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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)

## 2013 THIRD 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”) (formerly known as Guangzhou Pharmaceutical Company Limited (“GPC”)) 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 28th meeting of the fifth session of the Board held on 30 October 2013, among whom, Mr. Liu Jinxiang and Mr. Wong Lung Tak Patrick, independent non-executive directors attended the meeting by means of telephone communication.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”), and the Company for the third quarter ended 30 September 2013 (the “Reporting Period”) are prepared in accordance with the China Accounting Standards for Business Enterprises, which are unaudited.
- 1.4 Mr. Li Chuyuan (chairman of the Board), Mr. Wu Changhai (a director and general manager) and Ms. Liu Fei (manager of finance department) individually accept responsibility for ensuring the authenticity and completeness of the financial reports contained in this quarterly report.
- 1.5 This 2013 third quarterly report is published in Hong Kong pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEx”) and Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”).
- 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 PRINCIPAL FINANCIAL DATA AND INDICATORS AND CHANGE IN INFORMATION OF SHAREHOLDERS

### 2.1 Principal financial data and indicators

Items	As at 30 September 2013 <i>(Unaudited)</i>	As at 31 December 2012		Increase/(Decrease) as compared with 31 December 2012 (%) After restatement
		After restatement <i>(Unaudited)</i>	Before restatement <i>(Audited)</i>	
Total assets (RMB'000)	11,924,651	9,394,208	6,235,394	26.94
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	6,653,552	5,566,352	4,096,589	19.53
Net assets per share attributable to the shareholders of the Company (RMB)	5.15	4.41	5.05	16.75

Items	1 January- 30 September 2013 <i>(Unaudited)</i>	1 January- 30 September 2012		Increase/(Decrease) as compared with the corresponding period of 2012 (%) After restatement
		After restatement <i>(Unaudited)</i>	Before restatement <i>(Unaudited)</i>	
Net cash flow from operating activities (RMB'000)	1,287,917	1,031,923	588,330	24.81
Net cash flow from operating activities per share (RMB)	1.00	0.82	0.73	21.90

Items	1 January- 30 September 2013 <i>(Unaudited)</i>	1 January- 30 September 2012		Increase/(Decrease) as compared with the corresponding period of 2012 (%) After restatement
		After restatement <i>(Unaudited)</i>	Before restatement <i>(Unaudited)</i>	
Income from operations (RMB'000)	13,204,821	8,523,294	5,475,069	54.93
Net profit attributable to the shareholders of the Company (RMB'000)	728,258	566,391	292,624	28.58
Net profit attributable to the shareholders of the Company after deducting non-recurring items (RMB'000)	711,146	555,791	283,050	27.95
Basic earnings per share (RMB)	0.573	0.449	0.361	27.56
Diluted earnings per share (RMB)	0.573	0.449	0.361	27.56
Fully diluted return on net assets (%)	12.03	10.93	7.52	An increase of 1.10 percentage points

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

(2) Non-recurring items include:

<b>Items</b>	<b>Amount (1 July- 30 September 2013)</b> <i>(RMB'000)</i>	<b>Amount (1 January- 30 September 2013)</b> <i>(RMB'000)</i>	<b>Explanation</b>
Loss on disposal of non-current assets	(558)	(1,650)	
Government subsidies recognised as gain	8,791	19,665	This is the amount of government subsidies received by the Company's subsidiaries which was transferred to non-operating income.
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	357	496	
Write back of provision for impairment of accounts receivable undergoing independent impairment test	284	507	
Loss from entrusted loans	–	(488)	
Other non-operating income and expenses excluding the above items	(708)	21	
Income tax effect	(739)	(1,422)	
Effect on minority interests	14	(17)	
<b>Total</b>	<u>7,441</u>	<u>17,112</u>	

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

As at 30 September 2013, there were 65,149 shareholders in total, among which, 65,122 shareholders holding the Renminbi-denominated ordinary shares (A shares) and 27 shareholders holding overseas listed foreign shares (H shares).

