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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licenced securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guangzhou Pharmaceutical Company Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)

**MAJOR TRANSACTION**

**DISPOSAL, DEEMED DISPOSAL AND MATERIAL DILUTION OF  
EQUITY INTEREST IN A MAJOR SUBSIDIARY**

**Financial Adviser**

**CAOSH**

**CELESTIAL CAPITAL LIMITED**

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A letter from the Board is set out on pages 1 to 15. The respective notices convening the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders to be held at Conference Room of the Company, 45 Sha Mian North Street, Guangzhou, PRC on 2 April 2007 (Monday) are set out on pages 25 to 38 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

14 February 2007

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## DEFINITIONS

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

“Adjusted Valuated NAV”	the valuated net asset value of GP Corp. as at 30 September 2006 in the amount of approximately RMB563,150,000 (which was arrived at based on the asset valuation report dated 10 December 2006 prepared by Guangdong Yangcheng Certified Public Accountants Company Limited (廣東羊城會計師事務所有限公司), a qualified independent asset valuer in the PRC, and without taking into account a property (the “Property”, net book value of which was approximately RMB35,000,000 as at 30 June 2006) disposed of by GP Corp. to the Company for a consideration of approximately RMB41,000,000 (being the market value of the Property based on the valuation prepared by Guangdong Yangcheng Assets and Land and Property Valuation Company Limited (廣東羊城資產與土地房地產估價有限公司)) after the valuation date of the net asset value of GP Corp.), being adjusted by (i) a premium of the Transactions which was agreed by the Company and Alliance BMP after arm’s length negotiation, being RMB1,850,000; and (ii) the net proceeds of approximately RMB40,000,000 in relation to the disposal of the Property by GP Corp. to the Company
“Affiliate(s)”	in respect of a party, means a company or an entity which (i) is owned and/or controlled as to over 49% interest therein by that party; or (ii) owns and/or controls, over 49% interest of that party; or (iii) is under common control with that party from time to time
“Alliance Boots”	Alliance Boots plc, a company incorporated in the United Kingdom, the ordinary shares of which are listed on the London Stock Exchange
“Alliance BMP”	Alliance BMP Limited, a company incorporated in the United Kingdom which is owned as to 80% by Alliance UniChem Group Limited, which in turn is a wholly-owned subsidiary ultimately owned by Alliance Boots and as to 20% by Beijing Med-Pharm
“Announcement”	the announcement made by the Company dated 30 January 2007 in relation to the Transactions
“Articles of Association”	the amended and restated articles of association of GP Corp. entered into between the Company and Alliance BMP

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## DEFINITIONS

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“Beijing Med-Pharm”	Beijing Med-Pharm Corporation, a company incorporated in the State of Delaware of the United States, the common shares of which are listed on the NASDAQ
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in the PRC and the United Kingdom, other than Saturday, Sunday and public holidays in both places
“Capital Increase”	the proposed contribution by Alliance BMP to GP Corp. of a total amount of RMB485,089,000 (equivalent to approximately HK\$486,548,645.94) under the Capital Increase Contract, of which RMB178,000,000 (equivalent to approximately HK\$178,535,606.82) will be contributed to the increased registered capital of GP Corp. and RMB307,089,000 (equivalent to approximately HK\$308,013,039.12) will be accounted for as capital surplus of GP Corp.
“Capital Increase Contract”	the capital increase contract dated 27 January 2007 and entered into between the Company and Alliance BMP in relation to the Capital Increase
“Capital Transfers”	the proposed transfers to Alliance BMP by Jingxiutang, Pangaoshou and the Individual Vendors of their respective interests in the registered capital of GP Corp., which represent approximately 3.919%, 3.919% and 2.072% of the equity interests therein respectively
“Capital Transfer Contract”	the capital transfer contract dated 27 January 2007 and entered into between Jingxiutang, Pangaoshou, the Individual Vendors and Alliance BMP in relation to the Capital Transfers
“Company”	Guangzhou Pharmaceutical Company Limited, a joint stock company with limited liability established in the PRC, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange
“Director(s)”	the directors of the Company
“Domestic Shareholders”	the holders of the domestic Shares

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving and confirming, inter alia, the Transactions
“GP Corp.”	廣州醫藥有限公司 (Guangzhou Pharmaceutical Corporation), a company incorporated in the PRC which is owned as to approximately 90.090% by the Company and as to approximately 3.919% by Jingxiutang, as to approximately 3.919% by Pangaoshou, and as to approximately 2.072% by the Individual Vendors as at the Latest Practicable Date
“GP Corp. Group”	GP Corp. and its subsidiaries
“GPHL”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a limited liability company incorporated in the PRC and the controlling shareholder of the Company, which owns approximately 57.79% of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Shareholders”	the holders of the H Shares
“Independent Third Party(ies)”	third party(ies) which is (are) independent of the Company and connected persons of the Company and has the meaning ascribed thereto under the Listing Rules
“Individual Vendors”	33 individuals who in aggregate own approximately 2.072% interest in GP Corp., of which 32 of whom are employees / ex-employees of the Group and the remaining one, Mr. Feng Zansheng, is a Director
“Jingxiutang”	廣州敬修堂(藥業)股份有限公司(Guangzhou Jing Xiu Tang (Pharmaceutical) Co., Ltd.), a company incorporated in the PRC which is owned as to approximately 88.40% by the Company and is principally engaged in manufacturing of Chinese patent medicine
“JV Contract”	the joint venture contract dated 27 January 2007 and entered into between the Company and Alliance BMP to regulate the affairs relating to the business and management of, as well as their respective rights and obligations as owners of the equity interests in GP Corp., upon completion of the Capital Transfers and the Capital Increase

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## DEFINITIONS

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“JV Business Licence”	the revised business licence of GP Corp. to be issued by the relevant State Administration for Industry and Commerce of the PRC following the consummation of the Transactions
“JV Establishment”	the establishment of a Sino-foreign equity joint venture of the Company and Alliance BMP by transforming GP Corp. into a Sino-foreign limited liability company upon completion of the Capital Transfers and the Capital Increase
“Latest Practicable Date”	9 February 2007, the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“NASDAQ”	NASDAQ Global Company
“Pangaoshou”	廣州潘高壽藥業股份有限公司 (Guangzhou Pangaoshou Pharmaceutical Co., Ltd.), a company incorporated in the PRC which is owned as to approximately 87.77% by the Company and is principally engaged in manufacturing of Chinese patent medicine
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“PRC GAAP”	the generally accepted accounting rules and regulations in the PRC
“Property”	Sui Kang Mansion (穗康大廈), situated at No. 82, Shang Jiu Road, Li Wan District, Guangzhou City (廣州市荔灣區上九路82號)
“Relevant Financial Assistance”	various amounts due from GP Corp. to the Group (other than GP Corp. Group) of approximately RMB212,660,000 in total as at the Latest Practicable Date
“Relevant Guarantees”	guarantees provided or agreed to be provided by the Group (other than GP Corp. Group) in respect of banking facilities of up to RMB800,000,000 in total granted or to be granted to GP Corp. (as at the Latest Practicable Date, banking facilities of up to RMB490,000,000 in total have been granted to GP Corp.)

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the Capital Transfers, the Capital Increase and the JV Establishment
“Transaction Documents”	the Capital Transfer Contract, the Capital Increase Contract, the JV Contract and the Articles of Association
“United States”	the United States of America
“Vendors”	Jingxiutang, Pangaoshou and the Individual Vendors, which are parties to the Capital Transfer Contract, pursuant to which they have agreed to sell their equity interests in GP Corp. to Alliance BMP, and the “Vendor” refers to any one of them
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

*In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at a conversion rate of HK\$1.00 = RMB0.997 for the purpose of illustration only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. YANG Rongming

Mr. CHEN Zhinong

Mr. FENG Zansheng

*Registered office and principal place of business:*

45 Sha Mian North Street

Guangzhou City

Guangdong Province, PRC

*Independent non-executive Directors:*

Mr. WU Zhang

Mr. WONG Hin Wing

Mr. ZHANG Heyong

*Place of business in Hong Kong:*

Room 2005, 20th Floor

Tower Two, Lippo Centre

89 Queensway

Hong Kong

*Supervisors:*

Mr. CHEN Canying

Mr. OUYANG Qiang

Mr. ZHONG Yugan

14 February 2007

To the Shareholders

Dear Sir or Madam,

### MAJOR TRANSACTION

#### DISPOSAL, DEEMED DISPOSAL AND MATERIAL DILUTION OF EQUITY INTEREST IN A MAJOR SUBSIDIARY

#### INTRODUCTION

On 30 January 2007, the Company announced that on 27 January 2007,

- (i) Jingxiutang, Pangaoshou, the Individual Vendors and Alliance BMP entered into the Capital Transfer Contract, pursuant to which Jingxiutang, Pangaoshou and the Individual Vendors have conditionally agreed to sell and Alliance BMP has conditionally agreed to purchase in aggregate approximately 9.910% of the equity interest in GP Corp; and



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## LETTER FROM THE BOARD

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- (ii) the Company and Alliance BMP entered into (a) the Capital Increase Contract, pursuant to which the parties have conditionally agreed that the registered capital of GP Corp. shall be increased from RMB222,000,000 to RMB400,000,000 and Alliance BMP shall contribute the relevant increased registered capital in full; and (b) the JV Contract and the Articles of Association to regulate the affairs relating to the business and management of, as well as the respective rights and obligations of the Company and Alliance BMP as owners of the equity interests in, GP Corp. upon completion of the Capital Transfers and the Capital Increase.

