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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)

2018 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 attended the 9th meeting of the seventh session of the Board, among whom, Ms. Cheng Ning (an executive director), Mr. Wong Hin Wing (an independent non-executive director) and Ms. Wang Weihong (an independent non-executive director) attended the meeting by telephones. Mr. Jiang Wenqi (an independent non-executive director) was unable to attend the meeting due to business reason and had 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 2018 (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. Li Hong (general manager) and Mr. Wang Jiansheng (deputy head of finance department) declared that they warranted that the financial reports contained in this quarterly report were true, accurate and complete.
- 1.5 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 the end of the Reporting Period (Unaudited)	As at the end of the previous reporting period (Audited)	Increase/ (Decrease) as compared with the end of the previous reporting period (%)
Total assets (<i>RMB'000</i>)	28,837,123	28,314,713	1.85
Net assets attributable to the shareholders of the Company (<i>RMB'000</i>)	19,774,955	18,871,521	4.79
Equity per share attributable to the shareholders of the Company (<i>RMB</i>)	12.16	11.61	4.79
Items	From the beginning of 2018 to the end of the Reporting Period (January – March) (Unaudited)	The corresponding period of 2017 (January – March) (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2017 (%)
Net cash flow from operating activities (<i>RMB'000</i>)	802,226	355,970	125.36
Net cash flow from operating activities per share (<i>RMB</i>)	0.49	0.22	125.36

Items	From the beginning of 2018 to the end of the Reporting Period (January – March) (Unaudited)	The corresponding period of 2017 (January – March) (Unaudited)	Increase/ (Decrease) as compared with the corresponding period of 2017 (%)
Income from operations (<i>RMB'000</i>)	6,909,195	5,287,931	30.66
Net profit attributable to the shareholders of the Company (<i>RMB'000</i>)	905,169	484,662	86.76
Net profit attributable to the shareholders of the Company after deducting non-recurring items (<i>RMB'000</i>)	872,357	461,835	88.89
Basic earnings per share (<i>RMB</i>)	0.557	0.298	86.91
Diluted earnings per share (<i>RMB</i>)	0.557	0.298	86.91
Ratio of weighted average return on net assets (%)	4.68	2.76	An increase of 1.92 percentage points
Ratio of weighted average return on net assets after deducting non-recurring items (%)	4.51	2.63	An increase of 1.88 percentage points

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

(2) Non-recurring items include:

Items (January – March 2018)	Amount	Notes
	<i>(RMB'000)</i>	
Gain/(Loss) on disposal of non-current assets	(136)	
Government subsidies recognized as gain/(loss)	34,348	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income and other 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	(120)	
Write-off provision for impairment of accounts receivable undergoing independent test	2,021	
Other non-operating income and expenses excluding the above items	4,125	
Income tax effect	(6,695)	
Effect on minority interest	<u>(731)</u>	
Total	<u><u>32,812</u></u>	

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

As at 31 March 2018, the Company had 65,292 shareholders in total, among which, 65,265 shareholders were holding the Renminbi-denominated ordinary shares (A Shares) and 27 shareholders holding 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 subject to selling restrictions (share)	Number of shares pledged or locked (share)		
				Shares status	Number of shares (share)	Class of shares
Guangzhou Pharmaceutical Holdings Company (“GPHL”)	732,305,103	45.04	148,338,467	Nil	0	Domestic shares
HKSCC Nominees Limited	219,675,469	13.51	0	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	60,284,886	3.71	0	Nil	0	Domestic shares
Shanghai Yunfeng Xinchuang Equity Investment Center (Limited Partnership)	21,222,410	1.31	21,222,410	Pledged	21,222,410	Domestic shares
Central Huijin Investment Limited	15,260,700	0.94	0	Nil	0	Domestic shares
Agricultural Bank of China Co., Ltd. – Invesco Great Wall CSI 300 Enhanced Index Securities Investment Fund	8,846,273	0.54	0	Nil	0	Domestic shares
The National Social Security Fund – One One Five Combination	6,800,000	0.42	0	Nil	0	Domestic shares
The Industrial and Commercial Bank of China Co., Ltd.-Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	5,722,150	0.35	0	Nil	0	Domestic shares

