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If you have sold or transferred all your shares in the Company, you should at once hand this circular accompanying with the form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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廣州白雲山医药集团股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)
(H Share Stock Code: 00874)

- (1) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
AND
(2) PROPOSED ELECTION OF DIRECTOR
AND
(3) PROPOSED CASH MANAGEMENT OF PART OF THE TEMPORARY
IDLE FUND RAISING PROCEEDS
AND
(4) PROPOSED CASH MANAGEMENT OF PART OF THE TEMPORARY
IDLE INTERNAL FUNDS
AND
(5) PROPOSED CHANGE OF AUDITORS
AND
(6) PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES
AND
(7) NOTICE OF THE ANNUAL GENERAL MEETING**

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 4 to 10 of this circular. The notice convening the AGM to be held at the Conference Room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC on Friday, 22 June 2018 at 10:00 a.m. or any adjournment thereof is set out on pages AGM-1 to AGM-8 of this circular.

Whether or not you intend to attend the AGM, please complete the form of proxy despatched together with the aforementioned notice in accordance with the instructions printed thereon and return the form of proxy to the office of the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than 24 hours before the time appointed for the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

7 May 2018

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DEFINITIONS

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

“A Shares”	RMB-denominated domestic shares in the share capital of the Company with a nominal value of RMB1.00 each and are listed on Shanghai Stock Exchange
“AGM”	the annual general meeting of the Company for year 2017 to be held on Friday, 22 June 2018 at 10:00 a.m., including any adjournment thereof
“Applicable Net Assets Amount”	RMB1,887,152,057.17, being the amount representing 10% of the net assets of the Group based on the audited financial statements of the Group for the financial year ended 31 December 2017
“April Announcement”	the announcement of the Company dated 26 April 2018 wherein, among other things, the Company announced the Proposed Amendments and the proposed change of auditors
“April Board Meeting”	the meeting of the Board held on 26 April 2018
“Articles of Association”	the articles of association of the Company
“Audit Committee”	the audit committee of the Company
“associate”	has the meaning given to it under the Hong Kong Listing Rules
“BDO”	BDO China Shu Lun Pan Certified Public Accountants LLP* (立信會計師事務所 (特殊普通合夥))
“Board”	the board of Directors
“Board Rules”	the rules of procedures of the Board (董事會議事規則) of the Company
“Business Development Uses”	the uses of the Placing Proceeds as disclosed in the announcement of the Company dated 29 August 2016 other than general working capital, details of which were set out in the section headed “Reasons for the Proposed Placing and the Employment Stock Ownership Scheme (2015)” on pages 45 to 48 of the Placing Circular and the announcement of the Company dated 29 August 2016

DEFINITIONS

“Company”	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited* (廣州白雲山醫藥集團股份有限公司), a joint stock company with limited liability established in the PRC, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“controlling shareholder”	has the meaning given to it under the Hong Kong Listing Rules
“Director”	a director of the Company from time to time
“GPHL”	Guangzhou Pharmaceutical Holdings Limited* (廣州醫藥集團有限公司), a state-owned enterprise established by, and under the administration of, the Guangzhou SASAC. It is the controlling shareholder of the Company which held approximately 45.04% of the issued shares of the Company as at the LPD
“Guangzhou SASAC”	the Guangzhou Municipal People’s Government State-owned Assets Supervision and Administration Commission* (中國廣州市人民政府國有資產監督管理委員會) of the PRC
“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each and are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Last AGM”	the last annual general meeting of the Company, which was held on 23 June 2017
“Last General Mandate”	the general mandate which is exercisable by the Directors to allot, issue and deal with additional A Shares and/or H Shares not exceeding 20% of the A Shares and the H Shares respectively in issue as at the date of passing of the relevant Shareholders’ resolution at the Last AGM
“LPD”	2 May 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“New General Mandate”	the general mandate which is exercisable by the Directors to allot, issue and deal with additional A Shares and/or H Shares not exceeding 20% of the A Shares and/or the H Shares respectively in issue as at the date of passing of the relevant Shareholders’ resolution at the AGM
“Placing”	the placing of the new A Shares as disclosed in the announcement of the Company dated 12 January 2015
“Placing Circular”	the circular of the Company dated 26 February 2015
“Placing Proceeds”	the final proceeds raised by the Company through the Placing, being approximately RMB7,863 million after deducting relevant expenses
“PRC”	the People’s Republic of China which, for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Proposed Amendments”	the proposed amendments to the Articles of Association, details of which are set out in Appendix I to this circular
“Shareholder”	a holder of the A Shares and/or H Shares
“Supervisor”	a supervisor of the Company from time to time
“Supervisory Committee”	the supervisory committee of the Company
“Supervisory Committee Rules”	the rules of procedures for the Supervisory Committee
“%”	per cent

* For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.

All times stated in this circular refer to Hong Kong time.

LETTER FROM THE BOARD



廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)
(H Share Stock Code: 00874)

Executive Directors:

Mr. Li Chuyuan
Mr. Chen Mao
Ms. Liu Juyan
Ms. Cheng Ning
Mr. Ni Yidong
Mr. Wu Changhai

Registered office and principal place of business:

45 Sha Mian North Street
Liwan District
Guangzhou City, Guangdong Province
The PRC

Principal place of business in Hong Kong:

Room 2005, 20th Floor
Tower Two Lippo Centre
89 Queensway
Hong Kong

Independent non-executive Directors:

Mr. Chu Xiaoping
Mr. Jiang Wenqi
Mr. Wong Hin Wing
Ms. Wang Weihong

7 May 2018

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
AND
(2) PROPOSED ELECTION OF DIRECTOR
AND
(3) PROPOSED CASH MANAGEMENT OF PART OF THE TEMPORARY
IDLE FUND RAISING PROCEEDS
AND
(4) PROPOSED CASH MANAGEMENT OF PART OF THE TEMPORARY
IDLE INTERNAL FUNDS
AND
(5) PROPOSED CHANGE OF AUDITORS
AND
(6) PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES
AND
(7) NOTICE OF THE ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with information in relation to the resolutions to be proposed at the AGM on, among other things, (i) the proposed amendments to the Articles of Association; (ii) the proposed election of Mr. Li Hong as a Director; (iii) the proposed cash management of part of the temporary idle fund raising proceeds; (iv) the proposed cash management of part of the temporary idle internal funds of the Group; (v) the proposed change of auditors; and (vi) the proposed grant of the New General Mandate and to give you the notice of the AGM.

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to the April Announcement wherein, among other things, the Company announced the Proposed Amendments. In the April Announcement, the Company announced that the Board has approved, among other things, the Proposed Amendments. The amendments to the Articles of Association are to (i) ensure compliance with the regulations issued by the Guangdong Provincial Committee of the Communist Party of China and the Guangdong State-owned Assets Supervision and Administration Commission in relation to the requirement on including party building work into the articles of associations of state-owned enterprises; (ii) improve corporate governance by taking into consideration the actual circumstances of the Company; and (iii) comply with companies registration requirements. Corresponding changes will also be made to the Board Rules and Supervisory Committee Rules.

The Proposed Amendments are subject to certain conditions, including the approval of the Shareholders by way of special resolution at the AGM and all necessary approvals, authorisations, or registration (if applicable) having been obtained from or filed with the relevant governmental or regulatory authorities. A resolution will be proposed at the AGM for the Shareholders to consider and, if thought fit, approve the Proposed Amendments.

Details on the Proposed Amendments are set out in Appendix I to this circular.

3. PROPOSED ELECTION OF DIRECTOR

At the meeting of the Board held on 15 March 2018, the Board resolved to appoint Mr. Li Hong (黎洪), the current general manager of the Company, as an executive Director subject to the approval of the Shareholders at the AGM.