Shareholders	Nature of shares	Approximate % of the total issued share capital (%)	Number of shares	Number of shares	Number of
			held as at the end of the Reporting Period (share)	with selling restrictions held (share)	pledged or locked shares (share)
Guangzhou Pharmaceutical Holdings Limited (“GPHL”)	Domestic shares	45.24	584,228,036	34,839,645	Nil
HKSCC Nominees Limited	H shares	17.00	219,581,479	0	Nil
Agricultural Bank of China – Invesco Great Wall Domestic Demand Growth of No.2 Securities Investment Fund	Domestic shares	0.70	9,022,370	0	Nil
China Construction Bank Co., Ltd. – Industrial Social Responsibility Securities Investment Fund	Domestic shares	0.56	7,180,000	0	Nil
China Life Property and Casualty Insurance Company Limited-Bonus-Personal Bonus-005L-FH002	Domestic shares	0.52	6,726,700	0	Nil
Agricultural Bank of China – Invesco Great Wall Demand Growth Open-end Securities Investment Fund	Domestic shares	0.51	6,591,269	0	Nil
Zhao Xuguang	Domestic shares	0.51	6,560,000	0	5,747,500
Tibet Danhong Pharmaceutical Technology Co., Ltd.	Domestic shares	0.42	5,479,027	0	Nil
Zhao Zhihong	Domestic shares	0.39	5,080,422	0	Nil
Southwest Securities Co., Ltd.	Domestic shares	0.39	5,069,743	0	Nil

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

### 3 MAJOR EVENTS

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

Applicable     Not applicable

Items	As at 30	As at 31	Fluctuation	Reason of fluctuation
	September 2013 <i>(RMB '000)</i>	December 2012 <i>(RMB '000)</i> <i>(After restatement)</i>		
Cash	1,924,553	1,135,435	69.50	This is due to the increase in the Group's sales revenue, raise in the capital return and growth in advances from customers received by the Group during the period from 1 January to 30 September 2013.
Prepayment	649,793	446,668	45.48	The increase was mainly due to the increased prepayments by the Company's subsidiaries for the purchase of pharmaceutical raw materials and packagings during the period from 1 January to 30 September 2013.
Other receivables	198,687	120,692	64.62	As at 30 September 2013, the increase was mainly due to increase in prepaid advertising expenses and other business such as fees receivable from use of trademarks.
Investment properties	249,557	136,194	83.24	The Company purchased investment properties in June 2013 through the issue of shares to GPLL.
Construction in progress	224,215	140,078	60.06	Increase was mainly due to the increased investments in technical renovation and GMP transformation projects by the Group during the period from 1 January to 30 September 2013.

<b>Items</b>	<b>As at 30 September 2013 (RMB'000)</b>	<b>As at 31 December 2012 (RMB'000) (After restatement)</b>	<b>Fluctuation (%)</b>	<b>Reason of fluctuation</b>
Intangible assets	477,102	305,601	56.12	The Group acquired the land use rights during the period from 1 January to 30 September 2013.
Deferred income tax assets	358,475	119,690	199.50	Increase was mainly due to the increase in the temporary differences of accrued expenses and employee benefits payable during the period from 1 January to 30 September 2013.
Notes payable	34,189	75,970	(55.00)	The Company's subsidiaries reduced bankers' acceptances settlement in business for the period from 1 January to 30 September 2013.
Accounts payable	1,648,524	1,080,598	52.56	Increase was mainly due to the longer credit term granted by suppliers to the Company's subsidiaries as they actively developed quality suppliers during the period from 1 January to 30 September 2013.
Advances payable	814,809	608,782	33.84	During the period from 1 January to 30 September 2013, the wholly owned subsidiary of the Company – Guangzhou WLJ Great Health Company Limited (“WLJ Great Health”) had received an amount of advance from its dealers.
Salary payable	384,346	192,467	99.69	As at 30 September 2013, increase was mainly due to the increased payable but unpaid year-end salary.
Taxes payable	290,556	154,532	88.02	As at 30 September 2013, the deductible temporary differences resulted in a substantial increase over the beginning and lead to substantial increase in corporate income tax payable.

<b>Items</b>	<b>As at 30 September 2013 (RMB'000)</b>	<b>As at 31 December 2012 (RMB'000) (After restatement)</b>	<b>Fluctuation (%)</b>	<b>Reason of fluctuation</b>
Other payables	1,172,154	654,272	79.15	As at 30 September 2013, the Group incurred advertising expenses accrued and transportation costs increased.
Share capital	1,291,341	810,900	59.25	The increase was mainly due to the asset acquisition through issuance of shares to GPLH and the absorption and merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. ("BYS") by the Company during the period from 1 January to 30 September 2013.
Capital reserves	2,489,577	1,702,774	46.21	The increase was mainly due to the asset acquisition through issuance of shares to GPLH and the absorption and merger of BYS by the Company during the period from 1 January to 30 September 2013.