The top ten shareholders of the Company without selling restrictions

Shareholders	Number of shares without selling restrictions (share)	Class and number of Shares	
		Class of shares	Number of shares (share)
GPHL	583,966,636	Domestic shares	732,305,103
HKSCC Nominees Limited	219,675,469	H shares	219,675,469
China Securities Finance Corporation Limited	60,284,886	Domestic shares	60,284,886
Central Huijin Investment Limited	15,260,700	Domestic shares	15,260,700
Agricultural Bank of China Co., Ltd. – Invesco Great Wall CSI 300 Enhanced Index Securities Investment Fund	8,846,273	Domestic shares	8,846,273
The National Social Security Fund – One One Five Combination	6,800,000	Domestic shares	6,800,000
The Industrial and Commercial Bank of China Co., Ltd.-Southern Consumption Vitality Flexibly Configured Mixed Initiate Securities Investment Funds	5,722,150	Domestic shares	5,722,150
China AMC – Agricultural Bank – Huaxia China Securities Financial Asset Management Plan	5,230,536	Domestic shares	5,230,536
Zhongou AMC – Agricultural Bank – Zhongou China Securities Financial Asset Management Plan	5,116,036	Domestic shares	5,116,036
Bosera Funds – Agricultural Bank – Bosera China Securities Financial Asset Management Plan	5,098,236	Domestic shares	5,098,236
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 the preferred shares and the number of shares held	Nil		

2.3 The total number of shareholders holding the preferred shares, the top ten shareholders holding preferred share and the top ten shareholders holding the preferred shares without selling restrictions of the Company 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 2018 (RMB'000)	As at 31 December 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Notes receivable	2,601,619	1,702,655	52.80	This is mainly due to the increase in notes received from sales of goods by the Group as a result of the tightened liquidity of domestic money market as at 31 March 2018.
Short-term borrowings	0	11,500	(100.00)	This is mainly due to the repayment of the banks' loans by the Group as at 31 March 2018.
Notes payable	153,650	252,226	(39.08)	This is mainly due to the payment on the maturity of the notes made by the subsidiaries of the Company as at 31 March 2018.
Advances from customers	1,194,154	1,888,892	(36.78)	This is mainly due to the confirmation of income from advances on sales of the subsidiaries of the Company as at 31 March 2018.
Taxes payable	292,647	206,462	41.74	This is mainly due to the increase in value-added tax and corporate income tax which had not been paid by the Group as at 31 March 2018.
Deferred tax liabilities	149,489	114,788	30.23	This is mainly due to the increase in timing difference in corporate income tax resulting from the adjustment in the tax rate of the subsidiaries of the Company as at 31 March 2018.

Items	1 January 2018 – 31 March 2018 (RMB'000)	1 January 2017 – 31 March 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Revenue	6,909,195	5,287,931	30.66	(1) Guangzhou WLJ Great Health Industry Co., Ltd (the “WLJ Great Health”), a wholly-owned subsidiary of the Company, enhanced efforts on promotion of products, accelerated the descending of the market channels, further expanded the coverage of channels and established strong foundation for upgrading of Lunar New Year festival market, contributing to a substantial year-on-year increase in the sales volume of the major product, namely the WLJ herbal tea during the Reporting Period. In light of the larger year-on-year increase in goods picked up in the first quarter, the market in the second quarter may experience a de-stocking period; (2) the pharmaceutical manufacturing subsidiaries of the Company intensified the promotion and marketing efforts on products, and the market demand for the products related to prevention and control of influenza recorded a great increase due to the influence of influenza outbreak in the beginning of 2018, resulting in a year-on-year increase in the sales of medicine during the Reporting Period.

Items	1 January 2018 – 31 March 2018 (RMB'000)	1 January 2017 – 31 March 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Cost of operations	4,245,624	3,206,010	32.43	The growth of cost of operations was greater than that of revenue during the Reporting Period, mainly due to that WLJ Great Health, a wholly-owned subsidiary of the Company, operates in the industry of fast moving consumer goods and is required to adjust its way of promotion depending on marketing conditions; a different promotion strategy is developed for each month to determine the focus of promotion for the current month to be channel or consumers. The promotion focus for the Reporting Period was placed on channel, resulting in a year-on-year increase of 4.8 percentage points in sales discount rate. Therefore, in the Reporting Period, the year-on-year increase in sales income (after deducting the sales discount) was less than that in cost of sales.
Taxes and surcharges	82,253	57,108	44.03	This is mainly due to the corresponding increase in taxes and surcharges resulting from the increase in sales revenue of the subsidiaries of the Company during the Reporting Period.
General and administrative expenses	492,820	371,560	32.64	This is mainly due to the increase in expenses such as salaries, R&D expenses and etc. with the Group's continuous expanding of business during the Reporting Period.

