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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

On 27 March 2009, the Company and GPSC entered into the Agreement, pursuant to which the parties to the Agreement have agreed to the provision of advertising and promotional services by GPSC to the Group through GPSC's professional soccer team and the soccer team's participation in the professional soccer league in the PRC for the promotion of the Group's corporate image and products at fees of not more than RMB30,000,000 (equivalent to approximately HK\$34,090,909) for each of the three financial years ending 31 December 2011.

The terms of the Agreement were determined after arm's length negotiation between the Company and GPSC and after taking into account the factors set out in the paragraph headed "Reasons for the Agreement" below. The Directors, including the independent non-executive Directors, consider that the promotion of the corporate image and products of the Group through GPSC's professional soccer team pursuant to the Agreement is in the interest of the Company and its shareholders as a whole, and the terms of the Agreement are fair and reasonable.

As GPHL, the Company's controlling Shareholder, currently holds approximately 35.58% shareholding interest in BYSCL, while BYSCL and certain subsidiaries of it, and a joint venture owned as to 50% by BYSCL, together holds an aggregate of 50% equity interest in GPSC, GPSC is a connected person of the Company under the Listing Rules. Accordingly, the Agreement, together with the Transactions, constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the total fees payable under the Agreement will not be more than RMB30,000,000 (equivalently to approximately HK\$34,090,909) per annum and as each of the applicable percentage ratios is less than 2.5%, such continuing connected transaction is, according to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

THE AGREEMENT

Date of the Agreement:

27 March 2009

The parties to the Agreement:

- (i) the Company; and
- (ii) GPSC, a company whose equity interest is owned as to (i) 42.5% by certain subsidiaries of the Company; (ii) 7.5% by Wanglaoji; (iii) 40% by BYSCL and certain subsidiaries of it; and (iv) 10% by a joint venture company owned as to 50% by BYSCL and as to 50% by a third party independent of the Company and connected persons of the Company and BYSCL.

Terms of the Agreement:

Pursuant to the Agreement, the Company and GPSC have agreed to the provision of advertising and promotional services by GPSC to the Group through GPSC's professional soccer team, which is based in Guangzhou, the PRC and the soccer team's participation in the professional league in the PRC at fees of not more than RMB30,000,000 (equivalent to approximately HK\$34,090,909) for each of the three financial years ending 31 December 2011 (i.e. the annual cap under the Agreement).

It was also set out in the Agreement that the Company and GPHL have agreed that:

- a. each Transactions will be conducted (i) in the ordinary and usual course of the business of the Group; (ii) on an arm's length basis; and (iii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms to the Group no less favourable than terms available to or from (as appropriate) Independent Third Parties;
- b. the Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the Transactions, will be set out in the Company's next annual report following the occurrence of the relevant Transactions; and
- c. GPSC will provide its relevant records for the Company's auditors during their course of review of the Transactions.

REASONS FOR THE AGREEMENT

GPSC is formed by (i) certain subsidiaries of the Group, (ii) Wanglaoji, (iii) BYSCL and certain subsidiaries of it; and (iv) a joint venture company owned as to 50% by BYSCL and as to 50% by a third party independent of the Company and connected persons of the Company and BYSCL for the purpose of running a professional soccer team based in Guangzhou, the PRC, which participates in the professional soccer league in the PRC and to provide the equity owners of GPSC, including the Group, with a platform for the promotion of their respective corporate image and products. The Group and GPSC under the Agreement is in a relationship of client and service provider where the Group pays consideration for the promotional advertising services provided by GPSC, including the display of the Group's advertisements on the soccer field and adoption of the name of the Group to the soccer games. GPSC also provides similar promotional and advertising services to other Independent Third Parties for the purpose of generating income. The Directors consider that, through the promotional and advertising services by GPSC, including the promotion and broadcasting of the competition played by GPSC's professional soccer team through media, the Group can further promote its corporate image and products, which is in the interests of the Group and the Shareholders as a whole.

ANNUAL CAPS

Set out below is a summary of the Transactions, which took place during each of the three financial years ended 31 December 2008 between the Company and GPSC:

Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008 (unaudited)	Proposed annual cap for each of the three years ending 31 December 2011
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
14,230	26,567	20,200	30,000

The annual cap under the Agreement was determined by the Group and GPSC based on the amount of the consideration for the Transactions during each of the three years ended 31 December 2008, the nature of the promotional and advertising services offered by GPSC, the fees charged by GPSC for its services, and the extent of the services that are expected to be employed by the Group for the three financial years ending 31 December 2011.

