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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)

NOTICE OF THE 2010 ANNUAL GENERAL MEETING

IMPORTANT NOTICE

- Date and time of the 2010 annual general meeting (“AGM”): Tuesday, 21 June 2011, at 10:00 a.m.
- Place of the AGM: Conference Room of Guangzhou Pharmaceutical Company Limited (the “Company”), 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”)
- Manner of holding the AGM: present
- Significant items to be considered:
 1. Report of the board of directors (the “Board”) of the Company for the year 2010;
 2. Report of the supervisory committee of the Company for the year 2010;
 3. Financial reports of the Company for the year 2010;
 4. Auditors’ reports of the Company for the year 2010;
 5. Proposal for profit distribution and dividend payment of the Company for the year 2010;
 6. Financial budget report of the Company for the year 2011;
 7. Total service emoluments to be paid to the directors of the Company for the year 2011;
 8. Total service emoluments to be paid to the supervisors of the Company for the year 2011;

9. Provision of guarantees by the Company to secure bank loans for its subsidiaries;
10. Provision of guarantees by Guangzhou Bai Di Bio-technology Co., Ltd., a subsidiary of the Company, to secure bank loans for Guangzhou Nuo Cheng Bio-technology Co., Ltd.;
11. Appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as auditor of the Company for the year 2011, and the proposal to the shareholders' meeting to authorize the Board to determine its remuneration (notes);
12. Appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as auditor for the internal control of the Company for the year 2011, and the proposal to the shareholders' meeting to authorize the Board to determine its remuneration;
13. Resolution in relation to amendment to the rules of procedures for the supervisory committee of the Company; and
14. Resolution in relation to amendments to the Articles of Association of the Company.

I. INFORMATION REGARDING THE CONVENING OF THE AGM

1. The resolution to convene the AGM was considered and passed at the 6th meeting of the fifth session of the Board of the Company;
2. Date and time of the AGM: Tuesday, 21 June 2011, at 10:00 a.m.; and
3. Place of the AGM: Conference Room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC.

II. MATTERS TO BE CONSIDERED AT THE AGM

1. To be considered and approved by way of ordinary resolutions:

- 1) Report of the Board of the Company for the year 2010;
- 2) Report of the supervisory committee of the Company for the year 2010;
- 3) Financial reports of the Company for the year 2010;
- 4) Auditors' reports of the Company for the year 2010;
- 5) Proposal for profit distribution and dividend payment of the Company for the year 2010;
- 6) Financial budget report of the Company for the year 2011;

- 7) Total service emoluments to be paid to the directors of the Company for the year 2011;
- 8) Total service emoluments to be paid to the supervisors of the Company for the year 2011;
- 9) Provision of guarantees by the Company to secure bank loans for its subsidiaries;
- 10) Provision of guarantees by Guangzhou Bai Di Bio-technology Co., Ltd., a subsidiary of the Company, to secure bank loans for Guangzhou Nuo Cheng Bio-technology Co., Ltd.;
- 11) Appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as auditor of the Company for the year 2011, and the proposal to the shareholders' meeting to authorize the Board to determine its remuneration (notes);
- 12) Appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as auditor for the internal control of the Company for the year 2011, and the proposal to the shareholders' meeting to authorize the Board to determine its remuneration; and
- 13) Resolution in relation to amendment to the rules of procedures for the supervisory committee of the Company.

The above resolutions were considered and passed at the 2nd meeting of the fifth session of the supervisory committee held on 27 August 2010, the 6th meeting of the fifth session of the Board of the Company and the 4th meeting of the fifth session of the supervisory committee held on 25 March 2011, and the 7th meeting of the fifth session of the Board of the Company held on 28 April 2011.

2. To be considered and approved by way of special resolution:

Resolution in relation to amendments to the Articles of Association of the Company. Details are set out as follows:

The existing Article 11 to be amended as follows:

The business scope of the Company should be consistent with those set out in the business license. The Company shall engage in operations within the business scope registered with the Administration for Industry and Commerce.

The business scope of the Company covers: the operation, investment, development and financing of state-owned assets; development and manufacturing of Chinese Patent Medicine ("CPM") (licensed); manufacturing of biological products, healthcare medicines and drinks (licensed); wholesale and retail trade (including CPM and except for items exclusively sold and controlled by other countries); general cargo (licensed) and cargo transportation agency.