Items	1 January 2018 – 31 March 2018 (RMB'000)	1 January 2017 – 31 March 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Financial expenses	(57,969)	(28,075)	(106.48)	This is mainly due to the improvement in the Group's fund management, improvement in the efficiency of capital operation, increase in interest income as a result of the Group's reasonable fund allocation and improvement in the structure of deposits during the Reporting Period.
Selling and distribution expenses	1,132,949	1,210,939	(6.44)	As described in the above "reasons for changes in cost of operation", the decrease in selling and distribution expenses was mainly attributable to the fact that WLJ Great Health, a wholly-owned subsidiary of the Company, placed the promotion focus on channel in the Reporting Period, resulting in a decrease in investment in promotion towards consumers and a decrease in promotion expenditures as accounted for in selling and distribution expenses, which gave rise to a decrease in selling and distribution expenses. Despite of a decrease in promotion expenditures in selling and distribution expenses of WLJ Great Health, the sales discounts increased, leading to an increase in the aggregate promotion expenditures of WLJ Great Health in the Reporting Period.
Asset impairment losses	4,062	(3,038)	233.71	This is mainly due to the increase in recognized valuation allowance for inventory markdown as compared with the corresponding period of last year during the Reporting Period

Items	1 January 2018 – 31 March 2018 (RMB'000)	1 January 2017 – 31 March 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Profit arising from the changes in fair value	(120)	(273)	55.96	This is mainly due to the changes in the prices of shares held by the Company in AVIC Helicopter Co., Ltd. and Harbin Pharmaceutical Group Co., Ltd. during the Reporting Period
Non-operating expenses	677	8,288	(91.83)	This is mainly due to the compensation for breach of contract of the Company's subsidiary in the first quarter in 2017, which did not occur during the Reporting Period.
Total profit	1,143,376	589,860	93.84	In the Reporting Period, the Group's total profit saw a year-on-year increase of RMB553 million, mainly due to the increase in profit of WLJ Great Health, a wholly-owned subsidiary of the Company, by RMB358 million and the increase in profit of pharmaceutical manufacturing companies under the Company by RMB168 million, which was mainly due to the increase in revenue against the increase in fixed costs to a less extent.
Income tax expenses	216,906	86,404	151.04	This is mainly due to the corresponding increase in income tax expenses resulting from the increase in profit of the subsidiaries of the Company during the Reporting Period.
Net profit attributable to the shareholders of the Company	905,109	484,622	86.76	This is mainly due to the larger increase in total profit of the Group and the slight increase in minority interest for the Reporting Period as compared with the corresponding period of last year.

Items	1 January 2018 – 31 March 2018 (RMB'000)	1 January 2017 – 31 March 2017 (RMB'000)	Fluctuation (%)	Reasons for fluctuation
Net profit attributable to the shareholders of the Company after deducting non-recurring items	872,357	461,835	88.89	This is mainly due to the larger increase in net profit attributable to the shareholders of the Company of the Group and the slight increase in non-recurring items for the Reporting Period as compared with the corresponding period of last year.
Net cash flows from operating activities	802,226	355,970	125.36	This is mainly due to the increase in the ordinary and usual course of cash flows resulting from the increase in revenue generated from the principal operating activities of the Group during the Reporting Period.
Net cash flows from investing activities	188,582	(469,275)	140.19	This is mainly due to the decrease in the structured deposits and financing products purchased by the Group as compared with the corresponding period of last year during the Reporting Period
Net cash flows from financing activities	(20,599)	1,691	(1,317.96)	This is mainly due to the increase in repayment of bank borrowings by the Group as compared with the corresponding period of last year during the Reporting Period.

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

Applicable Not applicable

The very substantial acquisition in relation to the acquisition of 30% of the equity interest in Guangzhou Pharmaceuticals Corporation (the “GP Corp.”) and grant of put options to Alliance BMP Limited to sell 20% of the equity interest in the GP Corp. (the “Very Substantial Acquisition”) was approved at the 5th meeting of the seventh session of the Board held on 21 December 2017, details of which are set out in the *Proposal for the Very Substantial Acquisition* and the *Revised Proposal for the Very Substantial Acquisition* of the Company published on the Shanghai Stock Exchange (the “SSE”) on 23 December 2017 and 6 January 2018 and the *Circular* dated 12 February 2018 disclosed on the Stock Exchange of Hong Kong Limited (the “HKEX”).

