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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 OF RESOLUTIONS PASSED AT THE 13th MEETING OF THE FIFTH SESSION OF THE BOARD

IMPORTANT NOTICE:

1. Trading in the shares of Guangzhou Pharmaceutical Company Limited (“Guangzhou Pharmaceutical” or the “Company”) will resume on 28 March 2012.
2. The major assets Reorganization (the “Major Assets Reorganization”) comprises two transactions, namely the absorption and merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. (“Baiyunshan”) by the Company through share swap of additional A shares, and the asset acquisition by the Company through issuance of A shares to Guangzhou Pharmaceutical Holdings Limited (“GPHL”). Upon the completion of the proposed absorption and merger of Baiyunshan by the Company through share swap, Baiyunshan shall cease to be listed on The Shenzhen Stock Exchange and its enterprise legal status shall be de-registered, and the Company as the subsisting entity upon the completion of the merger shall assume and take over all assets, liabilities, rights, obligations, businesses and staff of Baiyunshan pursuant to the Absorption and Merger Agreement.
3. The share swap price of the absorption and merger of Baiyunshan by the Company through share swap is determined at RMB12.20 per share, being the average trading price of its A shares during the 20 trading days prior to the date of the announcement of board resolutions of the Company for the first consideration of the absorption and merger through share swap (i.e. the date of this announcement); and the share swap price for Baiyunshan is determined at RMB11.55 per share, being the average trading price of its A shares during the 20 trading days prior to the date of the announcement of board resolutions of Baiyunshan for the first consideration of the absorption and merger through share swap. The share swap ratio (the “Exchange Ratio”) between Baiyunshan and Guangzhou Pharmaceutical is thus fixed at 1:0.95, representing every 1 share in Baiyunshan in exchange for 0.95 A shares in Guangzhou Pharmaceutical. The final share swap prices are subject to the approvals at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company and the general meeting of Baiyunshan. The share swap prices and the Exchange Ratio above are subject to adjustments in case of any event which will cause the ex-right or ex-dividend on the shares of Guangzhou Pharmaceutical and Baiyunshan prior to the completion of the Major Assets Reorganization.

The price determination date for the Company to issue A shares to GPLH as the consideration to acquire assets from GPLH is the date of the announcement of board resolutions of the Company for the first consideration of the Major Assets Reorganization (i.e. the date of this announcement). The issue price is determined at RMB12.20 per share, being the average trading price of A shares during the 20 trading days prior to the price determination date. The final issue price is subject to the approvals at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company. The issue price above are subject to adjustments in case of any event which will cause the ex-right or ex-dividend on the shares of Guangzhou Pharmaceutical prior to the completion of the Major Assets Reorganization.

4. The absorption and merger through share swap is subject to the approvals by the shareholders representing two-thirds or more voting right respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company and the general meeting of Baiyunshan (the connected shareholders shall abstain from voting). The voting results of the above general/class meetings are binding to all shareholders of both listed companies, including those who would vote against the resolutions or abstain from voting or neither attend the meetings nor appoint proxies to vote on their behalf. The Company and Baiyunshan have acknowledged that all shareholders of Baiyunshan (other than GPLH and its connected parties) are entitled to a cash alternative. Upon obtaining the authorizations or approvals of the Major Assets Reorganization from relevant authorities, the shares held by the shareholders of Baiyunshan who fail to effectively declare the exercise of the cash alternative and the shares held by the cash alternative provider(s) shall be exchanged to the new A shares of Guangzhou Pharmaceutical at the Exchange Ratio mandatorily. With regard to the shares of Baiyunshan which are subject to pledge or other third party rights or frozen as a result of any judicial proceedings as at the closure date of the acceptance period for the exercise of the cash alternative, such shares shall be exchanged to A shares of Guangzhou Pharmaceutical in the share swap, with the same pledge, other third party rights or freeze attached thereto. During the period between the closing date of declaration of cash option and the time point of the settlement of funds for exercise of powers and shares (hereinafter referred to as the “settlement”), where shares held by shareholders of Baiyunshan who declare for the exercise of the cash option have been frozen, deducted forcibly or pledged which result in a shortfall of shares upon settlement, only the powers of the remaining shares shall be exercised, and the declaration of shares which have been frozen, deducted forcibly or pledged shall be invalid and the respective shares shall be forcibly converted into A shares of Guangzhou Pharmaceutical. Detailed arrangement for cash option of shareholders of Baiyunshan (including but not limited to the exercise date of the cash option, the declaration of cash option, the settlement and completion, etc.) shall be disclosed in a timely manner in accordance with the laws, regulations and the provisions required by the relevant stock exchange.
5. To fully protect the legitimate interests of dissenting shareholders of Guangzhou Pharmaceutical, the Company and Baiyunshan have acknowledged that the dissenting shareholders of Guangzhou Pharmaceutical are entitled to a put option. Dissenting shareholders of Guangzhou Pharmaceutical entitled to the put option refer to the shareholders, for the purpose of A shareholders, who vote effectively against the two resolutions on the absorption and merger through share swap, being the Resolution on the Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap by Guangzhou Pharmaceutical Company Limited and the Resolution on the

Entering and Implementation of the Absorption and Merger Agreement with Guangzhou Baiyunshan Pharmaceutical Co., Ltd., duly proposed at the general meeting and the class meeting for holders of A shares of the Company for consideration and hold such shares till the exercise date for the put option, and for the purpose of H shareholders, who vote effectively against the two resolutions on the absorption and merger through share swap, being the Resolution on the Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap by Guangzhou Pharmaceutical Company Limited and the Resolution on the Entering and Implementation of the Absorption and Merger Agreement with Guangzhou Baiyunshan Pharmaceutical Co., Ltd., duly proposed at the general meeting and the class meeting for holders of H shares of the Company for consideration and hold such shares till the exercise date for the put option.

