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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 ON INCREASE OF SHARES OF
THE COMPANY BY THE CONTROLLING SHAREHOLDER**

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.

The Company was informed by Guangzhou Pharmaceutical Holdings Limited (“GPHL”), the controlling shareholder of the Company, that it purchased 500,000 A shares of the Company (the “Additional Shares”) from the secondary market on 22 September 2008, representing 0.06% of the total share capital of the Company.

Before the above purchase, the number of shares of the Company held by GPHL was 390,333,391 shares, representing 48.14% of the total share capital of the Company. After the above purchase, the number of shares of the Company held by GPHL reached 390,833,391 shares, representing 48.20% of the total share capital of the Company.

GPHL’s future plans to increase its shareholding in the Company (the “Share Increase Plan”): for the next 12 months commencing from the date of the above purchase, GPHL plans to purchase no more than 2% of the total issued share capital of the Company (including the Additional Shares) from the secondary market.

GPHL undertakes that it will not reduce its shareholding in the Company during the implementation of the Share Increase Plan.

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.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 22 September 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.