The Capital Increase constitutes a deemed disposal of the Company's equity interest in respect of a subsidiary of the Company under Rule 14.29 of the Listing Rules. The Capital Transfers and the Capital Increase as a whole (i) constitute a major transaction for the Company under the Listing Rules, and (ii) constitute a material dilution of the Group's equity interest in GP Corp., a major subsidiary of the Company, under Rule 19A.38 of the Listing Rules. The purpose of this circular is to provide you with further information in relation to the Transactions.

### CAPITAL TRANSFER CONTRACT

#### Date

27 January 2007

#### Parties

Vendors: Jingxiutang, Pangaoshou and the Individual Vendors.

Purchaser: Alliance BMP.

Jingxiutang and Pangaoshou are non-wholly-owned subsidiaries of the Company which are owned as to approximately 88.40% and approximately 87.77% by the Company respectively.

Among the 33 Individual Vendors, (i) 32 of them are employees / ex-employees of the Group and, to the best knowledge, information and belief of the Directors and after making all reasonable enquires, are Independent Third Parties; and (ii) the remaining one, Mr. Feng Zansheng, is a Director.

To the best of the Directors' knowledge, information and belief and after making all reasonable enquires, Alliance BMP and its ultimate beneficial owners, are Independent Third Parties.

#### Capital to be transferred

GP Corp. is a limited liability company established in the PRC. At present, the registered capital of GP Corp. in the total amount of RMB222,000,000 is contributed as to approximately 90.090%, 3.919%, 3.919% and 2.072% by the Company, Jingxiutang, Pangaoshou and the Individual Vendors respectively.

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## LETTER FROM THE BOARD

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The parties to the Capital Transfer Contract have conditionally agreed to the transfers of all of the interests of the Vendors in the registered capital of GP Corp., being RMB22,000,000 in total and representing approximately 9.910% of the equity interest in GP Corp., to Alliance BMP.

### **Terms of the Capital Transfer Contract**

The aggregate consideration for the Capital Transfers is RMB59,955,500 (equivalent to approximately HK\$60,135,907.72), which will be paid by Alliance BMP to the Vendors in respect of their respective equity interests in GP Corp. as follows:

<b>Vendors</b>	<b>Amount of consideration receivable under the Capital Transfers</b>
Jingxiutang	RMB23,709,950
Pangaoshou	RMB23,709,950
Individual Vendors	RMB12,535,600

The terms of the Capital Transfer Contract, including the consideration payable thereunder, were determined after arm's length negotiation between the Vendors and Alliance BMP by taking into account the Adjusted Valuated NAV of approximately RMB605,000,000 (which was arrived at after taking into account, inter alia, the asset valuation report dated 10 December 2006 prepared by Guangdong Yangcheng Certified Public Accountants Company Limited (廣東羊城會計師事務所有限公司), a qualified independent asset valuer in the PRC) and the factors set out in the paragraph headed "Reasons for the Transactions" below. The Directors, including the independent non-executive Directors, consider that the proposed transfers by Jingxiutang and Pangaoshou, two non-wholly-owned subsidiaries of the Company, of their respective equity interests in GP Corp. under the Capital Transfers, together with the Capital Increase and the JV Establishment, are in the interest of the Group and the Shareholders as a whole, and the terms of the Capital Transfer Contract are fair and reasonable.

### **Conditions of the Capital Transfer Contract**

Completion of the Capital Transfer Contract shall be conditional upon the parties thereto having obtained all necessary approvals, licences, consents and registrations from the relevant government authorities for the transactions contemplated under all the Transaction Documents.

Alliance BMP may waive all or any of the conditions of the Capital Transfer Contract at any time by notice in writing to the Vendors.

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## LETTER FROM THE BOARD

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### **Completion of the Capital Transfer Contract**

Subject to the fulfilment or waiver (as the case may be) of the conditions of the Capital Transfer Contract in full, completion of the Capital Transfers will take place upon full payment of the aggregate consideration for the Capital Transfers by Alliance BMP to the Vendors within ten (10) Business Days from the date of issuance of the JV Business Licence. In the event that the conditions are not fulfilled or waived (as the case may be) in full within nine (9) months from the signing date of the Capital Transfer Contract (or such later date as Alliance BMP may determine and notify the Vendors in writing), any party to the Capital Transfer Contract shall have the right to terminate the same by giving written notice to the other parties, in which case the Capital Transfers shall not proceed.

### **CAPITAL INCREASE CONTRACT**

#### **Date**

27 January 2007

#### **Parties**

- (i) The Company; and
- (ii) Alliance BMP.

#### **Increase in the registered capital of GP Corp.**

At present, the registered capital of GP Corp. is RMB222,000,000 in total. Upon completion of the Capital Transfers, such amount of registered capital will be contributed as to RMB200,000,000 and RMB22,000,000 by the Company and Alliance BMP respectively, representing approximately 90.09% and approximately 9.91% of the equity interest in GP Corp. respectively.

Pursuant to the Capital Increase Contract, the Company and Alliance BMP have conditionally agreed that (i) the registered capital of GP Corp. shall be increased by RMB178,000,000 from RMB222,000,000 to RMB400,000,000, and (ii) Alliance BMP shall inject a total amount of RMB485,089,000 (equivalent to approximately HK\$486,548,645.94), of which RMB178,000,000 (equivalent to approximately HK\$178,535,606.82) will be contributed to the increased registered capital of GP Corp. and RMB307,089,000 (equivalent to approximately HK\$308,013,039.12) will be accounted for as capital surplus of GP Corp. (which may be used for payment of any increased registered capital of GP Corp. in future if so agreed by its shareholders).

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## LETTER FROM THE BOARD

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### **Terms of the Capital Increase Contract**

The terms of the Capital Increase Contract, including the total amount of increased registered capital and capital surplus of GP Corp. to be contributed by Alliance BMP, were determined after arm's length negotiation between the Company and Alliance BMP by taking into account the Adjusted Valuated NAV (which was arrived at after taking into account, inter alia, the asset valuation report dated 10 December 2006 prepared by Guangdong Yangcheng Certified Public Accountants Company Limited (廣東羊城會計師事務所有限公司), a qualified independent asset valuer in the PRC) and the factors set out in the paragraph headed "Reasons for the Transactions" below. The Directors, including the independent non-executive Directors, consider that the Capital Increase, together with the Capital Transfers and the JV Establishment, are in the interest of the Group and the Shareholders as a whole, and the terms of the Capital Increase Contract are fair and reasonable.

### **Conditions of the Capital Increase Contract**

Completion of the Capital Increase Contract shall be conditional upon (i) obtaining all necessary approvals, licences, consents and registrations by the parties to the contracts from the relevant government authorities in relation to the transactions contemplated in the Transaction Documents; and (ii) obtaining the approval of the Shareholders at the EGM, and of the Domestic Shareholders and of the H Shareholders at separate class meetings, each by way of a special resolution, in respect of the transactions contemplated under all the Transaction Documents.

Subject to the applicable laws, statutes, rules and regulations (including the Listing Rules), Alliance BMP may waive all or any of the conditions of the Capital Increase Contract at any time by notice in writing to the Company.