The Very Substantial Acquisition was approved at the first extraordinary general meeting in 2018 of the Company held on 29 March 2018, details of which are set out in the *Poll Results of the First Extraordinary General Meeting* in 2018 of the Company dated 29 March 2018 published on the SSE and the HKEX.

3.3 Performance of the overdue undertakings given by the Company, shareholders and actual controllers which has not been fulfilled during the Reporting Period

Applicable Not applicable

3.4 Warning and explanation for negative impact on profit in respect of the beginning of 2018 up to the next reporting period, or significant profit fluctuation in comparison to the corresponding period of 2017

Applicable Not applicable

3.5 Explanations on the changes in scope of consolidation as compared with the most recent annual report

Applicable Not applicable

During the Reporting Period, there had been an increase of one company in the scope of consolidation.

In January 2018, Guangzhou Baiyunshan Chemical Medicine Technology Co., Ltd, a subsidiary of the Company, established Guangzhou Baiyunshan Chemical Pharmaceutical (Zhuhai) Co., Ltd, the registered capital of which is RMB42 million and the proportion of the capital contributed by Guangzhou Baiyunshan Chemical Medicine Technology Co., Ltd represented 100% of the registered capital.

4. APPENDIX

4.1 Financial Report

Consolidated Balance Sheet

As at 31 March 2018

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (RMB)
Current assets:		
Cash at bank and on hand	12,613,731,887.29	11,697,218,882.84
Settlement provisions	–	–
Placements	–	–
Financial assets based on fair value to confirm profit or loss	4,754,610.13	4,875,057.73
Derivative financial assets	–	–
Notes receivable	2,601,618,507.68	1,702,655,475.08
Accounts receivable	1,064,751,927.95	1,113,769,006.51
Advances to suppliers	199,557,294.95	256,571,758.01
Premiums receivable	–	–
Receivables from reinsurers	–	–
Reinsurance contract reserve	–	–
Interest receivable	–	–
Dividend receivable	552,938,523.45	552,938,523.45
Other receivables	250,606,685.54	209,318,838.53
Financial assets purchased under resale agreements	–	–
Inventories	2,884,598,034.24	3,700,222,896.01
Classified as assets held for sale	–	–
Current portion of non-current assets	–	–
Other current assets	1,774,949,271.46	2,266,983,406.82
Total current assets	<u>21,947,506,742.69</u>	<u>21,504,553,844.98</u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (RMB)
Non-currents assets:		
Entrusted loans and advances	–	–
Available-for-sale financial assets	1,039,033,707.90	1,038,859,674.96
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investment	2,096,180,843.86	2,008,481,257.05
Investments properties	214,903,206.04	217,675,779.38
Fixed assets	2,048,120,231.39	2,082,244,551.64
Construction in progress	300,574,958.97	284,672,127.45
Construction materials	–	–
Disposal of fixed assets	–	–
Production of biological assets	–	–
Oil and gas assets	–	–
Intangible assets	723,576,632.07	728,009,270.29
Development costs	800,000.00	800,000.00
Goodwill	11,499,562.74	11,499,562.74
Long-term prepaid expenses	50,609,834.52	49,066,645.52
Deferred tax assets	404,317,646.64	388,850,739.31
Other non-current assets	–	–
	<hr/>	<hr/>
Total non-current assets	<u>6,889,616,624.13</u>	<u>6,810,159,608.34</u>
Total assets	<u><u>28,837,123,366.82</u></u>	<u><u>28,314,713,453.32</u></u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (RMB)
Current liabilities:		
Short-term borrowings	–	11,500,000.00
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	153,649,730.49	252,226,384.82
Accounts payable	2,725,827,747.37	2,802,200,696.28
Advances from customers	1,194,153,664.70	1,888,892,476.97
Financial assets sold under repurchase agreements	–	–
Fee and commission payable	–	–
Employee benefits payable	483,656,051.41	631,170,810.62
Taxes payable	292,647,159.92	206,462,076.94
Interests payable	210,064.19	253,966.40
Dividend payable	45,442,532.97	45,446,017.79
Other payables	2,938,937,347.41	2,399,394,477.50
Payables to reinsurers	–	–
Insurance contract	–	–
Brokerage deposits	–	–
Acting underwriting securities	–	–
Classified as liabilities held for sale	–	–
Current portion of non-current liabilities	24,037,500.00	31,307,337.23
Other current liabilities	–	–
Total current liabilities	<u>7,858,561,798.46</u>	<u>8,268,854,244.55</u>
Non-current liabilities:		
Long-term borrowings	–	–
Debentures payable	–	–
Including: Preferred shares	–	–
Sustainable debts	–	–
Long-term payable	20,245,909.67	20,171,809.73
Long-term employee benefits payable	297,497.25	326,532.02
Payables for specific projects	14,675,113.16	14,954,855.39
Provisions	54,464,646.25	55,348,585.32
Deferred income	499,576,107.54	526,890,368.97
Deferred tax liabilities	149,489,076.30	114,788,264.17
Other non-current liabilities	50,225,000.00	50,225,000.00
Total non-current liabilities	<u>788,973,350.17</u>	<u>782,705,415.60</u>
Total liabilities	<u><u>8,647,535,148.63</u></u>	<u><u>9,051,559,660.15</u></u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (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	9,875,177,958.43	9,875,177,958.43
Less: Treasury shares	-	-
Other comprehensive Income	(71,942,035.17)	(70,206,938.27)
Special reserves	-	-
Surplus reserves	1,154,762,193.41	1,154,762,193.41
General risk reserve	-	-
Undistributed profits	<u>7,191,165,746.73</u>	<u>6,285,996,409.09</u>
Total equity attributable to the Shareholders of the parent Company	19,774,954,812.40	18,871,520,571.66
Minority interests	<u>414,633,405.79</u>	<u>391,633,221.51</u>
Total shareholders' equity	<u>20,189,588,218.19</u>	<u>19,263,153,793.17</u>
Total liabilities and shareholders' equity	<u>28,837,123,366.82</u>	<u>28,314,713,453.32</u>