The nomination and remuneration committee of the Company (“**Nomination and Remuneration Committee**”) examines the remuneration policies and proposals of the Directors and senior management of the Company, researches the selection standards and procedures of Directors and senior management of the Company, identifies and examines qualified persons to be Directors and senior management of the Company and audits the remuneration of Directors and senior management of the Company, and makes recommendations of the same to the Board.

In making the recommendation to the Board for the proposed appointment of Mr. Li Hong, the Nomination and Remuneration Committee has made reference to objective criteria including but not limited to educational background, industry experience, technical and professional skills, qualifications, knowledge and length of service. After taking into account the recommendation of the Nomination and Remuneration Committee, the Board resolved at its meeting held on 15 March 2018 to appoint Mr. Li Hong as an executive Director. In this connection, an ordinary resolution to be taken by way of cumulative poll will be proposed at the AGM for the Shareholders to consider and, if thought fit, approve the appointment of Mr. Li Hong as an executive Director. Particulars of Mr. Li Hong as at the LPD and further information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules are set out in Appendix II to this circular.

LETTER FROM THE BOARD

4. CASH MANAGEMENT

4.1 Proposed cash management of part of the temporary idle fund raising proceeds

Reference is made to the announcement of the Company dated 12 January 2015 wherein it was announced, among other things, that the Company proposed to raise funds by the Placing. As disclosed in the announcement of the Company dated 18 August 2016 as supplemented by an announcement dated 22 August 2016, the Placing was completed. The final net proceeds raised by the Company through the Placing was approximately RMB7,863 million after deducting relevant expenses, of which RMB2,163 million was allocated as general working capital and the balance of RMB5,700 million was allocated to the Business Development Uses as disclosed in the announcement of the Company dated 29 August 2016.

As at 31 December 2017, approximately RMB3,127 million of the Placing Proceeds had already been utilized as disclosed and the balance of approximately RMB4,736 million (interests inclusive) was placed in the special savings account referred to in the subsection headed “10. Proposal in relation to the establishment of a special saving account for proceeds raised by the Company” on page 20 of the Placing Circular.

In order to utilize part of temporary idle Placing Proceeds reasonably, enhance the efficiency in the utilization of the Placing Proceeds and to bring return to the Group, the Board proposed that cash management be imposed on part of the Placing Proceeds. At the April Board Meeting, the Board passed a resolution pursuant to which authorization will be sought from the Shareholders whereupon the Company be given authorization to impose cash management up to a maximum of RMB2,500 million of the Placing Proceeds (“**Authorized Amount (A)**”). The aforesaid authorization shall be subject to the following conditions:

- (a) the authorization given to the Company shall be valid for one year from the date of passing of the relevant Shareholders’ resolution (“**Resolution Valid Period (A)**”);
- (b) the implementation of the investment plans by utilizing the Placing Proceeds shall not be affected;
- (c) the risks can be effectively kept under control;
- (d) acknowledgement of larger bank deposits and/or principal-guaranteed wealth management products of banks having high degree of safety and liquidity are to be purchased from parties who are independent third parties under all the applicable laws, rules and regulations (including but not limited to the rules of the stock exchanges on which the shares of the Company are listed); and
- (e) subject to Authorized Amount (A) at any point of time, the temporary idle proceeds raised from the Placing can be utilized on revolving basis during Resolution Valid Period (A).

Pursuant to the Board Rules, the Board has the authority to utilize any amount from a single source of fund not exceeding the Applicable Net Assets Amount for investment purposes. Accordingly, the Board may approve any investment amount not exceeding RMB1,887,152,057.17 of its Placing Proceeds without Shareholders’ approval under the Board Rules.

LETTER FROM THE BOARD

Authorized Amount (A) exceeds the Applicable Net Assets Amount and therefore is required to be approved by the Shareholders under the Board Rules. At the Last AGM, the Shareholders had granted authority to the Board to impose cash management on part of the Placing Proceeds as described in more details in the circular of the Company dated 9 May 2017 and such authority will expire on 22 June 2018. As such, the Board proposed to seek refresh authority from the Shareholders at the AGM. Even if the proposed shareholders' resolution is not passed, the Board's powers to impose cash management on the Placing Proceeds not exceeding the Applicable Net Assets Amount pursuant to the Board Rules will not be prejudiced and, accordingly, the Board may impose cash management on the Placing Proceeds not exceeding the Applicable Net Assets Amount if it considers appropriate. Notwithstanding that cash management on one single source of funds not exceeding the Applicable Net Assets Amount is not required to be approved by the Shareholders under the Board Rules, the Board and the Company must nevertheless comply with all the other applicable laws, rules and regulations (including but not limited to the Companies Law of the PRC and the rules of the stock exchanges on which the shares of the Company are listed) and, where applicable, seek further approval of the Shareholders.

4.2 Proposed cash management of part of the temporary idle internal funds

In order to utilize the temporary idle internal funds reasonably, enhance the efficiency in the utilization of such funds and to bring return to the Company and after taking into account the normal operation funding needs and the liquidity needs of the Company, the Board proposed that cash management be imposed on certain idle funds. At the April Board Meeting, the Board passed a resolution pursuant to which authorization will be sought from the Shareholders whereupon the Company be given authorization to impose cash management up to a maximum of RMB3,000 million of the internal financial resources of the Group ("**Authorized Amount (B)**"). The aforesaid authorization shall be subject to the following conditions:

- (a) the authorization given to the Company shall be valid for one year from the date of passing of the relevant Shareholders' resolution ("**Resolution Valid Period (B)**");
- (b) the risk can be effectively kept under control;
- (c) principal-guaranteed wealth management products of banks having high degree of safety and liquidity is to be purchased from parties who are independent third parties under all the applicable laws, rules and regulations (including but not limited to the rules of the stock exchanges on which the shares of the Company are listed); and
- (d) subject to Authorized Amount (B) at any point of time, the temporary idle internal funds can be utilized on revolving basis during Resolution Valid Period (B).

Pursuant to the Board Rules, the Board has the authority to utilize any amount from a single source of fund not exceeding the Applicable Net Assets Amount for investment purposes. Accordingly, the Board may approve any investment amount not exceeding RMB1,887,152,057.17 of its internal funds without Shareholders' approval under the Board Rules.

LETTER FROM THE BOARD

Authorized Amount (B) exceeds the Applicable Net Assets Amount and therefore is required to be approved by the Shareholders under the Board Rules. At the Last AGM, the Shareholders had granted authority to the Board to impose cash management on temporary idle internal funds as described in more details in the circular of the Company dated 9 May 2017 and such authority will expire on 22 June 2018. As such, the Board proposed to seek refresh authority from the Shareholders at the AGM. Even if the proposed shareholders' resolution is not passed, the Board's powers to impose cash management on the temporary idle internal funds for the amounts up to the Applicable Net Assets Amount pursuant to the Board Rules will not be prejudiced and, accordingly, the Board may impose cash management on the temporary idle internal funds not exceeding the Applicable Net Assets Amount if it considers appropriate. Notwithstanding that cash management on one single source of funds not exceeding the Applicable Net Assets Amount is not required to be approved by the Shareholders under the Board Rules, the Board and the Company must nevertheless comply with all the other applicable laws, rules and regulations (including but not limited to the Companies Law of the PRC and the rules of the stock exchanges on which the shares of the Company are listed) and, where applicable, seek further approval of the Shareholders even if the proposed Shareholders' resolutions as described in sections 4.1 and 4.2 above were passed at the AGM.

4.3 Implications of the proposed cash management under the Hong Kong Listing Rules

The transactions which may be entered into by the Group under cash management, whether entered into pursuant to the powers of the Board to make investments not exceeding the Applicable Net Assets Amount, the proposed Shareholders' resolutions as described in sections 4.1 and 4.2 above or otherwise, and regardless of the sources of the funds, may (including on an aggregate basis under Rule 14.22 of the Hong Kong Listing Rules where applicable) constitute notifiable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules. Accordingly, the Company will comply with the notification, announcement and shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules if so required even if the proposed Shareholders' resolutions as described in sections 4.1 and 4.2 above were passed at the AGM. As disclosed in each of sections 4.1 and 4.2 above, it is one of the conditions of the cash management that the wealth management products under the cash management can only be purchased from independent third parties, the Company therefore does not expect that any connected transaction under Chapter 14A of the Hong Kong Listing Rules will be constituted under the cash management.

