
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guangzhou Pharmaceutical Company Limited (the “Company”), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE TRANSACTION:
DEEMED DILUTION OF
SHAREHOLDING INTEREST IN
WANGLAOJI PHARMACEUTICAL COMPANY LIMITED**

A letter from the Board is set out on pages 3 to 10 of this circular. The respective notices convening the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders to be held at 45 Sha Mian North Street, Guangzhou City, Guangdong Province, PRC on 30 December 2004 are set out on pages 16 to 22 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

12 November 2004

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Articles of Association”	The articles of association dated 8 November 2004 entered into by the WLJ Shareholders and Golden Force
“Board”	the board of Directors
“Company”	廣州藥業股份有限公司 (Guangzhou Pharmaceutical Company Limited), a company incorporated in the PRC the securities of which are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange
“Directors”	the directors of the Company
“Domestic Shareholders”	the holders of the domestic shares
“EGM”	the extraordinary general meeting of the Shareholders to be convened to consider and approve the Subscription
“Golden Force”	Golden Force Pharmacy Limited, a company incorporated in Hong Kong and its beneficial owners are Independent Third Parties
“Group”	the Company and its subsidiaries
“GPHL”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a state-owned company incorporated in the PRC and the controlling shareholder of the Company which currently holds about 63.26% shareholding interest in the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the official currency of Hong Kong
“H Shareholders”	the holders of the H Shares
“Independent Third Party (Parties)”	an independent third party (parties) which is (are) not connected with the Company, its subsidiaries, the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules)
“Latest Practicable Date”	11 November 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the official currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the shares of the Company
“Shareholders”	the shareholders of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 8 November 2004 entered into by the WLJ Shareholders and Golden Force
“Subscription”	the subscription of the Subscription Shares by Golden Force pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 November 2004 entered into between Golden Force and WLJ
“Subscription Shares”	98,378,439 new WLJ Shares agreed to be subscribed by Golden Force pursuant to the Subscription Agreement
“WLJ”	廣州王老吉藥業股份有限公司 (WangLaoJi Pharmaceutical Company Limited), a company incorporated in the PRC and currently a 92.48% owned subsidiary of the Company
“WLJ Share(s)”	a unit (units) of RMB1 in the registered capital of WLJ
“WLJ Shareholders”	the existing shareholders of WLJ, namely the Company and the staff of WLJ who are Independent Third Parties
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors

Mr. YANG Rongming

Mr. ZHOU Yuejin

Mr. FENG Zansheng

Mr. HE Shuhua

Registered office and principal

place of business

45 Sha Mian North Street

Guangzhou City

Guangdong Province, PRC

Independent non-executive Directors

Mr. WU Zhang

Mr. WONG Hin Wing

Mr. ZHANG Heyong

Place of business in Hong Kong

Room 2005, 20th Floor

Tower Two, Lippo Center

89 Queensway

Hong Kong

Supervisors

Mr. CHEN Canying

Mr. OU YANG Qiang

Mr. ZHONG Yugan

12 November 2004

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION:
DEEMED DILUTION OF
SHAREHOLDING INTEREST IN
WANGLAOJI PHARMACEUTICAL COMPANY LIMITED**

1. INTRODUCTION

The Directors announced on 8 November 2004 that WLJ and Golden Force entered into the Subscription Agreement, whereby Golden Force agreed to subscribe for the Subscription Shares, being 98,378,439 new WLJ Shares, for a total consideration of RMB168,880,000, representing RMB1.71664 per Subscription Share. In addition, on 8 November 2004, the WLJ Shareholders and Golden Force entered into the Shareholders' Agreement and the Articles of Association to record the arrangements agreed between them with regard to inter alia, the Subscription and the management and business of WLJ.

The consideration of RMB1.71664 per Subscription Share represents a premium of approximately 30.74% over the audited net asset value per WLJ Share of about RMB1.313 as at 31 July 2004.

LETTER FROM THE BOARD

The Subscription which involves Golden Force acquiring interest in WLJ constitutes a discloseable transaction of the Company as defined in the Listing Rules. Golden Force and its beneficial owners are Independent Third Parties.

The purposes of this circular are (i) to provide you with details of the Subscription; (ii) to give you information on the Group, WLJ and Golden Force; and (iii) the special resolutions for the approval of the Subscription by Shareholders at the EGM, and special resolutions for the approval by H Shareholders and Domestic Shareholders at separate class meetings.

