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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

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

(H Share Stock Code: 0874)

2017 FIRST QUARTERLY REPORT

1. IMPORTANT NOTICE

- 1.1** The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”) of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (“GYBYS” or the “Company”) and its directors, supervisors and senior management collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this quarterly report and confirm that there are no false information, misleading statements or material omissions in this quarterly report.
- 1.2** The directors of the Company (the “Directors”) attended the 30th meeting of the sixth session of the Board, among whom, Mr. Li Chuyuan (chairperson of the Board) was unable to attend the meeting due to business reason and has appointed Mr. Chen Mao (vice chairperson of the Board) to attend the meeting and vote on his behalf. Ms. Liu Juyan (an executive Director) was unable to attend the meeting due to business reason and has appointed Mr. Wu Changhai (an executive Director) to attend the meeting and vote on her behalf. Ms. Cheng Ning (an executive Director) was unable to attend the meeting due to business reason and has appointed Mr. Ni Yidong (an executive Director) to attend the meeting and vote on her behalf. Mr. Wong Lung Tak Patrick (an independent non-executive Director) attended the meeting by means of telephone. Mr. Qiu Hongzhong (an independent non-executive Director) was unable to attend the meeting due to business reason and has appointed Mr. Chu Xiaoping (an independent non-executive Director) to attend the meeting and vote 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 2017 (the “Reporting Period”) are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.4** Mr. Li Chuyuan (chairperson of the Board), Mr. Wu Changhai (an executive Director and deputy general manager) and Ms. Yao Zhizhi (deputy director of Finance and head of finance department) declared that they warranted that the financial reports contained in this quarterly report were true and complete.
- 1.5** This 2017 first quarterly report is published in Hong Kong pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules of HKEx”) (the “HKEx”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571).
- 1.6** This quarterly report is prepared in both English and Chinese. In the event that different interpretation occurs, the Chinese version shall prevail.

2. BASIC INFORMATION ON THE COMPANY

2.1 Principal financial data

Items	As at 31 March 2017 (Unaudited)	As at 31 December 2016 (Audited)	Increase/ (Decrease) as compared with 31 December 2016 (%)
Total assets (<i>RMB'000</i>)	26,579,719	25,897,170	2.64
Net assets attributable to the shareholders of the Company (<i>RMB'000</i>)	17,832,555	17,345,080	2.81
Equity attributable to the shareholders of the Company per share (<i>RMB</i>)	10.97	10.67	2.81

Items	1 January – 31 March 2017 (Unaudited)	1 January – 31 March 2016 (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2016 (%)
Net cash flow from operating activities (<i>RMB'000</i>)	225,970	743,266	(69.60)
Net cash flow from operating activities per share (<i>RMB</i>)	0.14	0.58	(75.86)

Items	1 January – 31 March 2017 (Unaudited)	1 January – 31 March 2016 (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2016 (%)
Income from operations (<i>RMB'000</i>)	5,287,931	5,050,889	4.69
Net profit attributable to the shareholders of the Company (<i>RMB'000</i>)	484,662	409,319	18.41
Net profit attributable to the shareholders of the Company after deducting non-recurring items (<i>RMB'000</i>)	461,835	393,748	17.29
Basic earnings per share (<i>RMB</i>)	0.298	0.317	(5.99)
Diluted earnings per share (<i>RMB</i>)	0.298	0.317	(5.99)
Ratio of weighted average return on net assets (%)	2.76	4.73	A decrease of 1.97 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	2.63	4.55	A decrease of 1.92 percentage points

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 2017)	Amount	Notes
	<i>(RMB'000)</i>	
Gain/(Loss) on disposal of non-current assets	(365)	
Government subsidies recognized as gain/(loss)	43,675	This is the amount of government subsidies received by the Company's subsidiaries which were transferred to non-operating income in the Reporting Period.
Gain/(Loss) on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company), as well as investment gains received from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	(273)	
Write-off provision for impairment of accounts receivable undergoing independent impairment test	184	
Other non-operating income and expenses excluding the above items	(17,079)	
Income tax effect	(3,132)	
Effect on minority interest	(183)	
Total	<u>22,827</u>	

2.2 The total number of shareholders and the top ten shareholders of the Company as at the end of the Reporting Period (after completion of the Share Reform Plan):

As at 31 March 2017, the Company had 65,088 shareholders in total, among which, 65,061 shareholders held the Renminbi-denominated ordinary shares (A Shares) and 27 shareholders held overseas listed foreign shares (H Shares).