### **Completion of the Capital Increase Contract**

The total amount to be contributed by Alliance BMP under the Capital Increase, being RMB485,089,000 (equivalent to approximately HK\$486,548,645.94), shall be paid by it in foreign currency (i) as to 20% within ten (10) Business Days after all of the conditions of the Capital Increase Contract have been satisfied or waived (as the case maybe) and after GP Corp. has successfully opened a foreign currency bank account; and (ii) as to the remaining 80% ("Remaining Balance") within ten (10) Business Days upon the issuance of the JV Business Licence. In the event that the conditions are not fulfilled or waived (as the case may be) in full or if the JV Business Licence is not issued to GP Corp. within nine (9) months from the signing date of the Capital Increase Contract (or such later date as Alliance BMP may determine and notify the Company in writing), any party to the Capital Increase Contract shall have the right to terminate the same by giving written notice to the other parties, in which case the Capital Increase shall not proceed. The Company further assumes to the following obligations and undertakes completion of the same before the date of payment of the Remaining Balance by Alliance BMP: (i) to obtain a written confirmation from GPHL in respect of the use of the trademark of GPHL by GP Corp. upon issuance of the JV Business Licence; and (ii) to obtain all necessary consents from third parties (other than the relevant government authorities), for instance the creditors and major suppliers of GP Corp., in respect of the transactions contemplated under the Transaction Documents. Alliance BMP shall have the right to unilaterally terminate the Capital Increase Contract and the other Transaction Documents if such issues are not dealt with by the Company in due course.

Upon completion of the Capital Transfer and the Capital Increase, each of the Company and Alliance BMP will hold 50% of the equity interest in GP Corp..

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## LETTER FROM THE BOARD

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### JV CONTRACT AND ARTICLES OF ASSOCIATION

#### Date of each of the JV Contract and the Articles of Association

27 January 2007

#### Parties to each of the JV Contract and the Articles of Association

(iii) The Company; and

(iv) Alliance BMP.

The Company and Alliance BMP also entered into the JV Contract and the Articles of Association to regulate the affairs relating to the business and management of, as well as their respective rights and obligations as owners of the equity interests in, GP Corp. upon completion of the Capital Transfer Contract and the Capital Increase Contract. The principal terms of the JV Contract and/or the Articles of Association are as follows:

1. Operation term

The operation term of GP Corp. in form of a Sino-foreign equity joint venture limited liability company shall be thirty (30) years from the date of issuance of the JV Business Licence and such term shall be extended upon agreement by the Company and Alliance BMP and subject to the approval by the relevant government authorities.

2. Business objective

The business objective of GP Corp. is to develop, establish and operate a high-quality pharmaceutical distribution enterprise and to obtain satisfactory economic benefits for the Company and Alliance BMP.

3. Transfer restrictions on the direct and indirect equity interest in GP Corp.

Within five (5) years upon the issuance of the JV Business Licence (“Lock-up Period”), the Company and Alliance BMP shall not transfer any of their respective equity interests in GP Corp., save for the transfer of equity interest by any of them (“Transferor”) to its Affiliates with the consent of the other party.

Upon expiry of the Lock-up Period, (i) unless consent is obtained from the other party, neither the Company nor Alliance BMP shall transfer all or any of its equity interest in GP Corp. to any third party which is competing with GP Corp. by engaging in the business of wholesale and retail distribution of pharmaceutical products or to any Affiliates of such third party; and (ii) each of the Company and Alliance BMP shall have a pre-emptive right to acquire such equity interest of the other party on the same terms as those offered by a bona fide third party (other than any Affiliate of the other party).

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## LETTER FROM THE BOARD

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Both the Company and Alliance BMP shall not mortgage, pledge or otherwise encumber all or any part of its capital contribution to the registered capital of GP Corp. without the prior written consent of the other.

In addition, (a) in the event of any proposed change in shareholder(s) of Alliance BMP, it shall notify the Company in writing and obtain the Company's prior written consent; and (b) in the event of any proposed change in shareholder(s) of the Company, it shall notify Alliance BMP and if a competitor of Alliance BMP acquires control of the Company, Alliance BMP may have an option to sell to the Company its capital contribution to GP Corp. or to purchase the Company's capital contribution to GP Corp. at fair market value.

#### 4. Management of GP Corp.

The board of directors of GP Corp. will comprise eight directors, of which four will be nominated by the Company and four will be nominated by Alliance BMP. Alliance BMP and the Company will respectively nominate the chairman and the deputy chairman of the board of directors of GP Corp. The chairman of the board of directors of GP Corp. will not have the casting right to vote in the board meetings.

#### 5. Non-competition (for the JV Contract only)

Each of the Company and Alliance BMP undertakes that it will not, and will procure its Affiliates controlled by it not to, directly compete with GP Corp. in the wholesale business of pharmaceutical products in the PRC.

### THE RELEVANT FINANCIAL ASSISTANCE AND THE RELEVANT GUARANTEES

Upon completion of the Capital Transfers and the Capital Increase, GP Corp. will become the Company's 50% owned equity joint venture company, hence an affiliated company of the Company. Currently, the Group (other than GP Corp.) has been providing GP Corp. with the Relevant Financial Assistance and the Relevant Guarantees. Upon the issuance of the JV Business License of GP Corp. and GP Corp. becoming the Company's 50% owned joint venture company, the Relevant Financial Assistance and the Relevant Guarantees will continue to be provided by the Group under a set of revised terms ("**Revised Terms**"). The Company has agreed with Alliance BMP that the Group will continue to provide the Relevant Financial Assistance and the Relevant Guarantees under the Revised Terms to GP Corp., and relevant agreement(s) setting out the Revised Terms will be entered into between the Company and GP Corp. after issuance of the JV Business Licence to GP Corp. and GP Corp. becoming the Company's 50% owned Sino-foreign equity joint venture limited liability company.

The Group will continue to grant the Relevant Financial Assistance to GP Corp. which shall (i) amount to not more than HK\$212,660,000 (being the total amount of the Relevant Financial Assistance as at the Latest Practicable Date); (ii) bear interests at the rate that equals the benchmark interest rate set by The People's Bank of China ("**PBOC Interest Rate**") from time to time; (iii) be unsecured; and (iv) be for a term ending on the second anniversary of the issuance of the JV Business Licence.

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## LETTER FROM THE BOARD

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The Company will also continue to provide the Relevant Guarantees in respect of banking facilities granted or to be granted to GP Corp. of up to RMB800,000,000 in total until the respective expiry dates of the relevant banking facilities). As at the Latest Practicable Date, banking facilities granted to GP Corp. in the total amount of RMB490,000,000 have been guaranteed by the Company under the Relevant Guarantees (a total of RMB220,000,000 under such banking facilities have been utilized), and the latest expiry date of such guarantee will be on 1 December 2007. The Company will also provide guarantee in respect of new banking facilities, if any, of up to a total of RMB310,000,000 granted to GP Corp. before the issuance of the JV Business Licence until the expiry date(s) of those newly granted banking facility(ies), if any, under the Relevant Guarantees. The Company will not provide any new guarantees in respect of bank loans or facilities of GP Corp. Group after the issuance of the JV Business Licence and will not renew the guarantees then in effect after their expiry.

The respective maximum amounts of the Relevant Financial Assistance and the Relevant Guarantees of RMB212,660,000 and RMB800,000,000 (equivalent to approximately HK\$213,299,899.70 and HK\$802,407,221.66 respectively) mentioned above represent (i) approximately 3.89% and 14.63% of the unaudited consolidated total assets of the Group as at 30 June 2006 respectively; and (ii) 3.90% and 14.65% of the market capitalization of the Company of HK\$5,458,978,800 (based on a total of 810,900,000 Shares in issue as at the Latest Practicable Date and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five business days immediately preceding the Latest Practicable Date, being HK\$6.732 per Share, respectively.)

Completion of the Transactions will result in GP Corp. ceasing to be the Company's subsidiary and becoming its affiliated company, together with the continuous provision of the Relevant Financial Assistance and the Relevant Guarantees constitute a major transaction for the Company under the Listing Rules. In addition, as the Relevant Financial Assistance and the Relevant Guarantees in aggregate exceed and shall exceed 8% of the unaudited consolidated total assets of the Group as at 30 June 2006, the same should also be subject to the disclosure requirement under Rule 13.13 and Rule 13.16 of the Listing Rules.