(The following operation are carried out by branches): wholesale of Chinese medicines (through purchase), Chinese traditional prepared herbal medicine slice, CPM, chemical crude drug and its preparation, antibiotics crude drugs and its preparation, biochemical medicines, biological products (except vaccine) (drugs licensed); sales of category III of injection apparatus, medical X-ray equipment, extracorporeal circulation and blood processing equipment, equipment and apparatus for operation theatres, accidents and emergency rooms and clinics, medical macromolecule materials and products; category II of general treatment apparatus, medical optical instruments, apparatus and endoscopic equipment, physiotherapy and rehabilitation equipment, medical X-ray auxiliary devices and components, medical suture materials adhesives, bandages (medical apparatus licensed); wholesale of category I of medical apparatus; provision of technological services for new technology, products and materials in the medicine sector; product information enquiry; import and export of goods and technology (excluding projects prohibited by relevant laws and regulations. Projects restricted by laws and regulations are not allowed without license franchise); operation of imported material processing and three categories of processing and one category of compensation business; field leasing and storage (except dangerous chemicals).

The existing Article 203 to be amended as follows:

The financial statements of the Company should be prepared in accordance with the PRC Accounting Standards and regulations.

The existing Article 204 to be amended as follows:

The announcement and disclosure of the interim results or financial data of the Company should be prepared in accordance with the PRC Accounting Standards and regulations.

The above resolution was considered and passed at the 7th meeting of the fifth session of the Board of the Company held on 28 April 2011.

III. ATTENDEES OF THE AGM AND IMPORTANT NOTICE OF THE FINAL DIVIDEND

1. Holders of domestic shares and overseas listed foreign capital shares whose names appeared on the register of members of the Company at the close of business in the afternoon on Friday, 20 May 2011 (including those overseas shareholders who have already successfully submitted documents of shareholding transfer applications on or before 20 May 2011) are entitled to attend the AGM. The register of members of the Company will be closed from Saturday, 21 May 2011 to Tuesday, 21 June 2011 (both days inclusive) during which period no transfer of H shares will be effected. In order to qualify for the proposed final dividend for the year 2010, holders of H shares of the Company should deposit all of the share transfer documents together with the relevant share certificates to the share registrar of the Company in Hong Kong, namely Hong Kong Registrars Limited, for share transfer registration not later than 4:00 p.m. on 20 May 2011.

Holders of H shares please note that according to Enterprise Income Tax of the People’s Republic of China and Implementation Rules of Enterprise Income Tax Law of the People’s Republic of China (collectively, “Tax Laws”), from 1 January 2008 onwards, any PRC domestic enterprise shall withhold and pay enterprise income tax upon distribution of dividends for the accounting period since 1 January 2008 to non-resident enterprise shareholders and the payer shall be treated as the obligatory withholder. Accordingly, the Company shall be obligated to withhold and pay a 10% enterprise income tax when distributing final dividends to non-resident enterprise shareholders whose names appeared on the register of holders of H shares on 20 May 2011; but the Company has no obligation to withhold and pay such enterprise income tax when distributing final dividends to the resident enterprise shareholders whose names appeared on the register of holders of H shares on 20 May 2011. A resident enterprise (with the same meaning as defined in the Tax Laws) which is incorporated in the PRC or is incorporated under the laws of a foreign country (or region) with its defacto management organization located within the PRC shall submit to the Hong Kong Registrars Limited not later than 4:00 p.m. on Friday, 20 May 2011 a legal opinion (stamped with the chop of the law firm) issued by a qualified PRC practicing lawyer ascertaining its resident enterprise status. Otherwise, the Company shall not be held responsible for any disputes in relation to withholding and payment of enterprise income tax arising from failure to submit the legal opinion within the prescribed period.

For payment of dividend to the holders of domestic shares, the registration date and payment procedures will be separately notified.

2. Any shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (whether he/she is a shareholder or not) to attend and vote at the meeting on his/her behalf. If any shareholder appoint more than one proxy, the proxy(ies) can only vote by poll. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorization (if any) must be delivered to the office address of the Company no less than 24 hours before the time appointed for the holding of the AGM or its any adjournment thereof.
3. Shareholders who intend to attend the AGM in person or by proxy should complete and return the attached reply slip by hand, by mail or by fax in accordance with the instructions printed thereon, before Wednesday, 1 June 2011.
4. The directors, supervisors and senior management of the Company.

IV. REGISTRATION FOR THE AGM

1. To attend the AGM, an individual shareholder should bring along his/her identity card, the shareholder account card; a proxy should bring along the proxy form, his/her identity card and the identity card of the principal and the shareholder account card. A legal person shareholder shall bring along a copy of the business license, the proxy form signed by the legal representative, the shareholder account card and the identity card of the attendee. Shareholders outside Guangzhou can make registration by mail, telephone or fax.
2. Place and time of registration:

Registration date and time: 8:30 a.m. to 11:30 a.m. and 2:00 p.m. to 4:30 p.m. on Wednesday, 1 June 2011

Place of registration: The Secretariat of the Company, 2nd Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

V. OTHERS

1. Address: Guangzhou Pharmaceutical Company Limited, 2nd Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Postal code: 510130
Contact person: Pang Jianhui
Tel: 8620-8121 8117/8121 8120
Fax: 8620-8121 6408
2. Address of Shanghai Branch Company of China Securities Depository and Clearing Corporation Limited: 3/F., China Insurance Building, No. 166 Lujiazui Road East, Shanghai, the PRC.
Address of Hong Kong Registrars Limited: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
3. The AGM is expected to last for a half day. Shareholders attending the meeting shall be responsible for their own travelling and accommodation expenses.