<b>Items</b>	<b>1 January – 30 September 2013</b> <i>(RMB'000)</i>	<b>1 January – 30 September 2012</b> <i>(RMB'000)</i> <i>(After restatement)</i>	<b>Fluctuation</b> <i>(%)</i>	<b>Reason of fluctuation</b>
Income from operations	13,204,821	8,523,294	54.93	Increase was mainly due to the effective marketing strategies and the expansion of market share by the Group, especially WLJ Great Health achieved substantial increase in sales volume.
Cost of operations	8,682,105	5,843,278	48.58	The cost of operations increased in line with the increased sales during the period from 1 January to 30 September 2013.
Sales taxes and surcharges	111,233	77,611	43.32	Operating income increased, resulting in a corresponding increase in the relevant business taxes during the period from 1 January to 30 September 2013.
Sales expenses	2,784,344	1,307,777	112.91	In order to actively carry out marketing activities, increase sales, the Group increased its advertising efforts, personnel expenses, distribution costs and other sales expenses during the period from 1 January to 30 September 2013.
Financial expenses	24,221	39,927	(39.34)	The Group strengthened internal capital management, reduce bank borrowings during the period from 1 January to 30 September 2013.
Asset impairment loss	6,868	3,557	93.09	Increase was mainly due to the increase in bad debt provision made as a result of increase in accounts receivable during the period from 1 January to 30 September 2013.



<b>Items</b>	<b>1 January – 30 September 2013</b> <i>(RMB'000)</i>	<b>1 January – 30 September 2012</b> <i>(RMB'000)</i> <i>(After restatement)</i>	<b>Fluctuation</b> <i>(%)</i>	<b>Reason of fluctuation</b>
Gain from changes in fair value	496	(599)	182.76	Decrease was due to the raise in the share price of the listed shares held by the Company as compared with the corresponding period of last year during the period from 1 January to 30 September 2013.
Income tax expense	113,436	73,767	53.78	Increase was due to the increase in profit of subsidiary during the period from 1 January to 30 September 2013.
Net cash flows from investing activities	(296,313)	(33,975)	(772.16)	Decrease was mainly due to the increased investments in technical renovation and GMP transformation projects by the Group during the period from 1 January to 30 September 2013.

### 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

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>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 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.</li><li>2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li></ol>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Solution	N/A

### 3.3.2 Avoiding competition

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>1. After completion of the Major Assets Reorganization, GPLH and its controlled 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, and avoid increasing investment in companies and enterprises, other than GYBYS and its subsidiaries, which engages in business and operations which substantially compete with those of GYBYS. GPLH will not and will procure its subsidiaries not engage in the same or similar business of GYBYS to avoid direct or indirect competition with the operation and business of GYBYS. In addition, subsidiaries will voluntarily and will vigorously procure its subsidiaries to give up competition with GYBYS, if GPLH and its subsidiaries will bring unfair impact on GYBYS in respect of market shares, business opportunities and allocation of resources.</li><li>2. GPLH is willing to bear the economic losses and/or additional costs directly and/or indirectly suffered or incurred by GYBYS due to any breach of the above undertakings.</li><li>3. The undertaking letter will remain effective so long as the Company legally and validly exists and GPLH owns controlling interest in the Company.</li></ol>
Time and period of undertaking	No expiry
Any period for performance	Being performed
Whether timely and strictly performed	N/A
Solution	N/A

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	For resolving potential competition completely, GPHL undertakes that it will transfer 100% equity interest of Guangzhou Pharmaceutical Research Institute (廣州醫藥研究總院有限公司)(the limited company) to the Company within two years from the date Guangzhou Pharmaceutical Research Institute completes the ownership reform (公司改制) and its shares become transferable in accordance with requirements of the laws and regulations then in force.
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Performance conditions have not been satisfied
Solution	N/A

### 3.3.3 Regulating connected transactions

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"><li>1. After completion of the Major Assets Reorganization, GPHL and its controlled subsidiaries (“subsidiaries”, excluding GPC and its subsidiaries) should minimize and regulate connected transactions with the Company. If there is any unavoidable connected transaction, GPHL and its controlled subsidiaries will sign agreement with the Company 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 (“SSE”), 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 GYBYS after completion of the Major Assets Reorganization and its other shareholders.</li><li>2. The undertaking letter will remain effective so long as the Company legally and validly exists and GPHL owns controlling interest in the Company.</li></ol>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Solution	N/A

### 3.3.4 Restricting the sale of shares

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
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 China Securities Regulatory Commission and 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	Being performed
Solution	N/A
Remark	GPC completed the registration of its newly issued shares on 5 July 2013 with China Securities Depository and Clear Corporation Limited Shanghai Office, and the lock-up period for the newly issued shares would be 36 months after the completion of registration for the same as provided in the terms of the Undertaking Letter.