2. SUBSCRIPTION AGREEMENT DATED 8 NOVEMBER 2004

Parties:

- (i) Subscriber of the Subscription Shares: Golden Force
- (ii) Issuer of the Subscription Shares: WLJ

The Subscription

Pursuant to the Subscription Agreement, WLJ has agreed to increase its registered capital by way of subscription by Golden Force for the Subscription Shares, being 98,378,439 new WLJ Shares for a consideration of RMB168,880,000. The Subscription Shares represent about 92.48% of the existing registered capital of WLJ and about 48.0465% of the registered capital of WLJ as enlarged by the Subscription Shares. The Company's interest in WLJ will decrease from the current level of 92.48% to about 48.0465% as a result of the Subscription. Currently, the board of directors of WLJ comprises 6 directors and the Company has nominated 6 directors of WLJ. Pursuant to the Shareholders' Agreement and the Articles of Association, the board of directors of WLJ will comprise 9 directors. The Company will nominate 3 directors to the board of directors of WLJ. Golden Force will nominate 3 directors to the board of directors of WLJ. The Company and Golden Force will jointly nominate 3 non-executive directors to the board of directors of WLJ.

In addition, on 8 November 2004, the WLJ Shareholders and Golden Force entered into the Shareholders' Agreement and the Articles of Association to record the arrangements agreed between them with regard to, inter alia, the Subscription and the management and business of WLJ.

Upon completion of the Subscription, WLJ will be converted into a sino-foreign joint stock company for a period of 10 years from the date when the approval for the conversion has been obtained from relevant authorities of the PRC. Upon completion of the Subscription, WLJ will become an associated company of the Company.

Accordingly, the Subscription which involves Golden Force acquiring interest in WLJ constitutes a discloseable transaction of the Company and a deemed dilution of the Company's shareholding interest in WLJ as set out in the Listing Rules. As WLJ is a major subsidiary of the Group and the Subscription constitutes a material dilution under Rule 19A.38 of the Listing Rules, the Company shall obtain the approval of the Subscription by a special resolution of the Shareholders at the EGM, and special resolutions of the Domestic Shareholders and the H Shareholders at separate class meetings.

LETTER FROM THE BOARD

Consideration

The consideration for the Subscription Shares is RMB168,880,000, representing RMB1.71664 per Subscription Share. The total consideration in the amount of RMB168,880,000 will be settled by Golden Force in cash within 90 days after fulfillment of all the conditions set out in the Subscription Agreement.

WLJ intends to apply the proceeds of the Subscription in the manner that (i) approximately RMB45,000,000 will be applied for the expansion and strengthening of existing sales and distribution network of the products of WLJ in the provinces, cities and regions other than Guangdong province of the PRC and development of the sales and distribution network of the products of WLJ in overseas markets; (ii) approximately RMB90,000,000 will be applied for the improvement in the production capacity of WLJ; and (iii) the remaining balance will be designated as additional working capital of WLJ.

The Directors estimate that there will be a gain of approximately RMB17,000,000 arisen from the deemed dilution of the Company's shareholding interest in WLJ as a result of the Subscription.

The terms of the Subscription Agreement, the Shareholders' Agreement and the Articles of Association, including the consideration for the Subscription Shares, were arrived at after arm's length negotiation between the Company, WLJ, the WLJ Shareholders and Golden Force after taking into account (i) the factors set out in the paragraph headed "Reasons for the Subscription" below; (ii) the audited net asset value per WLJ Share as at 31 December 2003 of approximately RMB1.329 per WLJ Share; (iii) the audited net asset value per WLJ Share as at 31 July 2004 of approximately RMB1.313 per WLJ Share; (iv) the nominal value of WLJ Share of RMB1 each; and (v) the valuation of approximately RMB172,000,000 as at 31 July 2004 by GZAA Incorporated (廣州中天衡評估有限公司), which is an Independent Third Party. Since 1999, GZAA Incorporated has obtained approval from State Asset Administration Bureau (國家國有資產管理局) and China Securities Regulatory Commission (中國證券監督管理委員會) for conducting asset valuation for public companies in the PRC. The consideration of RMB1.71664 per Subscription Share represents a premium of approximately 30.74% over the audited net asset value per WLJ Share of about RMB1.313 as at 31 July 2004.

Pursuant to the Subscription Agreement, Golden Force has to place a deposit of RMB8,880,000 with a designated bank account of the Company within 7 days from the date of the Subscription Agreement. The deposit of RMB8,880,000 was paid on 10 November 2004. The deposit and the interest accrued therefrom will be refunded to Golden Force by the third day before settlement of the final instalment of the consideration for the Subscription Shares. If Golden Force fails to pay the consideration for the Subscription Shares within 30 working days after the time it is required to pay the consideration pursuant to the Subscription Agreement, WLJ will forfeit the deposit.

The consideration for the Subscription Shares will be satisfied in the following manner: (i) 30% of the consideration, being RMB50,664,000 (equivalent to approximately HK\$47,796,000), will be settled within 30 days after fulfillment of all conditions set out in the Subscription Agreement; (ii) 35% of the consideration, being RMB59,108,000 (equivalent to approximately HK\$55,762,000), will be settled within 60 days after fulfillment of all conditions set out in the Subscription Agreement; and (iii) the remaining 35% of the consideration, being RMB59,108,000 (equivalent to approximately HK\$55,762,000), will be settled within 90 days after fulfillment of all conditions set out in the Subscription Agreement.