VI. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolutions and announcements of resolutions passed at the 6th and the 7th meetings of the fifth session of the Board of the Company.
2. Resolutions and announcements of resolutions passed at the 2nd and the 4th meetings of the fifth session of the supervisory committee of the Company.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 3 May 2011

Notes:

1. In December 2010, the PRC's Ministry of Finance announced that large accounting firms in Mainland China are permitted to provide auditing services to Mainland incorporated companies listed in Hong Kong with the PRC auditing standards for financial years ending on or after 15 December 2010. Meanwhile, The Stock Exchange of Hong Kong Limited has amended the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to permit the Mainland incorporated issuers listed in Hong Kong to adopt the PRC accounting standards for the preparation of their financial statements, and to permit the Mainland accounting firms approved by the PRC's Ministry of Finance and China Securities Regulatory Commission to adopt PRC auditing standards when providing auditing services to these issuers.

Since the Company is Mainland incorporated company listed in Hong Kong, the policy adjustment as mentioned above is applicable to the Company. In order to improve its efficiency and reduce cost, the Company intends to appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the auditor of the Company for the year 2011. Accordingly, the Company will not seek for the re-appointment of Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. (立信羊城會計師事務所有限公司) and PricewaterhouseCoopers (羅兵咸永道會計師事務所) as the domestic auditor and international auditor respectively of the Company upon the conclusion of the 2010 AGM. PricewaterhouseCoopers Zhong Tian CPAs Limited Company is a Mainland accounting firm approved by the PRC's Ministry of Finance and China Securities Regulatory Commission.

Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers will retire as the domestic auditor and international auditor of the Company respectively at the forthcoming annual general meeting. Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers have confirmed that there were no circumstances connected with their retirement as the Company's auditors that should be brought to the attention of the shareholders of the Company. The Board is not aware of any matter regarding the proposed change of auditors that needs to be brought to the attention of the shareholders of the Company. The Board and the audit committee of the Company further confirmed that there was no disagreement or unresolved matters among the Company, Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers regarding the change of auditors.

2. Differences between the Financial Statements in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and PRC Accounting Standards

**As at 31
December 2010**
(RMB '000)

Net assets attributable to shareholders of the Company under the PRC Accounting Standards		3,539,369
Difference arising from fixed assets revaluation	(1)	98,028
Revaluation of investment properties	(2)	130,559
Net effect of deferred tax	(3)	(56,448)
Difference in non-controlling interests	(4)	(17,786)
		3,693,722
Net assets attributable to shareholders of the Company under HKFRS		3,693,722
		For the year ended 31 December 2010 (RMB '000)
Net profit attributable to shareholders of the Company under the PRC Accounting Standards		267,112
Additional depreciation on revalued fixed assets	(1)	(4,967)
Difference arising from investment properties in cost model and fair value model	(2)	23,005
Net effect of deferred tax	(3)	(4,210)
Difference in non-controlling interests	(4)	(1,343)
		279,597
Net profit attributable to shareholders of the Company under HKFRS		279,597

- (1) Fixed assets of the Company and its subsidiaries (the “Group”) were revalued by an international valuer in 1997 for the purpose of listing the Group’s H shares. The revaluation has been reflected in the financial statements of the Group prepared under HKFRS but not in the financial statements prepared under the PRC Accounting Standards. The depreciation charge under HKFRS is higher than that calculated under the PRC Accounting Standards as the depreciation charge under HKFRS is based on the revalued amount of fixed assets.
- (2) The Group’s investment properties are measured at historical cost under the PRC Accounting Standards, while they are measured at fair value in the financial statements prepared under HKFRS.
- (3) This represents the deferred tax impact arising from the differences as described in (1) and (2) above.
- (4) This represents the difference in profit/equity attributable to non-controlling interest arising from the differences as described in note (1) and note (2) above.

Aforementioned reconciliation of financial statements prepared under PRC accounting standards and HKFRS have been disclosed in the annual reports and annual results announcements. Investors may login into websites <http://www.hkex.com.hk> and <http://www.equitynet.com.hk/0874/> for detailed information.

Save and except the difference between the financial statements in accordance with HKFRS and PRC accounting standards as disclosed above, the Company considers that preparing only one set of financial statements in accordance with PRC accounting standards will not affect the Company's annual results for the year ended 31 December 2010.

As at the date of this notice, 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.