The Directors, including the independent non-executive Directors, consider that the Transactions will (i) be conducted in the ordinary and usual course of the business of the Group; (ii) be negotiated on an arm's length basis; and (iii) be conducted on normal commercial terms and on terms to the Group no less favourable than those available to or from (as appropriate) Independent Third Parties as well as after taking into account the factors set out in the paragraph headed "Reasons for the Agreement" above, the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Shareholders as a whole.

INFORMATION ON THE GROUP AND GPSC

The Group is principally engaged in (i) the manufacture and sales of Chinese patent medicine; (ii) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus; and (iii) research and development of natural medicine and biological medicine.

GPSC, by running a professional soccer team based in Guangzhou, the PRC, is principally engaged in (i) participation of soccer competition held by the national professional soccer league in the PRC; (ii) organization of soccer matches and other sports activities, (iii) organization of sports training; (iv) management of sports stadium, (v) wholesale and retail trading of non-PRC government licensed sports products; and (vi) provision of agency service relating to the design, manufacture and publish of various international and domestic advertisements to be displayed on the soccer field and/or the uniform of GPSC soccer team.

GENERAL

As GPHL, the Company's controlling Shareholder, currently holds approximately 35.58% shareholding interest in BYSCL, while BYSCL and certain subsidiaries of it, and a joint venture owned as to 50% by BYSCL, together holds an aggregate of 50% equity interest in GPSC, GPSC is a connected person of the Company under the Listing Rules. Accordingly, the Agreement, together with the Transactions, constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As the total fees payable under the Agreement will not be more than RMB30,000,000 (equivalently to approximately HK\$34,090,909) per annum and as each of the applicable percentage ratios is less than 2.5%, such continuing connected transaction is, according to Rule 14A.34 of the Listing Rules, only subject to the reporting and announcement requirements set out in the Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Agreement”	the agreement dated 27 March 2009 entered into by the Company and GPSC in relation to the provision of the advertising and promotional services by GPSC to the Group for the three financial years ending 31 December 2011
“Board”	the board of the Directors
“BYSCL”	廣州白雲山製藥股份有限公司 (Guangzhou Baiyunshan Pharmaceutical Co., Ltd.), a company incorporated in the PRC and the securities of which are listed on the Shenzhen Stock Exchange. The issued share capital of BYSCL is currently owned as to 35.58% by GPHL and approximately 64.42% by Independent Third Parties

“Company”	廣州藥業股份有限公司 (Guangzhou Pharmaceutical Company Limited), a company incorporated in the PRC and the securities of which are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“GPHL”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a state-owned company incorporated in the PRC and the controlling Shareholder which currently holds approximately 48.20% shareholding interest in the Company
“GPSC”	廣州醫藥足球俱樂部有限公司 (Guangzhou Pharmaceutical Soccer Club Limited), a limited company which was established and incorporated in the PRC on 24 February 2006 and is currently owned as to (i) 42.5% by certain subsidiaries of the Company; (ii) 7.5% by Wanglaoji; (iii) 40% by BYSCL and certain subsidiaries of it; and (iv) 10% by a joint venture company owned as to 50% by BYSCL and 50% by a third party independent of the Company and connected persons of the Company and BYSCL
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person or entity who/which is not a connected person of the Company
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of shares of RMB1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the provision of advertising and promotional services by GPSC to the Group pursuant to the Agreement

“Wanglaoji”

廣州王老吉藥業股份有限公司 (Guangzhou Wanlaoji Pharmaceutical Co., Ltd), a company incorporated in the PRC which is owned as to approximately (i) 48.05% by the Company, (ii) 3.90% by natural person shareholders (including Mr. Shi Shaobin, an executive Director, who is also the chairman and a shareholder of Wanglaoji), and (iii) 48.05% by Independent Third Parties.

“%”

per cent

In this announcement, unless otherwise specified, amounts in RMB are converted to HK\$ at a conversion rate of HK\$1.00=RMB0.88 for illustration purposes only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.

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.