LETTER FROM THE BOARD

The Directors consider that the terms of the Subscription Agreement are fair and reasonable. The Directors are of the opinion that the Subscription is in the interest of the Company and the Shareholders as a whole.

Restriction on the transfer of the Subscription Shares and the restriction on the issue of new shares of Golden Force

According to the Subscription Agreement, Golden Force has agreed that, during the lifespan of WLJ, it should obtain the prior written consent from the Company before it can transfer, pledge or create other form of charges against some or all of the Subscription Shares.

According to the Shareholders' Agreement, Golden Force has further undertaken, within 3 years from the conversion of WLJ, not to issue any new shares of Golden Force to any individuals other than the existing shareholders of Golden Force and not to accept the registration of any share transfer by the existing beneficial owners of Golden Force.

Intention of the acquisition of the WLJ trademarks and their rights to use

Pursuant to the Shareholders' Agreement, Golden Force has undertaken to assist WLJ to acquire the trademarks of Wanglaoji registered in Hong Kong or overseas, which are currently held by Independent Third Parties, and to obtain the right to use those trademarks in Hong Kong or overseas at a fair market value or independent valuation from professional valuers.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (i) the approval by the board of directors of WLJ and the WLJ Shareholders of the Subscription, the Subscription Agreement and the matters referred to therein;
- (ii) the approval of the Subscription by a special resolution of the Shareholders at the EGM;
- (iii) approval of the Subscription by special resolutions of the Domestic Shareholders and the H Shareholders at separate class meetings;
- (iv) the approval by the Ministry of Commerce of the PRC (中華人民共和國商務部) of the Subscription, the change of WLJ to a sino-foreign joint stock company upon Subscription, the Subscription Agreement and the change of the Articles of Association;
- (v) the provision by WLJ of the audited financial statements of WLJ for the period from 1 January 2004 to 31 July 2004 to Golden Force; and
- (vi) Golden Force provides to WLJ a performance guarantee by a registered bank in Hong Kong which is acceptable to WLJ.

As at the Latest Practicable Date, the above conditions (i) and (v) have been fulfilled.

LETTER FROM THE BOARD

Completion

Subject to the fulfillment of all relevant conditions of the Subscription Agreement, completion of the Subscription Agreement is expected to take place on the date when the new business licence of WLJ (reflecting its new registered capital) is issued by Guangzhou Administration of Industrial and Commerce Bureau (廣州市工商行政管理局). It is expected that the new business licence of WLJ will be issued not later than 30 business days from the date when the verification report (驗資報告) is issued by an accountancy firm, which is an Independent Third Party.

3. SHAREHOLDING STRUCTURE OF WLJ

Set out below is the shareholding structure of WLJ immediately before and after completion of the Subscription:

WLJ Shareholders	Immediately before the completion of the Subscription		Immediately after the completion of the Subscription	
	No. of WLJ Shares	Approximate%	No. of WLJ Shares	Approximate%
The Company	98,378,439	92.48	98,378,439	48.0465
Staff of WLJ	8,000,000	7.52	8,000,000	3.9070
Golden Force	—	—	98,378,439	48.0465
Total	<u>106,378,439</u>	<u>100.00</u>	<u>204,756,878</u>	<u>100.00</u>

4. INFORMATION ON THE GROUP, WLJ AND GOLDEN FORCE

The Group

The Group is principally engaged in (i) manufacture and sales of Chinese patent medicine; (ii) wholesale, retail, import and export of Western and Chinese pharmaceutical products and various medical apparatus; and (iii) research and development of natural medicine and biological medicine in the PRC.

LETTER FROM THE BOARD

WLJ

WLJ is a non wholly-owned subsidiary of the Company. It is principally engaged in the production, processing and sales of Chinese pharmaceutical products, such as 保濟丸 (Bao Ji Wan) and 小兒七星茶 (Xiao Er Qi Xing Cha), and health care products, such as 廣東涼茶顆粒 (Guangdong Liang Cha Ke Li) in the PRC. Set out below is the financial information of WLJ (which is prepared in accordance with the PRC accounting standards):

	As at 31 December 2002 <i>RMB'000</i> <i>(Audited)</i>	As at 31 December 2003 <i>RMB'000</i> <i>(Audited)</i>	As at 31 July 2004 <i>RMB'000</i> <i>(Audited)</i>
Net asset value	133,511	141,373	139,694
	Year ended 31 December 2002 <i>RMB'000</i> <i>(Audited)</i>	Year ended 31 December 2003 <i>RMB'000</i> <i>(Audited)</i>	7 months ended 31 July 2004 <i>RMB'000</i> <i>(Audited)</i>
Profits before tax	24,573	33,542	18,305
Profits after tax	15,639	18,810	11,487

Golden Force

Golden Force is a company incorporated in Hong Kong and is beneficially owned by Independent Third Parties. The beneficial owners of the issued shares of Golden Force have extensive experience in retail industry and Chinese pharmaceutical products. The sole purpose of Golden Force is to hold the Subscription Shares.