Dissenting shareholders of Guangzhou Pharmaceutical entitled to the put option will, for every 1 share in Guangzhou Pharmaceutical that is effectively declared and on the exercise date of the put option, receive the cash consideration payable by the put option provider(s) as determined and published based on the average trading price during the 20 trading days prior to the price determination date, being RMB12.20 per A share and HK\$5.54 per H share. Such prices for the put option of dissenting shareholders of Guangzhou Pharmaceutical are subject to adjustments in case of any event which will cause the ex-right or ex-dividend on the shares of Guangzhou Pharmaceutical during the period from the price determination date for the absorption and merger through share swap to the exercise date of the put option.

In the event that the proposal for the absorption and merger through share swap fails to come into effect due to the failure in obtaining the approvals from the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, the general meeting of Baiyunshan and relevant governmental authorities, none of the dissenting shareholders of the Company shall exercise the put option and none of the shareholders of Baiyunshan shall exercise the cash alternative.

6. GPHL is currently the controlling shareholder of the Company. The asset acquisition by the Company through the issuance of A shares to GPHL constitutes a connected transaction. Connected directors shall abstain from voting in respect of the Major Assets Reorganization proposed to the board of the Company for consideration. The Major Assets Reorganization is also subject to the approval at the general meeting and class meetings of the Company, where GPHL and its connected parties shall abstain from voting in respect of the resolutions on the Major Assets Reorganization.
7. Both the absorption and merger of Baiyunshan by the Company through share swap and the asset acquisition by the Company through issuance shares to GPHL are inter-conditional and constitute the Major Assets Reorganization. If any of them does not obtain the necessary approvals (including but not limited to the approvals by internal competent authorities of the relevant counterparties to the transactions and all approvals required by governmental authorities), the Major Assets Reorganization will not come into effect.

8. The proposal for the Major Assets Reorganization was considered and passed at the 13th meeting of the fifth session of the board of directors of the Company (the “Board”). Upon the completion of the relevant audit, valuation and profit forecast of the Major Assets Reorganization, the Company will convene another board meeting to consider other matters in relation to the Major Assets Reorganization, and prepare and publish the Report on Major Assets Reorganization for consideration at its general meeting and class meetings. The audited historical financial information and the reviewed profit forecast will be disclosed in the Report on Major Assets Reorganization.
9. The completion of the proposed transactions is conditional upon, including but not limited to, the obtaining of the approvals of the absorption and merger through share swap from the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company and the general meeting of Baiyunshan, the approvals of the asset acquisition through issuance of A shares to GPLH from the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, the authorization from or filing with the state-owned assets administrative authorities of the valuation results for the assets to be acquired under the transactions and their approvals of the proposal for the Major Assets Reorganization, the authorization of the proposal for the Major Assets Reorganization from the China Securities Regulatory Commission (“CSRC”), the granting of a waiver from the Securities and Futures Commission of Hong Kong (“SFC”) to GPLH and the parties acting in concert with it from making a general offer (as applicable), the clearance from the Ministry of Commerce for the review on centralization of undertakings under the Major Assets Reorganization, and the approvals from other relevant governmental and regulatory authorities. Therefore, there is uncertainty as to whether the Major Assets Reorganization could proceed.
10. In consideration of the complexity in relation to the Major Assets Reorganization, the schedule thereof may be substantially affected by the progress of the audit, valuation and profit forecast works, communications with relevant shareholders and the granting of approvals by relevant governmental authorities. If the Company and Baiyunshan fail to issue the notices of convening the general meetings and class meetings within 6 months from the date of the announcements of board resolutions for the first consideration of the Major Assets Reorganization as a result of the foregoing, the Company and Baiyunshan shall re-convene their respective board meetings to consider the relevant terms of the Major Assets Reorganization and re-determine relevant prices based on the new Board resolution announcement publication date as the price determination date for determining share swap prices, exercise price for cash alternative, the issue price for the issuance of shares to acquire assets, pursuant to the Provisions on Certain Issues concerning the Regulation of Major Assets Reorganizations by Listed Companies (CSRC Announcement [2008] No.14) and the agreements governing the transactions under the Major Assets Reorganization.
11. Given the extensive scope of assets and businesses and the parties involved in the Major Assets Reorganization, a considerable period of time is required for the subsisting entity to consolidate its businesses and management upon completion of the Major Assets Reorganization. Investors are advised to be aware of the investment risks involved.

The 13th meeting of the fifth session of the Board was held in the morning on 29 February 2012 at the Company's conference room on the 2nd Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC"). All of the nine eligible directors attended the meeting (among which, Mr. Liu Jinxiang, an independent non-executive director, attended by way of teleconference), which is in accordance with the quorum required by the Articles of Association of the Company. The notice of the meeting was despatched on 27 February 2012 by way of facsimile or e-mail. The notice and convening of the meeting are in compliance with the Company Law of the PRC, other relevant laws and regulations and the Articles of Association of the Company. The meeting was chaired by Mr. Yang Rongming, the chairman, and the supervisors, senior management, financial advisers and lawyers of the Company attended the meeting as non-voting participants. After due discussion and consideration by the directors present, resolutions set out below were passed at the meeting:

I. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ELIGIBILITY FOR MAJOR ASSETS REORGANIZATION OF GUANGZHOU PHARMACEUTICAL COMPANY LIMITED

In accordance with laws, regulations and regulatory documents including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures on Major Assets Reorganization of Listed Companies and the Provisions on Certain Issues concerning the Regulation of Major Assets Reorganizations by Listed Companies, the Board is of the opinion that the Company meets the provisions on and is substantively eligible for major asset Reorganization under the measures and provisions.

Voting results: 9 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting.

This resolution is subject to the consideration and approval at the general meeting of the Company.

II. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ABSORPTION AND MERGER OF GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD. THROUGH SHARE SWAP OF ADDITIONAL A SHARES AND THE ASSET ACQUISITION THROUGH ISSUANCE OF SHARES TO GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED CONCURRENTLY BY GUANGZHOU PHARMACEUTICAL COMPANY LIMITED

The Major Assets Reorganization comprises two transactions:

- 1) the proposed absorption and merger of Baiyunshan by the Company through share swap of additional A shares; and
- 2) the proposed acquisition by the Company of GPLH's pharmaceutical-related assets through issuance of A shares to GPLH.

Details are set out in the Proposal for Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap, Asset Acquisition through Issuance of Shares and Connected Transactions of Guangzhou Pharmaceutical Company Limited published by the Company on the same day.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to the consideration and approval by the shareholders representing two-thirds or more voting right respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, where the connected shareholders shall abstain from voting.

Upon obtaining the approvals at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, this resolution is subject to authorizations from the CSRC and relevant governmental authorities.

III. TO CONSIDER AND APPROVE THE RESOLUTION ON THE PROPOSAL FOR THE ABSORPTION AND MERGER OF GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD. BY GUANGZHOU PHARMACEUTICAL COMPANY LIMITED THROUGH SHARE SWAP OF ADDITIONAL A SHARES

The Company proposes to absorb and merge Baiyunshan through share swap.

Details of the proposal for the absorption and merger through share swap are set out below:

1. The acquirer

Guangzhou Pharmaceutical (600332.SH, 00874.HK)

2. The acquiree

Baiyunshan (000522.SZ)

3. Absorption and merger method

The absorption and merger is contemplated through share swap of additional A shares between Guangzhou Pharmaceutical, being the acquirer and the subsisting entity, and Baiyunshan, being the acquiree. Guangzhou Pharmaceutical will issue new A shares to shareholders whose names appear on the register of members of Baiyunshan as at the share swap date; shareholders of Baiyunshan as at the share swap date are entitled to the share swap and shall exchange all their shares of Baiyunshan (including the shares of Baiyunshan obtained by the cash alternative provider(s) due to the provision of cash alternative to shareholders of Baiyunshan) for A shares of Guangzhou Pharmaceutical on the share swap date pursuant to the Absorption and Merger Agreement. Upon completion of the absorption and merger through share swap, the enterprise legal status of Baiyunshan shall be de-registered and all its assets, liabilities, interests, businesses and staff will be consolidated into Guangzhou Pharmaceutical.

4. Nature of shares

Renminbi-denominated ordinary shares (A shares) with a nominal value of RMB1.00 each.

5. Target participants

The target participants to the absorption and merger through share swap are all shareholders of Baiyunshan whose names appear on the register of members as at the share swap date for implementation of the share swap.

6. Share swap prices and the Exchange Ratio

The share swap price for Guangzhou Pharmaceutical is determined at RMB12.20 per share, being the average trading price of its A shares during the 20 trading days prior to the date of the announcement of Board resolutions for the first consideration of the absorption and merger through share swap. In case of any ex-right or ex-dividend on the shares of Guangzhou Pharmaceutical prior to the share swap date, its share swap price shall be adjusted based on the following formulas:

Distribution of scrip dividend or capitalization of capital reserve: $P_1 = P_0 / (1 + n)$;

Right issues: $P_1 = (P_0 + A \times k) / (1 + k)$;

For carrying out both events above: $P_1 = (P_0 + A \times k) / (1 + n + k)$;

Distribution of cash dividend: $P_1 = P_0 - D$;

For carrying out all three events above: $P_1 = (P_0 - D + A \times k) / (1 + n + k)$.

where, P_0 represents the effective share swap price before adjustment; n represents the ratio of scrip dividend or capitalization rate of capital reserve; k represents the ratio of the right issues; A represents the price of the right issues; D represents the cash dividend payable for each share of the Company; and P_1 represents the effective share swap price after adjustment.

The share swap price for Baiyunshan is determined at RMB11.55 per share, being the average trading price of its A shares during the 20 trading days prior to the date of the announcement of board resolutions of Baiyunshan for the first consideration of the absorption and merger through share swap. In case of any ex-right or ex-dividend on the shares of Baiyunshan prior to the share swap date, its share swap price shall be adjusted based on the following formulas:

Distribution of scrip dividend or capitalization of capital reserve: $P_1 = P_0 / (1 + n)$;

Right issues: $P_1 = (P_0 + A \times k) / (1 + k)$;

For carrying out both events above: $P_1 = (P_0 + A \times k) / (1 + n + k)$;

Distribution of cash dividend: $P_1 = P_0 - D$;

For carrying out all three events above: $P_1 = (P_0 - D + A \times k) / (1 + n + k)$.

where, P_0 represents the effective share swap price before adjustment; n represents the ratio of scrip dividend or capitalization rate of capital reserve; k represents the ratio of the right issues; A represents the price of the right issues; D represents the cash dividend payable for each share of Baiyunshan; and P_1 represents the effective share swap price after adjustment.

According to the share swap prices above, the Exchange Ratio between Baiyunshan and Guangzhou Pharmaceutical is fixed at 1:0.95, representing every 1 share in Baiyunshan in exchange for 0.95 A shares in Guangzhou Pharmaceutical. In case of any ex-right or ex-dividend on the shares of Guangzhou Pharmaceutical or Baiyunshan prior to the share swap date, the Exchange Ratio shall be adjusted accordingly based on the adjusted share swap prices.

Pursuant to the Absorption and Merger Agreement, the Exchange Ratio set out above will not be adjusted except for there is any event which will cause the ex-right and ex-dividend on the shares of either party prior to the share swap date and other circumstances requiring adjustments to the share swap prices under the relevant laws, regulations and requirements of regulatory authorities.

