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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)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Guangzhou Pharmaceutical Company Limited (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 Pharmaceutical Corporation (“GP Corp.”) and Guangzhou Wang Lao Ji Pharmaceutical Company Limited (“Wang Lao Ji”) (“Trading Transactions”), 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 28 October 2010, with a view to maintaining 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 2011 to 31 December 2013 between the Group and each of GP Corp. and Wang Lao Ji are as follows:

Connected parties	Annual cap for the sales of the Products (RMB'000)	Annual cap for the purchases of the Products (RMB'000)
GP Corp.	330,000	165,000
Wang Lao Ji	100,000	25,000

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 of each of the Group, GP Corp. and Wang Lao Ji during the financial year ended 31 December 2009 and the six months ended 30 June 2010; (2) the significant growth in the aggregate values of the Trading Transactions due to the expected growth in Group's business over the three years ending 31 December 2013, increasing sales in the products of Wang Lao Ji as the Group utilizes its extensive distribution network and resources, as well as sales of the Group's products through the expansive distribution network and channels of GP Corp..

Pursuant to the Agreement, all the Trading Transactions between the Group, 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 favorable to the Group than terms available to or from (as appropriate) independent third parties.

The Agreement shall be effective from 1 January 2011 to 31 December 2013 for a term of three years and shall be presented at the general meetings of the Company for consideration and approval from the independent shareholders.

III. CONNECTED RELATIONSHIP

GP Corp. and Wang Lao Ji are joint ventures which are currently held as to 50% and 48.0465% respectively by the Company. As Mr. Li Chuyuan, being a director of the Company, is also the director of GP Corp. and the director of Wang Lao Ji, and Mr. Shi Shaobin, being a director of the Company, is currently the vice chairman of GP Corp. and chairman of Wang Lao Ji, the Trading Transactions under the Agreement are deemed as connected transactions according to the relevant listing rules of The Shanghai Stock Exchange.

Mr. Li Chuyuan and Mr. Shi Shaobin, being connected directors, abstained from voting on this resolution at the meeting of the board of directors of the Company (the "Board"); and Mr. Liu Jinxiang, Mr. Li Shanmin, Mr. Zhang Yonghua, Mr. Wong Lung Tak Patrick and Mr. Qiu Hongzhong, 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 Pharmaceutical Corporation, with Mr. Xiaoying Gao as its legal representative, has a registered capital of RMB400 million. Its business scope includes the wholesale and retail of Chinese patent medicine, western pharmaceutical products and medical apparatus.

Guangzhou Wang Lao Ji Pharmaceutical Company Limited, with Mr. Shi Shaobin as its legal representative, has a registered capital of RMB204.76 million. Its business scope includes the manufacture, processing and sales of Chinese patent medicine, 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 are 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 4th meeting of the fifth session of the Board;
- (2) The Agreement.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 28 October 2010

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Mr. Shi Shaobin and Mr. Wu Changhai as executive directors, and Mr. Liu Jinxiang, Mr. Li Shanmin, Mr. Zhang Yonghua, Mr. Wong Lung Tak Patrick and Mr. Qiu Hongzhong as independent non-executive directors.