5. REASONS FOR THE SUBSCRIPTION

The beneficial owners of Golden Force have in-depth experience in the sales of Chinese medicine overseas and have an extensive overseas marketing network in the sales of Chinese medicine in Hong Kong and South East Asia. WLJ can leverage on the overseas marketing network of Golden Force to develop international markets of the products of WLJ. In view of the strength of the beneficial owners of Golden Force, the Directors consider that the Subscription is in the interest of the Shareholders as a whole.

LETTER FROM THE BOARD

6. GENERAL

As WLJ is a material subsidiary of the Group and the Subscription constitutes a material dilution under Rule 19A.38 of the Listing Rules, the Subscription will become effective upon approvals by a special resolution of the Shareholders at the EGM, and special resolutions of the H Shareholders and the Domestic Shareholders at separate class meetings.

Upon completion of Subscription, WLJ will be converted into a sino-foreign joint stock company for a period of 10 years from the date when the approval for the conversion has been obtained from relevant authorities of the PRC. Upon completion of the Subscription, WLJ will become an associated company of the Group. As a result, the Group will not consolidate WLJ's results, assets and liabilities into the Group's consolidated accounts. However, the subscription price per share is higher than the audited net asset value per WLJ share as at 31 July 2004. The Directors expect that there will be an increase in the net asset value of the Group as a result of the Subscription, but such increase will not be substantial.

The respective notices convening the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders to be held at 45 Sha Mian North Street, Guangzhou City, Guangdong Province, PRC on 30 December 2004 for the purposes of, inter alia, considering and, if thought fit, approving the Subscription as set out in the section "Notice of EGM", "Notice of the class meeting of H Shareholders" and "Notice of class meeting of Domestic Shareholders" of this circular. The respective proxy forms applicable to the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders are despatched to the Shareholders together with this circular. Whether or not the Shareholders, the H shareholders or the Domestic Shareholders are able to attend the EGM or the separate class meetings of the H Shareholders and the Domestic Shareholders respectively in person, they are requested to complete and return the proxy form in accordance with the instructions printed thereon as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders respectively. Completion and return of the proxy form will not preclude the Shareholders, the H Shareholders and the Domestic Shareholders from attending and voting at the EGM or the separate class meetings of the H Shareholders and the Domestic Shareholders or any adjournment thereof in person, if they so wish.

LETTER FROM THE BOARD

Pursuant to Article 69 of the articles of association of the Company, resolutions put to the vote of a general meeting of the Shareholders shall be determined in the first instance by a show of hands of the Shareholders present in person or by proxy, but a poll may be demanded (before or after the vote by a show of hands) by:

- (a) the chairman of such meeting; or
- (b) at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total rights of all Shareholders having the right to vote at the meeting.

The demand for a poll may be withdrawn by the person(s) who made the demand.

7. RECOMMENDATION

The Directors have come to the view that the terms of the Subscription are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders, the H Shareholders and the Domestic Shareholders to vote for the resolution to be proposed at the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders respectively to approve the Subscription.

8. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

For and on behalf of the Board

Yang Rongming

Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**(a) Directors', supervisors', senior management's and chief executive's interests and short position in the Shares, underlying Shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors, senior management and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, the chief executive or the supervisors are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions of the Directors:

Name	Type of interest	Company	No. of shares
Zhou Yuejin	Personal	The Company (A Shares)	28,900
	Trust (Note 1)	Po Lian Development Company Limited (Note 2)	200,000
He Shuhua	Personal	The Company (A Shares)	27,700

Long positions of the supervisors:

Name	Type of interest	Company	Number of shares
Chen Canying	Personal	The Company (A Shares)	9,800
	Personal	WLJ	22,150
Ou Yang Qiang	Personal	The Company (A Shares)	10,100

Note:

- (1) Mr. Zhou Yuejin is holding the said shares in Po Lian Development Company Limited as trustee only.
- (2) Po Lian Development Company Limited is a 100% beneficially owned subsidiary of GPLH.

