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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

Reference is made to the announcement of Guangzhou Pharmaceutical Company Limited (the “Company”) dated 28 June 2011 regarding a non-legally binding letter of intent (the “Letter”) between Guangzhou Bai Yun Shan Pan Gao Shou Pharmaceutical Co., Ltd. (formerly known as Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd., “Pan Gao Shou”), a subsidiary of the Company, and Silver Base Group Holdings Limited (“Silver Base”). No formal agreement in relation to the contemplated acquisition by Silver Base of not more than 50% equity interests in Guangzhou Pan Gao Shou Natural Healthcare Products Company Limited was entered into upon the expiration of the Letter.

In light of the expiration of the Letter and the change of circumstances, Pan Gao Shou and Silver Base entered into a framework agreement (the “Framework Agreement”) on the basis of the Letter on 23 July 2012.

Principal terms of the Framework Agreement

1. According to the Framework Agreement, Silver Base Healthcare Products Investments Company Limited (“Silver Base Healthcare”), a wholly-owned subsidiary of Silver Base, will acquire from Pan Gao Shou 50% equity interests in Guangzhou Pan Gao Shou Food Beverage Company Limited (“Food Beverage Company”), a wholly-owned subsidiary of Pan Gao Shou, whose principal business is the wholesale of pre-packaged food, for a total consideration of RMB4,900,000. Upon completion of the proposed acquisition, Silver Base Healthcare and Pan Gao Shou will each hold 50% of the equity interests of Food Beverage Company.
2. According to the Framework Agreement, it is also proposed that Food Beverage Company will appoint Silver Base Trading and Development (Shenzhen) Co. Limited as an exclusive distributor to sell its products including herbal tea, turtle jelly, loquat beverage and throat lozenge products under the “Pan Gao Shou” brand.

3. Pan Gao Shou and Silver Base Healthcare will enter into a joint venture contract in respect of Food Beverage Company on the basis of the Framework Agreement which is valid for six months and will automatically lapse if its provisions are not carried out by the parties unless a new agreement is entered into or the expiration date of the Framework Agreement is extended.

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 proposed transaction and cooperation under the Framework Agreement are at a preliminary stage. The parties to the Framework Agreement will further discuss and determine detailed terms of cooperation. 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 Limited.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 23 July 2012

As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan 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.