In accordance with Rule 13.13 and Rule 13.16 of the Listing Rules, details of the Relevant Financial Assistance and the Relevant Guarantees based on the Revised Terms are set out as follows:

Amount of the financial assistance (RMB)	Interest rate (%)	Maturity date	Notes	Guarantees given		
				Facility granted (RMB)	Maturity Date	Of which utilized (RMB)
31,000,000	PBOC Interest Rate	On the second anniversary of the date of issuance of the JV Business Licence	1 & 2	—	—	—
31,660,000	PBOC Interest Rate	On the second anniversary of the date of issuance of the JV Business Licence	1 & 2	—	—	—

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## LETTER FROM THE BOARD

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50,000,000	PBOC Interest Rate	On the second anniversary of the date of issuance of the JV Business Licence	1 & 2	—	—	—
50,000,000	PBOC Interest Rate	On the second anniversary of the date of issuance of the JV Business Licence	1 & 2	—	—	—
50,000,000	PBOC Interest Rate	On the second anniversary of the date of issuance of the JV Business Licence	1 & 2	—	—	—
—	Interest free	—	1 & 3	30,000,000	March 2007	30,000,000
—	Interest free	—	1 & 3	100,000,000	December 2007	—
—	Interest free	—	1 & 3	100,000,000	November 2007	60,000,000
—	Interest free	—	1 & 3	20,000,000	November 2007	20,000,000
—	Interest free	—	1 & 3	50,000,000	November 2007	50,000,000
—	Interest free	—	1 & 3	100,000,000	November 2007	60,000,000
—	Interest free	—	1 & 3	90,000,000	November 2007	—
Total:				Total:		Total:
212,660,000				490,000,000		220,000,000

*Note:*

1. There will be no committed capital injection to GP Corp. by the Company.
2. The Relevant Financial Assistance (i) will be unsecured; and (ii) will be repaid to the Group in cash.
3. No fees will be received by the Company in relation to the Relevant Guarantees granted.

The Company will fulfil the continuing disclosure obligation under Rule 13.14, Rule 13.20 and Rule 13.22 of the Listing Rules so long as circumstances giving rise to such disclosure obligation continue to exist.

Save for the Relevant Financial Assistance and the Relevant Guarantees disclosed above, the Company has not granted any other financial assistance and guarantees to other affiliated companies.



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## LETTER FROM THE BOARD

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### Reasons for and benefits of the entering into the Relevant Financial Assistance and Relevant Guarantees

As present, the Company holds an effective equity interest of approximately 96.99% in GP Corp., which is a subsidiary of the Company. Upon completion of the Transactions, GP Corp. will become a 50% owned joint venture of the Company. The Directors consider that it is in the interest of the Group to ensure that GP Corp. will be transformed from a wholly Chinese-owned limited liability company into a Sino-foreign equity joint venture smoothly and the business and operation of GP Corp. will not be affected as a result of such transformation. The Directors are therefore of the view that the Group should continue to provide the Relevant Financial Assistance and the Relevant Guarantees subject to the Revised Terms, which have been determined on normal commercial terms. The Directors also consider that the Revised Terms are fair and reasonable, and the continuous provision of the Relevant Financial Assistance and the Relevant Guarantees by the Group to GP Corp. after it ceasing to be the Company's subsidiary but becoming its 50% owned joint venture company are in the interest of the Group and the Shareholders as a whole.

### INFORMATION ON GP CORP.

GP Corp. is a company established in the PRC which is owned as to approximately 90.090% by the Company, approximately 3.919% by Jingxiutang (an approximately 88.40% owned subsidiary of the Company), approximately 3.919% by Pangaoshou (an approximately 87.77% owned subsidiary of the Company) and approximately 2.072% by the Individual Vendors as at the Latest Practicable Date. Accordingly, the Company as at the date of the announcement holds an effective equity interest of approximately 96.99% in GP Corp.. GP Corp. Group is principally engaged in trading of western pharmaceutical products and medical apparatus. Each of GPHL and Alliance UniChem IP Limited, shareholders of the Company and Alliance BMP respectively, intends to enter into agreements with GP Corp. in respect of the use of their respective trademarks after GP Corp. obtains its JV Business Licence and becomes a Sino-foreign equity joint venture limited liability company upon completion of the Transactions.

Set out below are (i) the audited consolidated net asset values of GP Corp. Group as at 31 December 2004 and 31 December 2005; and (ii) the audited consolidated net profits before and after taxation and minority interests of GP Corp. Group for each of the two years ended 31 December 2005:

<b>(Prepared in accordance with PRC GAAP)</b>	<b>As at 31 December 2004</b>	<b>As at 31 December 2005</b>
	<i>(RMB)</i>	<i>(RMB)</i>
	Audited	Audited
Net asset value	412,464,389.91	436,834,218.53

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## LETTER FROM THE BOARD

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<b>(Prepared in accordance with PRC GAAP)</b>	<b>For the year ended 31 December 2004</b>	<b>For the year ended 31 December 2005</b>
	<i>(RMB)</i>	<i>(RMB)</i>
	Audited	Audited
Net profit before taxation and minority interests	66,217,211.37	68,735,107.67
Net profit after taxation and minority interests	41,600,007.20	47,741,993.11

### EQUITY INTEREST STRUCTURE OF GP CORP.

The equity interest structure of GP Corp. as at the Latest Practicable Date and immediately after completion of the Capital Transfers and the Capital Increase are set out below:

<b>Name</b>	<b>As at the Latest Practicable Date</b>	<b>Immediately after completion of the Capital Transfers and the Capital Increase</b>
	%	%
The Company	90.090	50.000
Jingxiutang	3.919	—
Pangaoshou	3.919	—
Individual Vendors	2.072	—
Alliance BMP	—	50.000
	<hr/>	<hr/>
Total	<u>100.000</u>	<u>100.000</u>

### INFORMATION ON ALLIANCE BMP

Alliance BMP is a company incorporated in the United Kingdom in January 2007 which is owned as to 80% by Alliance UniChem Group Limited, which in turn is a wholly-owned subsidiary ultimately owned by Alliance Boots, and as to 20% by Beijing Med-Pharm. Alliance BMP was set up for the purpose of investing in GP Corp..

Alliance Boots is a company incorporated in the United Kingdom, the ordinary shares of which are listed on the London Stock Exchange, and it is a member of the FTSE-100 Index. Alliance Boots, together with its subsidiaries, is a leading health and beauty group offering a range of products and services to customers, working in partnership with manufacturers and pharmacists in more than 15 countries. The group companies of Alliance Boots are operating two core businesses, which are pharmaceutical wholesale and retail pharmacy.

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## LETTER FROM THE BOARD

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Beijing Med-Pharm is a company incorporated in the State of Delaware of the United States, the common shares of which are listed on the NASDAQ. Beijing Med-Pharm offers end-to-end solutions to western pharmaceutical companies wishing to sell their products in the PRC.

### INFORMATION ON THE GROUP

The Group is principally engaged in (1) the manufacture and sales of Chinese patent medicine; (2) the wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus; and (3) the research and development of natural medicine and biological medicine.

### PROCEEDS FROM THE TRANSACTIONS

GP Corp. will apply the net proceeds from the Capital Increase of approximately RMB485,089,000 (equivalent to approximately HK\$486,548,645.94) for such purposes to be decided by the board of directors of GP Corp. subsequent to Alliance BMP's payment of its capital contribution to GP Corp. in full pursuant to the Capital Increase Contract. Accordingly, no specific plan in respect of the use of such proceeds has been delineated yet. The Directors confirm that the relevant amount will be applied by GP Corp. for its business, development and/or general working capital.

Jingxiutang intends to use the net proceeds of approximately RMB23,709,950 (equivalent to approximately HK\$23,781,293.88) from its transfer of equity interest in GP Corp. pursuant to the Capital Transfer Contract as general working capital.

Pangaoshou intends to use the net proceeds of approximately RMB23,709,950 (equivalent to approximately HK\$23,781,293.88) from its transfer of equity interest in GP Corp. pursuant to the Capital Transfer Contract as general working capital.