5. PROPOSED CHANGE OF AUDITORS

Reference is made to the April Announcement wherein the Company announced, among other things, the proposed change of auditors.

The Company is a subsidiary of GPLH, which is a state-owned enterprise established by, and under the administration of, the Guangzhou SASAC. Pursuant to the relevant documents issued by the Ministry of Finance of the PRC* (中國財政部) and the Guangzhou SASAC, there are restrictions in respect of the number of years of audit services that an accounting firm can continuously providing to a state-owned enterprise and its subsidiaries. As a result of the aforesaid restrictions, BDO, the auditors of the Company and the internal control auditors of the Company for year 2017, will retire with effect from the close of the AGM and will not offer itself for re-appointment at the AGM. At the

LETTER FROM THE BOARD

April Board Meeting, with the recommendation from the Audit Committee, the Board resolved to appoint Ruihua Certified Public Accountants* (瑞華會計師事務所 (特殊普通合夥)) as both the auditors of the Company and internal control auditors of the Company for year 2018 subject to the approval of the Shareholders at the AGM.

As disclosed in the April Announcement, BDO has confirmed in writing that there are no matters relating to its retirement that needs to be brought to the attention of the Shareholders. The Board is not aware of any matters in relation to the proposed change of auditors that needs to be brought to the attention of the Shareholders. The Board and the Audit Committee have also confirmed that there are no disagreements or outstanding matters between the Company and BDO.

In relation to the proposed change of auditors, two separate ordinary resolutions will be proposed at the AGM for the Shareholders to consider and, if thought fit, approve the appointments of Ruihua Certified Public Accountants* (瑞華會計師事務所 (特殊普通合夥)) as the auditors of the Company for year 2018 and the auditors of the Company for internal control for year 2018, respectively.

6. NEW GENERAL MANDATE

At the Last AGM, the Last General Mandate was granted to the Directors to allot, issue and deal with the A Shares and/or the H Shares. The Last General Mandate will lapse on 23 June 2018, being the expiration of a period of twelve months following the passing of the special resolution of the Company approving the Last General Mandate. As such, resolution will be proposed at the AGM for the grant of a new general mandate (i.e. the New General Mandate) under which the Board would be conditionally authorised to issue additional new H Shares and A Shares.

The Directors believe that the New General Mandate will allow financial flexibility for the Company to raise funds for its future business development and expansion, if the Directors consider appropriate. Accordingly, the Directors consider that the approval of the grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

Any exercise of the power by the Board under the New General Mandate will have to comply with the Articles of Association, the Companies Law of the PRC and the Hong Kong Listing Rules and all other applicable laws, rules, regulations and requirements of relevant governmental and/or regulatory authorities.

7. CLOSURE OF REGISTER OF MEMBERS FOR HOLDERS OF H SHARES

The register of members of the Company will be closed from Wednesday, 23 May 2018 to Friday, 22 June 2018 (both days inclusive) for the purpose of determining the entitlements of the Shareholders to attend the AGM, during which no transfer of H Shares will be effected. In order to qualify to attend the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, at Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:00 p.m. on Monday, 21 May 2018.

LETTER FROM THE BOARD

8. AGM

The AGM will be held at the conference room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC on Friday, 22 June 2018 at 10:00 a.m.. The notice convening the AGM is set out on pages AGM-1 to AGM-8 of this circular.

Whether or not you intend to attend the AGM, please complete the form of proxy despatched together with the aforementioned notice in accordance with the instructions printed thereon and return the form of proxy to the office of the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H Shares) as soon as possible and in any event not less than 24 hours before the time appointed for the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

All the votes of the Shareholders at the AGM will be taken by poll. In accordance with the Articles of Association, the resolution on the election of Mr. Li Hong as a Director will be taken by way of cumulative poll. Further information in this regard is set out in the proxy form in relation to the AGM.

9. RECOMMENDATIONS

The Directors consider that each of the proposed amendments to Articles of Association, the proposed election of Mr. Li Hong as a Director, the proposed cash management of part of the temporary idle fund raising proceeds, the proposed cash management of part of the temporary idle internal funds of the Group, the proposed change of auditors and the grant of the New General Mandate is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the proposed resolutions.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
The Board of
**Guangzhou Baiyunshan Pharmaceutical
Holdings Company Limited**

No.	Before amendments	After amendments
1	<p>Article 1</p> <p>The Company was established as a joint stock company with limited liability in accordance with the “Company Law (the “Company Law”) of the People’s Republic of China”, the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”), and other relevant laws and administrative regulations of the PRC. The legal interests of the Company and the shareholders are governed and protected by laws, regulations, and other relevant governmental rules of the PRC.</p>	<p>Article 1</p> <p>The Company was established as a joint stock company with limited liability in accordance with the “Company Law (the “Company Law”) of the People’s Republic of China”, the “Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies” (the “Special Regulations”), <u>Constitution of the Communist Party of China (the “Party Constitution”)</u> and other relevant laws and administrative regulations of the PRC. The legal interests of the Company and the shareholders are governed and protected by laws, regulations, and other relevant governmental rules of the PRC.</p>
2	<p>Note: The existing Article 6 will be re-numbered as Article 7. No change will be made to the provision of the existing Article 6.</p>	<p>Article 6</p> <p><u>Pursuant to the requirements under the Company Law and the Party Constitution, the Company set up organizations of the Communist Party of China to perform core political functions and established related working organizations of the Party equipped with sufficient number of Party staff and to maintain sufficient funds for the work of the Party organizations.</u></p>

No.	Before amendments	After amendments
3	<p data-bbox="268 304 826 340">Article 13</p> <p data-bbox="268 376 826 595">The business scope of the Company should be consistent with <u>those set out in the business license</u>. The Company shall engage in operations within the business scope <u>registered with the Administration for Industry and Commerce</u>.</p> <p data-bbox="268 631 826 1731">The business scope of the Company is as follows: research and development of medicine; manufacturing of chemical raw material medicine; manufacturing of chemical drug preparations; production of Chinese patent medicine; processing of Chinese herbal medicine; manufacturing of biological medicine; manufacturing of medical materials and pharmaceutical supplies; wholesale of Western medicine; wholesale of Chinese patent drug and Chinese herbal medicine; retail of medicine; manufacturing of healthy foods; manufacturing of tea drinks and other beverages; wholesale of nonalcoholic drinks and tea; manufacturing of food additives; manufacturing of bottled(canned) drinking water; manufacturing of fruit and vegetable juice and beverages; manufacturing of solid beverage; manufacturing of carbonated beverage; manufacturing of cosmetic products; wholesale of cosmetic products and sanitary supplies; retail of cosmetic products and sanitary supplies; manufacturing of oral cleaning supplies; wholesale of cleaning supplies; manufacturing of soaps and synthetic detergents; wholesale of equipment for medical diagnosis, surveillance and treatment; retail of equipment for medical diagnosis, surveillance and treatment;</p>	<p data-bbox="842 304 1390 340">Article 14</p> <p data-bbox="842 376 1390 595">The business scope of the Company should be consistent with <u>that as approved by the companies registration authority</u>. The Company shall engage in operations within the business scope <u>as approved by the companies registration authority</u>.</p> <p data-bbox="842 631 1390 1731">The business scope of the Company is as follows: research and development of medicine; manufacturing of chemical raw material medicine; manufacturing of chemical drug preparations; production of Chinese patent medicine; processing of Chinese herbal medicine; manufacturing of biological medicine; manufacturing of medical materials and pharmaceutical supplies; wholesale of Western medicine; wholesale of Chinese patent drug and Chinese herbal medicine; retail of medicine; manufacturing of healthy foods; manufacturing of tea drinks and other beverages; wholesale of nonalcoholic drinks and tea; manufacturing of food additives; manufacturing of bottled(canned) drinking water; manufacturing of fruit and vegetable juice and beverages; manufacturing of solid beverage; manufacturing of carbonated beverage; manufacturing of cosmetic products; wholesale of cosmetic products and sanitary supplies; retail of cosmetic products and sanitary supplies; manufacturing of oral cleaning supplies; wholesale of cleaning supplies; manufacturing of soaps and synthetic detergents; wholesale of equipment for medical diagnosis, surveillance and treatment; retail of equipment for medical diagnosis, surveillance and treatment;</p>