Shareholders	Number of shares held as at the end of the Reporting Period (share)	Approximate percentage of the total issued share capital (%)	Number of shares held which were subject to selling restrictions held (share)	Number of shares pledged or locked (share)		Class of shares (share)
				Shares status	Number of shares (share)	
Guangzhou Pharmaceutical Holdings Company (“GPHL”)	732,305,103	45.04	148,338,467	Pledged	172,390,000	Domestic shares
HKSCC Nominees Limited	219,605,469	13.51	Nil	Nil	0	H shares
Guangzhou State-owned Asset Development Holdings Limited	87,976,539	5.41	87,976,539	Nil	0	Domestic shares
Guangzhou China Life Urban Development Industry Investment Enterprise (Limited Partnership)	73,313,783	4.51	73,313,783	Nil	0	Domestic shares
China Securities Finance Corporation Limited	33,553,144	2.06	Nil	Nil	0	Domestic shares
Shanghai Yunfeng Xinchuang Equity Investment Center (Limited Partnership)	21,222,410	1.31	21,222,410	Nil	0	Domestic shares
Central Huijin Investment Limited	15,260,700	0.94	Nil	Nil	0	Domestic shares
The Industrial and Commercial Bank of China Co., Ltd. -Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	9,945,228	0.61	Nil	Nil	0	Domestic shares
The National Social Security Fund – One Two Combination	8,911,296	0.55	Nil	Nil	0	Domestic shares
Abu Dhabi Investment Authority	7,075,556	0.44	Nil	Nil	0	Domestic shares

The top ten shareholders of the Company not subject to selling restrictions

Shareholders	Number of shares without selling restrictions (share)	Class of shares	The number of shares (share)
GPHL	538,966,636	Domestic shares	732,305,103
HKSCC Nominees Limited	219,605,469	H shares	219,605,469
China Securities Finance Corporation Limited	33,553,144	Domestic shares	33,553,144
Central Huijin Investment Limited	15,260,700	Domestic shares	15,260,700
The Industrial and Commercial Bank of China Co., Ltd. -Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	9,945,228	Domestic shares	9,945,228
The National Social Security Fund – 107 Combination	8,911,296	Domestic shares	8,911,296
Abu Dhabi Investment Authority	7,075,556	Domestic shares	7,075,556
New China Life Insurance Co., Ltd. - Dividend – Group Dividend -018L – FH001 Hu	6,380,585	Domestic shares	6,380,585
Bank of China Co., Ltd. – Huaxia New Economy Flexible Configuration of Mixed-type Securities Investment Fund	4,940,150	Domestic shares	4,940,150
Hong Kong Securities Clearing Company Limited	4,784,661	Domestic shares	4,784,661
Explanation on the connection or parties acting in concert among the above shareholders	(1)	According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of clients.	
	(2)	The Company was not aware of any connection among the above top ten shareholders, or whether they were parties acting in concert as provided in the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.	
Explanation on the restoration of voting rights of shareholder holding preferred shares and the number of shares held	Nil		

2.3 The total number of shareholders holding preferred shares, the top ten shareholders holding preferred shares and the top ten shareholders holding preferred shares without selling restrictions as at the end of the Reporting Period

Applicable Not applicable

3. MAJOR EVENTS

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

Applicable Not applicable

Items	As at 31 March 2017 (RMB'000)	As at 31 December 2016 (RMB'000)	Fluctuation (%)	Reasons for changes
Notes receivable	2,177,650	1,604,768	35.70	This is mainly due to the increase in bills of exchange received by the Group as a result of the tightened domestic money liquidity as at 31 March 2017.
Advances to suppliers	258,799	414,074	(37.50)	This is mainly due to the decrease in advance payment for purchasing raw materials and packaging materials by the Company's subsidiaries as at 31 March 2017.
Development costs	2,017	3,017	(33.14)	This is mainly due to the decrease in the ending balance of the Group's development expenses as at 31 March 2017.
Other non-current assets	0	35,970	(100.00)	The formalities for transfer of property rights of the assets purchased by the Company's subsidiaries have been completed as at 31 March 2017.
Notes payable	212,359	320,812	(33.81)	This is mainly due to the decrease in the amount of notes payable by the Group for the purchase of raw materials as at 31 March 2017.

