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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)

2008 FIRST QUARTERLY REPORT

1. IMPORTANT NOTICE

- 1.1 The board of Directors (the “Board”), the supervisory committee (the “Supervisory Committee”) of Guangzhou Pharmaceutical Company Limited (“GPC” or the “Company”) 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 the quarterly report.
- 1.2 All the Directors of the Board attended the 6th Meeting of the fourth session of the Board held on 29 April 2008.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”) and the Company for the three months ended 31 March 2008 (the “Reporting Period”) contained in the 2008 first quarterly report were prepared in accordance with PRC Accounting Standards and were unaudited.
- 1.4 Mr. Yang Rongming (the Chairman), Mr. Shi Shaobin (Director and General Manager), and Mr. Chen Binghua (the Financial Controller and Senior Manager of the Finance Department), individually accept responsibility for ensuring the authenticity and completeness of the financial reports contained in this quarterly report.
- 1.5 This quarterly report is published in Hong Kong pursuant to 13.09 (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- 1.6 This quarterly report is published in both English and Chinese. In the event that different interpretation occurs, the Chinese version shall prevail.

2. CORPORATE INFORMATION

2.1 Principal financial data and indicators

Items	As at 31	As at 31	Increase/(Decrease)
	March 2008 (Unaudited)	December 2007 (Audited)	as compared with 31 December 2007 (%)
Total assets (RMB'000)	5,327,290	6,206,944	(14.17)
Equity holders' funds (or shareholders' funds) (RMB'000)	3,159,526	3,060,348	3.24
Net assets per share attributable to the shareholders' of the Company (RMB)	3.90	3.77	3.24
		The Reporting Period (1 January - 31 March 2008 (Unaudited)	Increase/(Decrease) as compared with the corresponding period of 2007 (%)
Net cash flows from operating activities (RMB '000)		(92,624)	(601.84)
Net cash flows generated from operating activities per share (RMB)		(0.11)	(601.84)
	The Reporting Period (1 January- 31 March 2008) (Unaudited)	1 January- 31 March 2008 (Unaudited)	Increase/(Decrease) of the Reporting Period as compared with the corresponding period of 2007 (%)
Net profit attributable to the shareholders of the Company (RMB'000)	113,618	113,618	45.96
Basic earnings per share after deducting non-operating items (RMB)	0.071	0.071	(26.04)
Earnings per share (basic) (RMB)	0.140	0.140	45.96
Earnings per share (diluted) (RMB)	0.140	0.140	45.96
Fully diluted return on net assets (%)	3.60	3.60	An increase of 1.06 percentage points
Return on net assets after deducting non-operating items (%)	1.82	1.82	A decrease of 0.73 percentage point

Non-operating items	Amount <i>(RMB'000)</i>
Gain/(Loss) on disposal of non-current assets	(15)
Government subsidies recognized as gain/(loss)	809
Income/(Loss) of entrusted loans	(326)
Gain on subscription of new shares	62,500
Other non-operating income and expenses excluding the above items	163
Income tax effect	(5,436)
Effect on minority interests	(1,573)
Total	56,122

2.2 Number of shareholders and top ten shareholders holding the Company's shares without selling restrictions as at 31 March 2008 (with the Share Reform Plan completed)

As at 31 March 2008, there were 41,023 shareholders in total, including 40,997 shareholders holding the domestic listed Renminbi-denominated ordinary shares (A shares) and 26 shareholders holding the domestic listed overseas listed ordinary shares (H shares).

As at 31 March 2008, the shareholdings of the top ten shareholders of the Company holding shares without selling restrictions were as follows:

Name of shareholders	No. of shares without selling restrictions held as at the end of the Reporting Period <i>(share)</i>	Nature of shares
HKSCC Nominees Limited <i>(note)</i>	219,512,299	H shares
Guangzhou Pharmaceutical Holdings Limited ("GPHL")	24,420,145	Domestic lshares
Bank of China — Invesco Great Wall Ding Yi Equity Investment Fund (LOF)	10,964,180	Domestic shares
China Merchants Bank Co., Ltd. — China Everbright Pramerica Super Stock-oriented Investment Fund	7,487,433	Domestic shares
Agricultural Bank of China — Invesco Great Wall Resources Monopolies Equity Securities Investment Fund	2,821,076	Domestic shares

Bank of Communications — HSBC Jin Xin Dynamic Strategy Hybrid Securities Investment Fund	2,797,569	Domestic shares
China Construction Bank — Hua Bao Industrial Featured Equity Securities Investment Fund	1,603,250	Domestic shares
Bank of China — Invesco Great Wall Dynamic Balance Equity Securities Investment Fund	1,527,738	Domestic shares
ICBC — Hua An Mid & Small Cap Equity Investment Fund	1,437,350	Domestic shares
China Construction Bank — China AMC Dividend Mixed Open-end Securities Investment Fund	1,200,000	Domestic shares

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 during the Reporting Period

Applicable Not applicable

Accounting items	As at 31 March 2008 (RMB'000)	As at 31 December 2007 (RMB'000)	Increase/ (Decrease) (%)	Reasons for change
Accrued expenses	49,667	13,487	268.25	During the Reporting Period, the Group increased accrued expenses for advertising, research and development.