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## LETTER FROM THE BOARD

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### REASONS FOR THE TRANSACTIONS

Upon completion of the Transactions, GP Corp. will cease to be a subsidiary of the Company and will become a 50% owned joint venture of the Company. The Directors consider that as a result of the Transactions, (i) GP Corp. is able to capitalize on the managerial experience, research and development of product, technology and know-how of Alliance Boots and the marketing skills of Beijing Med-Pharm to enhance its competitive position in the vast PRC market; and (ii) the capital contribution from Alliance BMP to GP Corp. will provide GP Corp. with additional funds for its future development. It is the vision of the Company and Alliance BMP to ultimately develop GP Corp. into a national pharmaceutical wholesale company and to serve as a platform for the entry into the international market of the products of the Group. In addition, the parties expect that basing on the foundation of their cooperation through the joint venture arrangement, the Group and Alliance BMP, together with the shareholders of Alliance BMP, are able to further cooperate in other areas in the course of development of their respective businesses. In the case of the Group, it may capitalize on such relationship with Alliance BMP in extending its distribution network to the European market. The Directors, including the independent non-executive Directors, consider that the Transactions are on normal commercial terms, fair and reasonable and are in the interest of the Group and the Shareholders as a whole.

### FINANCIAL EFFECT OF THE TRANSACTIONS

#### Earnings

Based on the consideration payable to Jingxiutang and Pangaoshou of RMB47,419,900 (equivalent to approximately HK\$47,562,587.76) in total under the Capital Transfer Contract, the capital contribution of RMB485,089,000 (equivalent to approximately HK\$486,548,645.94) by Alliance BMP to GP Corp. under the Capital Increase Contract and the unaudited consolidated net asset value of GP Corp. Group as at 30 June 2006 (based on PRC GAAP), the relevant preliminary capital gain before tax in relation to the Transactions is currently estimated to be of approximately RMB83,000,000.

#### Assets and liabilities

Upon completion of the Transactions, GP Corp. will cease to be a non-wholly-owned subsidiary of the Company and will become a 50% owned joint venture of the Company and will not be consolidated into the Group's financial statements but will be accounted for under the equity method whereby the Group will only take up its share of assets and profit or loss of GP Corp. (based on PRC GAAP). The total assets and total liabilities of the Group are expected to decrease as a result of the Capital Increase and the Capital Transfers.

Save as the above, the Transactions will increase the consolidated total assets of the Group by approximately RMB83,000,000 being the estimated gain as a result of the Transactions.

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## **LETTER FROM THE BOARD**

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### **IMPLICATIONS OF THE LISTING RULES**

The Capital Increase constitutes a deemed disposal of the Company's equity interests in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the Capital Transfers and the Capital Increase as a whole (i) constitute a major transaction for the Company under the Listing Rules, and (ii) constitute a material dilution of the Group's equity interest in GP Corp., a major subsidiary of the Company, under Rule 19A.38 of the Listing Rules, the Company is required to obtain the approvals of the Transactions by a special resolution of the Shareholders at the EGM, and special resolutions of the Domestic Shareholders and the H Shareholders at separate class meetings.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Alliance BMP and its ultimate beneficial owners, are Independent Third Parties and none of the Shareholders has any material interest in the Transactions other than through their interest in the Company. No Shareholder is required to abstain from voting in respect of the proposed resolutions to approve the Transactions at the EGM and each of the class meetings of the Domestic Shareholders and the H Shareholders respectively.

### **EGM AND THE SEPARATE CLASS MEETINGS OF THE H SHAREHOLDERS AND THE DOMESTIC SHAREHOLDERS**

The respective notices convening the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders to be held at Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC on 2 April 2007 (Monday) for the purposes of considering and, if thought fit, approving the Transactions are set out in the section "Notice of the EGM", "Notice of the class meeting of H Shareholders" and "Notice of class meeting of Domestic Shareholders" of this circular. The respective forms of proxy applicable to the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders are despatched to the Shareholders together with this circular. Whether or not the Shareholders, the H Shareholders or the Domestic Shareholders are able to attend the EGM or the separate class meetings of the H Shareholders and the Domestic Shareholders respectively in person, they are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders respectively. Completion and return of the form of proxy will not preclude the Shareholders, the H Shareholders and the Domestic Shareholders from attending and voting at the EGM or the separate class meetings of the H Shareholders and the Domestic Shareholders or any adjournment thereof in person, if they so wish.

### **PROCEDURE TO DEMAND A POLL BY SHAREHOLDERS**

Pursuant to Article 69 of the articles of association of the Company, a resolution puts to the vote of a general meeting of the Shareholders shall be determined in the first instance by a show of hands of the Shareholders present in person or by proxy, but a poll may be demanded (before or after the vote by a show of hands) by:

- (a) the chairman of such meeting; or

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## LETTER FROM THE BOARD

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- (b) at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting.

The demand for a poll may be withdrawn by the person(s) who made the demand.

### RECOMMENDATION

The Directors have come to the view that the terms of the Transactions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders, the H Shareholders and the Domestic Shareholders to vote for the resolution to be proposed at the EGM and the separate class meetings of the H Shareholders and the Domestic Shareholders respectively to approve the Transactions.

### FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of each of the EGM, the H Shareholders' class meeting and the Domestic Shareholders' class meeting.

Yours faithfully,  
For and on behalf of the Board  
**Yang Rongming**  
*Chairman*

## 1. INDEBTEDNESS

At the close of business on 31 December 2006, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness comprising the following:

	<i>RMB</i>
Guaranteed bank loan	388,000,000
Mortgage	30,000,000
Credit bank loan	315,000,000
Loan from a jointly controlled entity	15,590,000
	<hr/>
Total:	748,590,000

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2006, the Group did not have any outstanding debt securities, whether issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirmed that there have been no material changes in the indebtedness conditions and contingent liabilities of the Group since 31 December 2006.

## 2. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The recent adjustment of medicine prices and the increasingly fierce competition in the domestic pharmaceutical industry had certain impact on the Group's operations. The Group will develop and strengthen its principal business and cultivate new growth area with profitability, while keep on improving the corporate governance structure and strengthening internal controls and supervision.

The business plans mainly include:

- (1) To continuously enhance the market segmenting and management of the key products of the Group such as Xiao Ke Wan and Hua Tuo Zai Zao Wan, so as to increase their respective market share, focus on the industrialization of and make a sound market planning and promotion of new products of the Group such as Kun Xian capsule (formerly known as "Feng Shi Ping capsule"), Artemisinin, Ganoderma Lucidum Spore Oil and Rabies Bacterin, and endeavored to nurture and develop new tier II and tier III products.

- (2) To continuously expedite the progress of internal resource integration through enhancing the integrated purchase and supply of Chinese medicine, raw materials in bulk, packaging materials and import stuffs, and strengthening the cooperation between the inter-group industrial and commercial enterprises, so as to enlarge the market share of products of the Group.
- (3) With the focus on the professional development and brand building, to aggressively explore specialized sales markets, improve the brand awareness and social influence of the products with a view to increase the targeted market share.
- (4) To strengthen the supervision and management over the receivables with a view to decrease operating risks.
- (5) To strengthen fund attraction and aggressively seek opportunities for cooperation with outstanding and high-tech pharmaceutical enterprises at home and abroad.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, after due and careful enquiry and after taking into account the amount of the net proceeds of the Transactions and the internal resources available to the Group, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements for at least the next 12 months from date of this circular.



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (1) Directors', supervisors' and senior management's interests and short positions in the shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors, supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

<b>Name of Directors</b>	<b>Type of interest</b>	<b>Interest</b>	<b>Number of shares</b>
Feng Zansheng	Personal	GP Corp.	700,000
<b>Name of Supervisors</b>	<b>Type of interest</b>	<b>Interest</b>	<b>Number of shares</b>
Chen Canying	Personal	A Shares of the Company	12,740
Ouyang Qiang	Personal	A Shares of the Company	13,130

Name of Senior Management	Type of interest	Interest	Number of shares
Shi Shaobin	Personal	Jingxiutang	25,000
He Shuhua	Personal	A Shares of the Company	36,010
Chen Binghua	Personal	A Shares of the Company	6,240

\* The shares above, except those in the Company (A shares), are staff shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and senior management of the Company and their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(2) Directors' and supervisors' of the Company interest in assets and contracts of the Group**

As at the Latest Practicable Date, none of the Directors and supervisor of the Company has any interest in any assets which have been, since 31 December 2005, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Group, or are proposed to be acquired, disposed of or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and supervisor of the Company was materially interested in any contract or arrangement subsisting as at the date of this circular which is significant in relation to the business of the Group.