Items	1 January – 31 March 2017 (RMB'000)	1 January – 31 March 2016 (RMB'000)	Fluctuation (%)	Reasons for changes
Financial expenses	(28,075)	(9,350)	(200.25)	This is mainly due to improvement in the Group's fund management, reduction in bank borrowings, increase in interest income and reduction in financial cost as a result of the Group's reasonable fund allocation, increase in investment financing as well as optimization in types of deposit during the Reporting Period.
Asset impairment losses	(3,038)	5,101	(159.55)	This is mainly due to the decrease in the impairment loss recognized by the Group during the Reporting Period.
Profit arising from the changes in fair value	(273)	(1,013)	72.99	This is mainly due to the rise in AVIC HAIG and Harbin Pharmaceutical Group share prices held by the Company during the Reporting Period.
Non-operating income	46,573	35,678	30.54	This is mainly due to the increase in government compensation recognized by the Company's subsidiaries during the Reporting Period.
Non-operating expenses	20,343	15,458	31.60	This is mainly due to the compensation for breach of contract of the Company's subsidiary during the Reporting Period.
Net cash flows from operating activities	225,970	743,266	(69.60)	This is mainly due to the government compensation for land relocation received by the Company's subsidiaries in the same period of last year, which did not occur during the Reporting Period.
Net cash flows from investing activities	(13,275)	(105,063)	87.36	This is mainly due to decrease in the funds paid for production sites, equipment and investment projects of the Group and receiving dividend payout of investment enterprises during the Reporting Period.
Net cash flows from financing activities	1,691	(50,559)	103.35	This is mainly due to decrease in bank borrowings as compared with the corresponding period as the Group repaid its banks loans 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 its beneficial owner

Applicable Not applicable

3.3.1 Equity incentive implemented by listed company

Item	Content
Background of undertaking	Undertakings in connection with equity division reform
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none">1. In order to improve the value of the listed company, after completion of the reform, the controlling shareholder of the Company, GPLH will, to the extent permitted by laws and regulations and subject to the approval of the supervisory authority, support the Company to set up an equity incentive mechanism as the prerequisite for management to fulfill their rights of options based on the performance growth of the listed company.2. Upon the original undertakings, GPLH made further undertaking: In order to fully mobilize the initiative and creativity of the management team of the listed company, realize the sustainable development and improve the value of the listed company, GPLH undertakes that it will, to the extent permitted by laws and regulations and subject to the approvals of the supervisory authorities, urge and support the Company to set up incentive scheme for medium to long term within three years from the date of this undertaking letter, which scheme shall stipulate the growth in profits of the Company as a condition and link to market value.
Time and period of undertaking	The original undertaking was given in March 2006. On 25 June 2014, GPLH supplemented the original undertaking. The undertaking remains valid until it has been fully performed.
Valid period for performance	In order to improve the incentive mechanism, the Company implemented the Employee Stock Ownership Scheme (2015), completion of which occurred on 17 August 2016.
Whether strictly and timely performed	Fully performed
Compliance or not	Yes

3.3.2 Independence of listed company

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

3.3.3 Avoiding competition

Item	Content
Background of undertakings	Undertakings related to the Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none"> <li data-bbox="775 321 1509 1076">1. After completion of the Major Assets Reorganization, GPHL and its controlled subsidiaries should avoid engaging in business and operations which substantially compete with those of the subsisting the Company after completion of the Major Assets Reorganization (“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 vigorously procure its subsidiaries to give up competition 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. <li data-bbox="775 1119 1509 1278">2. GPHL shall 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. <li data-bbox="775 1321 1509 1438">3. The undertaking letter shall remain effective so long as GPC legally and validly exists and GPHL owns controlling interest in GPC.
Time and period of undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

3.3.4 Regulating connected transactions

Item	Content
Background of undertakings	Undertakings related to the Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none"> <li data-bbox="775 321 1509 959">1. After completion of the Major Assets Reorganization, GPHL and its subsidiaries should minimize and regulate connected transactions with new GPC. If there is any unavoidable connected transaction, GPHL and its controlled subsidiaries will sign agreement with new GPC in accordance with laws and perform the 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 Listing Rules of the 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 subsisting GPC after completion of the Major Assets Reorganization and its other shareholders. <li data-bbox="775 1002 1509 1108">2. 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 the undertaking	The undertaking was given on 29 February 2012 and is valid permanently.
Valid period for performance	N/A
Whether timely and strictly performed	Being performed
Compliance or not	Yes

3.3.5 Undertakings related to trademark custodianship

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

3.3.6 Undertakings related to properties with legal defects

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

3.3.7 Undertakings related to trademarks

Item	Content
Background of the undertakings	Undertakings related to the Major Assets Reorganization
Party given the undertaking	Controlling shareholder
Details of the undertaking	<ol style="list-style-type: none"> <li data-bbox="770 327 1511 917">1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of pre-emption <li data-bbox="770 966 1511 1800">2. On the basis of the original undertaking letter, GPLH has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by GPLH after the Execution Day (inclusive of today) for the “Supplementary Agreement to the Agreement of Trademark Custody”. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.
Time and period of the undertaking	The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.