Items	1 January to 31 March 2008 (RMB'000)	1 January to 31 March 2007 (RMB'000)	Increase/ (Decrease) (%)	Reasons for change
Investment income	67,680	(717)	9,541.54	The increase in investment income and net profit was mainly due to the premium arising from the capital increase of Guangzhou Pharmaceuticals Corporation. (“Pharmaceuticals Corporation”)
Net profit	113,618	77,843	45.96	
Net cash flows generated from operating activities per share	(92,624)	18,457	(601.84)	During the Reporting Period, the Group actively expanded its sales and relaxed its credit policy moderately.

In addition, other main consolidated accounting items of the Group for the Reporting Period recorded contain changes as compared with the end of 2007 which was because Pharmaceuticals Corporation was consolidated into the Group’s accounts according to the Company’s shareholding therein (i.e., 50%), upon the completion of the joint venture project of Pharmaceuticals Corporation in the first half of 2008.

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

Name of shareholders	Special commitments	Performance
GPHL	<p>The shares subject to selling restrictions held by GPHL shall not be listed and traded, nor transferred within 12 months from the date of implementation of the Share Reform Plan.</p> <p>Upon the expiry of that 12 months period, GPHL will not dispose of its shares (which are originally shares with selling restrictions-listed on the Shanghai Stock Exchange “SSE”) which exceeds 5% and 10% of the total number of the issued shares of the Company in the following 12 months and 24 months respectively.</p>	Fulfilling Performance
China Great Wall Asset Management Corporation	The non-circulating shares held by China Greatwall Asset Management Corporation shall not be listed and traded nor transferred within 12 months from the implementation of the Share Reform Plan.	Fulfilling Performance

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 2007

Applicable Not applicable

3.5 Securities Investment

Applicable

Not applicable

No.	Stock Code	Stock name	Shares held	The initial investment amount (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Book value	Accounting item	Sources of shares
			as at the end of the Reporting Period (Share)			as at the beginning of the Reporting Period (RMB'000)		
1	600038	Hafei Aviation Industry Co o., Ltd.	57,810	1,806	972	1,806	Trading financial assets	Note 1
2	600664	harbin Pharmaceutical Group CO.,Ltd	222,546	3,705	2,261	3,705	Trading financial assets	Note 1
3	601328	Bank of Communications	313,790	318	3,135	5,666	Available-for-sale financial assets	Note 2
4	000963	Huadong Medicine Co., Ltd.	215,248	127	3,078	3,552	Available-for-sale financial assets	Note 2
Total			—	5,956	9,446	14,729	—	—

Notes:

1. In August 2002, the Company acquired the treasury bonds of RMB10 million with its working capital and deposited in the Company's securities account at Nanfang Security Co., Ltd. ("Nanfang Security").

At the end of 2004, the above treasury bonds were confiscated due to the bankruptcy of Nanfang Security.

On 6 December 2007, the turn property distribution proposal for the bankruptcy of Nanfang Security was passed at the 2nd meeting of the creditors of Nanfang Security. The proposal has obtained the approval of the Guangdong Province Shenzhen Intermediate People's Court. On 24 December 2007, the Company received the above shares transferred through non-trade transfer method and RMB374,912.55 in cash from the Clearing Unit of Nanfang Security.

2. The shares of Bank of Communications and Huadong Medicine Co., Ltd. were being held by the subsidiaries of the Company. Those shares have been listed on the SSE and were a calculated as transfer of long term equity investment into disposable financial assets according to the New Accounting Standards.

Note: The full version of the balance sheet, income statement and cash flow statement of the Company and the Group have been published on the website of the the SSE at [http:// www.sse.com.cn](http://www.sse.com.cn).

By Order of the Board
Yang Rongming
Chairman

Guangzhou, the PRC, 29 April 2008

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Shi Shaobin and Mr. Feng Zansheng as Executive Directors, and Mr. Wong Hin Wing, Mr. Liu Jinxiang, Mr. Li Shanmin and Mr. Zhang Yonghua as Independent Non-executive Directors.