### 3.3.5 Undertakings related to trademarks

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
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 Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to GYBYS according to requirements of laws and regulations then in force:</p> <ol style="list-style-type: none"><li>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</li><li>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.</li></ol>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Performance conditions have not been satisfied
Solution	N/A

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder and the Company
Undertakings	<p>GPHL 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 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.</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	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Solution	N/A



<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
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 Wang Lao Ji series trademarks, other Wang Lao Ji 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 the Company according to the laws and regulations then in force, within two years from the date on which all the legal disputes relating to the Wang Lao Ji trademarks have been resolved. The Company 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	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Performance conditions have not been satisfied
Solution	N/A

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<p>As of 28 June 2013, the registration formalities for the transfer of 388 trademarks within the assets to be acquired to the Company were not yet completed. The consideration for these trademarks was RMB51.1416 million, mainly including two categories: GPHL's grant of use of 54 major trademarks under its six major series namely "Chen Li Ji", "Pan Gao Shou", "Xing Qun", "Zhong Yi", "Qi Xing" and "Jing Xiu Tang" to the Company and its subsidiaries, and GPHL's 334 trademarks which are registered domestically and overseas for joint or defensive purpose (including 277 domestic trademarks and 57 overseas trademarks).</p> <p>With respect to the trademarks being acquired under the Major Assets Reorganization but still pending for registration of transfer, GPHL undertook to:</p> <ol style="list-style-type: none"> <li>1. process the transfer of those trademarks to the Company as soon as possible;</li> <li>2. ensure that the Company can use these trademarks without having to pay consideration before the transfer of those assets;</li> <li>3. to fully indemnify the Company and other third parties (including but not limited to the share registrar and SSE) in cash in respect of the losses incurred by the Company and other third parties within two days from the date on which such losses actually incurred, if due to any reasons, the Company cannot use the above trademarks without paying any consideration or if those trademarks cannot be transferred to the Company, including but not limited to all economic losses incurred from any civil, administrative and criminal liabilities.</li> </ol>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Solution	N/A

### 3.3.6 Undertakings related to properties with legal defects

<b>Item</b>	<b>Content</b>
Background of undertakings	Undertakings related to Major Assets Reorganization
Undertaking entity	Controlling shareholder
Undertakings	<ol style="list-style-type: none"> <li>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 with legal defects in titles to ensure that the interests of the subsisting listed company and investors are not jeopardised.</li> <li>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.</li> <li>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.</li> </ol>
Time and period of undertaking	No expiry
Any period for performance	N/A
Whether timely and strictly performed	Being performed
Solution	N/A

Save as disclosed 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 Other Matters**

Guangzhou Baiyunshan Pan Gao Shou Pharmaceutical Co., Ltd., a subsidiary of the Company, and Faculty of Public Health of Fudan University have kicked off the first “Research Project on Prevention and Cure for PM2.5 Harm” (PM2.5 傷害防治研究項目). A Preliminary Study showed that Pan Gao Shou Mi Lian Chuan Bei Pi Pa Gao (潘高壽蜜煉川貝枇杷膏) and Zhi Ke Chuan Bei Pi Pa Lu (治咳川貝枇杷露) have significant effect on the prevention and treatment of viral respiratory infection caused by atmospheric PM2.5, may restrain the inflammatory factors and the secretion of various cell contents and protect lung tissue to reduce lung injury.

## 4 APPENDIX

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

### 4.1 Balance Sheet

As at 30 September 2013

Items	Consolidated		The Company	
	At the end of the Reporting Period (RMB)	At the beginning of 2013 (RMB) <i>(after restatement)</i>	At the end of the Reporting Period (RMB)	At the beginning of 2013 (RMB)
<b>Current assets:</b>				
Cash	1,924,553,365.58	1,135,435,400.94	502,747,734.88	141,232,654.49
Settlement provisions	—	—	—	—
Placements	—	—	—	—
Trading financial assets	3,371,437.50	2,875,920.00	3,371,437.50	2,875,920.00
Notes receivable	852,518,990.67	844,429,241.87	252,275,056.49	—
Accounts receivable	951,446,924.95	734,068,939.45	176,179,257.59	—
Prepayment	649,792,629.61	446,667,535.38	37,587,738.23	—
Premiums receivable	—	—	—	—
Receivables from reinsurers	—	—	—	—
Reinsurance contract reserve	—	—	—	—
Interest receivable	—	—	—	—
Dividend receivable	—	—	278,393,390.84	102,098,616.47
Other receivables	198,686,926.95	120,692,089.05	962,982,457.22	806,021,195.77
Financial assets purchased under resale agreements	—	—	—	—
Stock	2,406,730,935.64	2,065,898,134.19	374,866,212.00	553,530.28
Non-current assets due within 1 year	—	—	—	—
Other current assets	1,932,844.29	1,598,620.43	18,163.49	84,871.03
<b>Total current assets</b>	<b>6,989,034,055.19</b>	<b>5,351,665,881.31</b>	<b>2,588,421,448.24</b>	<b>1,052,866,788.04</b>
<b>Non-currents assets:</b>				
Entrusted loans and advances	—	—	—	—
Available-for-sale financial assets	18,939,138.10	20,401,660.98	17,242,500.00	18,452,500.00
The held-to-maturity	—	—	—	—
Long-term receivables	—	—	—	—
Long-term equity investment	1,917,902,015.49	1,716,546,921.55	3,341,966,322.88	2,642,423,792.52
Investments properties	249,556,556.71	136,194,437.45	231,128,203.97	34,778,855.83
Fixed assets	1,679,492,777.46	1,591,996,126.73	413,673,802.13	13,990,379.68
Construction in progress	224,215,176.06	140,077,689.32	77,443,217.00	—