Item	Content
Valid period for performance	N/A
Whether timely and strictly performed	<p data-bbox="772 204 1511 476">In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the commencing date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration.</p> <p data-bbox="772 527 1511 719">As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of injection of Wang Lao Ji trademark series was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.</p>
Compliance or not	Yes

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

3.4 Warning and explanation for negative impact on profit in respect of the beginning of 2017 up to the next reporting period, or significant changes in profits in comparison to the corresponding period of 2016

Applicable Not applicable

3.5 Explanation on changes in the scope of consolidation as compared with the most recent financial report

Applicable Not applicable

4. APPENDIX

4.1 Financial Report

Consolidated Balance Sheet

As at 31 March 2017

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Current assets:		
Cash at bank and on hand	13,405,852,966.48	13,091,007,880.23
Settlement provisions	–	–
Placements	–	–
Financial assets based on fair value to confirm profit or loss	5,752,643.83	6,026,123.94
Derivative financial assets	–	–
Notes receivable	2,177,650,110.48	1,604,767,885.21
Accounts receivable	1,008,390,760.87	1,108,363,607.29
Advances to suppliers	258,799,244.55	414,073,610.15
Premiums receivable	–	–
Receivables from reinsurers	–	–
Reinsurance contract reserve	–	–
Interest receivable	–	–
Dividend receivable	47,938,523.45	52,938,523.45
Other receivables	218,128,008.93	205,120,876.85
Financial assets purchased under resale agreements	–	–
Inventories	2,836,593,826.47	2,781,495,711.45
Classified as assets held for sale	–	–
Current portion of non-current assets	–	–
Other current assets	176,214,685.97	250,191,094.03
Total current assets	20,135,320,771.03	19,513,985,312.60

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Non-currents assets:		
Entrusted loans and advances	–	–
Available-for-sale financial assets	329,367,457.80	327,889,324.24
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investment	2,374,811,766.08	2,290,443,462.70
Investments properties	227,155,776.57	228,575,391.31
Fixed assets	2,074,900,596.81	2,107,109,957.69
Construction in progress	261,116,408.21	255,276,101.16
Construction materials	–	–
Disposal of fixed assets	–	–
Production of biological assets	–	–
Oil and gas assets	–	–
Intangible assets	700,655,165.37	668,305,151.10
Development costs	2,017,046.84	3,017,046.84
Goodwill	11,499,562.74	11,499,562.74
Long-term prepaid expenses	43,030,979.05	37,939,444.42
Deferred tax assets	419,843,485.22	417,159,182.77
Other non-current assets	–	35,970,282.97
	<hr/>	<hr/>
Total non-current assets	6,444,398,244.69	6,383,184,907.94
	<hr/>	<hr/>
Total assets	26,579,719,015.72	25,897,170,220.54
	<hr/> <hr/>	<hr/> <hr/>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Current liabilities:		
Short-term borrowings	19,120,751.12	25,215,424.88
Borrowings from central banks	-	-
Deposits and deposits by banks	-	-
Funds borrowed	-	-
Financial liabilities at fair value through profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable	212,358,945.88	320,811,521.98
Accounts payable	2,448,461,862.36	2,267,279,067.87
Advances from customers	1,431,511,078.85	1,552,885,731.40
Financial assets sold under repurchase agreements	-	-
Fee and commission payable	-	-
Employee benefits payable	398,783,397.75	546,523,380.87
Taxes payable	417,896,043.02	384,192,155.39
Interests payable	276,263.81	257,658.10
Dividend payable	57,301,541.02	57,301,541.02
Other payables	2,618,226,783.20	2,267,981,520.69
Payables to reinsurers	-	-
Insurance contract	-	-
Brokerage deposits	-	-
Acting underwriting securities	-	-
Classified as liabilities held for sale	-	-
Current portion of non-current liabilities	-	-
Other current liabilities	-	-
Total current liabilities	7,603,936,667.01	7,422,448,002.20
Non-current liabilities:		
Long-term borrowings	33,250,398.87	33,502,083.03
Debentures payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payable	20,558,783.65	20,558,783.65
Long-term employee benefits payable	346,797.94	316,733.72
Payables for specific projects	16,751,608.75	16,842,773.80
Provisions	59,911,795.68	61,045,873.15
Deferred income	598,487,443.76	612,084,162.58
Deferred tax liabilities	83,464,218.69	76,581,360.14
Other non-current liabilities	-	-
Total non-current liabilities	812,771,047.34	820,931,770.07
Total liabilities	8,416,707,714.35	8,243,379,772.27

