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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 17<sup>TH</sup> MEETING OF THE FIFTH SESSION OF THE BOARD**

The 17<sup>th</sup> meeting of the fifth session of the Board of directors (hereinafter referred to as “meetings” or “the meeting”) of Guangzhou Pharmaceutical Company Limited (“Guangzhou Pharmaceutical” or the “Company”) was held on 15 June 2012 at 10:00 a.m. at the Company’s 2<sup>nd</sup> conference room, 2<sup>nd</sup> Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, People’s Republic of China (the “PRC”), notice of which was despatched on 12 June 2012 by way of fax and email. All of the nine eligible directors attended the meeting, among whom, Mr. Shi Shaobin, an executive director and Mr. Qiu Hongzhong, an independent non-executive director, were unable to attend the meeting and respectively appointed Mr. Yang Rongming, the chairman and Mr. Zhang Yonghua, an independent non-executive director, to attend the meeting and vote on their behalf; Mr. Wong Lung Tak Patrick, an independent non-executive director, attended the meeting by means of telephone. The meeting was chaired by Mr. Yang Rongming, the chairman, and the supervisors, senior and mid-level management, financial adviser, auditors, valuers 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 ABSORPTION AND MERGER OF GUANGZHOU BAIYUNSHAN PHARMACEUTICAL CO., LTD. (“BAIYUNSHAN”) 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 proposed Major Assets Reorganization mainly comprises two transactions:

1. The proposed absorption and merger of Baiyunshan through share swap of additional A shares.

- 2 The proposed asset acquisition by Guangzhou Pharmaceutical through issuance of A shares to Guangzhou Pharmaceutical Holdings Limited (“GPHL”).

The consideration for the assets to be acquired is determined based on the valuation of the same. According to the valuation report issued by China Valuer International Co., Ltd. (北京中天衡平國際資產評估有限公司), the assets to be acquired by Guangzhou Pharmaceutical are valued as at the valuation date 31 December 2011 at RMB421,559,700 in aggregate. Accordingly, proposes to issue 34,839,645 A shares to GPHL. The final consideration for the assets to be acquired and the number of shares to be issued will be based on the results of the valuation to be authorized by or filed with the state-owned assets administrative authorities.

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 China Securities Regulatory Commission (the “CSRC”) and relevant governmental authorities.

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

As the relevant audit, valuation and profit forecast for the Major Assets Reorganization were completed, certain part of the “Resolution on the proposal for asset acquisition through issuance of A shares to Guangzhou Pharmaceutical Holdings Limited” passed at the 13<sup>th</sup> meeting of the fifth session of the board of the Company are revised accordingly as follows:

### **1. Value of the assets to be acquired**

The consideration for the assets to be acquired is determined based on the valuation of the same. According to the valuation report issued by China Valuer International Co., Ltd., the assets to be acquired by Guangzhou Pharmaceutical are valued as at the valuation date 31 December 2011 of RMB421,559,700.

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.

## **2. 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 of Guangzhou Pharmaceutical during the 20 trading days prior to the date of the announcement of Board resolutions for the first consideration of the Major Assets Reorganization. Guangzhou Pharmaceutical approved the proposed profit distribution and dividend payment for the year 2011 at the 2011 annual general meeting held on 12 April 2012, and resolved to pay to all the shareholders a cash dividend of RMB1.00 (including tax) for every 10 shares. The issue price under this asset acquisition through issuance of A shares by Guangzhou Pharmaceutical was adjusted to RMB12.10 per share as adjusted by ex-right and ex-dividend.

The share swap prices and the Exchange Ratio above are subject to adjustment 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.

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.

## **3. Number of shares to be issued**

According to the issue price and the value of the assets to be acquired, Guangzhou Pharmaceutical proposes to issue 34,839,645 A shares to GPLH. The final number of shares to be issued is subject to 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.

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 ENTERING INTO AND IMPLEMENTATION OF THE CONDITIONAL SUPPLEMENTAL AGREEMENT TO THE AGREEMENT ON ASSET ACQUISITION THROUGH ISSUANCE OF SHARES WITH GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED.**

The Company is being approved to enter into and implement the conditional Supplemental Agreement to the Agreement on Asset Acquisition through issuance of shares with GPLH. Details are set out in the Report on 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 (Draft) 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.