Items	Consolidated		The Company	
	At the end	At the beginning	At the end	At the beginning
	of the Reporting Period (RMB)	of 2013 (RMB) <i>(after restatement)</i>	of the Reporting Period (RMB)	of 2013 (RMB)
Construction supplies	169,312.14	–	169,312.14	–
Disposal of fixed assets	–	–	–	–
Production of biological assets	–	–	–	–
Oil and gas assets	–	–	–	–
Intangible assets	477,102,310.25	305,600,782.57	267,835,959.21	–
Development expenses	3,712,051.69	4,112,051.69	2,200,000.00	–
Goodwill	–	–	–	–
Long-term deferred expenses	6,052,493.75	7,922,664.10	525,073.28	–
Deferred income tax assets	358,474,717.01	119,689,836.85	79,455,119.56	6,703,617.32
Other non-current assets	–	–	–	–
<b>Total non-current assets</b>	<b>4,935,616,548.66</b>	<b>4,042,542,171.24</b>	<b>4,431,639,510.17</b>	<b>2,716,349,145.35</b>
<b>Total assets</b>	<b>11,924,650,603.85</b>	<b>9,394,208,052.55</b>	<b>7,020,060,958.41</b>	<b>3,769,215,933.39</b>
<b>Current liabilities:</b>				
Short-term borrowings	528,845,744.28	681,217,807.78	305,000,000.00	–
Borrowings from central banks	–	–	–	–
Deposits and deposits by banks	–	–	–	–
Funds borrowed	–	–	–	–
Trading financial liabilities	–	–	–	–
Notes payable	34,189,040.50	75,970,070.30	–	–
Accounts payable	1,648,523,933.89	1,080,597,534.53	219,433,364.93	853,283.35
Advances payable	814,808,972.86	608,781,707.72	29,794,935.12	32,584.69
Financial assets sold under repurchase agreements	–	–	–	–
Fee and commission payable	–	–	–	–
Salary payable	384,346,416.40	192,466,940.29	89,364,805.95	5,877,718.22
Taxes payable	290,556,266.93	154,532,046.97	51,136,051.33	7,456,266.36
Interests payable	723,083.24	1,069,051.16	723,083.24	–
Dividend payable	27,236,890.99	25,443,653.91	59,010.68	588.16
Other payables	1,172,154,116.82	654,271,815.63	524,313,917.59	219,985,169.21
Payables to reinsurers	–	–	–	–
Insurance contract	–	–	–	–
Brokerage deposits	–	–	–	–
Acting underwriting securities	–	–	–	–
Non-current liabilities due within 1 year	–	–	–	–
Other current liabilities	–	–	–	–
<b>Total current liabilities</b>	<b>4,901,384,465.91</b>	<b>3,474,350,628.29</b>	<b>1,219,825,168.84</b>	<b>234,205,609.99</b>

Items	Consolidated		The Company	
	At the end	At the beginning	At the end	At the beginning
	of the Reporting Period (RMB)	of 2013 (RMB) <i>(after restatement)</i>	of the Reporting Period (RMB)	of 2013 (RMB)
<b>Non-current liabilities:</b>				
Long-term borrowings	7,161,170.20	–	7,161,170.20	–
Bonds payable	–	–	–	–
Long-term payable	24,486,069.56	24,413,469.62	7,874,824.33	–
Special payables	–	–	–	–
Deferred income	500,191.19	500,191.19	500,191.19	–
Estimated liabilities	6,102,404.11	5,609,484.82	5,836,376.94	3,361,888.01
Deferral income tax liabilities	133,049,395.13	133,370,723.47	37,587,928.40	–
Other non-current liabilities	171,299,230.19	163,893,869.10	58,960,491.06	3,361,888.01
<b>Total non-current liabilities</b>	<b>5,072,683,696.10</b>	<b>3,638,244,497.39</b>	<b>1,278,785,659.90</b>	<b>237,567,498.00</b>
<b>Shareholders' equity:</b>				
Share capital	1,291,340,650.00	810,900,000.00	1,291,340,650.00	810,900,000.00
Capital reserves	2,489,577,496.28	1,702,773,872.77	2,457,336,496.94	1,095,415,498.20
Less: Treasury shares	–	–	–	–
Special reserves	–	–	–	–
Surplus reserves	668,736,291.77	787,731,574.82	296,127,857.17	296,127,857.17
General risk reserve	–	–	–	–
Retained profits	2,211,291,744.17	2,271,551,430.93	1,696,470,294.40	1,329,205,080.02
Exchange difference on foreign currency capital	(7,393,809.84)	(6,604,552.46)	–	–
<b>Shareholders' equity attributable to the Shareholders of the Company</b>	<b>6,653,552,372.38</b>	<b>5,566,352,326.06</b>	<b>5,741,275,298.51</b>	<b>3,531,648,435.39</b>
Minority interests	198,414,535.37	189,611,229.10	–	–
<b>Total shareholders' equity</b>	<b>6,851,966,907.75</b>	<b>5,755,963,555.16</b>	<b>5,741,275,298.51</b>	<b>3,531,648,435.39</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,924,650,603.85</b>	<b>9,394,208,052.55</b>	<b>7,020,060,958.41</b>	<b>3,769,215,933.39</b>

