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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 28 June 2011, Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd. (“Pan Gao Shou”), a subsidiary of Guangzhou Pharmaceutical Company Limited (the “Company”), entered into a non-legally binding letter of intent (the “Letter”) with Silver Base Group Holdings Limited (“Silver Base”), a company listed on the main board of The Stock Exchange of Hong Kong Limited. With a view to enhancing the “Pan Gao Shou” brands for beverages, the parties to the Letter arrived at the following mutual intention in relation to the cooperation between Silver Base’s designated wholly-owned subsidiary and Guangzhou Pan Gao Shou Natural Healthcare Products Company Limited (“Natural Healthcare”), a subsidiary of Pan Gao Shou:

1. Silver Base’s designated wholly-owned subsidiary will inject capital into Natural Healthcare, whereupon Silver Base’s wholly-owned subsidiary and Pan Gao Shou will own the same shareholding in Natural Healthcare, i.e., each will hold no more than 50% equity interest in Natural Healthcare.
2. The value of Natural Healthcare will be appraised by a qualified valuer which is mutually approved by both parties.

Natural Healthcare, a subsidiary in which Pan Gao Shou holds 90% equity interest, is principally engaged in the production and sales of healthcare products under the Pan Gao Shou brand, including herbal tea and other health beverages.

Silver Base is principally engaged in distribution of the Wuliangye Liquor Series, Yongfu Jiangjiu, National Cellar 1573, Shanxi Xinghuacun Fen Wine Series, Guizhou Yaxi Baijiu Liquor Series, other liquor products, and Chinese cigarettes through distribution channels in mainland China.

To the best of the knowledge, information and belief of the directors of the Company, Silver Base and its controlling shareholders are third parties independent of the Company and connected persons of the Company.

The Letter is only a declaration of intent and does not constitute any legally binding commitments between the parties thereto. It is uncertain whether both parties will finally sign a formal cooperation agreement and the details of the agreement are yet to be discussed. Investors are advised to exercise caution when dealing in the securities of the Company. The Company will fulfill disclosure obligations in compliance with the Listing Rules of The Shanghai Stock Exchange and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 28 June 2011

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 independent directors.