(3) **Substantial Shareholders' interest in and short positions in the shares, underlying shares and debentures of the Company**

As at the Latest Practicable Date, the interests and short positions of any persons (not being the Directors, supervisors and senior management of the Company) in the shares and underlying shares of the Company, which were required to notify the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (Chapter 571 of the Laws in Hong Kong) and which have to be recorded in the register maintained by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Nature of Shares	Number of Shares held (share)	% of issued	
			State- owned Shares (%)	% of issued H Shares (%)
Guangzhou Pharmaceutical Holdings Limited (“GPHL”)	State-owned Shares	468,603,509	95.71	—
The Hongkong and Shanghai Banking Corporation Limited (Note 1)	H Shares	65,935,831	—	29.98
Standard Chartered Bank (Hong Kong) Limited (Note 1)	H Shares	57,895,400	—	26.33
Greenwoods Asset Management Limited	H Shares	24,828,000	—	11.29
Wellington Management Company, LLP	H Shares	15,384,000	—	7.00
Morgan Stanley Dean Witter Hong Kong Securities Limited (Note 1)	H Shares	15,175,000	—	6.90
The Hamon Investment Group Pte Limited	H Shares	13,402,000	—	6.09
Fidelity International Limited	H Shares	11,206,000	—	5.10

Value Partners Limited (Note 2)	H Shares	11,142,000	—	5.07
Cheah Cheng Hye (Note 2)	H Shares	11,142,000	—	5.07

*Note:*

- (1) As notified by HKSCC Nominees Limited, as at the Latest Practicable Date, the H Shares held by each corporation in its securities account with the Central Clearing and Settlement System amounted to more than 5% of the total issued H Shares.
- (2) According to the corporate substantial shareholder notice from Value Partners Limited, its 11,142,000 H Shares were held in the capacity of investment manager.

According to the individual substantial shareholder notice from Mr. Cheah Cheng Hye, his 11,142,000 H shares were held as a result of his interest in Value Partners Limited.

As far as the Directors are aware and other than those listed above, as at the Latest Practicable Date there was no other person or corporation having an interest or short position in the shares and underlying shares of the Company which represents 5% or more of any class of the issued share capital of the Company.

So far as is known to any Director, supervisor and senior management of the Company, as at the Latest Practicable Date, the following persons/entities (other than any Director, supervisor and senior management of the Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the following members of the Group:

<b>Name of member of the Group</b>	<b>Name of substantial shareholder</b>	<b>% of issued share capital</b>
Guangzhou Hanfang Modern Chinese Medicine Research and Development Limited	GPHL	20.06
Guangzhou Pharmaceutical Yingbang Marketing Company Limited	GPHL	49.00

Save as disclosed above, as at the Latest Practical Date, the Directors are not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### 3. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### 4. MATERIAL CONTRACTS

In the two years immediately preceding the Latest Practicable Date, the following contracts that are or may be material, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries:

- (a) On 27 April 2005, the Company and GPHL entered into a revised agreement which governs the daily purchases and sales between both parties for the three financial years ending 31 December 2007;
- (b) On 23 February 2006, the Company and Guangzhou Baiyunshan Pharmaceutical Co., Ltd. together with six of its subsidiaries entered into an agreement pursuant to which the parties to the agreement agreed to contribute jointly RMB20,000,000 in cash for the establishment of Guangzhou Pharmaceutical Soccer Club Limited (“GPSC”);
- (c) On 15 June 2006, the Company and GPSC entered into an agreement, pursuant to which the parties have agreed to the provision of advertising and promotional services by GPSC to the Group through GPSC’s professional soccer team and the soccer team’s participation in the professional soccer league in the PRC for the promotion of the Group’s corporate image and products at fees of not more than HK\$30,000,000 (equivalent to approximately RMB30,900,000) per annum during the three years ending 31 December 2008;
- (d) On 26 July 2006 the Company entered into an equity transfer agreement with GP Corp., and 33 natural person shareholders of Guangzhou Zhong Yi Pharmaceutical Co., Ltd pursuant to which the Company acquired an aggregate of 9.64% shareholdings in Guangzhou Zhong Yi Pharmaceutical Co., Ltd for RMB36,814,400;
- (e) On 10 January 2007, the Company entered into the share transfer agreement with GPHL, Anhui Hua Dong Chinese Medical Engineering Corporation Limited and 5 individuals (“Vendors”), pursuant to which the Company has agreed to acquire and the Vendors have agreed to sell an aggregate of approximately 26.04% interest in the registered share capital of Guangzhou Hanfang Contemporary Chinese Medicine Research & Development Co., Limited at an aggregate consideration of RMB23,299,010;

- (f) the Capital Transfer Contract;
- (g) the Capital Increase Contract; and
- (h) the JV Contract and the Articles of Association.

Save as disclosed above, no contracts were entered by into the Company or its subsidiaries which were not in the ordinary course of business and are or may be material in the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

## 5. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors has any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors or their respective associates was considered to have interests in any competing businesses pursuant to the Listing Rules.
- (c) Mr. He Shuhua is the company secretary of the Company. The Board is in the process of recruiting a person, as a qualified accountant of the Company, who can meet the requirements set out in Rule 3.24 of the Listing Rules. The Board will use its best endeavour to effect the appointment of a qualified accountant as soon as practicable. Under (i) the leadership of Mr. Chen Binghua, an accountant and the financial controller of the Company who is responsible for overseeing all financial and budgeting related matters of the Group and has extensive experience in accounting and financial management in a number of state-owned companies in the PRC; and (ii) the assurance from the audit committee of the Company (which is chaired by Mr. Wong Hin Wing, an independent non-executive Director, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants, as well as a member of the American Institute of Certified Public Accountants) on the quality, quantity and procedures of the Group's financial reporting and the Company's internal control system, the Directors believe that the Company is able to comply with the requirements under the Listing Rules with regard to financial reporting and other accounting-related issues and carry out its accounting function and operation effectively.
- (d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 45 Sha Mian North Street, Guangzhou City, Guangdong Province, PRC from the date of this circular up to and including 2 April 2007:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2004 and 2005;
- (c) the material contracts referred to in the paragraph headed “Material contracts” of this appendix; and
- (d) the circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts of the Company.

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## NOTICE OF THE EGM

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### IMPORTANT NOTICE

- Date and time of the first extraordinary general meeting (the “EGM”) in 2007: 2 April 2007 (Monday) at 10:00 a.m.
- Place of the EGM: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner of holding the EGM: Present.
- Significant items in the agenda:

Resolutions to be considered and approved by way of ordinary resolutions:

1. Election of Mr. Shi Shaobin as a director of the Company.
2. Provision of guarantees by the Company to secure bank loans for its certain subsidiaries in 2007.

Resolution to be considered and approved by way of special resolution:

“Transfer of equity interests in Guangzhou Pharmaceutical Corporation (“GP Corp.”) held by Guangzhou Jing Xiu Tang (Pharmaceutical) Co., Ltd. (“Jingxiutang”) and Guangzhou Pangaoshou Pharmaceutical Co., Ltd. (“Pangaoshou”), both of which are subsidiaries of the Company, and 33 natural persons, and capital increase in GP Corp. by Alliance BMP Limited (“Alliance BMP”).”

### I. INFORMATION REGARDING THE CONVENING OF THE EGM

- (1) The resolution to convene the EGM was considered and passed at the 30th meeting of the 3rd session of the Board (the “Board Meeting”).
- (2) Date and time of the EGM: 2 April 2007 (Monday) at 10:00 a.m.
- (3) Place of the EGM: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.



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## NOTICE OF THE EGM

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### II. MATTERS TO BE CONSIDERED AT THE EGM

(1) Resolutions to be considered and approved by way of ordinary resolutions:

1. Election of Mr. Shi Shaobin as a director of the Company;
2. Provision of guarantees by the Company to secure bank loans for its certain subsidiaries in 2007.

The above Resolution No. 1 was considered and approved at the 23rd meeting of the 3rd session of the Board held on 15 June 2006 and announcements in relation to the resolution were published both in the PRC and Hong Kong on 16 June 2006. Resolution No. 2 was considered and approved at the Board Meeting and announcements in relation to the resolution were published both in the PRC and Hong Kong on 30 January 2007 and 31 January 2007 respectively.

