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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)

CONTINUING CONNECTED TRANSACTIONS

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.

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.

I. Description of the Connected Transactions

The Company and its subsidiaries (collectively the “Group”) have been purchasing/selling pharmaceutical products, pharmaceutical raw materials, medical apparatus and packaging materials (collectively the “Products”) from/to Guangzhou Pharmaceuticals Corporation (“GP Corp.”) and Guangzhou Wang Lao Ji Pharmaceutical Company Limited (“Wang Lao Ji”), which are transactions entered into in its ordinary and usual course of business. Accordingly, the Company entered into the Purchase and Sale Agreement in relation to Connected Transactions (the “Agreement”) with GP Corp. and Wang Lao Ji on 27 March 2009, with a view to maintain the daily normal operation of the parties involved.

II. Principal Terms of the Agreement

Pursuant to the Agreement, the parties have agreed that the respective annual caps for the sales and purchases of the Products during the period from 1 January 2009 to 31 December 2010 between the Group and each of GP Corp. and Wang Lao Ji are as follows:

	Annual cap for the sale of the Products (RMB'000)	Annual cap for the purchase of the Products (RMB'000)
GP Corp.	400,000	200,000
Wang Lao Ji	123,000	15,000

The above annual caps for the sales and purchases of the Products are determined on the basis of: (1) the annual amount of the sales and purchases for the financial year ended 31 December 2008 of each of the Group, GP Corp. and Wang Lao Ji; (2) the Group's business is expected to grow further and the Group intends to improve the sales of Wang Lao Ji's products through its own distribution networks and resources. GP Corp. will also sell the products of the Group through its extensive national distribution networks and channels. It is expected that the respective aggregate amount of the sales and purchases will increase significantly.

Pursuant to the Agreement, all the sales or purchases of the Products between the Group and GP Corp. and Wang Lao Ji will be negotiated on an arm's length basis and will be conducted on normal commercial terms and on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties.

The Agreement shall be effective from 1 January 2009 to 31 December 2010 for a term of two years and shall be presented at the general meetings of the Company for consideration and approval from independent shareholders.

III. Connected Relationship

GP Corp. and Wang Lao Ji are joint enterprises which are currently held as to 50% and 48.0465% respectively by the Company. As Mr. Shi Shaobin, being a director of the Company, is currently the Chairman of Wang Lao Ji and Vice Chairman of GP Corp., and Mr. Feng Zansheng, being a director of the Company, is the director and President of GP Corp., the purchases and sales of the Products under the Agreement are deemed as connected transactions according to the relevant listing rules of the Shanghai Stock Exchange.

Mr. Shi Shaobin and Mr. Feng Zansheng, being connected directors, abstained from voting on this resolution at the meeting of the Board; and Mr. Wong Hin Wing, Mr. Liu Jinxiang, Mr. Li Shanmin and Mr. Zhang Yonghua, being independent directors of the Company, gave their independent opinions in accordance with the listing rules of the Shanghai Stock Exchange.

IV. Particulars of Parties to the Transactions

Guangzhou Pharmaceuticals Corporation, with Mr. Xiaoying Gao as its legal representative, has registered capital of RMB400 million. Its business scope includes the wholesale and retail of Chinese patent medicine ("CPM"), western pharmaceutical products and medical apparatus.

Guangzhou Wang Lao Ji Pharmaceutical Company Limited, with Mr. Shi Shaobin as its legal representative, has registered capital of RMB204.756878 million. Its business scope includes the manufacture, processing and sales of CPM, medication food, beverages and confections.

V. Opinions of Independent Directors

The Board and independent directors of the Company consider that the connected transactions under the Agreement are on commercial principles, which is fair, just and equitable, and are beneficial to the parties involved. They are also in line with the long-term development of the Company and in the interests of the shareholders as a whole.

VI. Documents Available for Inspection

- (1) Resolutions passed at the fourteenth meeting of the fourth session of the Board;
- (2) The Agreement.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 27 March 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.