

*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)

## 2008 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 (“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 12th Meeting of the fourth session of the Board held on 30 October 2008.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”) and the Company for the third quarter ended 30 September 2008 (the “Reporting Period”) 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), warrant and confirm the authenticity and completeness of the financial reports contained in this quarterly report.
- 1.5 This third 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	As at	Increase/(Decrease)
	30 September 2008 <i>(Unaudited)</i>	31 December 2007 <i>(Restated)</i>	as compared with 31 December 2007 (%)
Total assets (RMB'000)	4,162,410	6,165,195	(32.49)
Equity attributable to the shareholders of the Company (RMB'000)	3,086,605	3,060,002	0.87
Net assets per share attributable to the shareholders of the Company (RMB)	3.81	3.77	0.87

  

Items	1 January – 30 September 2008 <i>(Unaudited)</i>	Increase/(Decrease)
		as compared with the corresponding period of 2007 (%)
Net cash flows from operating activities (RMB' 000)	(35,041)	(122.70)
Net cash flows generated from operating activities per share (RMB)	(0.04)	(122.70)

  

Items	1 July-30 September 2008) <i>(Unaudited)</i>	1 January-30 September 2008 <i>(Unaudited)</i>	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)	(22,835)	144,718
Basic earnings per share (RMB)	(0.028)	0.178	(140.97)
Basic earnings per share after deducting non-operating items (RMB)	–	0.091	–
Diluted earnings per share (RMB)	(0.028)	0.178	(140.97)
Fully diluted return on net assets ratio (%)	(0.74)	4.69	A decrease of 2.64 percentage points
Fully diluted return on net assets after deducting non-operating items (%)	(0.89)	2.40	A decrease of 2.79 percentage points

Notes: (a) The above financial data and indicators are computed based on the consolidated financial statements.

- (b) The joint venture project of Guangzhou Pharmaceuticals Corporation (“GP Corp.”), an enterprise under the Company, was completed at the beginning of 2008, and the Company holds 50% equity interest therein. According to the “Interpretation No. 2 to the Accounting Standards for Business Enterprises”, equity method is applied to the accounting of GP Corp., which has a relatively significant impact on the Group’s consolidated financial data.

<b>Non-operating items (1 January – 30 September 2008)</b>	<b>Amount</b> <i>(RMB’000)</i>
Gain/(Loss) on disposal of non-current assets	16,767
Government subsidies recognized as current gain/(loss)	7,289
Gain/(Loss) of entrusted loans	5,380
Gain on subscription of new shares	49,848
Non-operating expenses after deducting the above items	(590)
Income tax effect	(6,378)
Effect on minority interests	(1,718)
<b>Total</b>	<b>70,598</b>

## 2.2 Number of shareholders and top ten shareholders holding the Company’s shares without selling restrictions as at 30 September 2008 (with the Share Reform Plan completed)

As at 30 September 2008, there were 39,139 shareholders in total, including 39,112 shareholders holding the domestic Renminbi-denominated ordinary shares (A shares) and 27 shareholders holding the overseas foreign capital shares (H shares).

### The shareholdings of the top ten shareholders of the Company holding shares without selling restrictions as at 30 September 2008

<b>Name of shareholders</b>	<b>No. of shares without selling restrictions held as at the end of the Reporting Period (share)</b>	<b>Nature of shares</b>
HKSCC Nominees Limited <i>(note)</i>	219,395,299	H shares
Guangzhou Pharmaceutical Holdings Limited (“GPHL”)	48,631,882	Domestic lshares
Bank of China – Invesco Great Wall Ding Yi Equity Investment Fund (LOF)	10,964,180	Domestic shares
Guangzhou Beicheng Rural Credit Cooperative	7,707,800	Domestic shares
China Merchants Bank Co., Ltd. – China Everbright Pramerica Super Stock-oriented Investment Fund	7,364,477	Domestic shares
Bank of Communications – HSBC Jin Xin Dynamic Strategy Hybrid Securities Investment Fund	5,323,836	Domestic shares

Name of shareholders	No. of shares without selling restrictions held as at the end of the Reporting Period (share)	Nature of shares
China Construction Bank – Hua Bao Industrial Featured Equity Securities Investment Fund	3,799,003	Domestic shares
Boshi Value Growth Securities Investment Fund	3,599,797	Domestic shares
Agricultural Bank of China-Invesco Great Wall Resources Monopolies Equity Securities Investment Fund	3,269,976	Domestic shares
Industrial Bank-Industrial Global Vision Stock-oriented Investment Fund	3,259,182	Domestic shares

*Note:* According to the information provided by HKSCC Nominees Limited, its holding in the H shares 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

Applicable     Not applicable

Major accounting items	As at 30 September 2008 (RMB'000)	As at 1 January 2008 (RMB'000)	Increase/ (Decrease) (%)	Reasons for change
Trading financial assets	2,527	5,511	(54.15)	As at the end of the Reporting Period, the stock market value of Hafei Aviation Industry Co., Ltd. and Harbin Pharmaceutical Group Co., Ltd held by the Company declined.
Notes receivable	167,557	518,343	(67.67)	The Group has strengthened fund management and speeded up cashing notes receivable.