## 4.2 Consolidated Income Statement

Items	1 July-	1 July-	1 January-	1 January-
	30 September 2013 (RMB)	30 September 2012 (RMB) <i>(after restatement)</i>	30 September 2013 (RMB)	30 September 2012 (RMB) <i>(after restatement)</i>
<b>1. Total income from operations</b>	<b>4,132,348,626.80</b>	<b>2,873,490,496.52</b>	<b>13,204,821,420.31</b>	<b>8,523,293,597.00</b>
Including: Income from operations	4,132,348,626.80	2,873,490,496.52	13,204,821,420.31	8,523,293,597.00
Interest Income	—	—	—	—
Premiums earned	—	—	—	—
Fee and commission income	—	—	—	—
<b>2. Total cost from operations</b>	<b>3,993,130,591.65</b>	<b>2,764,553,535.81</b>	<b>12,517,420,987.51</b>	<b>8,059,332,659.70</b>
Including: Cost of operations	2,858,861,839.08	1,909,051,782.33	8,682,105,241.99	5,843,277,841.67
Interest expense	—	—	—	—
Fee and commission expense	—	—	—	—
Surrenders	—	—	—	—
Net claims paid	—	—	—	—
Net reserves for insurance contracts	—	—	—	—
Policyholder dividends	—	—	—	—
Reinsurance expenses	—	—	—	—
Sales taxes and surcharges	28,364,580.50	25,303,265.86	111,232,746.34	77,611,246.83
Sales expenses	801,544,409.43	533,088,332.34	2,784,343,986.61	1,307,777,074.99
General and administrative expenses	297,707,816.83	285,791,765.46	908,649,671.94	787,182,283.34
Finance expenses	5,497,754.87	11,738,321.97	24,221,017.85	39,927,239.75
Asset impairment loss	1,154,190.94	(419,932.15)	6,868,322.78	3,556,973.12
Add: Gain from changes in fair value	356,835.90	(342,477.00)	495,517.50	(598,767.70)
Investment income	28,177,490.14	47,739,056.26	160,622,127.67	195,194,050.21
Including: Share of profits from associates and joint venture	23,675,693.98	47,067,048.18	153,198,475.94	194,847,251.04
Exchange gains	—	—	—	—
<b>3. Operating profit</b>	<b>167,752,361.19</b>	<b>156,333,539.97</b>	<b>848,518,077.97</b>	<b>658,556,219.81</b>
Add: Non-operating income	11,825,895.89	7,785,264.74	27,882,077.36	24,680,180.19
Less: Non-operating expenses	3,082,511.52	4,520,854.46	9,844,683.84	11,773,728.13
Including: Loss from disposal of non-current assets	663,398.40	4,314.63	1,770,278.42	204,586.28