Upon completion of the share swap, shares in Guangzhou Pharmaceutical to be obtained by original shareholders of Baiyunshan shall be in integers. If the number of shares in Guangzhou Pharmaceutical available for a shareholder of Baiyunshan as calculated based on the Exchange Ratio is not integral, the odd shares shall be dealt with in accordance with the relevant requirements of The Shanghai Stock Exchange (the "SSE") and China Securities Depository and Clearing Corporation Limited.

7. Protection mechanism for dissenting shareholders of the Company

To protect the interests of the dissenting shareholders of Guangzhou Pharmaceutical against the absorption and merger through share swap, the Company and Baiyunshan have acknowledged that eligible dissenting shareholders of Guangzhou Pharmaceutical are entitled to a put option. Dissenting shareholders of Guangzhou Pharmaceutical exercising the put option will, for every 1 share in Guangzhou Pharmaceutical that is effectively declared and on the exercise date of the put option, receive the cash consideration payable by the put option provider(s) as determined and published based on the average trading price during the 20 trading days prior to the price determination date, being RMB12.20 per A share and HK\$5.54 per H share. Such prices for the put option of dissenting shareholders of Guangzhou Pharmaceutical are subject to adjustments in case of any event which will cause the ex-right or ex-dividend on the shares in Guangzhou Pharmaceutical during the period from the price determination date for the absorption and merger through share swap to the exercise date of the put option.

The parties to the Absorption and Merger Agreement agree to arrange appropriate third parties as the put option provider(s) to acquire the shares of Guangzhou Pharmaceutical as exercised by the dissenting shareholders of Guangzhou Pharmaceutical, who in such case shall not further exercise the said put option against Guangzhou Pharmaceutical or any of its shareholders assenting the absorption and merger through share swap.

Detailed arrangements for the put option of the dissenting shareholders of Guangzhou Pharmaceutical (including but not limited to the exercise date, declaration, clearing and settlement for the put option) shall be agreed upon and determined by the parties to the Absorption and Merger Agreement and the put option provider(s) for dissenting shareholders, and shall be disclosed on a timely basis pursuant to the laws, regulations and the requirements of the SSE and The Stock Exchange of Hong Kong Limited.

The absorption and merger of Baiyunshan by Guangzhou Pharmaceutical through share swap and the asset acquisition by Guangzhou Pharmaceutical through issuance of shares to GPL are inter-conditional and constitute the Major Assets Reorganization of the Company. In the event that the absorption and merger through share swap fails to come into effect due to the failure in obtaining the approvals for the Major Assets Reorganization from relevant parties, including but not limited to the approvals by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical and the general meeting of Baiyunshan, the approvals from relevant authorities including CSRC and SFC, none of the dissenting shareholders of Guangzhou Pharmaceutical shall exercise the put option.

8. Protection mechanism for shareholders of Baiyunshan

To fully protect the interests of all shareholders of Baiyunshan as the acquiree, the Company and Baiyunshan have acknowledged that all shareholders of Baiyunshan (other than GPLH and its connected parties) are entitled to a cash alternative. Shareholders entitled to the cash alternative may exercise their cash alternative in whole or in part. Shareholders exercising cash alternative shall receive an amount in cash based on the exercise price for cash alternative of Baiyunshan at RMB11.55 per share, in exchange for the corresponding shares being transferred to the cash alternative provider(s), each being a third party. The exercise price for cash alternative of Baiyunshan is subject to adjustments in case of any event which will cause the ex-right or ex-dividend on the shares of Baiyunshan during the period from the price determination date for the absorption and merger through share swap to the exercise date for cash alternative.

Detailed arrangements for the cash alternative for shareholders of Baiyunshan (including but not limited to the exercise date, declaration, clearing and settlement for cash alternative) shall be agreed upon and determined by the parties to the Absorption and Merger Agreement and the cash alternative provider(s), and shall be disclosed on a timely basis pursuant to the laws, regulations and the requirements of the SSE.

The absorption and merger of Baiyunshan by Guangzhou Pharmaceutical through share swap and the asset acquisition by Guangzhou Pharmaceutical through issuance of shares to GPLH are inter-conditional and constitute the Major Assets Reorganization of the Company. In the event that the absorption and merger through share swap fails to come into effect due to the failure in obtaining the approvals for the Major Assets Reorganization, including but not limited to the approvals by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical and the general meeting of Baiyunshan, and the approvals from relevant authorities including CSRC and SFC, none of the shareholders of Baiyunshan shall exercise the cash alternative.

9. Arrangement for accrued profit

The accrued and undistributed profit of Guangzhou Pharmaceutical and Baiyunshan prior to the completion of the absorption and merger through share swap shall be shared pro rata by all shareholders of Guangzhou Pharmaceutical based on their shareholdings upon the completion of the Major Assets Reorganization. The announced dividend and bonus that were approved by the respective shareholders at the annual general meetings of the Company and Baiyunshan respectively prior to the share swap date shall remain unchanged.

10. Staff arrangement

Upon the completion of the absorption and merger through share swap, all staff of Baiyunshan enrolled as at the completion date of the absorption and merger will be taken over by Guangzhou Pharmaceutical. All existing rights and obligations between Baiyunshan and all of its staff will be entitled and assumed by Guangzhou Pharmaceutical effective from the completion date of the absorption and merger.

11. Asset delivery and share issue

On the completion date of the absorption and merger, Baiyunshan shall deliver all its assets, liabilities, rights, businesses and staff directly to Guangzhou Pharmaceutical or its assignee, and sign an asset transfer settlement statement together with Guangzhou Pharmaceutical. With effect from the completion date of the absorption and merger, all assets, liabilities, rights, businesses and staff of Baiyunshan will be entitled and assumed by Guangzhou Pharmaceutical. Commencing from the effective date for the Absorption and Merger Agreement, the parties thereto shall cooperate and attend to necessary formalities as soon as practicable the procedures for transferring the relevant assets, liabilities, rights, businesses and staff to Guangzhou Pharmaceutical, including but not limited to assignment, transfer, registration and filing.