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Li Hong

Manager of Finance Department:
Mr. Wang Jiansheng

Parent Company Balance Sheet

As at 31 March 2018

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (RMB)
Current assets:		
Cash at bank and on hand	6,426,283,723.72	6,148,845,583.90
Financial assets based on fair value to confirm profit or loss	4,754,610.13	4,875,057.73
Derivative financial assets	–	–
Notes receivable	1,044,328,865.60	679,046,805.63
Accounts receivable	228,162,272.09	265,693,684.36
Advances to suppliers	9,728,307.10	8,408,955.59
Interest receivable	–	–
Dividend receivable	656,897,700.00	656,897,700.00
Other receivables	1,584,633,325.87	1,527,015,254.36
Inventories	509,395,216.41	579,702,447.36
Classified as assets held for sale	–	–
Current portion of non-current assets	–	–
Other current assets	1,501,773,985.33	1,503,465,702.19
Total current assets	<u>11,965,958,006.25</u>	<u>11,373,951,191.12</u>
Non-currents assets:		
Available-for-sale financial assets	1,035,362,494.75	1,035,180,994.75
Held-to-maturity investments	–	–
Long-term receivables	–	–
Long-term equity investment	4,898,752,514.77	4,764,674,279.23
Investments properties	206,458,379.82	208,498,363.23
Fixed assets	474,429,448.70	483,033,235.07
Construction in progress	37,283,800.45	37,984,793.35
Construction materials	–	–
Fixed assets pending for disposal	–	–
Production of biological assets	–	–
Oil and gas assets	–	–
Intangible assets	367,965,079.23	370,192,435.37
Development costs	–	–
Goodwill	–	–
Long-term prepaid expenses	2,336,001.29	2,384,650.49
Deferred tax assets	108,368,848.19	108,368,848.19
Other non-current assets	–	–
Total non-current assets	<u>7,130,956,567.20</u>	<u>7,010,317,599.68</u>
Total assets	<u>19,096,914,573.45</u>	<u>18,384,268,790.80</u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (RMB)
Current liabilities:		
Short-term borrowings	154,431,644.92	154,431,644.92
Financial liabilities based on fair value to confirm profit or loss	-	-
Derivative financial liabilities	-	-
Notes payable	584,024.65	908,082.74
Accounts payable	350,727,514.77	331,740,567.20
Advances from customers	206,223,755.36	116,889,039.40
Employee benefits payable	73,560,403.62	78,032,160.23
Taxes payable	122,829,376.62	124,918,499.55
Interests payable	-	-
Dividend payable	477,452.11	477,452.11
Other payables	1,353,543,910.18	1,122,916,120.25
Classified as liabilities held for sale	-	-
Current portion of non-current liabilities	-	-
Other current liabilities	-	-
Total current liabilities	<u>2,262,378,082.23</u>	<u>1,930,313,566.40</u>
Non-current liabilities:		
Long-term borrowings	-	-
Debentures payable	-	-
Including: Preferred shares	-	-
Sustainable debts	-	-
Long-term payable	7,876,324.33	7,802,224.39
Long-term employee benefits payable	-	-
Payables for specific projects	-	-
Provisions	193,965,315.19	170,214,675.19
Deferred income	70,901,641.58	69,548,966.56
Deferred tax liabilities	18,619,045.19	18,591,820.19
Other non-current liabilities	-	-
Total non-current liabilities	<u>291,362,326.29</u>	<u>266,157,686.33</u>
Total liabilities	<u><u>2,553,740,408.52</u></u>	<u><u>2,196,471,252.73</u></u>