**IV. TO CONSIDER AND APPROVE THE RESOLUTION ON ENTERING INTO AND IMPLEMENTATION OF THE CONDITIONAL AGREEMENT FOR THE COMPENSATION OF THE DIFFERENCE BETWEEN ACTUAL EARNING AND NET EARNING FORECAST OF THE ASSETS PROPOSED TO BE ACQUIRED WITH GUANGZHOU PHARMACEUTICAL HOLDINGS LIMITED.**

The Company is being approved to enter into and implement the conditional Agreement for the Compensation of the Difference between Actual Earning and Net Earning Forecast of the Assets Proposed to be Acquired with GPLH. Details are set out in the Report on 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 (Draft) 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.

**V. TO CONSIDER AND APPROVE THE RESOLUTION ON 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 (DRAFT) PUBLISHED BY THE COMPANY**

Details are set out in the Report on 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 (Draft) 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.

**VI. TO CONSIDER AND APPROVE THE STATEMENT ON THE ISSUES RELATED TO THE ASSET VALUATION.**

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.

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

The Company is approved to enter into and implementation of the Supplemental Agreement to the Trademark Custody Agreement with Guangzhou Pharmaceutical Holdings Limited, details of which are set out as follows:

It is approved to enter into and implement the conditional supplemental agreement to the Trademark Custody Agreement with GPLH, with details as follows:

On 29 February 2012, the Company entered into the conditional Trademark Custody Agreement with GPLH. Given that some trademarks of Wang Luo Ji series are being renewed (The registered numbers given to GPLH for the four Wang Luo Li trademarks upon the entering of the Trademark Custody Agreement are 9095939, 9095940, 9095941 and 9095943), the Company entered into the conditional supplemental agreement to the Trademark Custody Agreement with GPLH on 15 June 2012. Its principal terms are as follows:

1. Article 1.1 of the Trademark Custody Agreement are amended as:

GPLH has agreed to grant custody of 29 Wang Luo Ji trademarks and the relevant rights of other related Wang Luo Ji trademarks obtained and owned legally after the Signing Day (including today) which is the Company entered into the conditional supplemental agreement to the Trademark Custody Agreement with GPLH to Guangzhou Pharmaceutical and Guangzhou Pharmaceutical has agreed to take up the custody.

GPLH shall notify Guangzhou Pharmaceutical in writing within 10 days upon obtaining of the trademarks in relation to the other related Wang Luo Ji trademarks obtained and owned legally other than the above 29 trademarks obtained after the signing day (including today) of the supplemental agreement to the Trademark Custody Agreement.

2. Article 3 of the Trademark Custody Agreement are amended as:

During the custody period, the expenses incurred from the custody shall be borne by Guangzhou Pharmaceutical (the expenses incurred due to the dispute relating to the custody of trademark rights and the expenses incurred from the trademark license agreement or supplemental agreement entered into for the custody of trademarks before the effective date of this Agreement shall be borne by GPLH on its own).

The parties agreed that the trademark license fee agreed upon for the trademark license agreement entered into during the custody period in relation to the trademark custody (including the supplemental agreement for the purpose of renewing the original trademark license agreement or new agreement entered into during the custody period, no matter those agreements are signed under the name of Guangzhou Pharmaceutical or GPLH) shall be received directly from Guangzhou Pharmaceutical.

During the custody period, GPHL shall pay RMB 1 million to Guangzhou Pharmaceutical as the basic annual custody fee under this Agreement before the end of March each year. The basic custody fee shall be pro-rated based on the actual months for custody if the custody was less than one year in the previous year, and custody of less than one month shall be taken as one month.

Further, without breaching of the trademark license agreement or supplemental agreement entered into between GPHL and the third party before the effective date of this Agreement, Guangzhou Pharmaceutical shall, during the custody period, pay GPHL 80% (or such lower percentage unanimously agreed upon by GPHL and Guangzhou Pharmaceutical, but in any case, not more than 80%, or 80% if no agreement on the percentage can be reached) of the trademark license fee received in the previous year before the end of March each year for the trademark license agreement (including the supplemental agreement for the purpose of renewing the original trademark license agreement or new agreement entered into during the custody period) entered into during the custody period in relation to the trademark custody (the basic custody fee payable by GPHL in the previous year may be directly deducted from that amount by Guangzhou Pharmaceutical) as the income of grant of GPHL.