Items	1 July- 30 September 2013 (RMB)	1 July- 30 September 2012 (RMB) <i>(after restatement)</i>	1 January- 30 September 2013 (RMB)	1 January- 30 September 2012 (RMB) <i>(after restatement)</i>
<b>4. Total profit</b>	<b>176,495,745.56</b>	<b>159,597,950.25</b>	<b>866,555,471.49</b>	<b>671,462,671.87</b>
Less: Income tax expense	29,778,945.94	14,000,384.85	113,436,236.22	73,766,619.04
<b>5. Net profit</b>	<b>146,716,799.62</b>	<b>145,597,565.40</b>	<b>753,119,235.27</b>	<b>597,696,052.83</b>
Including: Net profit made by the entities being absorbed before the combination	–	–	242,018,569.90	228,260,377.05
Net profit attributable to the shareholders of the Company	141,028,901.05	138,994,635.98	728,258,336.93	566,390,710.17
Minority interests	5,687,898.57	6,602,929.42	24,860,898.34	31,305,342.66
<b>6. Earnings per share</b>				
(1) Basic earnings per share	0.111	0.110	0.573	0.449
(2) Diluted earnings per share	0.111	0.110	0.573	0.449
<b>7. Other comprehensive income</b>	<b>(270,885.61)</b>	<b>801,979.70</b>	<b>(1,935,224.67)</b>	<b>307,708.47</b>
<b>8. Total comprehensive income</b>	<b>146,445,914.01</b>	<b>146,399,545.10</b>	<b>751,184,010.60</b>	<b>598,003,761.30</b>
Comprehensive income attributable to the shareholders of the Company	140,756,429.22	139,797,085.56	726,327,526.19	566,698,418.64
Comprehensive income attributable to the shareholders of minority interest	5,689,484.79	6,602,459.54	24,856,484.41	31,305,342.66

## Income Statement of the Company

Items	1 July- 30 September 2013 (RMB)	1 July- 30 September 2012 (RMB)	1 January- 30 September 2013 (RMB)	1 January- 30 September 2012 (RMB)
<b>1. Income from operations</b>	<b>751,777,291.55</b>	<b>21,690,550.41</b>	<b>1,047,380,378.80</b>	<b>49,665,240.83</b>
Less: Cost of operations	465,159,092.66	1,197,725.58	608,822,487.42	3,106,428.06
Sales taxes and surcharges	7,306,218.95	1,345,518.78	12,080,970.31	3,276,110.50
Sales expenses	117,737,056.35	54,721.81	142,387,688.21	164,165.65
General and administrative expenses	89,386,175.04	16,696,575.91	137,274,552.94	36,052,084.63
Finance expenses	7,038,087.33	857,739.45	12,993,766.27	2,919,496.42
Asset impairment loss	(307,299.75)	(41,917.24)	615,108.69	(66,212.48)
Add: Gain from changes in fair value	356,835.90	(342,477.00)	495,517.50	(598,767.70)
Investment income	23,106,067.61	30,848,634.62	257,998,708.35	217,077,165.39
Including: Share of profits from associates and joint venture	14,355,670.38	27,290,656.18	105,871,576.39	112,440,730.48
<b>2. Operating profit</b>	<b>88,920,864.48</b>	<b>32,086,343.74</b>	<b>391,700,030.81</b>	<b>220,691,565.74</b>
Add: Non-operating income	761,011.88	60.00	1,407,000.38	1,300,045.83
Less: Non-operating expenses	610,700.33	500,018.57	1,356,209.47	1,011,661.62
Including: Loss from disposal of non-current assets	116,383.26	18.57	117,363.76	11,661.62
<b>3. Total profit</b>	<b>89,071,176.03</b>	<b>31,586,385.17</b>	<b>391,750,821.72</b>	<b>220,979,949.95</b>
Less: Income tax expenses	9,859,393.79	533,753.67	24,485,607.34	3,111,838.15
<b>4. Net profit</b>	<b>79,211,782.24</b>	<b>31,052,631.50</b>	<b>367,265,214.38</b>	<b>217,868,111.80</b>
<b>5. Earnings per share</b>				
(1) Basic earnings per share	–	–	–	–
(2) Diluted earnings per share	–	–	–	–
<b>6. Other comprehensive income</b>	<b>(156,981.45)</b>	<b>(861,474.26)</b>	<b>(901,554.00)</b>	<b>(1,031,088.90)</b>
<b>7. Total comprehensive income</b>	<b>79,054,800.79</b>	<b>30,191,157.24</b>	<b>366,363,660.38</b>	<b>216,837,022.90</b>

### 4.3 Cash Flow Statement

1 January – 30 September 2013

Items	Consolidated		The Company	
	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB) <i>(after restatement)</i>	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB)
<b>1. Cash flows from operating activities</b>				
Cash received from sale of goods and rendering of services	12,461,498,773.26	6,716,669,118.41	507,022,561.82	3,268,587.68
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 tax and levies	45,184,538.29	20,980,967.07	–	–
Other cash received relating to operating activities	170,742,563.10	186,397,424.17	89,264,371.22	21,492,605.07
<b>Sub-total of cash inflows from operating activities</b>	<b>12,677,425,874.65</b>	<b>6,924,047,509.65</b>	<b>596,286,933.04</b>	<b>24,761,192.75</b>
Cash paid for goods and services	6,918,680,335.67	3,219,227,807.71	97,053,516.79	1,957,019.56
Net increase in loans and advances to customers	–	–	–	–

