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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)

Announcement

Guangzhou Pharmaceutical Company Limited (the “Company”) and all members of the board of directors (the “Board”) hereby confirm the truthfulness, accuracy and completeness of the contents of this announcement and jointly and severally accept full responsibility for any false representation, misleading statement or material omission herein contained.

In 2001, Guangzhou Pharmaceutical Holdings Limited (“GPHL”), the controlling shareholder of the Company, applied part of the shares of the Company held by it for the debt restructuring of Guangzhou Baiyunshan Pharmaceutical Company Limited (廣州白雲山製藥股份有限公司) (please refer to the announcements dated 26 November 2001, 29 May 2002, 15 November 2005, 16 May 2006, 29 March 2007 and 23 May 2007 of the Company for further information), pursuant to which 25,520,000 shares of the Company were pledged to Guangzhou Commercial Bank. GPHL intended to sell part of the tradable shares of the Company with no selling restrictions held by it on the secondary market for the purpose of repayment of liabilities owed to Guangzhou Commercial Bank which will accordingly release the pledge of relevant shares of the Company.

On 14 December 2007, the Company received a letter on reduction of shareholding from GPHL, which mentioned that:

By the close of trading of the shares of the Company on 13 December 2007, GPHL sold 14,372,734 tradable shares of the Company with no selling restrictions in aggregate on the secondary market, representing approximately 1.77% of the total share capital of the Company.

Prior to the above said shareholding reduction, GPHL held a total of 403,493,509 shares of the Company, which represented approximately 49.76% of the total share capital of the Company, including 362,948,509 tradable shares of the Company with selling restrictions and 40,545,000 tradable shares of the Company with no selling restrictions.

After the above said shareholding reduction, GPHL held a total of 389,120,775 shares of the Company, which represented approximately 47.99% of the total share capital of the Company, including 362,948,509 tradable shares of the Company with selling restrictions and 26,172,266 tradable shares of the Company with no selling restrictions.

At the time of the share reform of the Company, GPHL undertook that, with effect from the date of implementation of the share reform, when the number of shares of the Company disposed by GPHL through the Shanghai Stock Exchange reaches 1% of the total number of shares of the Company an announcement would be made within two business days from the date of the share reduction. In light of this, GPHL, in its letter to the Company, entrusted the Company to make an announcement on its behalf in respect of the above-mentioned reduction of shareholding.

This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

By Order of the Board

He Shuhua

Secretary to the Board

Guangzhou, the PRC, 14 December 2007

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 Shanming and Mr. Zhang Yonghua as Independent Non-executive Directors.