On the share swap date, Guangzhou Pharmaceutical shall, pursuant to the Absorption and Merger Agreement, issue new A shares to shareholders whose names appear on the register of members of Baiyunshan as at the share swap date. Guangzhou Pharmaceutical is responsible for handling matters relating to the share issue to shareholders of Baiyunshan participating in the share swap, and Baiyunshan has the responsibility for providing relevant assistance.

12. Proposed stock exchange for listing

Pursuant to the terms and conditions of the Absorption and Merger Agreement, the Renminbi-denominated ordinary shares to be issued by Guangzhou Pharmaceutical under the absorption and merger of Baiyunshan through share swap will be listed and traded on the SSE.

13. Validity of resolutions

The resolutions on the absorption and merger through share swap are effective within 12 months from the date of approval by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical.

14. Conditions precedent of the Absorption and Merger Agreement

The Absorption and Merger Agreement and the absorption and merger through share swap shall come into effect upon fulfilment of all conditions set out below:

- (1) the Absorption and Merger Agreement and the matters thereunder are approved respectively by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical and the general meeting of Baiyunshan;
- (2) the Asset Acquisition Agreement has become effective;
- (3) the Major Assets Reorganization has been approved by the state-owned assets administrative authorities;
- (4) the Major Assets Reorganization has been approved by CSRC;
- (5) the grant of a whitewash waiver from the SFC to GPHL and parties acting in concert with it from making a general offer in relation to the Major Assets Reorganization (if applicable);
- (6) the review on centralization of undertakings under the Major Assets Reorganization has been cleared by the Ministry of Commerce; and
- (7) the transaction arrangements for the Major Assets Reorganization have been approved by relevant governmental and regulatory authorities.

Details are set out in the Proposal for Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap, Asset Acquisition through Issuance of Shares and Connected Transactions of Guangzhou Pharmaceutical Company Limited published by the Company on the same day.

Both the absorption and merger of Baiyunshan by Guangzhou Pharmaceutical through share swap and the asset acquisition by Guangzhou Pharmaceutical through issuance of shares to GPHL are inter-conditional and constitute the Major Assets Reorganization. If any of them does not obtain the necessary approvals (including but not limited to approvals by internal competent authorities of the relevant counterparties to the transactions and approvals required by governmental authorities), the Major Assets Reorganization will not come into effect.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to consideration and approval by the shareholders representing more than two-thirds of the votes respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, where the connected shareholders shall abstain from voting.

Upon obtaining the approvals at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, this resolution is subject to authorizations from the CSRC and relevant governmental authorities.

IV. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ENTERING INTO AND IMPLEMENTATION OF THE ABSORPTION AND MERGER AGREEMENT WITH GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD.

The Company is approved to enter into the conditional Absorption and Merger Agreement with Baiyunshan.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to consideration and approval by the shareholders representing more than two-thirds of the votes respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, where the connected shareholders shall abstain from voting.

V. TO CONSIDER AND APPROVE THE RESOLUTION ON THE PROPOSAL FOR ASSET ACQUISITION THROUGH ISSUANCE OF A SHARES TO GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED ON AN ITEM-BY-ITEM BASIS

The Company proposes to acquire GPLH's principal operating pharmaceutical related assets through non-public issuance of A shares to GPLH. The proposal was considered and approved by the Board on an item-by-item basis:

1. Valuation date

The valuation date for the subject transaction is 31 December 2011.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

2. Nature of shares

Renminbi-denominated ordinary shares (A shares) with a nominal value of RMB1.00 each.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

3. Method of issue

The shares will be issued through non-public issuance of shares to the target subscriber.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

4. Target subscriber and subscription method

GPHL, being the target subscriber, will subscribe the non-public issuance of shares to be issued by the Company at the consideration based on the valuation of 100% interests in Po Lian Development Co., Ltd., 12.5% interests in Baxter Healthcare (Guangzhou) Co., Ltd. and other fixed assets and intangible assets owned by it.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

5. Value of the assets to be acquired

Based on the preliminary valuation of RMB482 million as at the valuation date 31 December 2011, the proposed consideration of the assets to be acquired is RMB438 million. The final consideration for the assets to be acquired will be based on the final valuation results that are prepared by a qualified asset valuer in appraisal for securities business and are authorized by or filed with the state-owned assets administrative authorities.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

6. Number of shares to be issued

Guangzhou Pharmaceutical proposes to issue approximately 36,000,000 shares to GPLH. The final number of shares to be issued is based on the valuation results of the assets to be acquired that are prepared by a qualified asset valuer in appraisal for securities business and are authorised by or filed with the state-owned assets administrative authorities, the approval by non-connected shareholders at the general meeting, A share class meeting and H share class meeting of Guangzhou Pharmaceutical and the authorization by CSRC. In case of any inconsistency between the final number of shares to be issued and 36,000,000 shares, the Company and GPLH agree to enter into a supplemental agreement for adjustment to the number of shares pursuant to the laws, regulations and the Asset Acquisition Agreement. Further announcement(s) will be made by the Board in relation to the specific number of shares to be issued based on the said valuation results.