Items	At the end of the Reporting Period (RMB)	At the beginning of 2018 (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	(64,583,664.47)	(64,737,939.47)
Special reserves	-	-
Surplus reserves	782,153,758.81	782,153,758.81
Undistributed profits	<u>4,379,637,625.70</u>	<u>4,024,415,273.84</u>
Total shareholders' equity	<u>16,543,174,164.93</u>	<u>16,187,797,538.07</u>
Total liabilities and shareholders' equity	<u>19,096,914,573.45</u>	<u>18,384,268,790.80</u>

Legal Representative: *Director of the Financial Work:* *Manager of Finance Department:*
Mr. Li Chuyuan **Mr. Li Hong** **Mr. Wang Jiansheng**

Consolidated Income Statement

1 January – 31 March 2018

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
1. Revenue	6,909,195,157.97	5,287,931,179.78
Including: Income from operations	6,909,195,157.97	5,287,931,179.78
Interest Income	–	–
Premiums earned	–	–
Fee and commission income	–	–
2. Total cost of operations	5,899,738,652.26	4,814,504,806.76
Including: Cost of operations	4,245,623,561.92	3,206,010,323.47
Interest expense	–	–
Fee and commission expense	–	–
Surrenders	–	–
Net claims paid	–	–
Net reserves for insurance contracts	–	–
Policyholder dividends	–	–
Reinsurance expenses	–	–
Taxes and surcharges	82,252,629.90	57,108,153.61
Selling and distribution expenses	1,132,949,137.40	1,210,938,902.50
General and administrative expenses	492,820,322.80	371,559,833.11
Financial expenses	(57,968,647.89)	(28,074,787.65)
Asset impairment losses	4,061,648.13	(3,037,618.28)
Add: Profit arising from the changes in fair value	(120,447.60)	(273,480.11)
Investment income	95,703,214.13	90,476,652.44
Including: Share of profits from associates and jointly controlled entities	90,558,621.12	90,476,652.54
Income from disposal of assets	–	–
Exchange gains	–	–
Other income	21,290,156.73	18,360,257.48
3. Operating profit	1,126,329,428.97	581,989,802.83
Add: Non-operating income	17,723,631.17	16,158,909.22
Less: Non-operating expenses	677,054.81	8,288,403.04
4. Total profit	1,143,376,005.33	589,860,309.01
Less: Income tax expense	216,906,483.25	86,403,748.46
5. Net profit	926,469,522.08	503,456,560.55
I. Items classified by continued operations		
(1). Net profit from continued operations	926,469,522.08	503,456,560.55
(2). Net profit from discontinued operations	–	–
II. Items classified by attribution of ownership		
(1). Minority equity	21,300,184.44	18,794,426.46
(2). Net profit attributable to the owner of the parent company	905,169,337.64	484,662,134.09