GPHL and Guangzhou Pharmaceutical both agreed that the percentage of profit sharing for the eight trademarks granted to Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. for usage between GPHL and Guangzhou Pharmaceutical shall remain the same as the percentage agreed upon by the parties before the entering into of this Agreement without the limitation of the foresaid clause.

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 of the Company, where the connected shareholders shall abstain from voting.

#### **VIII. RESOLUTION ON THE APPROVAL OF AUDIT REPORT, VALUATION REPORT AND PROFIT FORECAST REPORT.**

Details are set out in the audit report, valuation report and auditor's report on the profit forecast 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 at the general meeting of the Company, where the connected shareholders shall abstain from voting.

**IX. TO CONSIDER AND APPROVE THE RESOLUTION ON THE ENGAGEMENT OF INTERMEDIARIES FOR THE MAJOR ASSETS REORGANIZATION.**

Voting results: This resolution was considered and passed by all directors with 9 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting.

**X. TO CONSIDER AND APPROVE THE RESOLUTION ON PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

Article 211 after the proposed amendments is as follows:

Article 211 The profit distribution of the Company is made according to the proportion of the shares held by the shareholders, emphasizing on bringing reasonable investment returns to the investors. The profit distribution policy strives to maintain continuity and stability.

(I) The Company's profit distribution policy is as follows:

1. Principle of profit distribution:

The Company implements a stable policy of profit distribution. On making a profit distribution, the Company will comply with the statutory requirement to make the distribution in order and will take into account the provision of reasonable and stable returns on investment to the shareholders and the long-term and sustainable growth of the Company.

2. Method of profit distribution

The Company may pay dividends in the form of cash, bonus shares or a combination of both, or such other forms of dividends payment which are permitted by laws and regulations. Subject to the approval of the Shareholders, the Board may be authorized to declare interim cash dividends;

3. Conditions of profit distribution and minimum dividend proportion:

The Company shall pay the dividends and the amount of cash dividends so paid shall not be less than 10% of the net profit attributable to shareholders of the Company for the year, provided that the working capital requirement for the Company's normal production and operation is met and the long-term and sustainable growth of the Company is maintained, and that there is no material investment plan or material cash expense. In the event that the Company has maintained growth in the profits for the past three years, the Company may increase the proportion for cash dividends to provide more returns to the investors.



Material investment plan or material cash expense represents the proposed external investment, acquisition or purchase of assets by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company.

4. In the event of misappropriation of the Company's funds by a Shareholder, the Company can deduct the funds misappropriated from the cash dividends to be allocated to that Shareholder as repayment.

(II) Procedures for Decision Making on Profit Distribution by the Company:

The proposal for profit distribution of the Company is formulated by the Board after taking into account the Company's specific conditions such as profitability, capital needs and growth of the Company and, upon consideration and approval by the Board, shall be proposed at the general meeting for approval. Independent directors shall express their independent opinions on the reasonableness of the profit distribution proposal for the year before the same is considered by the Board.

- (III) In the event that the Company revises its profit distribution policy in response to the external business environment or its own state of operation, the Company shall first consider the protection of the shareholders' interests, make thorough consideration and state the reasons thereof. The revised profit distribution policy shall not be contrary to the relevant requirements of CSRC and stock exchanges in the PRC and Hong Kong. The proposal for the revision of the profit distribution policy shall first be approved by the independent directors of the Company and they shall express independent opinions, and thereafter shall be proposed to the Board for consideration before being submitted to the general meeting for consideration and approval by a special resolution thereat.

If the Company records profits for a year but the Board fails to make any proposal for cash profit distribution, the Board shall state the reasons thereof in detail and the planned application and use of such retained funds that would have been otherwise available for distribution in the annual report for the year, and the independent directors shall express independent opinions in such regard and shall be disclosed accordingly.

Voting results: This resolution was considered and passed by all directors with 9 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting.

**XII. TO CONSIDER AND APPROVE THE RESOLUTION ON CONVENING THE EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS. (THE MEETING DATE WILL BE ANNOUNCED SEPARATELY).**

Voting results: This resolution was considered and passed by all directors with 9 affirmative votes, 0 dissenting vote and 0 vote abstaining from voting.

The Board of  
**Guangzhou Pharmaceutical Company Limited**

Guangzhou, the PRC, 18 June 2012

*As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Li Chuyuan, Mr. Shi Shaobin (resigned on 18 June 2012) 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.*