No.	Before amendments	After amendments
	<p>operation of unlicensed medical apparatus; operation of licensed medical apparatus; retail of medical supplies and apparatus (excluding pharmaceuticals and medical apparatus); wholesale of prepackaged food; retail of prepackaged food; manufacturing of veterinary drugs; sales of veterinary medicine; manufacturing of other wine; wholesale of wine; retail of wine, drinks and tea; wholesale of chemical products (including dangerous chemicals; excluding petroleum products and precursor chemicals); retail of chemical products (except for dangerous chemicals); import and export of technologies; import and export of goods (except for exclusively controlled and franchised merchandise); property management; property leasing; packaging service of transport goods; vehicle weighing service; development and operation of real estate; operation of parking lots; cargo terminal service; road freight transport.</p> <p><u>(If the final business scope of the Company as approved by the Administration for Industry and Commerce is different from that mentioned above, the business scope approved by the Administration for Industry and Commerce shall prevail)</u></p>	<p>operation of unlicensed medical apparatus; operation of licensed medical apparatus; retail of medical supplies and apparatus (excluding pharmaceuticals and medical apparatus); wholesale of prepackaged food; retail of prepackaged food; manufacturing of veterinary drugs; sales of veterinary medicine; manufacturing of other wine; wholesale of wine; retail of wine, drinks and tea; wholesale of chemical products (including dangerous chemicals; excluding petroleum products and precursor chemicals); retail of chemical products (except for dangerous chemicals); import and export of technologies; import and export of goods (except for exclusively controlled and franchised merchandise); property management; property leasing; packaging service of transport goods; vehicle weighing service; development and operation of real estate; operation of parking lots; cargo terminal service; road freight transport.</p> <p><u>(The items in the business scope of the Company which are subject to approval under the laws and administrative regulations of the PRC must obtain the approvals according to the laws)</u></p>
4	<p>Note: The existing Article 136 will be re-numbered as Article 138. No change will be made to the provision of the existing Article 136.</p>	<p><u>Article 136</u></p> <p><u>The Board should first take into account the opinions of the Party Committee of the Company before resolving major issues such as those involving the reform development of the Company, main goals and tasks and key work arrangements. When the Board has to appoint senior management of the Company, the Party Committee shall prepare and make proposals and suggestions on the candidates nominated by the Board or the general manager.</u></p>

No.	Before amendments	After amendments
5	<p>Article 139</p> <p>Regular meetings of the Board are required to be held at least four times a year, to be convened and presided by the chairman (or any director authorized by the chairman). Notices of such meeting shall be issued to the directors through email, telegraph, fax, express mail, registered mail or in person <u>14</u> days before the date of such meeting. In the event of urgent matters, an extraordinary meeting of the Board may be convened at the proposal of one-third (inclusive) or more of the directors or the manager(s) of the Company.</p> <p>Board meetings, in principle, are held at the Company's legal address. However, they may also be held at any other places in or outside of China as resolved by the Board.</p>	<p>Article 141</p> <p>Regular meetings of the Board are required to be held at least four times a year, to be convened and presided by the chairman (or any director authorized by the chairman). Notices of such meeting shall be issued to the directors through email, telegraph, fax, express mail, registered mail or in person <u>10</u> days before the date of such meeting. In the event of urgent matters, an extraordinary meeting of the Board may be convened at the proposal of one-third (inclusive) or more of the directors or the manager(s) of the Company.</p> <p>Board meetings, in principle, are held at the Company's legal address. However, they may also be held at any other places in or outside of China as resolved by the Board.</p>
6	<p>Article 141</p> <p>Where it is necessary to convene a provisional meeting of board of directors, a notice shall be given to the general body of directors by- mail, telephone, telegraph or facsimile at least <u>48 hours</u> in advance.</p> <p>Shareholders representing more than one-tenth of voting rights or more than one-third of directors, supervisors or managers of the Company may propose to convene a provisional meeting of Board. The chairman of the Board shall convene and preside a board meeting within ten days after receiving such proposal.</p>	<p>Article 143</p> <p>Where it is necessary to convene a provisional meeting of board of directors, a notice shall be given to the general body of directors by- mail, telephone, telegraph or facsimile at least <u>5 days</u> in advance. <u>In case of emergency situations, where a provisional meeting of board of directors is required to be convened as soon as possible, notice to convene the meeting may be given by telephone or by other verbal means. The convener of the meeting is required to give an explanation at the meeting.</u></p> <p>Shareholders representing more than one-tenth of voting rights or more than one-third of directors, supervisors or managers of the Company may propose to convene a provisional meeting of Board. The chairman of the Board shall convene and preside a board meeting within ten days after receiving such proposal.</p>

No.	Before amendments	After amendments
7	<p data-bbox="268 300 416 331">Article 158</p> <p data-bbox="268 376 820 629">(i) In order to exercise the function of an independent director, save for the power vested by the company law and other relevant laws, regulations and the Articles of Association, independent directors of the Company shall be vested with the following special power and duties:</p> <ol data-bbox="316 674 820 1668" style="list-style-type: none"> <li data-bbox="316 674 820 1256">1. any material connected transaction (refer to connected transactions entered into between the Company and any connected parties, the aggregate consideration of which is more than RMB3 million and more than 5% of the latest audited net asset value of the Company), shall first be approved by independent directors before being submitted to the Board of directors for discussion. Before making a judgement, independent directors can appoint intermediaries to prepare independent financial adviser's report as the basis for their judgement. <li data-bbox="316 1301 820 1368">2. propose to the Board for the appointment or removal of auditors; <li data-bbox="316 1413 820 1480">3. propose to the Board for convening an extraordinary general meeting; <li data-bbox="316 1525 820 1559">4. propose to convene Board meetings; <li data-bbox="316 1603 820 1668">5. appoint an independent external auditing firm or consultant firm; 	<p data-bbox="847 300 995 331">Article 160</p> <p data-bbox="847 376 1396 629">(i) In order to exercise the function of an independent director, save for the power vested by the company law and other relevant laws, regulations and the Articles of Association, independent directors of the Company shall be vested with the following special power and duties:</p> <ol data-bbox="895 674 1396 1668" style="list-style-type: none"> <li data-bbox="895 674 1396 1256">1. major connected transaction (refer to connected transactions entered into between the Company and any connected parties, the aggregate consideration of which is more than RMB3 million and more than 0.5% of the latest audited net asset value of the Company), shall first be approved by independent directors before being submitted to the Board of directors for discussion. Before making a judgement, independent directors can appoint intermediaries to prepare independent financial adviser's report as the basis for their judgement. <li data-bbox="895 1301 1396 1368">2. propose to the Board for the appointment or removal of auditors; <li data-bbox="895 1413 1396 1480">3. propose to the Board for convening an extraordinary general meeting; <li data-bbox="895 1525 1396 1559">4. propose to convene Board meetings; <li data-bbox="895 1603 1396 1668">5. appoint an independent external auditing firm or consultant firm;