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Shareholders' equity:		
Share capital	1,625,790,949.00	1,625,790,949.00
Other equity instruments	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Capital surplus	9,875,172,584.68	9,875,172,584.68
Less: Treasury shares	-	-
Other comprehensive Income	12,601,628.04	9,788,066.97
Special reserves	-	-
Surplus reserves	1,052,034,418.97	1,052,034,418.97
General risk reserve	-	-
Undistributed profits	5,266,955,854.33	4,782,293,720.24
Total equity attributable to the Shareholders of the parent Company	17,832,555,435.02	17,345,079,739.86
Minority interests	330,455,866.35	308,710,708.41
Total shareholders' equity	18,163,011,301.37	17,653,790,448.27
Total liabilities and shareholders' equity	26,579,719,015.72	25,897,170,220.54

<i>Legal Representative:</i> Mr. Li Chuyuan	<i>Director of the Financial Work:</i> Mr. Wu Changhai	<i>Manager of Finance Department:</i> Ms. Yao Zhizhi
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Parent Company Balance Sheet

As at 31 March 2017

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Current assets:		
Cash at bank and on hand	7,588,153,038.39	8,358,861,097.11
Financial assets based on fair value to confirm profit or loss	5,752,643.83	6,026,123.94
Derivative financial assets	-	-
Notes receivable	840,391,642.86	586,068,682.00
Accounts receivable	279,936,479.61	334,495,199.70
Advances to suppliers	5,886,333.65	6,765,642.36
Interest receivable	-	-
Dividend receivable	179,913,959.12	227,303,087.42
Other receivables	1,537,543,366.69	1,497,826,949.82
Inventories	341,693,493.44	350,901,854.94
Classified as assets held for sale	-	-
Current portion of non-current assets	-	-
Other current assets	1,104,772.46	311,191.58
Total current assets	10,780,375,730.05	11,368,559,828.87
Non-currents assets:		
Available-for-sale financial assets	325,594,253.51	324,384,253.51
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investment	5,123,762,078.30	4,150,739,999.55
Investments properties	214,626,615.30	216,673,097.32
Fixed assets	489,035,719.60	492,475,829.83
Construction in progress	12,138,931.08	10,418,008.58
Construction materials	-	-
Fixed assets pending for disposal	-	-
Production of biological assets	-	-
Oil and gas assets	-	-
Intangible assets	375,579,062.10	376,892,173.85
Development costs	1,217,046.84	2,217,046.84
Goodwill	-	-
Long-term prepaid expenses	2,186,136.81	2,303,114.09
Deferred tax assets	58,199,543.56	58,199,543.56
Other non-current assets	-	-
Total non-current assets	6,602,339,387.10	5,634,303,067.13
Total assets	17,382,715,117.15	17,002,862,896.00

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Current liabilities:		
Short-term borrowings	164,431,644.92	184,431,644.92
Financial liabilities based on fair value to confirm profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable	-	-
Accounts payable	176,896,332.77	189,679,883.62
Advances from customers	38,605,172.48	14,149,991.14
Employee benefits payable	56,163,904.78	55,444,007.49
Taxes payable	111,803,148.98	84,161,748.85
Interests payable	-	-
Dividend payable	224,299.47	224,299.47
Other payables	683,193,896.35	597,717,008.34
Classified as liabilities held for sale	-	-
Current portion of non-current liabilities	-	-
Other current liabilities	-	-
	<hr/>	<hr/>
Total current liabilities	1,231,318,399.75	1,125,808,583.83
	<hr/>	<hr/>
Non-current liabilities:		
Long-term borrowings	-	-
Debentures payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payable	7,802,224.39	7,802,224.39
Long-term employee benefits payable	-	-
Payables for specific projects	-	-
Provisions	118,672,495.19	98,550,055.19
Deferred income	75,610,639.73	74,971,856.94
Deferred tax liabilities	4,063,555.02	4,063,555.02
Other non-current liabilities	-	-
	<hr/>	<hr/>
Total non-current liabilities	206,148,914.33	185,387,691.54
	<hr/>	<hr/>
Total liabilities	1,437,467,314.08	1,311,196,275.37
	<hr/> <hr/>	<hr/> <hr/>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2017 (RMB)
Shareholders' equity:		
Share capital	1,625,790,949.00	1,625,790,949.00
Other equity instruments	–	–
Including: Preferred shares	–	–
Sustainable debts	–	–
Capital surplus	9,820,175,495.89	9,820,175,495.89
Less: Treasury shares	–	–
Other comprehensive Income	12,397,421.73	11,187,421.73
Special reserves	–	–
Surplus reserves	679,425,984.37	679,425,984.37
Undistributed profits	3,807,457,952.08	3,555,086,769.64
	<hr/>	<hr/>
Total shareholders' equity	15,945,247,803.07	15,691,666,620.63
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and shareholders' equity	17,382,715,117.15	17,002,862,896.00
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Legal Representative: *Director of the Financial Work:* *Manager of Finance Department:*
Mr. Li Chuyuan **Mr. Wu Changhai** **Ms. Yao Zhizhi**

