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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)

2009 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 this quarterly report.
- 1.2 All the Directors of the Board attended the 15th meeting of the fourth session of the Board held on 29 April 2009.
- 1.3 The financial reports of the Company and its subsidiaries (collectively the “Group”) and the Company for the first quarter ended 31 March 2009 (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 2009 first quarterly report is published in Hong Kong pursuant to Rule 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 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	As at 31	Increase/(Decrease)
	31 March 2009 <i>(Unaudited)</i>	December 2008 <i>(Audited)</i>	as compared with 31 December 2008 <i>(%)</i>
Total assets (RMB'000)	4,158,372	4,130,904	0.66
Shareholders' equity attributable to the shareholders of the Company (RMB'000)	3,163,211	3,124,842	1.23
Net assets per share attributable to the shareholders of the Company (RMB)	3.90	3.85	1.23
	The Reporting Period (1 January ~31 March 2009) <i>(Unaudited)</i>		Increase/(Decrease) as compared with the corresponding period of 2008 <i>(%)</i>
Net cash flow from operating activities (RMB' 000)		84,737	1,575.31
Net cash flow from operating activities per share (RMB)		0.10	1,575.31
	The Reporting Period (1 January-31 March 2009) <i>(Unaudited)</i>	1 January-31 March 2009 <i>(Unaudited)</i>	Increase/(Decrease) of the Reporting Period as compared with the corresponding period of 2008 <i>(%)</i>
Net profit attributable to the shareholders of the Company (RMB'000)	37,795	37,795	(66.92)
Basic earnings per share (RMB)	0.047	0.047	(66.92)
Basic earnings per share after deducting non-operating items (RMB)	0.041	0.041	(37.63)
Diluted earnings per share (RMB)	0.047	0.047	(66.92)
Fully diluted return on net assets (%)	1.19	1.19	With a decrease of 2.42 percentage points
Ratio to fully diluted return on net assets after deducting non-operating items (%)	1.04	1.04	With a decrease of 0.63 percentage point

Notes: (1) The above financial data and indicators are computed based on the consolidated financial statements.

(2) Items and amounts related to non-operating items include:

Items (1 January ~31 March 2009)	Amount <i>(RMB'000)</i>	Remarks
Gain/(Loss) on disposal of non-current assets	70	
Government subsidies recognized as gain/(loss)	3,698	This is the amount of government subsidies received by the Company's subsidiaries and currently transferred to non-operating income during the Reporting Period.
Capital use fee received from non-financial enterprises recognized as gain/(loss)	706	
Gain/(Loss) on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging of the Company), as well as investment gains received from disposal of trading financial liabilities and financial assets available for sale	624	
Gain/(Loss) received from external custodian loans	1,597	This is the net interest income received for the provision of custodian loans from the Company to its joint venture Guangzhou Pharmaceuticals Corporation ("GP Corp.")
Other non-operating income and expenses excluding the above items	(937)	
Other gain/(loss) items within the definition of extraordinary gain/(loss)	-	
Income tax effect	(889)	
Effect on minority interests	(88)	
Total	4,781	

2.2 Number of shareholders and the top ten shareholders of the Company holding shares without selling restrictions as at 31 March 2009 (with the Share Reform Plan completed)

As at 31 March 2009, there were 45,057 shareholders in total, including 45,029 shareholders holding the domestic Renminbi-denominated ordinary shares (A shares) and 28 shareholders holding the overseas foreign capital shares (H shares).

The shareholdings of the top ten shareholders of the Company holding shares without selling restrictions

Name of shareholders	No. of shares without selling restrictions held as at the end of the Reporting Period (share)	Nature of shares
HKSCC Nominees Limited <i>(note)</i>	219,317,299	H shares
Guangzhou Pharmaceutical Holdings Limited (“GPHL”)	48,631,882	Domestic shares
Agricultural Bank of China – Zhongyou Core Prime Equity Securities Investment Fund	10,000,000	Domestic shares
Bank of China – Invesco Great Wall Ding Yi Equity Investment Fund (LOF)	10,000,000	Domestic shares
Guangzhou Beicheng Rural Credit Cooperative	7,707,800	Domestic shares
China Construction Bank – Hua Bao Industrial Featured Equity Securities Investment Fund	3,173,000	Domestic shares
Guangzhou Huangshi Rural Credit Cooperative	1,404,000	Domestic shares
Meng Xiangtong	1,134,300	Domestic shares
Zhonghai Trust Co., Ltd. —Pu Jiang Star of eighth Collection Trust Fund	1,009,903	Domestic shares
Shangxi Trust Co.,Ltd	857,130	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