No.	Before amendments	After amendments
	<p>6. solicit proxies from shareholders before proposing to the Board for convening extraordinary general meeting or board meeting or before convening general meeting.</p> <p>(ii) Independent director shall obtain the consent of at least half of all independent directors to exercises the above power.</p> <p>(iii) Should the above proposal not be adopted or the above power not be exercised normally, the Company shall disclose the above matters.</p> <p>(iv) With the approval of all independent directors, an independent director may appoint independent external auditing firm or consultant firm to provide auditing or consulting services in respect of any particular events, and the relevant expenses incurred shall be borne by the Company.</p> <p>(v) Save for the power of directors and special power vested by the Company, an independent director shall abide by all provisions of these Articles of Association in respect of duties of a director.</p>	<p>6. solicit proxies from shareholders before proposing to the Board for convening extraordinary general meeting or board meeting or before convening general meeting.</p> <p>(ii) Independent director shall obtain the consent of at least half of all independent directors to exercises the above power.</p> <p>(iii) Should the above proposal not be adopted or the above power not be exercised normally, the Company shall disclose the above matters.</p> <p>(iv) With the approval of all independent directors, an independent director may appoint independent external auditing firm or consultant firm to provide auditing or consulting services in respect of any particular events, and the relevant expenses incurred shall be borne by the Company.</p> <p>(v) Save for the power of directors and special power vested by the Company, an independent director shall abide by all provisions of these Articles of Association in respect of duties of a director.</p>

No.	Before amendments	After amendments
8	<p data-bbox="268 300 416 331">Article 159</p> <p data-bbox="268 376 820 555">(1) In addition to the performance of aforesaid duties, independent directors shall provide independent views to the Board or the general meetings in respect of the following matters:</p> <ol data-bbox="316 600 820 1843" style="list-style-type: none"> <li data-bbox="316 600 820 667">1. nomination, appointment and removal of Directors; <li data-bbox="316 712 820 779">2. employment or dismissal of senior management personnel; <li data-bbox="316 824 820 925">3. remuneration of Directors and senior management personnel of the Company; <li data-bbox="316 969 820 1373">4. any existing or new loan or any other financial transaction between the Company's shareholders, de facto controlling person and related enterprises and the Company with the aggregate amount over RMB3 million or over <u>5%</u> of the latest audited net assets value of the Company and whether the Company has adopted effective measures to recover outstanding amount; <li data-bbox="316 1417 820 1518">5. any matters which may be to the detriment of the rights of medium and minority shareholders; <li data-bbox="316 1563 820 1664">6. Nil cash distribution proposal recommended by the Board of directors; <li data-bbox="316 1709 820 1742">7. external guarantee of the Company; <li data-bbox="316 1787 820 1843">8. any other matters stipulated in the Company's Articles of Association. 	<p data-bbox="847 300 995 331">Article 161</p> <p data-bbox="847 376 1399 555">(1) In addition to the performance of aforesaid duties, independent directors shall provide independent views to the Board or the general meetings in respect of the following matters:</p> <ol data-bbox="895 600 1399 1843" style="list-style-type: none"> <li data-bbox="895 600 1399 667">1. nomination, appointment and removal of Directors; <li data-bbox="895 712 1399 779">2. employment or dismissal of senior management personnel; <li data-bbox="895 824 1399 925">3. remuneration of Directors and senior management personnel of the Company; <li data-bbox="895 969 1399 1373">4. any existing or new loan or any other financial transaction between the Company's shareholders, de facto controlling person and related enterprises and the Company with the aggregate amount over RMB3 million or over <u>0.5%</u> of the latest audited net assets value of the Company and whether the Company has adopted effective measures to recover outstanding amount; <li data-bbox="895 1417 1399 1518">5. any matters which may be to the detriment of the rights of medium and minority shareholders; <li data-bbox="895 1563 1399 1664">6. Nil cash distribution proposal recommended by the Board of directors; <li data-bbox="895 1709 1399 1742">7. external guarantee of the Company; <li data-bbox="895 1787 1399 1843">8. any other matters stipulated in the Company's Articles of Association.

No.	Before amendments	After amendments
	<p>(2) Independent directors shall give one of the following opinions in respect of the aforesaid matters:</p> <ol style="list-style-type: none"> 1. consent; 2. qualified opinion and its reason; 3. objection and its reason; 4. no comment and the restriction on making comments. <p>(3) If the matters are disclosable, the Company shall also make public announcement on the independent directors' opinion. Where there are dissenting opinions among the independent directors, the Board shall disclose all independent directors' opinion separately</p>	<p>(2) Independent directors shall give one of the following opinions in respect of the aforesaid matters:</p> <ol style="list-style-type: none"> 1. consent; 2. qualified opinion and its reason; 3. objection and its reason; 4. no comment and the restriction on making comments. <p>(3) If the matters are disclosable, the Company shall also make public announcement on the independent directors' opinion. Where there are dissenting opinions among the independent directors, the Board shall disclose all independent directors' opinion separately</p>

No.	Before amendments	After amendments
9	<p data-bbox="268 300 416 331">Article 217</p> <p data-bbox="268 376 820 591">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.</p> <p data-bbox="268 636 820 703">(I) The Company's profit distribution policy is as follows:</p> <p data-bbox="316 748 746 779">1. Principle of profit distribution:</p> <p data-bbox="363 824 820 1223">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.</p>	<p data-bbox="847 300 995 331">Article 219</p> <p data-bbox="847 376 1399 591">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.</p> <p data-bbox="847 636 1399 703">(I) The Company's profit distribution policy is as follows:</p> <p data-bbox="895 748 1326 779">1. Principle of profit distribution:</p> <p data-bbox="943 824 1399 1223">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.</p>

No.	Before amendments	After amendments
	<p data-bbox="316 300 730 331">2. Method of profit distribution:</p> <p data-bbox="363 376 821 1070">The Company may implement profit distribution in the form of cash, bonus shares or a combination of both, or such other forms which are permitted by laws and regulations. For the purpose of profit distribution, distribution in the form of cash dividend shall have priority over dividend in the form of shares. If the Company shall distribute profits in the form of bonus shares, such distribution shall be made subject to the provision of reasonable dividend in the form of cash and maintenance of an appropriate size of share capital, taking into account, among other things, the growth of the Company and dilution of the net asset value per share.</p> <p data-bbox="363 1120 821 1433">Subject to the satisfaction of the conditions for distribution of cash dividend, the Company shall distribute dividend in cash annually. The Board may, subject to conditions and base on the financial position of the Company, recommend the Company to declare interim dividends.</p>	<p data-bbox="895 300 1310 331">2. Method of profit distribution:</p> <p data-bbox="943 376 1401 1070">The Company may implement profit distribution in the form of cash, bonus shares or a combination of both, or such other forms which are permitted by laws and regulations. For the purpose of profit distribution, distribution in the form of cash dividend shall have priority over dividend in the form of shares. If the Company shall distribute profits in the form of bonus shares, such distribution shall be made subject to the provision of reasonable dividend in the form of cash and maintenance of an appropriate size of share capital, taking into account, among other things, the growth of the Company and dilution of the net asset value per share.</p> <p data-bbox="943 1120 1401 1433">Subject to the satisfaction of the conditions for distribution of cash dividend, the Company shall distribute dividend in cash annually. The Board may, subject to conditions and base on the financial position of the Company, recommend the Company to declare interim dividends.</p>