Consolidated Income Statement
1 January-31 March 2017

Items	1 January – 31 March 2017 (RMB)	1 January – 31 March 2016 (RMB)
1. Revenue	5,287,931,179.78	5,050,888,725.01
Including: Income from operations	5,287,931,179.78	5,050,888,725.01
Interest Income	–	–
Premiums earned	–	–
Fee and commission income	–	–
2. Total cost from operations	4,814,504,806.76	4,649,878,463.66
Including: Cost of operations	3,206,010,323.47	3,049,994,401.19
Interest expense	–	–
Fee and commission expense	–	–
Surrenders	–	–
Net claims paid	–	–
Net reserves for insurance contracts	–	–
Policyholder dividends	–	–
Reinsurance expenses	–	–
Taxes and surcharges	57,108,153.61	45,979,906.73
Selling and distribution expenses	1,210,938,902.50	1,188,453,821.58
General and administrative expenses	371,559,833.11	369,699,372.01
Financial expenses	(28,074,787.65)	(9,350,337.05)
Asset impairment losses	(3,037,618.28)	5,101,299.20
Add: Profit arising from the changes in fair value	(273,480.11)	(1,012,684.70)
Investment income	90,476,652.44	93,590,025.16
Including: Share of profits from associates and jointly controlled entities	90,476,652.54	93,590,025.16
Exchange gains	–	–
3. Operating profit	563,629,545.35	493,587,601.81
Add: Non-operating income	46,573,407.39	35,677,709.29
Including: Gain on disposal of Non-current assets	10,800.00	190,261.65
Less: Non-operating expenses	20,342,643.73	15,457,788.14
Including: Losses from disposal of non-current assets	376,233.00	321,677.06
4. Total profit	589,860,309.01	513,807,522.96
Less: Income tax expense	86,403,748.46	90,109,683.44
5. Net profit	503,456,560.55	423,697,839.52
Net profit attributable to the shareholders of the Company	484,662,134.09	409,318,579.16
Minority interests	18,794,426.46	14,379,260.36

Items	1 January – 31 March 2017 (RMB)	1 January – 31 March 2016 (RMB)
6. After-tax net income of other comprehensive income	2,824,292.54	(512,712.12)
After-tax net income of other comprehensive income attributable to the parent company owner	2,813,561.07	(507,475.17)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period	–	–
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset	–	–
(2) Portion of items will not be classified into profit or loss when under equity method	–	–
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period	2,813,561.07	(507,475.17)
(1) Portion of items will be classified into profit or loss when under equity method	181,500.00	49,858.17
(2) Profit or loss arising from changes in fair value of available for sale financial assets	1,230,175.70	(635,126.69)
(3) Profit or loss arising from reclassification of held to maturity investments as available for sale financial assets	–	–
(4) The effective hedging portion of profit or loss arising from cash flow hedging instruments	–	–
(5) Differences arising from translation of foreign currency financial statements	1,401,885.37	77,793.35
(6) Others	–	–
After-tax net income of other comprehensive income attributable to minority shareholders equity	10,731.47	(5,236.95)
7. Total comprehensive income	506,280,853.09	423,185,127.40
Total comprehensive income attributable to the shareholders of the Company	487,475,695.16	408,811,103.99
Comprehensive income attributable to the shareholders of minority shareholder's equity	18,805,157.93	14,374,023.41
8. Earnings per share		
(1) Basic earnings per share	0.298	0.317
(2) Diluted earnings per share	0.298	0.317