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

“THAT the Capital Transfer Contract of GP Corp. entered into by Jingxiutang, Pangaoshou and 33 natural persons and Alliance BMP on 27 January 2007, the Capital Increase Contract and JV Contract entered into by the Company and Alliance BMP on the same day and the relevant transactions contemplated thereunder be approved, ratified and confirmed. The details of the above transactions are set out in the Circular to Shareholders of the Company despatched on 14 February 2007. The directors of the Company be and are hereby authorized to sign, seal, execute, perfect and deliver for and on behalf of the Company all such documents and deeds and to do all other acts and things as they may in their absolute discretion consider necessary or desirable for the purpose of carrying out the relevant transactions and in the interests of the Company.”

The above transactions were approved at the Board Meeting and announcements in relation to the transactions were published both in the PRC and Hong Kong on 30 January 2007 and 31 January 2007 respectively.

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## NOTICE OF THE EGM

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### III. ATTENDEES OF THE EGM

- (1) Holders of domestic shares and overseas listed foreign capital shares (“H Shares”) whose names appeared on the Register of Members of the Company at the close of trading in the afternoon on Friday, 2 March 2007 (including those holders of H Shares who have already successfully submitted verified documents of shareholding transfer applications on or before 2 March 2007) are entitled to attend the EGM. The Register of Members of the Company will be closed from Saturday, 3 March 2007 to Sunday 1 April 2007 (both days inclusive) during which no transfer of H Shares will be effected.
- (2) Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies (whether or not he/she is a shareholder) to attend and vote at the EGM on his/her behalf. If any shareholder appoint more than one proxy, the proxy(ies) can only vote by poll. To be valid, the proxy form and notarially certified power of attorney, or other documents of authorization (if any) must be delivered to the address of the Company not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.
- (3) The Directors, Supervisors and senior management of the Company.

### IV. REGISTRATION FOR THE EGM

- (1) To attend the EGM, an individual shareholder should bring along his/her identity card, the 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. A legal person shareholder shall 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. Overseas shareholders can make registration by mail, telephone or fax.

- (2) Place and time of registration:

Registration date and time: 8:30 a.m. to 11:30 a.m. and 2:00 p.m. to 4:30 p.m. on 13 March 2007 (Tuesday).

Place of registration: The Secretariat to the Board, 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

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## NOTICE OF THE EGM

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### V. OTHERS

- (1) Address: 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

Postal code: 510130

Contact person: He Shuhua

Tel: (8620) 8121 8119 Fax: (8620) 8121 6408

- (2) Address of Shanghai Securities Central Clearing and Registration Corporation: 3/F., China Insurance Building, No.166 Lujiazui Road East, Shanghai, the PRC.

Address of Hong Kong Registrars Limited: 46th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (3) The EGM is expected to last for a half day. Shareholders attending the meeting shall be responsible for their own travelling and accommodation expenses.

### VI. DOCUMENTS AVAILABLE FOR INSPECTION

- (1) Resolutions and announcement of the 23rd meeting of the 3rd session of the Board; and
- (2) Resolutions and announcement of the 30th meeting of the 3rd session of the Board Meeting.

**The Board of Guangzhou Pharmaceutical Company Limited**

13 February 2007

*As at the date of this notice, the Board comprises Mr. Yang Rongming, Mr. Feng Zansheng and Mr. Chen Zhinong as Executive Directors and Mr. Wu Zhang, Mr. Wong Hin Wing and Mr. Zhang Heyong as Independent Non-executive Directors.*

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## NOTICE OF THE EGM

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### **Attachment:**

Pursuant to Rule 13.74 and the note to the Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the information required to be disclosed to the shareholders in relation to the candidate to be appointed as director is set out below:

- 1. Mr. Shi Shaobin**, aged 39, General Manager of the Company, is a postgraduate and a master in business administration, and a senior engineer in pharmacy. Mr. Shi had served as a technician in research institute, salesman in Sales Department, head of the Administration Department, Assistant to General Manager, Manager of Marketing Department and Deputy General Manager of Jingxiutang after he graduated from the Faculty of Biology of Zhongshan University in 1989. He received a master degree in business administration in 2001. From 2001 to 2004, he served as Chairman and General Manager of Guangzhou Yangcheng Pharmaceutical Co., Ltd (廣州羊城藥業股份有限公司), and has been a director and Chief Executive Officer of Guangzhou Wanglaoji Pharmaceutical Co., Ltd. since 2005. Since June 2006, Mr. Shi has been the General Manager of the Company. Mr. Shi has extensive experience in corporate production, marketing and operation management.

- 2. Other information:**

According to the emoluments policy of the Company and its subsidiaries (collectively, the “Group”), the annual emoluments of Directors and Supervisors of the Company are proposed by the Board to the AGM of the Company at which the Board will seek authorization to determine the amount of the emoluments and the method of payment for services of the Company’s Directors and supervisors, If elected, Mr. Shi will be entitled to a basic salary determined in accordance with his management position and an incentive bonus which is computed with reference to the targeted operating results of the Company (for details of the incentive scheme, please refer to the Notice of the First Extraordinary General Meeting of the Company in 2002 which was published both in the PRC and Hong Kong on 28 March 2002).

If elected, Mr. Shi shall serve from the date of his appointment to the date when members of the fourth session of the Board are elected.

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## NOTICE OF THE EGM

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Save as disclosed above, Mr. Shi does not have any relationship with any other Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

As at the date of this notice, the interests in the shares or debentures of the Company or any of its associated corporations which shall be notified to the Company and the Stock Exchange pursuant to Section 341 of the Securities and Futures Ordinance (the “SFO”) or the Model Code for Securities Transactions by Directors of Listed Companies, or any interests which shall be recorded in the register as required to be kept by the Company in accordance with Section 352 of the SFO is as follows:

<b>Name</b>	<b>Class of interests</b>	<b>Company</b>	<b>No. of shares</b>
Shi Shaobin	Personal	Jingxiutang	25,000

Save as disclosed above, Mr. Shi does not have any interests in the shares or debentures of the Company or any of its associated corporations, which shall be notified to the Company and the Stock Exchange pursuant to Section 341 of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies. Nor did he have any other interests which shall be recorded in the register as required to be kept by the Company in accordance with Section 352 of the SFO.

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## **NOTICE OF THE CLASS MEETING OF THE H SHAREHOLDERS**

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### **IMPORTANT NOTICE**

- Date and time of the first class meeting of overseas listed foreign shares (the “Class Meeting of H Shares”) in 2007: 2 April 2007 (Monday) at 11:00 a.m. (or immediately after the conclusion of the first Extraordinary General Meeting (the “EGM”) in 2007 or any adjournment thereof held on the same date and at the same place)
- Place of the Class Meeting of H Shares: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner of holding the Class Meeting of H Shares: Present.
- Significant items in the agenda (by way of special resolution):

“Transfer of equity interests in Guangzhou Pharmaceutical Corporation (“GP Corp.”) held by Guangzhou Jing Xiu Tang (Pharmaceutical) Co., Ltd. (“Jingxiutang”) and Guangzhou Pangaoshou Pharmaceutical Co., Ltd. (“Pangaoshou”), both of which are subsidiaries of the Company, and 33 natural persons, and capital increase in GP Corp. by Alliance BMP Limited (“Alliance BMP”).”

### **I INFORMATION REGARDING THE CONVENING OF THE CLASS MEETING OF H SHARES**

- (1) The resolution to convene the Class Meeting of H Shares was considered and passed at the 30th meeting of the 3rd session of the Board (the “Board Meeting”).
- (2) Date and time of the Class Meeting of H Shares: 2 April 2007 (Monday) at 11:00 a.m. (or immediately after the conclusion of the EGM or any adjournment thereof held on the same date and at the same place).
- (3) Place of the Class Meeting of H Shares: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

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## **NOTICE OF THE CLASS MEETING OF THE H SHAREHOLDERS**

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### **II. MATTERS TO BE CONSIDERED AT THE CLASS MEETING OF H SHARES**

Resolution to be considered and approved by way of special resolution:

“THAT the Capital Transfer Contract of GP Corp. entered into by Jingxiutang, Pangaoshou and 33 natural persons and Alliance BMP on 27 January 2007, the Capital Increase Contract and JV Contract entered into by the Company and Alliance BMP on the same day and the relevant transactions contemplated thereunder be approved, ratified and confirmed. The details of the above transactions are set out in the Circular to Shareholders of the Company despatched on 14 February 2007. The directors of the Company be and are hereby authorized to sign, seal, execute, perfect and deliver for and on behalf of the Company all such documents and deeds and to do all other acts and things as they may in their absolute discretion consider necessary or desirable for the purpose of carrying out the relevant transactions and in the interests of the Company.”