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
6. Other comprehensive net income After-tax	(1,735,097.06)	2,824,292.54
Other comprehensive income after-tax attributable to shareholders' equity of the parent company	(1,735,096.90)	2,813,561.07
I. 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	–	–
II. Items will be classified into profit or loss when satisfied with certain conditions at following accounting period	(1,735,096.90)	2,813,561.07
(1) Portion of items will be classified into profit or loss when under equity method	–	181,500.00
(2) Profit or loss arising from changes in fair value of available for sale financial assets	147,928.16	1,230,175.70
(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	(1,883,025.06)	1,401,885.37
(6) Others	–	–
Other comprehensive income after-tax attributable to minority shareholders equity	(0.16)	10,731.47
7. Total comprehensive income	<u>924,734,425.02</u>	<u>506,280,853.09</u>
Total comprehensive income attributable to the shareholders of parent company	903,434,240.74	487,475,695.16
Total Comprehensive income attributable to minority shareholders' equity	21,300,184.28	18,805,157.93
8. Earnings per share		
(1) Basic earnings per share	0.557	0.298
(2) Diluted earnings per share	0.557	0.298

Business combination involving enterprises under common control at current period, merged party's net profit before merger amounted to RMB0, net profit before merger at last period amounted to RMB0.

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Li Hong

Manager of Finance Department:
Mr. Wang Jiansheng

Income Statement of the Parent Company

1 January – 31 March 2018

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
1. Revenue	1,283,145,152.69	825,088,123.11
Less: Cost of operations	642,649,099.82	368,776,099.36
Taxes and surcharges	17,366,099.87	14,162,212.15
Selling and distribution expenses	178,042,433.03	147,137,363.00
General and administrative expenses	143,392,511.86	104,352,472.57
Financial expenses	(14,111,308.57)	(11,514,445.24)
Asset impairment losses	(533,633.21)	(814,185.69)
Add: Profit arising from the changes in fair value	(120,447.60)	(273,480.11)
Investment income	82,351,485.54	77,751,578.65
Including: Share of profits from associates and jointly controlled entities	82,351,485.54	77,751,578.75
Income from disposal of assets	–	–
Other income	1,346,366.35	1,148,458.58
2. Operating profit	399,917,354.18	281,615,164.08
Add: Non-operating income	2,831,746.08	1,695,980.56
Less: Non-operating expenses	114,498.05	622,510.59
3. Total profit	402,634,602.21	282,688,634.05
Less: Income tax expenses	47,412,250.35	30,317,451.61
4. Net profit	355,222,351.86	252,371,182.44
(1). Net profit from continued operations	355,222,351.86	252,371,182.44
(2). Net profit from discontinued operations	–	–
5. Other comprehensive income	154,275.00	1,210,000.00
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	154,275.00	1,210,000.00

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
(1) Portion of items will be classified into profit or loss when under equity method	–	181,500.00
(2) Profit or loss arising from changes in fair value of available for sale financial assets	154,275.00	1,028,500.00
(3) Profit or loss arising from reclassification of held to maturity investments as available for sale financial assets	–	–
(4) The effective hedging portion of profit or loss arising from cash flow hedging instruments	–	–
(5) Differences arising from translation of foreign currency financial statements	–	–
(6) Others	–	–
6. Total comprehensive income	<u>355,376,626.86</u>	<u>253,581,182.44</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. Li Hong

Manager of Finance Department:
Mr. Wang Jiansheng

Consolidated Cash Flow Statement

1 January – 31 March 2018

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	5,538,057,887.76	3,969,964,906.47
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	479,746.67	2,210,315.43
Cash received relating to other operating activities	206,706,147.99	122,569,936.11
Sub-total of cash inflows	5,745,243,782.42	4,094,745,158.01
Cash paid for goods and services	2,356,453,057.23	1,740,733,812.71
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	1,078,855,338.11	970,832,981.29
Payments of taxes and surcharges	648,934,055.42	438,382,743.52
Cash paid relating to other operating activities	858,775,516.81	588,825,468.09
Sub-total of cash outflows	4,943,017,967.57	3,738,775,005.61
Net cash flows from operating activities	802,225,814.85	355,970,152.40
2. Cash flows from investing activities		
Cash received from disposal of investments	257,850,000.00	150,000,000.00
Cash received from returns on investments	15,235,008.11	15,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	37,220.00	5,391.37
Net cash received from sales of subsidiaries	–	–
Cash received from other investing activities	–	631,643.85
Sub-total of cash inflows	273,122,228.11	165,637,035.22