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Wu Changhai

Manager of Finance Department:
Ms. Yao Zhizhi

Income Statement of the Parent Company
1 January-31 March 2017

Items	1 January – 31 March 2017 (RMB)	1 January– 31 March 2016 (RMB)
1. Revenue	825,088,123.11	758,962,617.27
Less: Cost of sales	368,776,099.36	345,826,820.57
Taxes and surcharges	14,162,212.15	12,906,292.05
Selling and distribution expenses	147,137,363.00	136,689,676.26
General and administrative expenses	104,352,472.57	93,141,402.23
Financial expenses	(11,514,445.24)	2,284,146.93
Asset impairment losses	(814,185.69)	(1,150,390.56)
Add: Profit arising from the changes in fair value	(273,480.11)	(1,012,684.70)
Investment income	77,751,578.65	78,137,908.09
Including: Share of profits from associates and jointly controlled entities	77,751,578.75	78,137,908.09
2. Operating profit	280,466,705.50	246,389,893.18
	<hr/>	<hr/>
Add: Non-operating income	2,844,439.14	9,828,595.69
Including: Gains on disposal of Non-current assets	800.00	–
Less: Non-operating expenses	622,510.59	595,081.84
Including: Losses from disposal of non-current assets	115,079.05	–
3. Total profit	282,688,634.05	255,623,407.03
	<hr/>	<hr/>
Less: Income tax expenses	30,317,451.61	22,322,513.99
4. Net profit	252,371,182.44	233,300,893.04
	<hr/> <hr/>	<hr/> <hr/>

Items	1 January – 31 March 2017 (RMB)	1 January– 31 March 2016 (RMB)
5. Other comprehensive income	1,210,000.00	(2,469,966.83)
Items will not be classified into profit or loss when satisfied with certain conditions at following accounting period	–	–
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset	–	–
(2) Portion of items will not be classified into profit or loss when under equity method	–	–
Items will be classified into profit or loss when satisfied with certain conditions at following accounting period	1,210,000.00	(2,469,966.83)
(1) Portion of items will be classified into profit or loss when under equity method	181,500.00	49,858.17
(2) Profit or loss arising from changes in fair value of available for sale financial assets	1,028,500.00	(2,519,825.00)
(3) Profit or loss arising from reclassification of held to maturity investments as available for sale financial assets	–	–
(4) The effective hedging portion of profit or loss arising from cash flow hedging instruments	–	–
(5) Differences arising from translation of foreign currency financial statements	–	–
(6) Others	–	–
6. Total comprehensive income	<u>253,581,182.44</u>	<u>230,830,926.21</u>
7. Earnings per share		
(1) Basic earnings per share	–	–
(2) Diluted earnings per share	–	–

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Wu Changhai

Manager of Finance Department:
Ms. Yao Zhizhi

Consolidated Cash Flow Statement

1 January-31 March 2017

Items	1 January – 31 March 2017 (RMB)	1 January – 31 March 2016 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	3,969,964,906.47	3,791,194,321.87
Customer deposits and interbank net increase in deposits	–	–
Net increase in borrowings from central banks	–	–
Borrowing funds from other financial institutions	–	–
Net increase	–	–
Receipt of the original insurance contract cash	–	–
Net cash received from reinsurance business	–	–
Net increase in policyholders' deposits and investments	–	–
Net increase of disposal of trading financial assets	–	–
Charge interest, fees and commissions	–	–
Net increase of capital borrowed	–	–
Net increase in repo operations funds	–	–
Refund of taxes and surcharges	2,210,315.43	2,178,759.92
Cash received relating to other operating activities	122,569,936.11	598,174,630.20
Sub-total of cash inflows	4,094,745,158.01	4,391,547,711.99
Cash paid for goods and services	1,740,733,812.71	1,830,956,193.14
Net increase in loans and advances to customers	–	–
Central banks and interbank deposits	–	–
Cash pay the original insurance contract paid in cash	–	–
Payment of interest, fees and commissions	–	–
Policyholder dividends paid in cash	–	–
Cash paid to and on behalf of employees	970,832,981.29	894,521,101.86
Payments of taxes and surcharges	438,382,743.52	349,315,570.41
Cash paid relating to other operating activities	718,825,468.09	573,488,786.99
Sub-total of cash outflows	3,868,775,005.61	3,648,281,652.40
Net cash flows from operating activities	225,970,152.40	743,266,059.59
2. Cash flows from investing activities		
Cash received from disposal of investments	–	–
Cash received from returns on investments	15,000,000.00	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,391.37	224,656.70
Net cash received from sales of subsidiaries	–	–
Cash received from other investing activities	631,643.85	–
Sub-total of cash inflows	15,637,035.22	224,656.70