The issue price and number of A shares to be non-publicly issued to GPLH are subject to adjustments in case of any changes in shares or equity interests as a result of cash dividend, scrip dividend, capitalization or otherwise by the Company during the period from the price determination date for the issuance of shares to the date of issue.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

7. Issue price

Pursuant to Article 42 of the Administrative Measures on Major Assets Reorganization of Listed Companies which reads “The issue price for shares in the listed company shall not be less than the average trading price of its shares during 20 trading days prior to the date of the announcement of board resolutions for the asset acquisition through issuance of shares”, the issue price under this asset acquisition through issuance of shares is determined at RMB12.20 per share, being the average trading price of A shares during the 20 trading days prior to the date of the announcement of Board resolutions for the first consideration of the Major Assets Reorganization, as calculated based on the total turnover amount divided by total turnover volume for the shares traded during the 20 trading days prior to the announcement date of Board resolutions.

The issue price is subject to adjustments in case of any event which will cause ex-right or ex-dividend including cash dividend, scrip dividend, capitalization of capital reserve or otherwise by the Company during the period from the price determination date for the issuance of shares to the date of issue, as calculated based on the following formulas:

Distribution of scrip dividend or capitalization of capital reserve: $P_1 = P_0 / (1 + n)$;

Right issues: $P_1 = (P_0 + A \times k) / (1 + k)$;

For carrying out both events above: $P_1 = (P_0 + A \times k) / (1 + n + k)$;

Distribution of cash dividend: $P_1 = P_0 - D$;

For carrying out all three events above: $P_1 = (P_0 - D + A \times k) / (1 + n + k)$.

where, P_0 represents the effective issue price before adjustment; n represents the ratio of scrip dividend or capitalization rate of capital reserve; k represents the ratio of the right issues; A represents the price of the right issues; D represents the cash dividend payable for each share of the Company; and P_1 represents the effective issue price after adjustment.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

8. Attribution of profit and loss from the assets to be acquired from the valuation date to the completion date

GPHL shall assume any loss and Guangzhou Pharmaceutical shall entitle to any profit generated from the assets to be acquired during the period from the valuation date (exclusive) to the completion date (inclusive). The profit and loss generated from the assets to be acquired from the valuation date to the completion date shall be audited and confirmed by an auditor jointly appointed by the Company and GPHL within 60 business days following the completion date.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

9. Lock-up period

The shares to be subscribed by GPHL under the asset acquisition shall not be transferred within 36 months from the date of issuance of shares, and shall be governed by relevant requirements of CSRC and the SSE thereafter.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

10. Place of listing

The shares to be non-publicly issued will be listed and traded on the SSE.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

11. Arrangement for accrued profit

The accrued and undistributed profit of Guangzhou Pharmaceutical prior to the non-public issuance of shares shall be shared pro rata by all shareholders of Guangzhou Pharmaceutical based on their shareholdings upon completion of the non-public issuance of shares to GPHL.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

12. Validity of resolutions on the asset acquisition through issuance of shares

The resolutions on the asset acquisition through non-public issuance of shares are effective within 12 months from the date of approval by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

13. Conditions precedent of the Asset Acquisition Agreement

The Asset Acquisition Agreement between Guangzhou Pharmaceutical and GPHL shall come into effect upon fulfilment of all conditions set out below:

- (1) The Asset Acquisition Agreement has been considered and approved by the general meetings/board meetings of the respective parties pursuant to the Company Law, relevant laws and their articles of association and rules of procedures for meetings;
- (2) all resolutions relevant to the non-public issuance of shares have been considered and approved by the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of Guangzhou Pharmaceutical;
- (3) the Absorption and Merger Agreement has become effective;

- (4) the Major Assets Reorganization has been approved by the relevant state-owned assets administrative authorities;
- (5) the Major Assets Reorganization has been approved by CSRC;
- (6) the grant of a whitewash waiver from the SFC to GPLH and parties acting in concert with it from making a general offer in relation to the Major Assets Reorganization (if applicable);
- (7) the review on centralization of undertakings under the Major Assets Reorganization has been cleared by the Ministry of Commerce; and
- (8) the transaction arrangements for the Major Assets Reorganization have been approved by relevant governmental and regulatory authorities.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to the consideration and approval by the shareholders representing more than two-thirds of the votes respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, where the connected shareholders shall abstain from voting.

Upon obtaining the approvals at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, this resolution is subject to authorizations from the CSRC and relevant governmental authorities.

VI. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ENTERING INTO AND IMPLEMENTATION OF THE ASSET ACQUISITION AGREEMENT WITH GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED

The Company is approved to enter into the conditional Agreement on Asset Acquisition through issuance of shares with GPLH.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to the consideration and approval by the shareholders representing more than two-thirds of the votes respectively present at the general meeting, the class meeting for holders of A shares and the class meeting for holders of H shares of the Company, where the connected shareholders shall abstain from voting.

VII. TO CONSIDER AND APPROVE THE RESOLUTION ON THE PROPOSAL FOR ABSORPTION AND MERGER OF GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD. THROUGH SHARE SWAP, ASSET ACQUISITION THROUGH ISSUANCE OF SHARES AND CONNECTED TRANSACTIONS OF GUANGZHOU PHARMACEUTICAL COMPANY LIMITED

Details are set out in the Proposal for Absorption and Merger of Guangzhou Baiyunshan Pharmaceutical Co., Ltd. through Share Swap, Asset Acquisition through Issuance of Shares and Connected Transactions of Guangzhou Pharmaceutical Company Limited published by the Company on the same day.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

VIII. TO CONSIDER AND APPROVE THE RESOLUTION ON THE CONSTITUTION OF CONNECTED TRANSACTIONS BY ABSORPTION AND MERGER THROUGH SHARE SWAP AND ASSET ACQUISITION THROUGH ISSUANCE OF SHARES OF GUANGZHOU PHARMACEUTICAL COMPANY LIMITED

The Board is of the opinion that GPLH is the controlling shareholder of both Guangzhou Pharmaceutical and Baiyunshan. The transactions contemplated under the absorption and merger through share swap and the asset acquisition through issuance of shares under the Major Assets Reorganization constitute major connected transactions pursuant to the laws, regulations and regulatory documents and the requirements in the Rules Governing the Listing of Securities on the SSE and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