No.	Before amendments	After amendments
	<p data-bbox="316 300 820 367">3. Conditions of profit distribution and minimum dividend proportion:</p> <p data-bbox="363 412 820 1144">The Company shall pay dividends and the total amount of cash dividends so paid (including the interim dividend in cash having been distributed) shall not be less than 10% of the net profit attributable to shareholders of the Company for the year and the accumulated profits distributed in cash in the last three years shall not be less than 30% of the average realized annual distributable profits for the last three years, 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.</p> <p data-bbox="363 1189 820 1368">No dividend shall be distributed before the Company offsets its losses and makes contributions to the statutory surplus reserve and the statutory public welfare fund.</p> <p data-bbox="363 1413 820 1695">Material investment plan or material cash expense means the proposed external investment, acquisition or purchase of assets by the Company in the next twelve months with accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company.</p>	<p data-bbox="895 300 1399 367">3. Conditions of profit distribution and minimum dividend proportion:</p> <p data-bbox="943 412 1399 1144">The Company shall pay dividends and the total amount of cash dividends so paid (including the interim dividend in cash having been distributed) shall not be less than 10% of the net profit attributable to shareholders of the Company for the year and the accumulated profits distributed in cash in the last three years shall not be less than 30% of the average realized annual distributable profits for the last three years, 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.</p> <p data-bbox="943 1189 1399 1368">No dividend shall be distributed before the Company offsets its losses and makes contributions to the statutory surplus reserve and the statutory public welfare fund.</p> <p data-bbox="943 1413 1399 1695">Material investment plan or material cash expense means the proposed external investment, acquisition or purchase of assets by the Company in the next twelve months with accumulated expenses amounting to or exceeding 10% of the latest audited net assets of the Company.</p>

No.	Before amendments	After amendments
	<p>For distribution of dividends, the Board shall take into account, among other things, features of the industries where the Company operates, stage of development, the Company's own business model, profits level and whether there is significant capital expenditure arrangement in distinguishing the following situations and form different profits distribution proposals in accordance with the provisions of the Articles of Association:</p> <p>(1) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends shall be at least 80% in the profit distribution;</p> <p>(2) If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 40% in the profit distribution;</p> <p>(3) If the Company is at the growing stage and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 20% in the profit distribution.</p> <p>If it is difficult to distinguish the Company's stage of development but there is significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution.</p>	<p>For distribution of dividends, the Board shall take into account, among other things, features of the industries where the Company operates, stage of development, the Company's own business model, profits level and whether there is significant capital expenditure arrangement in distinguishing the following situations and form different profits distribution proposals in accordance with the provisions of the Articles of Association:</p> <p>(1) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends shall be at least 80% in the profit distribution;</p> <p>(2) If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 40% in the profit distribution;</p> <p>(3) If the Company is at the growing stage and has significant capital expenditure arrangement, the proportion of cash dividends shall be at least 20% in the profit distribution.</p> <p>If it is difficult to distinguish the Company's stage of development but there is significant capital expenditure arrangement, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution.</p>

No.	Before amendments	After amendments
	<p data-bbox="316 302 821 517">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.</p> <p data-bbox="268 562 821 629">(II) Procedures for decision making on profit distribution by the Company:</p> <p data-bbox="316 674 821 1326">The management of the Company shall make reasonable proposals on profit distribution to the Board based on, among other things, the provisions of the Articles of Association, size of share capital, profits, investment arrangements, capital needs, cash flow and returns to the shareholders of the Company. The Board should fully and widely listen to the opinions of the independent directors and minority shareholders with respect to the profit distribution proposal through multiple channels and propose detailed annual or interim profit distribution plans which are scientific and reasonable. The independent directors shall fully express their independent opinions with respect to such profit distribution plan(s).</p>	<p data-bbox="890 302 1396 517">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.</p> <p data-bbox="842 562 1396 629">(II) Procedures for decision making on profit distribution by the Company:</p> <p data-bbox="890 674 1396 1326">The management of the Company shall make reasonable proposals on profit distribution to the Board based on, among other things, the provisions of the Articles of Association, size of share capital, profits, investment arrangements, capital needs, cash flow and returns to the shareholders of the Company. The Board should fully and widely listen to the opinions of the independent directors and minority shareholders with respect to the profit distribution proposal through multiple channels and propose detailed annual or interim profit distribution plans which are scientific and reasonable. The independent directors shall fully express their independent opinions with respect to such profit distribution plan(s).</p>

No.	Before amendments	After amendments
	<p>When the profit distribution plan(s) is being considered by the Board, it shall be approved by the majority of all directors and approved by more than one half of the independent directors who are also required to express their explicit independent opinions. When the profit distribution plan(s) is being considered by the supervisory committee, it shall be approved by the majority of all supervisors. The profit distribution plan(s) should only be submitted to the shareholders' meeting for consideration and approval after it has been considered and approved by the Board and the supervisory committee and the plan(s) shall be approved by shareholders present at the general meeting and who hold more than <u>two-thirds</u> of the voting rights.</p> <p>Independent directors may solicit opinions of minority shareholders, propose profit distribution plans and directly submit them to the Board for consideration. The performance of the above functions and exercise of the above authorities by independent directors must be approved by more than one half of all the independent directors.</p>	<p>When the profit distribution plan(s) is being considered by the Board, it shall be approved by the majority of all directors and approved by more than one half of the independent directors who are also required to express their explicit independent opinions. When the profit distribution plan(s) is being considered by the supervisory committee, it shall be approved by the majority of all supervisors. The profit distribution plan(s) should only be submitted to the shareholders' meeting for consideration and approval after it has been considered and approved by the Board and the supervisory committee and the plan(s) shall be approved by shareholders present at the general meeting and who hold more than <u>half</u> of the voting rights.</p> <p>Independent directors may solicit opinions of minority shareholders, propose profit distribution plans and directly submit them to the Board for consideration. The performance of the above functions and exercise of the above authorities by independent directors must be approved by more than one half of all the independent directors.</p>

No.	Before amendments	After amendments
	<p>(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. When considering the revised proposal with regard to cash distribution policies, the Company should, through network voting and other ways, to provide convenience for minority shareholders in connection with their attendance at the shareholders' meeting, and such proposal shall be approved by more than two thirds of the voting rights held by the shareholders present at the shareholders' meeting.</p> <p><u>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.</u></p>	<p>(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. When considering the revised proposal with regard to cash distribution policies, the Company should, through network voting and other ways, to provide convenience for minority shareholders in connection with their attendance at the shareholders' meeting, and such proposal shall be approved by more than two thirds of the voting rights held by the shareholders present at the shareholders' meeting.</p> <p><u>In special circumstances where the Company cannot determine the annual profit distribution according to the established cash distribution policy or the minimum cash distribution ratio, the Company shall disclose the reasons in the annual report and the express opinions of the independent directors. The annual profit distribution shall be approved by more than two thirds of the voting rights held by the shareholders present at the shareholders' meeting.</u></p>

No.	Before amendments	After amendments
	<p>(IV) The Company shall expressly disclose the details about the formulation and implementation of the cash dividend policy in its annual report, and state the details of the following matters:</p> <ol style="list-style-type: none"> 1. Whether the policy is in compliance with the requirements of the Articles of Association or the resolutions passed at the general meeting; 2. Whether the basis and ratio of the distribution of dividends are specific and clear; 3. Whether the relevant decision making procedure and system are sound; 4. Whether the independent directors have duly performed their duties and functions; 5. Whether there are enough opportunities for minority shareholders to express their views and concerns, and whether their legal interests are sufficiently protected, etc. <p>If the cash dividend policy is to be adjusted or changed, the Company shall disclose the details of such policy, such as whether the conditions and procedures for the adjustments or changes are in compliance with the regulations and are transparent.</p>	<p>(IV) The Company shall expressly disclose the details about the formulation and implementation of the cash dividend policy in its annual report, and state the details of the following matters:</p> <ol style="list-style-type: none"> 1. Whether the policy is in compliance with the requirements of the Articles of Association or the resolutions passed at the general meeting; 2. Whether the basis and ratio of the distribution of dividends are specific and clear; 3. Whether the relevant decision making procedure and system are sound; 4. Whether the independent directors have duly performed their duties and functions; 5. Whether there are enough opportunities for minority shareholders to express their views and concerns, and whether their legal interests are sufficiently protected, etc. <p>If the cash dividend policy is to be adjusted or changed, the Company shall disclose the details of such policy, such as whether the conditions and procedures for the adjustments or changes are in compliance with the regulations and are transparent.</p>

Note: The numbering of chapters and articles of the amended Articles of Association will be re-numbered in accordance with the numbering of the amended chapters and articles in the Articles of Association arising from the changes in the numbering of the original chapters and articles due to the additions of certain chapters and under the Proposed Amendments. The amended Articles of Association will also be revised accordingly for any changes in the numbering of the chapters and articles with cross- reference made in the original Articles of Association.