<b>Major accounting items</b>	<b>As at 30 September 2008 (RMB'000)</b>	<b>As at 1 January 2008 (RMB'000)</b>	<b>Increase/ (Decrease) (%)</b>	<b>Reasons for change</b>
Financial assets available for sale	1,584	5,666	(72.05)	As at the end of the Reporting Period, the shares of the Bank of Communications held by the Company and the stock market value thereof decreased.
Project under construction	208,060	100,329	107.38	In 2008, the Group continued to increase investment in GMP transformation project for development of greater and stronger Guangzhou Zhong Yi Pharmaceutical Co., Ltd.
Drawing expenses in advance	41,110	13,286	209.43	On 30 September 2008, the advertisement cost of the Group, which has been implemented but not settled, increased significantly.

Items	1 January to 30 September 2008 <i>(RMB'000)</i>	1 January to 30 September 2007 <i>(RMB'000)</i>	Increase/ (Decrease) <i>(%)</i>	Reasons for change
Investment income	169,564	40,704	316.57	The significant increase in investment income for the period between 1 January to 30 September 2008 was mainly due to: (1) the premium income from additional investment in GP Corp. by Alliance BMP Co., Ltd, and gains in transferring equity interests in GP Corp. by Guangzhou Jing Xiu Tang Pharmaceutical Co., Ltd, and Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd, subsidiaries of the Company; and (2) according to the “Interpretation No.2 on the Accounting Standards for Business Enterprises”, the Company applied equity method in the accounting of GP Corp. with effect from 2008 upon the completion of its joint venture project.
Non-operation revenue	9,885	6,302	56.87	From January to September 2008, the government grants received by the Group increased as compared with the same period of last year.
Net cash flow generated from operation activities	(35,041)	154,344	(122.70)	With the effect of national enhanced micro regulation, accounts receivable increased, and capital return was slower as compared with the same period of last year.

### 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

<b>Name of shareholders</b>	<b>Special commitments</b>	<b>Performance</b>
GPHL	<p>The shares with 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 those shares, which are originally shares with selling restrictions, through the Shanghai Stock Exchange (“SSE”) by more than 5% and 10% of the total number of the issued shares of GPC in the following 12 months and 24 months respectively.</p>	Fulfilling Performance
China Great Wall Asset Management Corporation	The 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 Explanation on other major issues

### 3.5.1 Information on securities investments

√ Applicable    □ Not applicable

No.	Stock Code	Stock name	Number of shares held as at the end of the Reporting Period (Share)	Initial investment amount (RMB'000)	Book value as at the beginning of the Reporting Period (RMB'000)	Book value as at the end of the Reporting Period (RMB'000)	Accounting item
1	600038	Hafei Aviation Industry Co., Ltd.	57,810	1,806	1,806	584	Trading financial assets(note(a))
2	600664	Harbin Pharmaceutical Group Co., Ltd	222,546	3,705	3,705	1,943	Trading financial assets(note(a))
3	601328	Bank of Communications	264,850	269	4,137	1,584	Financial assets available for sale(note(b))

Notes:

- (a) 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 first properties' 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 a cash of RMB374,912.55 from the Clearing Unit of Nanfang Security.

- (b) As at 31 December 2007, GP Corp. held 97,879 shares in the Bank of Communications, the stock market value of which was RMB1,529,000. With effect from 2008, the Company applied equity method in the accounting of GP Corp, a jointly controlled entity. Therefore, the number of shares in the Bank of Communications held by the Group and the book value thereof as at the beginning of 2008 decreased accordingly.



### 3.5.2 Information on the company's interests in other non-listed financial institutions

√ Applicable    □ Not applicable

Name	Initial investment amount <i>(RMB'000)</i>	Number of shares held <i>(share)</i>	% of shareholding <i>(%)</i>	Book value as at the beginning of the Reporting Period <i>(RMB'000)</i>	Book value as at the end of the Reporting Period <i>(RMB'000)</i>
China Everbright Bank Company Limited	10,725	6,050,000	approximate 0.07	10,725	10,725
Golden Eagle Fund Management Co., Ltd	20,000	–	20.00	15,658	15,868
<b>Total</b>	<b>30,725</b>	<b>–</b>	<b>–</b>	<b>26,383</b>	<b>26,593</b>

*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 SSE at <http://www.sse.com.cn>.

The Board of  
**Guangzhou Pharmaceutical Company Limited**

Guangzhou, the PRC, 30 October 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.*