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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 TRANSACTION

The Company announces that on 14 May 2012, its subsidiaries, Xing Qun, Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang and Pan Gao Shou, entered into the Trade Name License Agreements respectively with BYS. Pursuant to the Trade Name License Agreements, BYS agreed to grant to each of the Subsidiaries the right to use the trade name of “Baiyunshan” and the trademark of “Baiyunshan” for one year from the date of the Trade Name License Agreements.

As at the date of this announcement, GPL, the controlling shareholder of the Company, holds approximately 35.58% of the issued share capital of BYS. Accordingly, BYS is a connected person of the Company.

As all of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Trade Name License Agreements in aggregate on an annual basis exceed 0.1% but are less than 5%, such transactions are exempt from independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules and are only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules respectively.

## TRADE NAME LICENSE AGREEMENTS

### 1. Date:

14 May 2012

### 2. Parties:

- (i) BYS, a connected person of the Company, as the licensor;
- (ii) Xing Qun, a non-wholly owned subsidiary of the Company;
- (iii) Zhong Yi, a wholly-owned subsidiary of the Company;

- (iv) Chen Li Ji, a wholly-owned subsidiary of the Company;
- (v) Qi Xing, a non-wholly owned subsidiary of the Company;
- (vi) Jing Xiu Tang, a non-wholly owned subsidiary of the Company; and
- (vii) Pan Gao Shou, a non-wholly owned subsidiary of the Company;

parties (ii) to (vii), as the licensees.

### **3. Trade name licensed:**

Pursuant to the Trade Name License Agreements, BYS agreed to grant the Subsidiaries the right to use the trade name of “Baiyunshan” and the trademark of “Baiyunshan” for one year from the date of the Trade Name License Agreements. The Subsidiaries shall have no right to sub-license any of the trade name of “Baiyunshan” and the trademark of “Baiyunshan” to any third party.

### **4. Term:**

The term of the Trade Name License Agreements is one year commencing from 14 May 2012 (i.e. the date of the Trade Name License Agreements) to 13 May 2013. Upon expiry of the Trade Name License Agreements, the respective parties may enter into new license agreements to extend the term. The Company will re-comply with all relevant requirements under Chapter 14A of the Listing Rules as and when the new license agreements are entered into (if any).

During the term of the Trade Name License Agreements, BYS shall have the right to inspect the quality of the Subsidiaries’ products and the Subsidiaries shall ensure that their products will conform with the relevant national quality standards. In the event that the quality of any Subsidiary’s products is sub-standard as determined by the relevant quality control authorities, BYS shall have the right to terminate the Trade Name License Agreement with that Subsidiary.

In the event that any Subsidiary engages in conduct which damages the reputation of BYS and fails to take remedial measures, BYS shall have the right to terminate the Trade Name License Agreement with that Subsidiary unilaterally.

### **5. License fee:**

The Subsidiaries shall pay the license fee for the trade name of “Baiyunshan” to BYS since the month in which the business registration procedures regarding the use of the trade name of “Baiyunshan” are completed by the Subsidiaries and at 5% of their net sales amount as shown in their respective audited financial statements while there is no additional license fee for the use of the relevant trademark of “Baiyunshan” by the Subsidiaries. The amount of the license fee was determined after arm’s length negotiations between BYS and the Subsidiaries.

As at the date of this announcement, the Directors estimate that the aggregate amount of license fee payable to BYS will not exceed RMB16,000,000 during the term of the Trade Name License Agreements.

## **REASONS FOR THE TRADE NAME LICENSE AGREEMENTS**

The Directors consider that with the license to use the well-known trade name of “Baiyunshan” and the trademark of “Baiyunshan”, the Group will be able to broaden its product portfolio and strengthen its sales and distribution channels, in particular, to expand its markets beyond Guangdong Province and enhance the sales of the Subsidiaries’ products. The profitability of the Group can be improved, which in turn will be in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) also consider that the Trade Name License Agreements were entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and on terms, including the license fee, that are fair and reasonable and in the interest of the Company and its shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, GPLH, the controlling shareholder of the Company, holds approximately 35.58% of the issued share capital of BYS. Accordingly, BYS is a connected person of the Company.