The Articles of Association are written in Chinese. In case of any inconsistencies between the Chinese and the English version, the Chinese version shall prevail.

1. Biographical details

Mr. Li Hong, aged 51, holds a bachelor degree and a MBA degree. Mr. Li also holds the titles of engineer and senior political work engineer and possesses the qualification of licensed pharmacist. Mr. Li is a specially appointed committee member of the Guangdong Committee of the Chinese People's Political Consultative Conference. Mr. Li started his career in July 1990. He has served as a director and the chairperson of the board of Guangzhou Baiyunshan Qiao Guang Pharmaceutical Co., Ltd.* (廣州白雲山僑光製藥有限公司), a director and the general manager of Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd.* (廣州白雲山天心製藥股份有限公司); a general manager, chairperson and secretary of the party committee of Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd.* (廣州白雲山明興製藥有限公司); a director of Guangzhou Baiyunshan Pharmaceutical Co., Ltd.* (廣州白雲山製藥股份有限公司) and an assistant to the general manager of GPHL. Mr. Li is currently a member of the Party Committee of GPHL, a party branch secretary of Guangzhou Haima Pharmaceutical Advertising Co., Ltd.* (廣州醫藥海馬品牌整合傳播有限公司) and a member of the Party Committee of the Company. Mr. Li was also the general manager of the Company as at the LPD.

2. Term of office

If elected, the term of office of Mr. Li Hong as a member of the 7th session of the Board shall commence from the date on which he is elected up to the date on which the members of the new session of the Board (i.e. the 8th session) are elected. On this basis, it is expected that the term of office of Mr. Li as a member of the 7th session of the Board will be approximately two years. The Company will enter into a service agreement with Mr. Li if he is elected as a Director at the AGM.

3. Remuneration

If elected at the AGM, the remuneration expected to be paid by the Company to Mr. Li Hong as a Director in 2018 will not be more than RMB1,500,000 and will be adjusted in accordance with the "Measures in relation to the remuneration for, and performance assessment on, the senior management of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited".

4. Interests in the shares of the Company within the meaning of Part XV of the SFO

Set out below are the interests of Mr. Li Hong in the shares of the Company as at the LPD:

Capacity	Number of A Shares under the Employee Stock Ownership Scheme (2015)	Approximate percentage in the issued A Shares of the Company	Approximate percentage in the entire issued share capital of the Company
Beneficial owner	10,000	0.0007	0.0006

As at the LPD and save as disclosed above, neither Mr. Li Hong nor his associates had any interest in the shares of the Company within the meaning of Part XV of the SFO. The interests of Mr. Li Hong in the A Shares as disclosed in the above are held by the asset manager of the Employee Stock Ownership Scheme (2015) for the benefits of Mr. Li Hong. Details of the Employee Stock Ownership Scheme (2015) were set out in the Placing Circular and the circular of the Company dated 19 May 2015, respectively.

5. No other information required to be disclosed

As at the LPD and save as disclosed above, Mr. Li Hong:

- (a) did not have any relationship with any other Directors, Supervisors, senior management or substantial or controlling shareholders of the Company;
- (b) did not have or was not deemed to have any interest in the shares of the Company within the meaning of Part XV of the SFO;
- (c) did not hold any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas;
- (d) did not hold any position in the Company or other members of the Group; and
- (e) had no other matters that needed to be brought to the attention of the Shareholders and there was no information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Hong Kong Listing Rules.

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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 00874)

NOTICE OF THE 2017 ANNUAL GENERAL MEETING

IMPORTANT NOTICE

- Date and time of the 2017 annual general meeting (the “**AGM**”) to be held on-site: 22 June 2018 (Friday) at 10:00 a.m.
- Registration date of the AGM: 21 May 2018 (Monday)
- Place at which the AGM will be held: Conference Room of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”), 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People's Republic of China (the “**PRC**”)
- Manner of the voting at the AGM: the manner of the voting at the AGM will be both on-site and by way of network voting (applicable to A shares)

I. INFORMATION REGARDING THE CONVENING OF THE AGM

1. The resolution on convening the AGM was considered and passed at the 7th meeting of the seventh session of the board of directors of the Company (the “**Board**”)
2. Date and time of the AGM: 22 June 2018 (Friday) at 10:00 a.m.
3. Place at which the AGM will be held: Conference Room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC.
4. The convener of the meeting: the Board.
5. Manner of voting: the manner of voting for the AGM will be both on-site and by way of network voting (applicable to A shares).

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6. The system, commencement date, ending date and voting time of the network voting (applicable to A shares):

The Company shall utilize the network voting system of The Shanghai Stock Exchange. The time for casting votes via the voting platform of the trading system is the trading sessions on the date on which the AGM will be held (22 June 2018) i.e. 9:15 to 9:25, 9:30 to 11:30 and 13:00 to 15:00. The time for casting votes via network voting will be from 9:15 to 15:00 on the date on which the AGM will be held.

7. The voting procedure of accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link:

The voting procedure of accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link shall be conducted in accordance with, among others, the relevant provisions of the Detailed Rules of the Shanghai Stock Exchange for Online Voting at Shareholders' General Meetings of Listed Companies.

8. Solicitation of shareholders' voting rights

Not applicable.

II. MATTERS TO BE CONSIDERED AT THE AGM

- (1) To be considered and approved by way of ordinary resolutions:

1. Report of the Board for year 2017;
2. Report of the supervisory committee of the Company for year 2017;
3. Financial report of the Company for year 2017;
4. Auditors' report of the Company for year 2017;
5. Proposal on profit distribution and dividend payment of the Company for year 2017;
6. Proposal on the financial and operational targets and annual budget of the Company for year 2018;
7. Resolutions on the emoluments to be paid to the directors of the Company for year 2018:
 - 7.1 Resolution on the emoluments to be paid to Mr. Li Chuyuan (the Chairperson of the Board) for year 2018;

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- 7.2 Resolution on the emoluments to be paid to Mr. Chen Mao (the Vice Chairperson of the Board) for year 2018;
- 7.3 Resolution on the emoluments to be paid to Ms. Liu Juyan (an executive director) for year 2018;
- 7.4 Resolution on the emoluments to be paid to Ms. Cheng Ning (an executive director) for year 2018;
- 7.5 Resolution on the emoluments to be paid to Mr. Ni Yidong (an executive director) for year 2018;
- 7.6 Resolution on the emoluments to be paid to Mr. Wu Changhai (an executive director) for year 2018;
- 7.7 Resolution on the emoluments to be paid to Mr. Chu Xiaoping (an independent non-executive director) for year 2018;
- 7.8 Resolution on the emoluments to be paid to Mr. Jiang Wenqi (an independent non-executive director) for year 2018;
- 7.9 Resolution on the emoluments to be paid to Mr. Wong Hin Wing (an independent non-executive director) for year 2018;
- 7.10 Resolution on the emoluments to be paid to Ms. Wang Weihong (an independent non-executive director) for year 2018;
8. Resolutions on the emoluments to be paid to the supervisors of the Company for year 2018:
 - 8.1 Resolution on the emoluments to be paid to Mr. Xian Jiaxiong (the Chairperson of the Supervisory Committee) for year 2018;
 - 8.2 Resolution on the emoluments to be paid to Ms. Li Jinyun (the Supervisor representing the employees) for year 2018;
 - 8.3 Resolution on the emoluments to be paid to Ms. Gao Yanzhu (a Supervisor) for year 2018;
9. Resolution on the amounts of guarantees to be provided by the Company to secure bank loans for some of its subsidiaries;
10. Resolution on the application by the Company for general banking facilities not exceeding RMB4 billion;