Applicable Not applicable

Major accounting items	As at 31 March 2009 (RMB'000)	As at 1 January 2009 (RMB'000)	Increase/ (Decrease) (%)	Reasons for change
Other receivables	130,584	50,207	160.09	The amount of RMB62,660,000 borrowed by GP Corp. from the Company was due and returned at the end of 2008 and was renewed in January 2009.
Deferred expenses	2,847	370	670.57	This is the amount of pre-paid rents and advertising fees for the year 2009 by the Company's subsidiaries as at 31 March 2009.
Financial assets available for sale	1,703	1,255	35.65	As at 31 March 2009, the market value of the shares of Bank of Communications Co., Ltd. held by the Group increased.

Items	1 January to 31 March 2009 <i>(RMB'000)</i>	1 January to 31 March 2008 <i>(RMB'000)</i>	Increase/ (Decrease) <i>(%)</i>	Reasons for change
Investment income	25,008	89,289	(71.99)	In January 2008, the premium income from the additional capital contribution into GP Corp. by Alliance BMP Limited and the income arising from the transfer of equity interest in GP Corp. by Guangzhou Jing Xiu Tang Pharmaceutical Co., Ltd. and Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd., subsidiaries of the Company, amounted to RMB62,444,000. The above investment income was an one-off income and the Group did not have such investment income for the first quarter of 2009.
Finance expenses	2,556	4,075	(37.29)	During the Reporting Period, the interest rate for the Group's bank loans decreased as compared with the same period of last year.
Operating expenses	107,674	167,629	(35.77)	During the Reporting Period, the Group made greater efforts for the administration of operating expenses and controlled expenses such as labor costs and advertising costs strictly.
Other non-operating income and expenses	4,693	1,629	188.08	During the Reporting Period, the government grants received by the Group increased as compared with the same period of last year.
Income tax expenses	5,974	28,661	(79.16)	(1) During the Reporting Period, the Group's profit declined as compared with the same period of 2008; (2)The Company's subsidiaries including Guangzhou Zhong Yi Pharmaceutical Co., Ltd., Guangzhou Xing Qun Pharmaceutical Co., Ltd. and Guangzhou Chen Li Ji Pharmaceutical Factory, were granted the certificate of new and high technology enterprises in early 2009 and were applicable to the corporate income tax rate of 15%.

Items	1 January to 31 March 2009 (RMB'000)	1 January to 31 March 2008 (RMB'000)	Increase/ (Decrease) (%)	Reasons for change
Net profit attributable to the shareholders of the Company	37,795	114,268	(66.92)	(1) During the Reporting Period, the Group had no investment income arising from transfer of equity interest or premium income from capital contribution, thus its investment income for the Reporting Period decreased significantly as compared with the same period of 2008. (2) The Group's sales revenue for the Reporting Period declined as compared with the same period of last year.
Net cash flow generated from operating activities	84,737	(5,744)	1,575.31	During the Reporting Period, the Group's taxes and expenses incurred decreased as compared with the corresponding 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

Name of shareholder	Undertakings	Performance
GPHL	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. 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 (the "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.	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 2008

Applicable Not applicable

3.5 The status of implementation of cash dividend policy during the Reporting Period

1. Pursuant to the resolution in relation to the proposed profit distribution and dividend payment for the year of 2008 passed at the meeting of the Board on 27 March 2009, the Board proposed to distribute the final dividend of RMB 0.04 per share for 2008, with the total amount of RMB 32,436,000.
2. The Board of the Company has proposed the amendment to its Articles of Association in accordance with “The Relevant Regulation in Relation to Cash Distribution of Listing Companies” issued by China Securities Regulatory Commission.

The above proposals are subject to the approval by the shareholders at the 2008 Annual General Meeting of the Company.

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, 29 April 2009

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.