Save as disclosed above, as at the Latest Practical Date, none of the Directors, supervisors, senior management or the chief executive of the Company or their respective associates had any personal, family, corporate or other interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors, the chief executive or the supervisors are taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Interests of substantial Shareholders

So far as is known to any Director, supervisor, senior management or the chief executive of the Company, as at the Latest Practicable Date, the interests and short positions of persons or companies (not being a Director, supervisor and senior management or the chief executive of the Company) in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in the Shares:

Shareholders	Nature and Shares held	Number of Shares held	% of	% of	% of
			total issued State-owned Shares	total issued H Shares	total issued share capital
GPHL (Note 1)	State-owned Shares	513,000,000	100%	—	63.26%
The Hongkong and Shanghai Banking Corporation Limited (Note 2)	H Shares	40,289,694	—	18.32%	4.97%
Guotai Junan Securities (Hong Kong) Limited (Note 2)	H Shares	22,846,000	—	10.39%	2.82%
HSBC Broking Securities (Hong Kong) Limited (Note 2)	H Shares	20,914,000	—	9.51%	2.58%
Bank of China (Hong Kong) Limited (Note 2)	H Shares	14,789,000	—	6.73%	1.82%
Citibank N.A. (Note 2)	H Shares	11,994,000	—	5.45%	1.48%
Hang Seng Bank Limited (Note 2)	H Shares	11,118,274	—	5.06%	1.37%

Note:

- During 2003, out of the total 513,000,000 state-owned Shares beneficially owned by GPHL, GPHL disposed of part of its interests in the Company's state-owned Shares for the purpose of financing the debt restructuring of Guangzhou Baiyunshan Pharmaceutical Co. Ltd. ("BYSCL"). The total number of the state-owned Shares involved is 152,600,000 Shares, including a proposed disposal of 12,480,000 state-owned shares to BYSCL and 22,000,000 state-owned Shares to the Guangzhou Office of China Greatwall Asset Management Corporation. The relevant procedures for the proposed disposal are currently in process, and as at the Latest Practicable Date, GPHL is still the beneficial owner of the total 513,000,000 state owned Shares. As at the Latest Practical Date, 15,160,000 Shares of the Company held by GPHL which were previously pledged had been released while 102,960,000 Shares of the Company held by GPHL are still pledged. GPHL was interested in approximately 40% shareholding interest in BYSCL.

2. As notified by HKSCC Nominees Limited, as at the Latest Practical Date, the H Shares held by each corporation in its securities account with the Central Clearing and Settlement System amounted to more than 5% of the total issued H Shares of the Company.

So far as is known to any Director, supervisor, senior management or the chief executive of the Company, as at the Latest Practicable Date, the following persons/entities (other than any Director, supervisor, senior management or the chief executive of the Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group:

Name of member of the Group	Name of substantial shareholder	% of issued share capital
Guangzhou Hanfang Modern Chinese Medicine Research and Development Limited	GPHL	30.78%
Guangzhou Pharmaceutical Yingbang Marketing Company Limited	GPHL	49%

Save as disclosed above, as at the Latest Practical Date, the Directors are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any other member of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest published audited consolidated accounts of the Group were made up.

GENERAL

- (i) Each of Mr. Zhou Yuejin and Mr. Feng Zansheng entered into a service contract with the Company for a term commencing from 26 March 2004 to the date of election of the 4th term of the Board which will be held in 2007. Each of Mr. Yang Rongming and Mr. He Shuhua entered into a service contract with the Company for a term commencing from 1 November 2004 to the date of election of the 4th term of the Board. Save as disclosed, none of the Directors has entered into, or proposed to enter into, any service contracts with any member of the Group which will not expire or is not determinable by the Company or any member of the Group within one year without payment of compensation;

- (ii) as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which has been, since 31 December 2003 being the date to which the latest audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (iii) as at the Latest Practicable Date, none of the Directors had any contract or arrangement subsisting in which a Director is materially interested and which is significant in relation to the business of the Group;
- (iv) as at the Latest Practicable Date, none of the Directors and their respective associates had any competing interest with the Group;
- (v) the English text of this circular shall prevail over the Chinese text; and
- (vi) the company secretary of the Company is Mr. He Shuhua.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**NOTICE CONVENING THE THIRD EXTRAORDINARY GENERAL MEETING
FOR THE YEAR 2004**



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)

Guangzhou Pharmaceutical Company Limited (the “Company”) and all members of the board of Directors of the Company (the “Board”) hereby confirm the truthfulness, accuracy and completeness of the contents of this notice and jointly and individually accept full responsibility for any false representations, misleading statements or material omissions herein contained.

IMPORTANT NOTICE

- Time for the third extraordinary general meeting of the shareholders of the Company for the year 2004 (the “EGM”): 10:00 a.m. on Thursday, 30 December 2004.
- Place where the EGM will be held: the conference room of the Company at 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner for holding the EGM: present.
- Proposed special resolution: the proposed subscription of new shares of Guangzhou WangLaoJi Pharmaceutical Company Limited (“WangLaoJi”) by Golden Force Pharmacy Limited (“Golden Force”).