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11. Resolution on the entrusted borrowing and entrusted loans business between the Company and its subsidiaries;
12. Resolution on the anticipated amounts of the ordinary and usual connected transactions for year 2018;
13. Shareholders' Return Plan of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited for the three years from 2018 to 2020;
14. Resolution on changing the usage of land on which the project of the construction of the Great Southern TCM research and development platform will be implemented;
15. Resolution on the proposed cash management of part of the temporary idle proceeds from fund raising of the Company;
16. Resolution on the proposed cash management of part of the temporary internal idle funds of the Company and its subsidiaries;
17. Resolution on the appointment of Ruihua Certified Public Accountants as the auditor of the Company for year 2018;
18. Resolution on the appointment of Ruihua Certified Public Accountants as the auditor for the internal control of the Company for year 2018;
19. Resolution on amendments to the rules of procedures of the Board of Directors of the Company; and
20. Resolution on amendments to the rules of procedures of the Supervisory Committee of the Company.

The above resolutions were approved at the 7th meeting of the seventh session of the Board and the 6th meeting of the seventh session of the supervisory committee of the Company held on 15 March 2018, the 8th meeting of the seventh session of the Board and the 7th meeting of the seventh session of the supervisory committee of the Company held on 18 April 2018, the 9th meeting of the seventh session of the Board and the 8th meeting of the seventh session of the supervisory committee of the Company held on 26 April 2018.

(2) To be considered and approved by way of special resolution:

21. Resolution on granting general mandate to the Board for issuing new shares of the Company;

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- (i) Subject to the satisfaction of the conditions set out in paragraphs (a), (b) and (c) below, an unconditional general mandate be granted to the Board to allot, issue and deal with the A shares (the “**A Shares**”) and/or the H shares (the “**H Shares**”) of the Company during the Relevant Period (as defined below) and to make or grant offers, agreements and options in this connection:
 - (a) save and except that the Board may make or grant offers, agreements and options pursuant to the unconditional general mandate during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period, the unconditional general mandate may exercise only during the Relevant Period;
 - (b) the aggregate number of the A Shares and/or H Shares allotted, issued and dealt whether conditionally or unconditionally (whether pursuant to an option or otherwise) by the Board during the Relevant Period, other than the shares issued pursuant to a rights issue or the right to purchase the shares of the Company under any option scheme or similar arrangement, shall not exceed 20% of each of the A Shares and/or H Shares in issue as at the date of passing this resolution; and
 - (c) in exercising the mandate granted above, the Board must comply with the Companies Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other applicable laws, rules and regulations of governments or regulatory authorities and have obtained approvals from the China Securities Regulatory Commission and/or other relevant PRC government departments;
- (ii) For the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
 - (a) the conclusion of the next annual general meeting following the passing of this special resolution; or
 - (b) the expiration of a period of twelve months following the passing of this special resolution; or
 - (c) the date on which the authority granted to the Board as set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting; and
- (iii) Subject to paragraph (i), the Board be and is hereby authorized to approve the increase in the registered capital of the Company to reflect the number of shares issued pursuant to the general mandate granted under paragraph (i) of this special resolution and to make such corresponding amendments to the articles of association of the Company to reflect the increase in the registered capital of the Company and to take such necessary actions and to complete such necessary procedures to reflect the issue of shares and the increase in the registered capital of the Company in connection with paragraph (i) of this special resolution;

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22. Resolution on amendments to Articles of Association; and

The above resolutions were approved at the 7th meeting of the seventh session of the Board held on 15 March 2018 and the 9th meeting of the seventh session of the Board held on 26 April 2018.

- (3) Election of a member of the seventh session of the Board by way of cumulative poll:

23. Resolution on the election of Mr. Li Hong as an executive director of the Company and the emoluments to be paid to him for year 2018.

The above resolution was approved at the 7th meeting of the seventh session of the Board held on 15 March 2018 and the 9th meeting of the seventh session of the Board held on 26 April 2018. Further information in relation to the cumulative poll is set out in the proxy form in relation to the AGM.

III. ATTENDEES OF THE AGM AND BOOK CLOSURE PERIOD FOR HOLDERS OF H SHARES

1. Holders of domestic shares (A shares) and overseas listed foreign shares (H shares) whose names appear on the register of members of the Company after the end of the trading hours on 21 May 2018 (Monday) (including those holders of H shares who have submitted verified application documents for the transfer of shares on or before 21 May 2018 (Monday) are entitled to attend the AGM. The register of members of the Company will be closed from 23 May 2018 (Wednesday) to 22 June 2018 (Friday) (both days inclusive) during which no transfer of H shares will be effected. In order to determine who are entitled to attend the AGM, all share transfer documents of H shares together with the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, namely Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for share transfer registration no later than 4:00 p.m. on 21 May 2018 (Monday).
2. Any shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (whether or not he/she is a shareholder) to attend and vote at the meeting on his/her behalf. If any shareholder appoints more than one proxy, the proxies can only vote by poll. To be valid, the proxy form and the notarially certified power of attorney and/or other documents of authorization (if any) must be delivered to the address of the Company's office (for holders of A shares) or the office address of the Company's H share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H shares) no less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof.
3. Shareholders who intend to attend the AGM in person or by proxy should complete and return the attached reply slip by hand, by mail or by fax in accordance with the instructions printed thereon before 1 June 2018 (Friday).
4. The directors, supervisors and senior management of the Company.
5. The lawyers and the auditors of the Company.

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IV. REGISTRATION FOR THE AGM

1. Methods of registration

To attend the AGM, an individual shareholder should bring along his/her identity card, shareholder account card; a proxy should bring along the proxy form, his/her identity card and the identity card of the principal and the shareholder account card for registration purpose. A legal person shareholder should bring along a copy of the business license, the proxy form signed by the legal entity, the shareholder account card and the identity card of the attendee for registration purpose.

2. Place and time of registration:

Registration date and time: 09:30 a.m.-11:30 a.m. and 2:30 p.m.- 4:30 p.m. on 1 June 2018 (Friday)

Place of registration: Office of the secretariat to the Board, 2nd Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

V. OTHERS

1. Address: 2nd Floor of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

Postal code: 510130

Contact person: Huang Ruimei/Tan Yanli

Tel: (8620) 6628 1217/6628 1220

Fax: (8620) 6628 1229

Email: sec@gybys.com.cn

2. Address of Shanghai Branch Company of China Securities Depository and Clearing Corporation Limited: 3/F., China Insurance Building, No. 166 Lujiazui Road East, Shanghai, the PRC

Address of Hong Kong Registrars Limited: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

3. The AGM is expected to last for a day. Shareholders attending the AGM shall be responsible for their own travelling and accommodation expenses.

4. Reporters attending the AGM shall register before the registration time for the shareholders.

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VI. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolutions passed at the 7th meeting of the seventh session of the Board and the relevant announcement.
2. Resolutions passed at the 6th meeting of the seventh session of the supervisory committee of the Company and the relevant announcement.
3. Resolutions passed at the 8th meeting of the seventh session of the Board and the relevant announcement.
4. Resolutions passed at the 7th meeting of the seventh session of the supervisory committee of the Company and the relevant announcement.
5. Resolutions passed at the 9th meeting of the seventh session of the Board and the relevant announcement.
6. Resolutions passed at the 8th meeting of the seventh session of the supervisory committee of the Company and the relevant announcement.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 4 May 2018

As at the date of this notice, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Wu Changhai as executive directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive directors.