IX. TO CONSIDER AND APPROVE THE RESOLUTION ON THE MAJOR ASSETS REORGANIZATION IN COMPLIANCE WITH ARTICLE 4 OF THE PROVISIONS ON CERTAIN ISSUES CONCERNING THE REGULATION OF MAJOR ASSETS REORGANIZATIONS BY LISTED COMPANIES

The Board is of the opinion that the Major Assets Reorganization is in compliance with Article 4 of the Provisions on Certain Issues concerning the Regulation of Major Assets Reorganizations by Listed Companies, in particulars:

- (1) Relevant permits or approval documents have been obtained from competent authorities for the target assets with respect to the applications for project authorization, environmental protection, industry access, land usage, planning and construction, save for the rights to use land parcels for certain buildings which were classified as allotted land-use rights and are currently under the procedures of converting allotted land-use rights into granted land-use rights; the applications under the transactions, the progresses of applications and the procedures pending for approval have been disclosed in details in the proposal for the Major Assets Reorganization, and special warning has been given with regard to risks of possible failure in obtaining the approvals.
- (2) For the assets to be injected into the Company through the Major Assets Reorganization, save for certain assets which are currently under the title procedures, the seller of the assets legally owns complete titles of the target assets which are free from any restriction or prohibition against transferral.

The enterprises with equity interests to be injected under the Major Assets Reorganization are free from any false capital contribution or any circumstance that would affect their legal existence.

- (3) The assets to be injected under the Major Assets Reorganization are conducive to improve the integrity of the Company's assets (including obtaining intangible assets such as trademark right, patent, non-patented expertise, exploitation right and franchise license that are necessary for production and operation), and are beneficial for the Company to continue to be independent in terms of personnel, procurement, production, sales and intellectual property.
- (4) The Major Assets Reorganization can help the Company to improve its financial position, enhance its sustainable profitability, focus on its core business and strengthen its risk resistance capacity; it can also help the Company to enhance its independence, reduce connected transactions and avoid competing business.

Voting results: This item was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

X. TO CONSIDER AND APPROVE THE RESOLUTION ON AUTHORIZATION BY GENERAL MEETING TO THE BOARD FOR HANDLING MATTERS AT ITS DISCRETION REGARDING THE ABSORPTION AND MERGER THROUGH SHARE SWAP AND THE ASSET ACQUISITION THROUGH ISSUANCE OF SHARES

It is proposed to the general meeting to authorize the Board for handling matters at its discretion regarding the absorption and merger of Baiyunshan by Guangzhou Pharmaceutical through share swap and the asset acquisition through issuance of shares to GPHL, including but not limited to the following:

1. to authorize the Board, pursuant to the laws and regulations and according to the securities market conditions, to make any adjustments to the specific proposal for the Major Assets Reorganization within the validity of this resolution and the scope of resolutions by the general meeting and class meetings, including the determination of the Exchange Ratio, share swap prices, issue price, put option price for dissenting shareholders of Guangzhou Pharmaceutical and exercise price for cash alternative for shareholders of Baiyunshan other than GPHL and its connected parties, and to execute relevant legal documents;
2. to authorize the Board to execute, amend or publish the relevant transaction documents, agreements and supplemental documents for the Major Assets Reorganization within the scope authorized by the laws, regulations, regulatory documents and the Articles of Association of the Company;
3. to get through the procedures for approving the Major Assets Reorganization, to prepare, execute and submit relevant filings, and to make supplements or adjustments thereto as required by the approving and regulatory authorities;
4. to prepare, amend, execute and publish the proposed amendments to the Articles of Association according to the proposal for the Major Assets Reorganization resolved by the general meeting and class meetings and the opinions of the approving and regulatory authorities;
5. to get through the procedures for governmental approval and changes in business registration as well as the registration procedures for transfer and delivery of assets, liabilities, businesses, personnel and any other rights and obligations under the Major Assets Reorganization, including executing the relevant legal documents;
6. to finalize and publish the implementation proposal for the put option of the dissenting shareholders of the acquirer under the Major Assets Reorganization;
7. to effect the adjustments to share swap prices, Exchange Ratio, exercise price for the put option for dissenting shareholders of the Company, etc. as a result of ex-right or ex-dividend events on the shares of the Company during the period from the price determination date to the delivery date/share swap date;
8. to implement the proposal for the Major Assets Reorganization;
9. to engage professional intermediaries for the Major Assets Reorganization;

10. to deal with the registration with the securities depository and clearing house and the listing and trading on the SSE in respect of the shares newly issued by the Company under the absorption and merger through share swap and the non-public issuance;
11. to assist Baiyunshan to deal with the de-listing from The Shenzhen Stock Exchange as a result of the absorption and merger through share swap and publish the relevant announcements;
12. to deal with other matters relevant to the Major Assets Reorganization.

Such authorizations shall be effective within 12 months from the date of resolutions by the general meeting of the Company.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to consideration and approval by the shareholders representing two-thirds or more voting right present at the general meeting of the Company, where the connected shareholders shall abstain from voting.