1. INFORMATION ON THE EGM

- (1) The proposal for convening the EGM was considered and passed at the eighth meeting of the Third Session of the Board (the “Board Meeting”).
- (2) Time for the EGM: 10:00 a.m. on Thursday, 30 December 2004.
- (3) Place where the EGM will be held:
the conference room of the Company at 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

NOTICE CONVENING THE THIRD EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2004

2. MATTERS TO BE CONSIDERED AT THE EGM

To consider and, if thought fit, pass the following resolution by way of a special resolution:

“That the subscription by Golden Force of 98,378,439 new shares of WangLaoJi, of which the Company is an existing major shareholder holding approximately 92.48 % of its current issued share capital, pursuant to the terms and conditions of a subscription agreement dated 8 November 2004 entered into between Golden Force and WangLaoJi (the “Subscription”), details of which are set out in a circular dated 12 November 2004 issued by the Company to its shareholders, be and is hereby approved and that the Directors of the Company be and they are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable and in the interests of the Company for the purpose of and in connection with the implementation of the Subscription.”

The Subscription was considered and approved at the Board Meeting and the resolutions passed thereat were published in the PRC and Hong Kong on 9 November 2004.

3. ATTENDEES OF THE EGM

- (1) Holders of domestic shares and overseas listed shares of the Company (“H shares”) whose names appear in the Register of Members of the Company at the close of trading in the afternoon of Monday, 29 November 2004 (including those holders of H Shares who have already successfully submitted verified share transfer applications on or before 29 November 2004) are entitled to attend the EGM. The Register of Members of the Company will be closed from Tuesday, 30 November 2004 to Wednesday, 29 December 2004 (both days inclusive) during which period no transfer of H shares will be effected.
- (2) Each shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. A proxy of a shareholder who has appointed more than one proxy may only vote on a poll. In order to be valid, the form of proxy together with a notarially certified copy of the power of attorney or other documents of authorisation (if any) must be deposited at the Company’s office not less than 24 hours before the time for holding the EGM or any adjournment thereof.
- (3) The Directors, supervisors and senior management of the Company.

NOTICE CONVENING THE THIRD EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2004

4. REGISTRATION FOR THE EGM

(1) To register for the EGM, an individual shareholder should produce his/her identity card and shareholder account card; a proxy should produce the form of proxy, the appointor's and the proxy's identity cards and the shareholder account card of the appointor; and a corporate shareholder should produce a photocopy of its business license, the authorisation document executed by its legal representative, its shareholder account card and the attendee's identity card. Overseas shareholders may make the registration by mail, telephone or fax.

(2) Registration time and place

Registration time: 8:30 a.m. - 11:30 a.m. and 2:00 p.m. - 4:30 p.m. on Thursday,
9 December 2004

Place of registration: the Secretariat to the Board
2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong
Province, the PRC

5. OTHERS

(1) Address of the Company: Guangzhou Pharmaceutical Company Limited, 2nd floor, 45 Sha Mian
North Street, Guangzhou City, Guangdong Province, the PRC

Postal code: 510130

Contact person: He Shuhua

Tel: (86)20-81218119 Fax: (86)20-81216408

(2) Address of Shanghai Securities Central Clearing and Registration Corporation:
36/F, China Insurance Building, No. 166 Lujiazui Road East, Shanghai, the PRC

Address of Hong Kong Registrars Limited:

46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

(3) The EGM is expected to last half a day. Shareholders attending the EGM shall be responsible for their own traveling and accommodation expenses.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Resolutions passed at the Board Meeting and the announcement in relation thereof.

By order of the Board

He Shuhua

Company Secretary

Guangzhou, PRC, 12 November 2004

**NOTICE CONVENING A CLASS MEETING OF
THE HOLDERS OF THE OVERSEAS LISTED FOREIGN SHARES**



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)

Guangzhou Pharmaceutical Company Limited (the “Company”) and all members of the board of Directors of the Company (the “Board”) hereby confirm the truthfulness, accuracy and completeness of the contents of this notice and jointly and individually accept full responsibility for any false representations, misleading statements or material omissions herein contained.

IMPORTANT NOTICE

- Time for the class meeting (the “Class Meeting”) of the holders of the overseas listed foreign shares of the Company (“H shares”): 11:00 a.m. (or immediate after the conclusion or adjournment of the third extraordinary general meeting of the shareholders of the Company for the year 2004 (the “EGM”) which will be held on the same date and at the same place) on Thursday, 30 December 2004.
- Place where the Class Meeting of the holders of H shares will be held: the conference room of the Company at 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner for holding the Class Meeting of the holders of H shares: present.
- Proposed special resolution: the proposed subscription of new shares of Guangzhou WangLaoJi Pharmaceutical Company Limited (“WangLaoJi”) by Golden Force Pharmacy Limited (“Golden Force”).

