

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 25 May 2012, its wholly-owned subsidiary, WLJ Great Health, entered into the Trademark License Agreement with GPLH. Pursuant to the Trademark License Agreement, GPLH agreed to grant WLJ Great Health the exclusive right to use the Trademarks in the PRC for one year from the date of the Trademark License Agreement on the Licensed Products.

As at the date of this announcement, GPLH is the controlling shareholder of the Company and hence a connected person of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Trademark License Agreement 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.

TRADEMARK LICENSE AGREEMENT

1. Date:

25 May 2012

2. Parties:

- (i) GPLH, the controlling shareholder of the Company, as the licensor; and
- (ii) WLJ Great Health, a wholly-owned subsidiary of the Company, as the licensee;

3. Trademarks licensed:

Pursuant to the Trademark License Agreement, GPHL agreed to grant WLJ Great Health the exclusive right to use in the PRC the five Trademarks (four of which are in the 王老吉 (WangLaoJi*) trademarks series) on the Licensed Products for one year from 25 May 2012 (i.e. the date of the Trademark License Agreement) on the terms of the Trademark License Agreement. WLJ Great Health shall have no right to transfer such exclusive right of the Trademarks to any third party, but may, with the written consent of GPHL, allow the entities which it has invested in to use the Trademarks on the same terms as the Trademark License Agreement.

The use of the Trademarks by WLJ Great Health is restricted to the Licensed Products that it manufactures and sells in the PRC.

4. Term:

The term of the Trademark License Agreement is one year commencing from 25 May 2012 (i.e. the date of the Trademark License Agreement) to 24 May 2013. Upon expiry of the Trademark License Agreement, the parties to the agreement 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).

5. Various Rights of GPHL under the Trademark License Agreement:

During the term of the Trademark License Agreement, GPHL shall have the right to carry out reasonable supervision and inspection on the quality of WLJ Great Health's products which are manufactured and sold under the Trademarks. In case after the inspection of GPHL, the quality of any WLJ Great Health's products which are manufactured and sold under the Trademarks is sub-standard and damage the image of the Trademarks as a well-known brand, and WLJ Great Health does not take any remedial measures in relation to the quality of the relevant products after 60 days of the written notice from GPHL, GPHL shall have the right to terminate the use of the Trademarks by WLJ Great Health.

Pursuant to the Trademark License Agreement, GPHL retains the right to use the Trademarks for its own manufactured products (i) where the ingredients and packages of such products are significantly different from those of WLJ Great Health; and (ii) manufactured and sold in the regions outside the PRC.

GPHL also retains the right to license the Trademarks to other third parties (i) who manufacture products where the ingredients and packages of such products are significantly different from those of WLJ Great Health; and (ii) who manufacture and sell products in the regions outside the PRC.

6. License Fee:

WLJ Great Health shall pay the license fee (the “**License Fee**”) for the Trademarks at 2.1% of its net sales amount as shown in its audited financial statements prepared in accordance with the China Accounting Standards, payable on a quarterly basis. The License Fee shall be paid in proportion to the actual period of licensing if the Trademarks are not licensed for a full year. Unless the parties to the agreement further negotiate and agree in writing as confirmation, the calculation of the License Fee will not be changed during the term of the Trademark License Agreement. With reference to the terms of the trademark licensing agreement and the supplemental trademark licensing agreement entered into between GPHL and the Company in 1997 and 2004 respectively in relation to certain trademarks in 王老吉 (WangLaoJi*) series, GPHL agreed that it will rebate 47% of the License Fee to the Company. The amount of the License Fee under the Trademark License Agreement was determined after arm’s length negotiations between GPHL and WLJ Great Health.

As at the date of this announcement, the Directors estimate that the aggregate amount of License Fee payable to GPHL during the term of the Trademark License Agreement will not exceed RMB126,000,000 and the aggregate amount that GPHL shall rebate to the Company (being 47% of the License Fee) will not exceed RMB59,220,000.

REASONS FOR THE TRADEMARK LICENSE AGREEMENT

The Directors consider that the license for the WLJ Great Health to use the Trademarks, in particular, the well-known trademarks in the 王老吉 (WangLaoJi*) series will provide leverage to the development of WLJ Great Health, broaden the sales and distribution channels of the Group, and enhance the sales of the products of WLJ Great Health. The resulting potential profitability of the Group is in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) also consider that the Trademark License Agreement was entered into in the ordinary and usual course of business of the Group; on normal commercial terms; and on terms 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, GPHL is the controlling shareholder of the Company and hence a connected person of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Trademark License Agreement 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. Yang Rongming, Mr. Li Chuyuan and Mr. Shi Shaobin, being executive Directors of the Company and directors of GPLH, abstained from voting of the resolutions of the Board approving the Trademark License Agreement 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 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.

WLJ Great Health is a wholly-owned subsidiary of the Company and is principally engaged in the wholesale and retail of foodstuffs, cosmetics and pharmaceutical apparatus.

GPLH is a state-owned enterprise established in the PRC. GPLH is principally engaged in the development, manufacture and trading of pharmaceutical products. GPLH is the controlling shareholder of the Company, holding approximately 48.20% of the total issued share capital of the Company as at the date of this announcement.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Licensed Products”	red canned and red bottled herbal tea drinks that are manufactured and sold in the PRC by WLJ Great Health
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Trademark License Agreement”	the trademark license agreement dated 25 May 2012 entered into between GPHL and WLJ Great Health, pursuant to which, GPHL agreed to grant WLJ Great Health the exclusive right to use the Trademarks in the PRC for one year from the date of the Trademark License Agreement on the Licensed Products
“WLJ Great Health”	廣州王老吉大健康產業有限公司 (Guangzhou WangLaoJi Great Health Industry Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Trademarks”	the five trademarks which are registered with 中國國家工商行政管理總局商標局 (Trademark Office of the State Administration for Industry and Commerce of the PRC) under the name of and beneficially owned by GPHL, four of which are in the 王老吉 (WangLaoJi*) trademarks series

The Board of
Guangzhou Pharmaceutical Company Limited

Guangzhou, the PRC, 25 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.

* For identification purpose only