

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2007 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 (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 omission in the quarterly report.
- 1.2 The Directors of the Board attended the 31st Meeting of the third session of the Board held on 27 April 2007, among whom Mr. Chen Zhinong appointed Mr. Yang Rongming to attend and vote on his behalf, and Mr Wong Hin Wing (an Independent Non-executive Director) 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 first quarter ended 31 March 2007 (the “Reporting Period”) contained in the 2007 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 March 2007 (unaudited)	As at 31 December 2006 (unaudited) ^(Note)	Changes as compared with 31 December 2006 (%)
Total assets (RMB'000)	5,887,688	5,453,284	7.97
Shareholders' fund (excluding minority interests) (RMB'000)	2,865,722	2,790,365	2.70
Net assets per share (RMB)	3.53	3.44	2.70

Note: The financial data as at 31 December 2006 stated in the above chart were restated in accordance with the new PRC Accounting Standards, and were unaudited.

	1 January- 31 March 2007 (unaudited)	Change as compared with the same period of 2006 (%)
Net cash flows from operating activities (RMB'000)	5,665	120.01
Net cash flows generated of from operating activities per share (RMB)	0.01	120.01

	1 January- 31 March 2007 (unaudited)	1 January- 3 March 2007 (unaudited)	Change of the Reporting Period as compared with the same period of 2006 (%)
Net profit (RMB'000)	75,358	75,358	10.18
Earnings per share (RMB)	0.093	0.093	10.18
Earnings per share (diluted) (RMB)	0.093	0.093	10.18
Return on net assets (%)	2.63	2.63	3.14
Return on net assets after deducting non-operating items (%)	2.63	2.63	—

Non-operating items (1 January to 31 March 2007)	Amount (RMB'000)
Gain/(Loss) arising from disposal of non-current assets	(8)
Government subsidies recognized as gain/(loss)	416
Income/(Loss) of entrusted loans	(279)
Other non-operating income and expenses excluding the above items	(149)
Income tax effect	(41)
Minority interests effect	(71)
Total	(132)

2.2 Number of Shareholders and the Top Ten Shareholders holding the Company's Shares not subject to selling restrictions as at 31 March 2007 (with the Share Reform Plan completed)

As at 31 March 2007, there were 24,468 shareholders in total, including 6 shareholders holding the state-owned shares, 24,435 shareholders holding domestic listed RMB-denominated ordinary shares (A shares) and 27 shareholders holding overseas listed ordinary shares (H shares).

As at 31 March 2007, the top ten shareholders holding the Company's shares not subject to selling restrictions are set out below:

Shareholders	No. of listed shares held as at the end of the Reporting Period (share)	Nature of shares (A\B\H shares or other shares)
HKSCC Nominees Limited	218,772,299	H shares
Agricultural Bank of China — Da Cheng Selective Growth Mixed Securities Investment Fund	7,404,472	A shares
ICBC — Southern Active Allocation Securities Investment Fund	4,227,177	A shares
Bank of China-E Fund Steady Growth Securities Investment Fund	3,847,038	A shares
Jiu Jia Securities Investment Fund	2,976,640	A shares
Bank of Communications-Ke Hui Securities Investment Fund	2,900,000	A shares
Industrial Bank Co., Ltd — Lombarda China New Trend Stock-oriented Investment Fund (LOF)	2,749,917	A shares
Bank of China-E Fund Strategic Growth Securities Investment Fund	2,312,936	A shares
Western Securities Co., Ltd	1,607,537	A shares
Bank of Communications — Orient Dragon Mixed Open-ended Securities Investment Fund	1,154,958	A shares

Notes: As notified by HKSCC Nominees Limited, the H shares under its name were held on behalf of its several clients.

3. MAJOR EVENTS

3.1 Significant changes in major accounting items and financial indicators of the Company's financial statements for the Reporting Period

Applicable Not applicable

Accounting items	As at	As at	Change	Reasons for change
	31 March 2007	1 January 2007		
	(RMB'000)	(RMB'000)	(%)	
Taxation payable	60,303	38,456	56.81	The increase in added value taxes and enterprise income tax for the Reporting Period.
Prepaid expenses	49,724	12,796	288.59	The increase in provisions for advertising, research and development.
Accrued expenses	3,152	1,097	187.20	The prepaid rents by chain pharmacies of certain trading subsidiaries of the Company at the beginning of the year of 2007.
item	1 January to	1 January to	Change	Reasons for change
	31 March 2007	31 March 2006		
	(RMB'000)	(RMB'000)	(%)	
Investment income	8,778	13,164	(33.31)	The Company received an investment income of RMB4,486,000 from Nan Fang Packaging Co., Ltd in Fo Shan City during the corresponding period of 2006.
Non-operating expenses	428	2,578	(83.39)	The Group strengthened its internal management, which resulted in the decrease in fines and overdue fines during the Reporting Period.
Net cash inflow generating from operating activities	5,665	(28,314)	120.01	During the Reporting Period, the Group actively expanded its sales and increased its capital turnover.

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
Guangzhou Pharmaceutical Holdings Limited (“GPHL”)	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. Upon the expiry of that 12 months period, GPHL will not dispose of its shares (which are originally shares subject to selling restrictions) 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.	Executed
China Greatwall 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.	Executed

During the Reporting Period, the changes of shareholdings of shares subject to selling restrictions held by the the Company’s shareholders are set as follows:

Shareholder	Number of shares held before change (share)	Number of shares involved in the change (share)	Reason of the change	Date of the change	Number of shares held after change (share)
GPHL	468,603,509	(56,090,000)	Transferred by way of court ruling	—	412,513,509
Guangzhou Beicheng Rural Credit Cooperative	0	46,670,000	Transferred by way of court ruling	23 March 2007	46,670,000
Guangzhou Xinjiao Rural Credit Cooperative	0	4,220,000	Transferred by way of court ruling	9 February 2007	4,220,000
Guangzhou Xinfeng Rural Credit Cooperative	0	3,480,000	Transferred by way of court ruling	9 February 2007	3,480,000
Guangzhou Baiyun Rural Credit Cooperative	0	1,720,000	Transferred by way of court ruling	23 March 2007	1,720,000

3.4 Early warning and explanation for negative impact on profit for the next reporting period, or significant profit fluctuation in comparison to the same period of 2006

Applicable Not applicable

3.5 Explanation on the difference in respect of shareholders' funds at 1 January 2007 as stated in the balance sheet contained in this quarterly report and the Difference on Shareholders' Funds prepared under the Previous and the Current Accounting Standards

Applicable Not applicable

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 Shanghai Stock Exchange at <http://www.sse.com.cn>.

By Order of the Board
Yang Rongming
Chairman

Guangzhou, the PRC, 27 April 2007

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Shi Shaobin, Mr. Chen Zhinong and 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.