1. INFORMATION ON THE CLASS MEETING OF THE HOLDERS OF H SHARES

- (1) The proposal for convening the Class Meeting of the holders of H shares was considered and approved at the eighth meeting of the Third Session of the Board (the “Board Meeting”).
- (2) Time for the Class Meeting of the holders of H shares: 11:00 a.m. (or immediate after the conclusion or adjournment of the EGM which will be held on the same date and at the same place) on Thursday, 30 December 2004.
- (3) Place where the Class Meeting of the holders of H shares will be held: the conference room of the Company at 2nd floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

**NOTICE CONVENING A CLASS MEETING OF
THE HOLDERS OF THE OVERSEAS LISTED FOREIGN SHARES**

2. MATTERS TO BE CONSIDERED AT THE CLASS MEETING OF THE HOLDERS OF H SHARES

To consider and, if thought fit, pass the following resolution by way of a special resolution:

“That the subscription by Golden Force of 98,378,439 new shares of WangLaoJi, of which the Company is an existing major shareholder holding approximately 92.48 % of its current issued share capital, pursuant to the terms and conditions of a subscription agreement dated 8 November 2004 entered into between Golden Force and WangLaoJi (the “Subscription”), details of which are set out in a circular dated 12 November 2004 issued by the Company to its shareholders, be and is hereby approved and that the Directors of the Company be and they are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable and in the interests of the Company for the purpose of and in connection with the implementation of the Subscription.”

The Subscription was considered and approved at the Board Meeting and the resolutions passed thereat were published in the PRC and Hong Kong on 9 November 2004.

3. ATTENDEES OF THE CLASS MEETING OF THE HOLDERS OF H SHARES

- (1) Holders of H shares whose names appear in the Register of Members of the Company at the close of trading in the afternoon of Monday, 29 November 2004 (including those holders of H shares who have already successfully submitted verified share transfer applications on or before 29 November 2004) are entitled to attend the Class Meeting of the holders of H shares. The Register of Members of the Company will be closed from Tuesday, 30 November 2004 to Wednesday, 29 December 2004 (both days inclusive) during which period no transfer of H shares will be effected.
- (2) Each holder of H shares who has the right to attend and vote at the Class Meeting of the holders of H shares is entitled to appoint one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Class Meeting of the holders of H shares. A proxy of a holder of H shares who has appointed more than one proxy may only vote on a poll. In order to be valid, the form of proxy together with a notarially certified copy of the power of attorney or other documents of authorisation (if any) must be deposited at the Company’s office not less than 24 hours before the time for holding the Class Meeting of the holders of H shares or any adjournment thereof.
- (3) The Directors, supervisors and senior management of the Company.

**NOTICE CONVENING A CLASS MEETING OF
THE HOLDERS OF THE OVERSEAS LISTED FOREIGN SHARES**

4. REGISTRATION FOR THE CLASS MEETING OF THE HOLDERS OF H SHARES

(1) To register for the Class Meeting of the holders of H shares, an individual holder of H shares should produce his/her identity card and shareholder account card; a proxy should produce the form of proxy, the appointor's and the proxy's identity cards and the shareholder account card of the appointor; and a corporate holder of H shares should produce a photocopy of its business license, the authorisation document executed by its legal representative, its shareholder account card and the attendee's identity card. Overseas shareholders may make registration by mail, telephone or fax.

(2) Registration time and place

Registration time: 8:30 a.m. - 11:30 a.m. and 2:00 p.m. - 4:30 p.m. on Thursday,
9 December 2004

Place of registration: the Secretariat to the Board
2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong
Province, the PRC.

5. OTHERS

(1) Address of the Company: Guangzhou Pharmaceutical Company Limited, 2nd floor, 45 Sha Mian
North Street, Guangzhou City, Guangdong Province, the PRC.

Postal code: 510130

Contact person: He Shuhua

Tel: (86)20-81218119 Fax: (86)20-81216408

(2) Address of Hong Kong Registrars Limited:
46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong

(3) The Class Meeting of the holders of H shares is expected to last half a day. Shareholders attending the Class Meeting of the holders of H shares shall be responsible for their own traveling and accommodation expenses.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Resolutions passed at the Board Meeting and the announcement in relation thereof.

By order of the Board

He Shuhua

Company Secretary

Guangzhou, PRC, 12 November 2004

**NOTICE CONVENING A CLASS MEETING OF THE
HOLDERS OF THE DOMESTIC SHARES**



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)

Guangzhou Pharmaceutical Company Limited (the “Company”) and all members of the board of Directors of the Company (the “Board”) hereby confirm the truthfulness, accuracy and completeness of the contents of this notice and jointly and individually accept full responsibility for any false representations, misleading statements or material omissions herein contained.