Items	1 January – 31 March 2017 (RMB)	1 January – 31 March 2016 (RMB)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	28,912,425.44	54,463,306.06
Cash paid to acquire investments	–	50,000,000.00
Net increase in loans	–	–
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	–	824,259.41
Sub-total of cash outflows	28,912,425.44	105,287,565.47
Net cash flows from investing activities	(13,275,390.22)	(105,062,908.77)
3. Cash flows from financing activities		
Cash received from capital contributions	2,940,000.00	100,000.00
Including: Cash received from capital contributions by minority shareholders to subsidiaries	2,940,000.00	100,000.00
Cash received from borrowings	–	164,381,864.77
Cash received from issuance of bonds	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows	2,940,000.00	164,481,864.77
Cash repayments of borrowings	–	208,202,012.18
Cash payments for interest expenses and distribution of dividends or profits	1,248,709.56	6,703,336.37
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	–	685.59
Cash payments relating to other financing activities	–	135,783.68
Sub-total of cash outflows	1,248,709.56	215,041,132.23
Net cash flows from financing activities	1,691,290.44	(50,559,267.46)
4. Effects of foreign exchange rate changes on cash and cash equivalents	(110,523.49)	60,481.93
5. Net increase in cash and cash equivalents	214,275,529.13	587,704,365.29
Add: Cash and cash equivalents at the beginning of the period	12,756,469,786.51	3,837,603,553.99
6. Cash and cash equivalents at the end of the period	12,970,745,315.64	4,425,307,919.28

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Wu Changhai

Manager of Finance Department:
Ms. Yao Zhizhi

Cash Flow Statement of the Parent Company
1 January-31 March 2017

Items	1 January– 31 March 2017 (RMB)	1 January– 31 March 2016 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	305,361,994.89	385,566,667.59
Refund of taxes and surcharges	–	–
Cash received relating to other operating activities	43,220,157.25	126,880,954.78
Sub-total of cash inflows	348,582,152.14	512,447,622.37
Cash paid for goods and services	67,471,609.18	77,813,586.16
Cash paid to and on behalf of employees	115,084,472.37	168,160,421.47
Payments of taxes and surcharges	98,316,486.75	88,767,324.54
Cash paid relating to other operating activities	37,678,045.40	71,569,142.92
Sub-total of cash outflows	318,550,613.70	406,310,475.09
Net cash flows from operating activities	30,031,538.44	106,137,147.28
2. Cash flows from investing activities		
Cash received from disposal of investments	–	–
Cash received from returns on investments	108,029,087.62	33,241,189.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	–	–
Net cash received from sales of subsidiaries	–	–
Cash received from other investing activities	255,810,472.70	190,802,823.53
Sub-total of cash inflows	363,839,560.32	224,044,013.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	5,858,653.19	1,665,856.56
Cash paid to acquire investments	895,270,500.00	121,500,000.00
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	242,000,000.00	182,690,994.34
Sub-total of cash outflows	1,143,129,153.19	305,856,850.90
Net cash flows from investing activities	(779,289,592.87)	(81,812,837.90)

Items	1 January– 31 March 2017 (RMB)	1 January– 31 March 2016 (RMB)
3. Cash flows from financing activities		
Cash received from capital contributions	–	–
Cash received from borrowings	–	30,000,000.00
Cash received relating to other financing activities	–	–
Sub-total of cash inflows	–	30,000,000.00
Cash repayments of borrowings	20,000,000.00	30,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	1,540,755.31	778,166.67
Cash payments relating to other financing activities	–	3,383,577.21
Sub-total of cash outflows	21,540,755.31	34,161,743.88
Net cash flows from financing activities	(21,540,755.31)	(4,161,743.88)
4. Effects of foreign exchange rate changes on cash and cash equivalents	9.58	–
5. Net increase in cash and cash equivalents	(770,798,800.16)	20,162,565.50
Add: Cash and cash equivalents at the beginning of the period	8,326,923,391.07	960,889,437.00
6. Cash and cash equivalents at the end of the period	7,556,124,590.91	981,052,002.50

Legal Representative:

Mr. Li Chuyuan

Director of the Financial Work:

Mr. Wu Changhai

Manager of Finance Department:

Ms. Yao Zhizhi

4.2 Audited Report

Applicable Not applicable

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 26 April 2017

As at the date of this report, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu as executive directors, and Mr. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Chu Xiaoping and Mr. Jiang Wenqi as independent non-executive directors.