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廣州藥業股份有限公司

Guangzhou Pharmaceutical Company Limited

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

(H Share Stock Code: 0874)

Announcement

Based on the initial calculation of the Group's unaudited financial information for the six months ended 30 June 2004 prepared in accordance with the PRC accounting standards, the Group's net profit for the first half of 2004 is expected to decrease by 50% or above as compared with the corresponding period of last year. Details of the Group's operating results for the six months ended 30 June 2004 will be disclosed in the Company's 2004 interim report.

In accordance with the applicable PRC laws and regulations, the Company would publish the PRC Announcement in a designated newspaper in the PRC on 15 July 2004. This announcement is made pursuant to rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Shareholders and the general public are advised to be cautious about the investment risks associated with the trading of the Company's shares.

In accordance with the applicable laws and regulations promulgated by the China Securities Regulatory Commission and the Shanghai Stock Exchange in respect of the issue of an advance announcement by a listed issuer if, in general, its profit for the reporting period under review is lower than that of the corresponding period of the previous year by 50% or above, Guangzhou Pharmaceutical Company Limited (the "Company") would publish an announcement (the "PRC Announcement") in a designated newspaper in the People's Republic of China (the "PRC") on 15 July 2004. An extract of the main text of the PRC Announcement is set out below in accordance with Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited:

Based on the initial calculation of the Group's unaudited financial information for the six months ended 30 June 2004 prepared in accordance with the PRC accounting standards (which has taken into account the unaudited financial information of the Group for the 3 months ended 31 March 2004 set out in the 2004 first quarterly report of the Company published on 28 April 2004), the net profit of the Company and its subsidiaries (together the "Group") for the first half of 2004 is expected to decrease by 50% or above as compared with the corresponding period of last year, which is mainly due to factors including the fierce competition in the domestic pharmaceutical market, the significant decline in the operating results of the Company's subsidiary namely, Guangzhou Chinese Medicine Corporation and the provision made for certain merchandise of the above mentioned subsidiary. Details of the Group's operating results for the six months ended 30 June 2004 will be disclosed in the Company's 2004 interim results announcement which is expected to be announced around late August 2004 and the Company's 2004 interim report will be dispatched thereafter.

Shareholders and the public are advised to be cautious about the investment risks associated with the trading of the Company's shares.

By order of the Board
He Shuhua
Company Secretary

Guangzhou, PRC, 14 July 2004

As at the date of this announcement, the board of directors of the Company comprises Mr. Cai Zhixiang, Mr. Zhou Yuejin, Mr. Feng Zansheng as executive directors and Mr. Wu Zhang, Mr. Wong Hin Wing and Mr. Zhang Heyong as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard / Hong Kong Economic Times.