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)
1. Income from operations	2,972,153,747.25	1,826,521,103.67	24,949,258.19	11,834,613.99
Including: income from principal operations	2,949,130,979.22	1,803,359,736.61	648,172.97	717,178.63
2. Cost of operations	1,993,223,923.78	1,404,876,958.30	952,839.91	1,021,021.32
Including: cost of principal operations	1,988,940,062.34	1,401,473,327.07	617,295.77	685,477.18
Less: sales taxes and surcharges	24,992,221.74	14,202,974.78	1,544,048.00	848,191.29
Sales expenses	635,872,549.24	209,937,310.10	54,721.80	54,721.92
General and administrative expenses	164,761,780.34	119,572,636.63	7,734,863.85	6,798,680.30
Finance expenses	558,118.57	744,020.54	2,109,178.05	973,137.72
Asset impairment loss	3,224,111.51	(1,130,282.96)	-	-
Add: Gain from changes in fair value	464,323.50	(144,082.10)	464,323.50	(144,082.10)
Investment income	36,128,492.60	55,547,225.51	36,863,868.42	42,520,170.34
Including: Share of profits from associates and joint venture	36,373,239.50	55,726,714.45	32,814,810.32	39,391,182.09
3. Operating profit	186,113,858.17	133,720,629.69	49,881,798.50	44,514,949.68
Add: Non-operating income	4,250,047.27	6,578,505.57	200.00	1,299,905.83
Less: Non-operating expenses	317,029.08	848,185.84	-	510,353.35
Including: Loss from disposal of non-current assets	123,668.68	44,236.55	-	10,353.35
4. Total profit	190,046,876.36	139,450,949.42	49,881,998.50	45,304,502.16
Less: Income tax expense	35,516,074.80	11,472,928.47	4,099,917.35	860,582.70
5. Net profit	154,530,801.56	127,978,020.95	45,782,081.15	44,443,919.46
Net profit attributable to the shareholders of the Company	153,185,129.68	122,151,046.86		
Minority interest	1,345,671.88	5,826,974.09		

Items	Consolidated		The Company	
	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)
6. Earnings per share				
(1) Basic earnings per share	0.189	0.151		
(2) Diluted earnings per share	0.189	0.151		
7. Other comprehensive income	681,970.04	(65,768.77)	745,875.76	(136,125.00)
8. Total comprehensive income	155,212,771.60	127,912,252.18	46,527,956.91	44,307,794.46
(1) Comprehensive income attributable to the shareholders of the Company	153,868,685.97	122,083,635.76		
(2) Comprehensive income attributable to the shareholders of minority interest	1,344,085.63	5,828,616.42		

Cash Flow Statement

1 January — 31 March 2013

Items	Consolidated		The Company	
	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)
1. Cash flow from operating activities				
Cash received from sale of goods and rendering of services	2,930,847,966.00	1,473,135,527.65	757,097.18	837,155.56
Refund of tax and levies	20,333,293.29	6,710,009.23	—	—
Other cash received relating to operating activities	27,445,154.14	32,549,732.87	15,089,934.79	4,500,140.88
Sub-total of cash inflow from operating activities	2,978,626,413.43	1,512,395,269.75	15,847,031.97	5,337,296.44
Cash paid for goods and services	1,628,707,684.88	1,006,964,984.25	100,204.22	563,309.08
Cash paid to and on behalf of employees	332,971,458.96	212,791,606.95	3,146,920.44	3,239,163.43
Taxes paid	188,002,702.47	110,301,775.62	3,935,908.67	1,711,790.63
Cash paid relating to other operating activities	282,290,646.52	117,714,426.75	10,997,989.07	3,921,758.45
Sub-total of cash outflow from operating activities	2,431,972,492.83	1,447,772,793.57	18,181,022.40	9,436,021.59
Net cash flow from operating activities	546,653,920.60	64,622,476.18	(2,333,990.43)	(4,098,725.15)
2. Cash flows from investing activities				
Cash received from investment	—	—	—	—
Cash received from sales of subsidiaries	—	—	—	—
Cash received from investment income	—	9,643.98	4,000,000.00	—
Cash paid for disposal of fixed assets, intangible assets and other long-term assets	1,320.00	261,580.00	—	680.00
Other cash received from investing activities	2,134.42	12,811,077.93	82,237,204.05	71,478,428.27

Items	Consolidated		The Company	
	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)
Sub-total of cash inflows from investing activities	3,454.42	13,082,301.91	86,237,204.05	71,479,108.27
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	14,601,392.65	9,234,381.52	421,505.00	358,700.00
Cash paid for purchase of investments	4,500,000.00	—	—	—
Cash paid for purchasing subsidiaries	—	—	—	10,000,000.00
Other cash paid in relation to investing activities	565,089.93	2,150,000.00	94,565,089.93	70,000,000.00
Sub-total of cash outflows from investing activities	19,666,482.58	11,384,381.52	94,986,594.93	80,358,700.00
Net cash flows from investing activities	(19,663,028.16)	1,697,920.39	(8,749,390.88)	(8,879,591.73)
3. Cash flows from financing activities				
Proceeds from absorbing investments	—	—	—	—
Including: Cash received from minority shareholders from subsidiaries	—	—	—	—
Cash received from borrowings	27,500,000.00	64,650,000.00	—	—
Other proceeds relating to financing activities	—	—	—	—
Sub-total of cash inflows from financing activities	27,500,000.00	64,650,000.00	—	—

Items	Consolidated		The Company	
	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)	The Reporting Period (RMB)	The corresponding period of the previous year (RMB)
Repayment of borrowings	32,467,807.78	57,500,980.29	–	–
Cash paid for distribution of dividends, profits or interests	1,123,509.96	2,100,513.86	–	113.33
Including: Dividend and profit payable to minority shareholders from subsidiaries	–	–	–	–
Other cash paid in relating to financing activities	–	–	2,549,999.99	1,238,611.08
Sub-total of cash outflows from financing activities	33,591,317.74	59,601,494.15	2,549,999.99	1,238,724.41
Net cash flows from financing activities	(6,091,317.74)	5,048,505.85	(2,549,999.99)	(1,238,724.41)
4. Effects of foreign exchange rate changes on cash and cash equivalents	25,934.42	1,462.32	–	–
5. Net increase in cash and cash equivalents	520,925,509.12	71,370,364.74	(13,633,381.30)	(14,217,041.29)
Add: Cash and cash equivalents at the beginning of the period	722,303,335.15	355,748,504.33	141,232,654.49	107,691,016.27
6. Cash and cash equivalents at the end of the period	1,243,228,844.27	427,118,869.07	127,599,273.19	93,473,974.98

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 26 April 2013

As at the date of this report, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Ms. Cheng Ning 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.

* *for identification purpose only*