IMPORTANT NOTICE

- Time for the class meeting (the “Class Meeting”) of the holders of the domestic shares of the Company: 11:30 a.m. (or immediate after the conclusion or adjournment of the third extraordinary general meeting of the shareholders of the Company for the year 2004 (the “EGM”) and the Class Meeting of the holders of H shares, both of which will be held on the same date and at the same place) on Thursday, 30 December 2004.
- Place where the Class Meeting of the holders of the domestic shares will be held: the conference room of the Company at 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner for holding the Class Meeting of the holders of the domestic shares: present.
- Proposed special resolution: the proposed subscription of new shares of Guangzhou WangLaoJi Pharmaceutical Company Limited (“WangLaoJi”) by Golden Force Pharmacy Limited (“Golden Force”).

1. INFORMATION ON THE CLASS MEETING OF HOLDERS OF THE DOMESTIC SHARES

- (1) The proposal for convening the Class Meeting of the holders of the domestic shares was considered and approved at the eighth meeting of the Third Session of the Board (the “Board Meeting”).
- (2) Time for the Class Meeting of the holders of the domestic shares: 11:30 a.m. (or immediate after the conclusion or adjournment of the EGM and the Class Meeting of the holders of H shares, both of which will be held on the same date and at the same place) on Thursday, 30 December 2004.
- (3) Place where the Class Meeting of the holders of the domestic shares will be held: the conference room of the Company at 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

**NOTICE CONVENING A CLASS MEETING OF THE
HOLDERS OF THE DOMESTIC SHARES**

2. MATTERS TO BE CONSIDERED AT THE CLASS MEETING OF THE HOLDERS OF THE DOMESTIC SHARES

To consider and, if thought fit, pass the following resolution by way of a special resolution:

“That the subscription by Golden Force of 98,378,439 new shares of WangLaoJi, of which the Company is an existing major shareholder holding approximately 92.48 % of its current issued share capital, pursuant to the terms and conditions of a subscription agreement dated 8 November 2004 entered into between Golden Force and WangLaoJi (the “Subscription”), details of which are set out in a circular dated 12 November 2004 issued by the Company to its shareholders, be and is hereby approved and that the Directors of the Company be and they are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and deeds and do all such acts, matters and things as they may in their absolute discretion consider necessary or desirable and in the interests of the Company for the purpose of and in connection with the implementation of the Subscription.”

The Subscription was considered and approved at the Board Meeting and the resolutions passed thereat were published in the PRC and Hong Kong on 9 November 2004.

3. ATTENDEES OF THE CLASS MEETING OF HOLDERS OF THE DOMESTIC SHARES

- (1) Holders of the domestic shares whose names appear in the Register of Members of the Company at the close of trading in the afternoon of Monday, 29 November 2004 are entitled to attend the Class Meeting of the holders of the domestic shares.
- (2) Each holder of the domestic shares who has the right to attend and vote at the Class Meeting of the holders of the domestic shares is entitled to appoint one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Class Meeting of the holders of the domestic shares. A proxy of a holder of domestic shares who has appointed more than one proxy may only vote on a poll. In order to be valid, the form of proxy together with a notarially certified copy of the power of attorney or other documents of authorisation (if any) must be deposited at the Company’s office not less than 24 hours before the time for holding the Class Meeting of the holders of the domestic shares or any adjournment thereof.
- (3) The Directors, supervisors and senior management of the Company.

**NOTICE CONVENING A CLASS MEETING OF THE
HOLDERS OF THE DOMESTIC SHARES**

4. REGISTRATION FOR THE CLASS MEETING OF THE HOLDERS OF THE DOMESTIC SHARES

(1) To register for the Class Meeting of the holders of the domestic shares, an individual holder of domestic shares should produce his/her identity card and shareholder account card; a proxy should produce the form of proxy, the appointor's and the proxy's identity cards and the shareholder account card of the appointor; and a corporate holder of domestic shares should produce a photocopy of its business license, the authorisation document executed by its legal representative, its shareholder account card and the attendee's identity card. Overseas shareholders may make registration by mail, telephone or fax.

(2) Registration time and place

Registration time: 8:30 a.m. - 11:30 a.m. and 2:00 p.m. - 4:30 p.m. on Thursday,
9 December 2004

Place of registration: the Secretariat to the Board
2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong
Province, the PRC.

5. OTHERS

(1) Address of the Company: Guangzhou Pharmaceutical Company Limited, 2nd floor, 45 Sha Mian
North Street, Guangzhou City, Guangdong Province, the PRC.

Postal code: 510130

Contact person: He Shuhua

Tel: (86)20-81218119 Fax: (86)20-81216408

(2) Address of Shanghai Securities Central Clearing and Registration Corporation:
36/F, China Insurance Building, No. 166 Lujiazui Road East, Shanghai, the PRC.

(3) The Class Meeting of holders of the domestic shares is expected to last half a day. Shareholders attending the Class Meeting of the holders of the domestic shares shall be responsible for their own traveling and accommodation expenses.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Resolutions passed at the Board Meeting and the announcement in relation thereof.

By order of the Board
He Shuhua
Company Secretary

Guangzhou, PRC, 12 November 2004