XI. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ENTERING INTO AND IMPLEMENTATION OF THE TRADEMARK CUSTODY AGREEMENT WITH GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED

The Company is approved to enter into the conditional Trademark Custody Agreement with GPLH. Details are set out as follows:

- (1) As of the date hereof, GPLH has 25 trademarks in “Wang Lao Ji (王老吉)” series (registration numbers: 1540528, 328241, 293930, 952633, 966106, 958049, 3980731, 1157610, 626155, 3365898, 3980740, 3365970, 3365897, 3365969, 3601943, 3980709, 3980739, 3365896, 3365968, 1409911, 3365895, 4216773, 4216770, 4216769 and 4216784), among which, 8 of them (registration numbers: 1540528, 328241, 293930, 952633, 966106, 958049, 1157610 and 626155) are licensed to Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. with a term from the effective date of the Trademark Licensing Agreement and the Supplemental Agreement of Trademark Licensing Agreement dated 8 November 2004 till the date on which GPLH ceases to own the aforesaid “Wang Lao Ji (王老吉)” trademarks. In addition, the “Wang Lao Ji (王老吉)” trademark with registration number 3980731 is licensed to Guangzhou Baiyunshan Hutchison Whampoa Chinese Medicine Co., Ltd. with a term from 1 May 2011 to 30 April 2021; the “Wang Lao Ji (王老吉)” trademark with registration number 1157610 is licensed to Guangdong Guangliang Industrial Co., Ltd. with a term from 25 February 2011 to 31 December 2020; and the “Wang Lao Ji (王老吉)” trademark with registration number 626155 has been licensed to Hung To (Holdings) Company Limited (pending for the arbitration due to the legal disputes of the parties on the licensing term of the trademark).

- (2) GPLH (as the “Principal”) has agreed to entrust and Guangzhou Pharmaceutical (as the “Custodian”) has agreed to be entrusted with the rights under the aforesaid 25 trademarks in “Wang Lao Ji (王老吉)” series.

Pursuant to the Trademark Custody Agreement, Guangzhou Pharmaceutical shall be responsible for: (1) daily management of the entrusted trademarks; (2) licensing of the entrusted trademarks without violating any trademark licensing agreements having been entered into between the Principal and any third party before the Trademark Custody Agreement comes into effect; (3) protection for the entrusted trademarks; (4) promotion for the entrusted trademarks; and (5) other entrusted rights as agreed upon by the parties.

During the custody period, GPLH shall pay Guangzhou Pharmaceutical the basic custody fee under the Trademark Custody Agreement being RMB1,000,000 per year before the end of March each year, or, if the custody period in the preceding year is less than one year, the custody fee shall be calculated in proportion based on the actual custody months (rounded up to one month if less than one month).

Meanwhile, without violating any trademark licensing agreement or supplemental agreement thereto having been entered into between the Principal and any third party before the Trademark Custody Agreement comes into effect, the Custodian shall pay to the Principal 80% of the trademark licensing fees payable to the Custodian for the preceding year (from which the basic custody fee payable by the Principal for the preceding year can be deducted directly) under any trademark licensing agreements for the entrusted trademarks entered into during the custody period (including any supplemental agreement to renew the original agreements (“renewed licensing agreements”) or any newly entered agreements (“new licensing agreements”)) before the end of March each year during the custody period.

(3) Effective date and Term of the Agreement

- 1) The Trademark Custody Agreement is executed on the day being signed and affixed with corporate seals by the legal representatives or authorized representatives of both parties, and shall come into effect from the day on which the Trademark Custody Agreement is passed at the general meeting of Guangzhou Pharmaceutical and the Major Assets Reorganization is completed (being the date on which the registration procedures for the shares exchanged under the absorption and merger of Baiyunshan through share swap by Guangzhou Pharmaceutical and for the additional shares issued by Guangzhou Pharmaceutical to acquire the assets from GPLH in relation to the Major Assets Reorganization are completed with China Securities Depository and Clearing Corporation Limited).
- 2) The custody period commences from the date on which the Trademark Custody Agreement comes into effect, up to the date on which the ownership of the trademarks is transferred to Guangzhou Pharmaceutical or the parties have agreed to terminate the Trademark Custody Agreement.

(4) Information on the parties:

GPHL: the controlling shareholder of Guangzhou Pharmaceutical, which currently owns a shareholding of 48.20%, with Mr. Yang Rongming as its legal representative. Its registered capital was RMB1,252,800,000. It is principally engaged in investment and management of the State-owned assets, sale and manufacturing of pharmaceutical intermediaries, Chinese and western medicine, Chinese raw medicine, bio-tech products, medical apparatus, pharmaceutical equipments, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise, as well as medicine related import and export and real estate development.

Guangzhou Pharmaceutical: legal representative is Mr. Yang Rongming; principally engaged in research, development, manufacturing and sale of Chinese patent medicine, natural medicine and biological medicine; and wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus.

Voting results: This resolution was considered and passed by non-connected directors with 6 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting, as Mr. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin being connected directors abstained from voting.

This resolution is subject to the consideration and approval at the general meeting of the Company where the connected shareholders shall abstain from voting.

As at the date of this announcement, apart from the basic custody fee of RMB 1 million, both parties are unable to estimate the exact amount of trademark licensing fees payable under all of the renewed or new licensing agreements. Hence, both parties have undertaken to each other that they will negotiate on the further details for the new/renewed trademark licensing agreements and sign a supplemental agreement thereof as soon as practicable after the Trademark Custody Agreement comes into effect, and in any case no later than the execution of the first of any such renewed or new licensing agreements in relation to the trademarks in “Wang Lao Ji (王老吉)” series which are in custody under the Trademark Custody Agreement. The aforesaid supplemental agreement shall comply with the relevant requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited and the Listing Rules of the SSE.

XII. TO CONSIDER AND APPROVE THE RESOLUTION ON WITHHOLDING THE EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS

As the audit, valuation and profit forecast for the Major Assets Reorganization are not completed as at the date of this Board meeting, it is proposed to the Board to withhold the extraordinary general meeting and class meetings until the auditing and valuation works are completed, upon which a further Board meeting will be held and the Board will convene the extraordinary general meeting and class meetings to consider the aforesaid resolutions and other resolutions on the Major Assets Reorganization.

Voting results: 9 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting.

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.

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 27 March 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 directors.