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
Cash paid to acquire fixed assets, intangible assets and other long-term assets	46,939,915.98	28,912,425.44
Cash paid to acquire investments	37,600,000.00	606,000,000.00
Net increase in loans	–	–
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	–	–
Sub-total of cash outflows	84,539,915.98	634,912,425.44
Net cash flows from investing activities	188,582,312.13	(469,275,390.22)
3. Cash flows from financing activities		
Cash received from capital contributions	1,700,000.00	2,940,000.00
Including: Cash received from capital contributions by minority shareholders to subsidiaries	1,700,000.00	2,940,000.00
Cash received from borrowings	–	–
Cash received from issuance of bonds	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows	1,700,000.00	2,940,000.00
Cash repayments of borrowings	17,600,876.74	–
Cash payments for interest expenses and distribution of dividends or profits	4,698,391.79	1,248,709.56
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	3,484.82	–
Cash payments relating to other financing activities	–	–
Sub-total of cash outflows	22,299,268.53	1,248,709.56
Net cash flows from financing activities	(20,599,268.53)	1,691,290.44
4. Effects of foreign exchange rate changes on cash and cash equivalents	(516,863.25)	(110,523.49)
5. Net increase in cash and cash equivalents	969,691,995.20	(111,724,470.87)
Add: Cash and cash equivalents at the beginning of the period	11,495,535,159.70	12,586,469,786.51
6. Cash and cash equivalents at the end of the period	12,465,227,154.90	12,474,745,315.64

Legal Representative:
Mr. Li Chuyuan

Director of the Financial Work:
Mr. Li Hong

Manager of Finance Department:
Mr. Wang Jiansheng

Cash Flow Statement of the Parent Company

1 January – 31 March 2018

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	794,052,116.37	305,361,994.89
Refund of taxes and surcharges	–	–
Cash received relating to other operating activities	75,095,692.55	43,220,157.25
Sub-total of cash inflows	<u>869,147,808.92</u>	<u>348,582,152.14</u>
Cash paid for goods and services	325,048,400.89	67,471,609.18
Cash paid to and on behalf of employees	130,956,669.27	115,084,472.37
Payments of taxes and surcharges	167,436,107.12	98,316,486.75
Cash paid relating to other operating activities	78,746,101.95	37,678,045.40
Sub-total of cash outflows	<u>702,187,279.23</u>	<u>318,550,613.70</u>
Net cash flows from operating activities	<u>166,960,529.69</u>	<u>30,031,538.44</u>
2. Cash flows from investing activities		
Cash received from disposal of investments	–	–
Cash received from returns on investments	156,813,827.77	108,029,087.62
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	255,799,107.92	255,810,472.70
Sub-total of cash inflows	<u>412,612,935.69</u>	<u>363,839,560.32</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets	2,525,137.76	5,858,653.19
Cash paid to acquire investments	51,726,750.00	895,270,500.00
Net cash paid for acquire subsidiaries	–	–
Cash paid relating to other investing activities	242,000,000.00	242,000,000.00
Sub-total of cash outflows	<u>296,251,887.76</u>	<u>1,143,129,153.19</u>
Net cash flows from investing activities	<u>116,361,047.93</u>	<u>(779,289,592.87)</u>

Items	1 January – 31 March 2018 (RMB)	1 January – 31 March 2017 (RMB)
3. Cash flows from financing activities		
Cash received from capital contributions	–	–
Cash received from borrowings	–	–
Cash received relating to other financing activities	–	–
Sub-total of cash inflows	<u>–</u>	<u>–</u>
Cash repayments of borrowings	–	20,000,000.00
Cash payments for interest expenses and distribution of dividends or profits	5,559,379.71	1,540,755.31
Cash payments relating to other financing activities	–	–
Sub-total of cash outflows	<u>5,559,379.71</u>	<u>21,540,755.31</u>
Net cash flows from financing activities	<u>(5,559,379.71)</u>	<u>(21,540,755.31)</u>
4. Effects of foreign exchange rate changes on cash and cash equivalents	<u>–</u>	<u>9.58</u>
5. Net increase in cash and cash equivalents	277,762,197.91	(770,798,800.16)
Add: Cash and cash equivalents at the beginning of the period	<u>6,147,937,501.16</u>	<u>8,326,923,391.07</u>
6. Cash and cash equivalents at the end of the period	<u>6,425,699,699.07</u>	<u>7,556,124,590.91</u>

Legal Representative: *Director of the Financial Work:* *Manager of Finance Department:*
Mr. Li Chuyuan **Mr. Li Hong** **Mr. Wang Jiansheng**

4.2 Audited Report

Applicable Not applicable

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 26 April 2018

As at the Announcement Date, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Wu Changhai as executive Directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive Directors.