The above transactions were approved at the Board Meeting and announcements in relation to the transactions were published both in the PRC and Hong Kong on 30 January 2007 and 31 January 2007 respectively.

### **III. ATTENDEES OF THE CLASS MEETING OF H SHARES**

- (1) Holders of H Shares whose names appeared on the Register of Members of the Company at the close of trading in the afternoon on Friday, 2 March 2007 (including those holders of H Shares who have already successfully submitted verified documents of shareholding transfer applications on or before 2 March 2007) are entitled to attend the Class Meeting of H Shares. The Register of Members of the Company will be closed from Saturday, 3 March 2007 to Sunday 1 April 2007 (both days inclusive) during which no transfer of H Shares will be effected.
- (2) Any shareholder entitled to attend and vote at the Class Meeting of H Shares is entitled to appoint one or more proxies (whether or not he/she is a shareholder) to attend and vote at the Class Meeting of H Shares on his/her behalf. If any shareholder appoint more than one proxy, the proxy(ies) can only vote by poll. To be valid, the proxy form and notarially certified power of attorney, or other documents of authorization (if any) must be delivered to the address of the Company not less than 24 hours before the time appointed for the holding of the Class Meeting of H Shares or any adjournment thereof.
- (3) The Directors, Supervisors and senior management of the Company.

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## NOTICE OF THE CLASS MEETING OF THE H SHAREHOLDERS

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### IV. REGISTRATION FOR THE CLASS MEETING OF H SHARES

- (1) To attend the Class Meeting of H Shares, an individual shareholder should bring along his/her identity card, the 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. A legal person shareholder shall 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. Overseas shareholders can make registration by mail, telephone or fax.
- (2) Place and time of registration:

Registration date and time: 8:30 a.m. to 11:30 a.m. and 2:00 p.m. to 4:30 p.m. on 13 March 2007 (Tuesday).

Place of registration: The Secretariat to the Board, 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

### V. OTHERS

- (1) Address: 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.  
  
Postal code: 510130  
Contact person: He Shuhua  
Tel: (8620) 8121 8119 Fax: (8620) 8121 6408
- (2) Address of Hong Kong Registrars Limited: 46th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The Class Meeting of H Shares is expected to last for a half day. Shareholders attending the meeting shall be responsible for their own travelling and accommodation expenses.



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## NOTICE OF THE CLASS MEETING OF THE H SHAREHOLDERS

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### VI. DOCUMENTS AVAILABLE FOR INSPECTION

Resolutions and announcement of the Board Meeting.

**The Board of Guangzhou Pharmaceutical Company Limited**

13 February 2007

*As at the date of this notice, the Board comprises Mr. Yang Rongming, Mr. Feng Zansheng and Mr. Chen Zhinong as Executive Directors and Mr. Wu Zhang, Mr. Wong Hin Wing and Mr. Zhang Heyong as Independent Non-executive Directors.*

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## NOTICE OF THE CLASS MEETING OF THE DOMESTIC SHAREHOLDERS

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### IMPORTANT NOTICE

- Date and time of the first class meeting of domestic shares in 2007 (the “Class Meeting of Domestic Shares”): 2 April 2007 (Monday) at 11:30 a.m. (or immediately after the conclusion of the first Extraordinary General Meeting (the “EGM”) and the Class Meeting of H Shares in 2007 or any adjournments thereof held on the same date and at the same place).
- Place of the Class Meeting of Domestic Shares: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).
- Manner of holding the Class Meeting of Domestic Shares: Present.
- Significant items in the agenda (by way of special resolution):

“Transfer of equity interests in Guangzhou Pharmaceutical Corporation (“GP Corp.”) held by Guangzhou Jing Xiu Tang (Pharmaceutical) Co., Ltd. (“Jingxiutang”) and Guangzhou Pangaoshou Pharmaceutical Co., Ltd. (“Pangaoshou”), both of which are subsidiaries of the Company, and 33 natural persons, and capital increase in GP Corp. by Alliance BMP Limited (“Alliance BMP”),”

### I INFORMATION REGARDING THE CONVENING OF THE CLASS MEETING OF DOMESTIC SHARES

- (1) The resolution to convene the Class Meeting of Domestic Shares was considered and passed at the 30th meeting of the 3rd session of the Board (“Board Meeting”);
- (2) Date and time of the Class Meeting of Domestic Shares: 2 April 2007 (Monday) at 11:30 a.m. (or immediately after the conclusion of the EGM and the Class Meeting of H Shares in 2007 or any adjournments thereof held on the same date and at the same place)
- (3) Place of the Class Meeting of Domestic Shares: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

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## **NOTICE OF THE CLASS MEETING OF THE DOMESTIC SHAREHOLDERS**

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### **II. MATTERS TO BE CONSIDERED AT THE CLASS MEETING OF DOMESTIC SHARES**

Resolution to be considered and approved by way of special resolution:

“THAT the Capital Transfer Contract of GP Corp. entered into by Jingxiutang, Pangaoshou and 33 natural persons and Alliance BMP on 27 January 2007, the Capital Increase Contract and JV Contract entered into by the Company and Alliance BMP on the same day and the relevant transactions contemplated thereunder be approved, ratified and confirmed. The details of the above transactions are set out in the Circular to Shareholders of the Company despatched on 14 February 2007. The directors of the Company be and are hereby authorized to sign, seal, execute, perfect and deliver for and on behalf of the Company all such documents and deeds and to do all other acts and things as they may in their absolute discretion consider necessary or desirable for the purpose of carrying out the relevant transactions and in the interests of the Company.”

The above transactions were approved at the Board Meeting and announcements in relation to the transactions were published both in the PRC and Hong Kong on 30 January 2007 and 31 January 2007 respectively.

### **III. ATTENDEES OF THE CLASS MEETING OF DOMESTIC SHARES**

- (1) Holders of domestic shares whose names appeared on the Register of Members of the Company at the close of trading in the afternoon on Friday, 2 March 2007.
- (2) Any shareholder entitled to attend and vote at the Class Meeting of Domestic Shares is entitled to appoint one or more proxies (whether or not he/she is a shareholder) to attend and vote at the Class Meeting of Domestic Shares on his/her behalf. If any shareholder appoint more than one proxy, the proxy(ies) can only vote by poll. To be valid, the proxy form and notarially certified power of attorney, or other documents of authorization (if any) must be delivered to the address of the Company not less than 24 hours before the time appointed for the holding of the Class Meeting of Domestic Shares or any adjournment thereof.
- (3) The Directors, Supervisors and senior management of the Company.

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## NOTICE OF THE CLASS MEETING OF THE DOMESTIC SHAREHOLDERS

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### IV. REGISTRATION FOR THE CLASS MEETING OF DOMESTIC SHARES

(1) To attend the Class Meeting of Domestic Shares, an individual shareholder should bring along his/her identity card, the 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. A legal person shareholder shall 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. Overseas shareholders can make registration by mail, telephone or fax.

(2) Place and time of registration:

Registration date and time: 8:30 a.m. to 11:30 a.m. and 2:00 p.m. to 4:30 p.m. on 13 March 2007 (Tuesday).

Place of registration: The Secretariat to the Board, 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

### V. OTHERS

(1) Address: 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

Postal code: 510130

Contact person: He Shuhua

Tel: (8620) 8121 8119 Fax: (8620) 8121 6408

(2) Address of Shanghai Securities Central Clearing and Registration Corporation: 3/F., China Insurance Building, No.166 Lujiazui Road East, Shanghai, the PRC.

(3) The Class Meeting of Domestic Shares is expected to last for a half day. Shareholders attending the meeting shall be responsible for their own travelling and accommodation expenses.

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## NOTICE OF THE CLASS MEETING OF THE DOMESTIC SHAREHOLDERS

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### VI. DOCUMENTS AVAILABLE FOR INSPECTION

Resolutions and announcement of the Board Meeting.

**The Board of Guangzhou Pharmaceutical Company Limited**

13 February 2007

*As at the date of this notice, the Board comprises Mr. Yang Rongming, Mr. Feng Zansheng and Mr. Chen Zhinong as Executive Directors and Mr. Wu Zhang, Mr. Wong Hin Wing and Mr. Zhang Heyong as Independent Non-executive Directors.*