As all of the applicable percentage ratios (other than the profit ratio) in respect of the transactions contemplated under the Trade Name License Agreements in aggregate on an annual basis exceed 0.1% but are less than 5%, such transactions are exempt from independent shareholders’ approval requirements pursuant to Rule 14A.34 of the Listing Rules and are only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules respectively.

Mr. Li Chuyuan, being an executive Director of the Company and the chairman of BYS, has abstained from voting on the resolution of the Board approving the Trade Name License Agreements and the transactions contemplated thereunder.

## **GENERAL INFORMATION**

The Company is a joint stock company established under the laws of the PRC with limited liability, the H shares and A shares of the Company are listed on the Hong Kong Stock Exchange and The Shanghai Stock Exchange respectively. The Group, including Xing Qun, Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang and Pan Gao Shou, is principally engaged in (1) the research and development, manufacture and sales of Chinese patent medicine, natural medicine and biological medicine; and (2) wholesale, retail, import and export of Western and Chinese pharmaceutical products and medical apparatus.

BYS is a company established in the PRC with its entire issued share capital listed on The Shenzhen Stock Exchange and is currently held by GPLH as to 35.58%. It is principally engaged in the research and development, manufacture and sales of Chinese and Western patent medicine, active pharmaceutical ingredients, medicines for external use, child medicine and health medicine.

## DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“BYS”	廣州白雲山製藥股份有限公司 (Guangzhou Baiyunshan Pharmaceutical Co., Ltd.), a company established in the PRC and the shares of which are listed on The Shenzhen Stock Exchange
“Chen Li Ji”	廣州陳李濟藥廠有限公司 (Guangzhou Chen Li Ji Pharmaceutical Factory Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company
“Company”	廣州藥業股份有限公司 (Guangzhou Pharmaceutical Company Limited), a company established in the PRC and the H shares and A shares of which are listed on the Hong Kong Stock Exchange and The Shanghai Stock Exchange respectively
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GPLH”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a state-owned enterprise established in the PRC and the controlling shareholder of the Company which currently holds approximately 48.20% shareholding interest in the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jing Xiu Tang”	廣州敬修堂(藥業)股份有限公司 (Guangzhou Jing Xiu Tang Pharmaceutical Co., Ltd.), a company established in the PRC and a non-wholly owned subsidiary of the Company, owned as to approximately 88.40% by the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Pan Gao Shou”	廣州潘高壽(藥業)股份有限公司 (Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd.*), a company established in the PRC and a non-wholly owned subsidiary of the Company, owned as to approximately 87.77% by the Company
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“Qi Xing”	廣州奇星藥業有限公司 (Guangzhou Qi Xing Pharmaceutical Co., Ltd.), a company established in the PRC and a non-wholly owned subsidiary of the Company, owned as to approximately 75.00% by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Subsidiaries”	Xing Qun, Zhong Yi, Chen Li Ji, Qi Xing, Jing Xiu Tang and Pan Gao Shou
“Trade Name License Agreements”	the 6 trade name license agreements all dated 14 May 2012 and entered into between BYS and the Subsidiaries respectively, pursuant to which, BYS agreed to grant to each of the Subsidiaries on identical terms, the right to use the trade name of “Baiyunshan” and the trademark of “Baiyunshan” for one year from the date of the trade name license agreements. “Trade Name License Agreement” refers to any such agreements individually, the terms thereof are identical
“Xing Qun”	廣州星群(藥業)股份有限公司 (Guangzhou Xing Qun Pharmaceutical Co., Ltd.), a company established in the PRC and a non-wholly owned subsidiary of the Company, owned as to approximately 88.99% by the Company
“Zhong Yi”	廣州中一藥業有限公司 (Guangzhou Zhong Yi Pharmaceutical Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of the Company

The Board of  
**Guangzhou Pharmaceutical Company Limited**

Guangzhou, the PRC, 14 May 2012

*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.*