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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)

2007 THIRD 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 omissions in this quarterly report.
- 1.2 All the Directors of the Board attended the 4th meeting of the fourth session of the Board.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”) and the Company for the third quarter ended 30 September 2007 (the “Reporting Period”) were prepared in accordance with PRC Accounting Standards and were unaudited.
- 1.4 In this quarterly report, the comparative figures of the corresponding period and the year-end figures of last year prepared in accordance with the PRC Accounting Standards have been adjusted and restated in accordance with the “ Standard No.7 Regarding the Rules on Information Disclosure for Companies that Publicly Offer Securities --- Compilation and Disclosure of Comparative Financial and Accounting Information During the Transition Period between the New and Old Accounting Standards” .
- 1.5 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 accepts responsibility for ensuring the authenticity and completeness of the financial reports contained in this quarterly report.

1.6 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.

1.7 This quarterly report is prepared 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 30 September 2007 (Unaudited)	As at 31 December 2006 (Restated)	Changes as compared with 31 December 2006 (%)
Total assets (RMB'000)	6,149,961	5,453,284	12.78
Shareholders' equity (excluding minority interests) (RMB'000)	2,936,384	2,790,365	5.23
Net assets per share (RMB)	3.62	3.44	5.23
	1 January- 30 September 2007 (unaudited)		Changes as compared with the same period of 2006 (%)
Net cash flows from operating activities (RMB'000)	154,344		152.96
Net cash flows generated of from operating activities per share (RMB)	0.19		152.96
	1 July- 30 September 2007 (unaudited)	1 January- 30 September 2007 (unaudited)	Change as compared with the same period of 2006 (%)
Net profit (RMB'000)	56,338	214,135	25.70
Earnings per share (basic) (RMB)	0.07	0.26	25.70
Earnings per share (diluted) (RMB)	0.07	0.26	25.70
Return on net assets (%)	1.81	7.29	An increase of 0.26 percentage point
Return on net assets after deducting non-operating items (%)	1.80	7.18	An increase of 0.16 percentage point

Non-operating items (1 January to 30 September 2007)	Amount (RMB'000)
Gain/(Loss) arising from disposal of non-current assets	2,700
Government subsidies recognized as gain/(loss)	2,730
Income/(Loss) of entrusted loans	(851)
Other non-operating income and expenses excluding the above items	601
Income tax effect	(1,578)
Minority interests effect	(424)
Total	3,178

2.2 Number of shareholders and the top ten shareholders holding the Company's shares not subject to selling restrictions as at 30 September 2007 (with the Share Reform Plan completed)

As at 30 September 2007, there were 32,693 shareholders in total, among which, 32,666 shareholders holding the Renminbi-denominated ordinary shares (A shares) and 27 shareholders holding overseas listed ordinary shares (H shares).

As at 30 September 2007, the top ten shareholders holding the Company's shares not subject to selling restrictions are set out below:

Shareholders	No. of shares not subject to selling restrictions as at the end of the Reporting Period (share)	Nature of shares
HKSCC Nominees Limited	219,550,299	Foreign capital shares
Guangzhou Pharmaceutical Holding Limited ("GPHL")	40,545,000	Domestic shares
China Merchants Bank Co., Ltd.--- China Everbright Pramerica Super Stock-oriented Investment Fund	7,437,398	Domestic shares
Industrial Bank ---Lombarda China New Trends Equity Fund (LOF)	6,500,135	Domestic shares
The Sun & Moon Holdings Limited	4,350,000	Domestic shares
ICBC--- SYWG BNP Paribas Sheng Li-Selective Securities Investment Fund	3,004,814	Domestic shares

China Great Wall Asset Management Corporation ("Great Wall Corporation")	3,000,000	Domestic shares
Industrial Bank --- Industrial Global Vision Stock- oriented Investment Fund	2,107,700	Domestic shares
Bank of Communications--- HSBC Jintrust Dynamic Strategy Hybrid Securities Investment Funds	1,655,700	Domestic shares
Xu Shaochong	1,551,673	Domestic shares

Note : As notified by HKSCC Nominees Limited, the foreign capital share (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 for the Reporting Period

√ Applicable □ Not applicable

Accounting items	As at 30 September 2007 (RMB'000)	As at 1 January 2007 (RMB'000)	Change (%)	Reasons for change
Accounts receivable	1,874,150	1,355,139	38.30	During the period from 1 January to 30 September 2007, while striving for business expansion and continuous sales growth, the Group extended credit terms to certain customers as appropriate for higher market shares.
Investment properties	54,551	18,025	202.65	In April 2007, the Group accounted Guangzhou Sui Kang Mansion as an investment property instead of a self-use property.
Accrued expenses	48,035	12,796	275.39	During the period from 1 January to 30 September 2007, the Group strengthened its sales and marketing, and accounted its sales expenses according to progress.

Item	1 July ~	1 July ~	Change (%)	Reasons for change
	30 September 2007 (RMB'000)	30 September 2006 (RMB'000)		
Net cash inflow generating from operating activities	36,828	(69,545)	152.96	The Group endeavored to boost sales and the return on capital and reduce inventories.

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 undertakings	Performance
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
Great Wall Corporation	The non-circulating shares held by Grea Wall Corporation shall not be listed and traded nor transferred within 12 months from the implementation of the share reform plan.	Executed

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 other major issues

3.5.1 Information on the Company's interests in shares of other listed companies

Applicable Not applicable

3.5.2 Information on the Company's interests in non-listed financial institutions or companies intending to go public

Applicable Not applicable

Name	The initial investment amount (RMB'000)	Number of share held (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)
China Everbright Bank Company Limited	10,725	6,050,000	0.07%	10,725
Golden Eagle Fund Management Co., Ltd.	20,000	—	20%	8,364
Subtotal	30,725	—	—	19,089

3.6 Explanation on the difference in respect of shareholders' equity 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 were 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, 26 October 2007

As at the date of this quarterly report, 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.