Items	Consolidated		The Company	
	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB) <i>(after restatement)</i>	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB)
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	1,701,145,120.39	1,181,292,154.37	174,203,020.56	8,442,528.02
Taxes paid	1,178,102,324.17	720,614,074.09	107,233,187.18	5,769,866.20
Cash paid relating to other operating activities	1,591,581,411.08	770,990,045.63	88,395,438.56	19,435,945.73
<b>Sub-total of cash outflows from operating activities</b>	<b>11,389,509,191.31</b>	<b>5,892,124,081.80</b>	<b>466,885,163.09</b>	<b>35,605,359.51</b>
<b>Net cash flows from operating activities</b>	<b>1,287,916,683.34</b>	<b>1,031,923,427.85</b>	<b>129,401,769.95</b>	<b>(10,844,166.76)</b>
<b>2. Cash flows from investing activities</b>				
Cash received from investment	–	–	–	–
Cash received from investment income	23,329,607.68	40,885,579.83	101,025,548.31	127,723,320.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,294,543.11	2,455,189.65	3,159,072.10	840.00
Cash received from sales of subsidiaries	–	–	–	–
Other cash received from investing activities	257,916.74	25,892,002.85	523,857,143.45	344,438,825.82
<b>Sub-total of cash inflows from investing activities</b>	<b>26,882,067.53</b>	<b>69,232,772.33</b>	<b>628,041,763.86</b>	<b>472,162,985.91</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	316,383,596.16	98,055,917.10	45,140,513.00	504,538.00
Cash paid for purchase of investments	4,500,000.00	600,000.00	–	87,300,000.00

Items	Consolidated		The Company	
	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB) <i>(after restatement)</i>	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB)
Net increase in loans	–	–	–	–
Cash paid for purchasing subsidiaries	–	–	–	–
Other cash paid in relation to investing activities	2,311,125.07	4,551,420.51	249,651,476.76	271,170,226.71
<b>Sub-total of cash outflows from investing activities</b>	<b>323,194,721.23</b>	<b>103,207,337.61</b>	<b>294,791,989.76</b>	<b>358,974,764.71</b>
<b>Net cash flows from investing activities</b>	<b>(296,312,653.70)</b>	<b>(33,974,565.28)</b>	<b>333,249,774.10</b>	<b>113,188,221.20</b>
<b>3. Cash flows from financing activities</b>				
Proceeds from absorbing investments	2,542,300.00	2,200,000.00	1,342,300.00	–
Including: Cash received from minority shareholders from subsidiaries	1,200,000.00	2,200,000.00	–	–
Cash received from borrowings	508,056,914.48	919,820,000.00	6,567,656.20	–
Cash received from issuance of bonds	–	–	–	–
Other proceeds relating to financing activities	–	4,658,382.22	100,000,000.00	–
<b>Sub-total of cash inflows from financing activities</b>	<b>510,599,214.48</b>	<b>926,678,382.22</b>	<b>107,909,956.20</b>	<b>–</b>
Repayment of borrowings	653,267,807.78	1,015,581,762.16	187,000,000.00	–
Cash paid for distribution of dividends, profits or interests	44,015,208.21	158,934,214.92	8,031,992.47	81,472,420.38
Including: Dividend and profit payable to minority shareholders from subsidiaries	14,667,821.11	17,426,096.36	–	–
Other cash paid in relating to financing activities	–	–	14,014,288.88	23,677,055.50
<b>Sub-total of cash outflows from financing activities</b>	<b>697,283,015.99</b>	<b>1,174,515,977.08</b>	<b>209,046,281.35</b>	<b>105,149,475.88</b>
<b>Net cash flows from financing activities</b>	<b>(186,683,801.51)</b>	<b>(247,837,594.86)</b>	<b>(101,136,325.15)</b>	<b>(105,149,475.88)</b>

Items	Consolidated		The Company	
	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB) <i>(after restatement)</i>	1 January – 30 September 2013 (RMB)	1 January – 30 September 2012 (RMB)
4. Effects of foreign exchange rate changes on cash and cash equivalents	552,529.82	906,770.61	(138.51)	3,853.83
5. Net increase in cash and cash equivalents	805,472,757.95	751,018,038.32	361,515,080.39	(2,801,567.61)
Add: Cash and cash equivalents at the beginning of the period	1,114,346,524.75	626,289,432.69	141,232,654.49	107,691,016.27
6. Cash and cash equivalents at the end of the Reporting Period	1,919,819,282.70	1,377,307,471.01	502,747,734.88	104,889,448.66

The Board of  
**Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited**

Guangzhou, the PRC, 30 October 2013

*As at the date of this report, the Board comprises 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.*