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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)

(Stock Code: 0874)

**ANNOUNCEMENT OF THE RESOLUTIONS PASSED
AT THE THIRD MEETING OF THE THIRD SECTION
OF THE BOARD OF DIRECTORS**

The Company and all members of the Board of the Directors hereby confirm the truthfulness, accuracy and completeness of the contents of this announcement and jointly accept full responsibility for any false representation, misleading statement or material omission herein contained.

IT IS HEREBY ANNOUNCED THAT the third meeting of the Third Section of the Board of Directors (the “Board”) of Guangzhou Pharmaceutical Company Limited (the “Company”) was held at the office of the Company at the Conference Room, 2nd Floor, 45 Sha Mian North Street, Guangzhou on 27 August 2004. Six directors were eligible to attend the meeting and the six of them attended the meeting. Mr. Wong Hin Wing and Mr. Wu Zhang, two directors of the Company, attended the meeting by way of teleconference. The meeting was presided by Mr. Cai Zhixiang. The supervisors and senior management of the Company were present at the meeting. The meeting was in compliance with the requirements of the Company Law and the Articles of Association of the Company. After detailed discussions, the following matters were considered and unanimously approved by the directors at the meeting:

1. the 2004 interim report of the Company;
2. the unaudited financial statements of the Company for the first half of 2004;
3. the opinion of the Audit Committee on the 2004 interim report of the Company;

4. the proposed subscription of newly issued shares of Guangzhou Hanfang Modern Chinese Medicine Research and Development Limited (廣州漢方現代中藥研究開發有限公司) by Guangzhou Pharmaceutical Company Limited;
5. the proposal for remuneration of the independent directors and external supervisors for the year 2004 of the Company;

The Third Section of the Board of Directors and the Supervisory Committee of the Company were formed by way of election at the first Extraordinary General Meeting of the Company of the year 2004. The proposal for the total amount of remuneration of directors and supervisors for the year 2004 was considered and passed at the 29th meeting of the Second Section of the Board of Directors and the 2003 Annual General Meeting. Remuneration of the independent directors and external supervisors for the year 2004 of the Company was resolved as follows:

- (1) Each of the independent non-executive directors of the Third Section of the Board of Directors of the Company who are residents of Hong Kong or Mainland residents are entitled to an emolument of RMB50,000 per annum (inclusive of tax). Each of the independent non-executive directors who are members of the Audit Committee of the Board of Directors are entitled to an emolument of RMB30,000 per annum (inclusive of tax).
 - (2) Each of the external supervisors are entitled to an emolument of RMB30,000 per annum (inclusive of tax).
6. the proposal for convening 2004 second Extraordinary General Meeting (the date of convening will be announced in due course).

The Board of Directors
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 27 August 2004

As at the date of this announcement, the Board 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.