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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 Peoples's Republic of China)*

(H Share Stock Code: 0874)

## **NOTICE OF THE 2007 ANNUAL GENERAL MEETING**

### **IMPORTANT NOTICE**

- Date and time of the 2007 annual general meeting (“AGM”): 29 May 2008 (Thursday) at 10:00 a.m.
- Place of the AGM: 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 AGM: present
- Significant items to be considered:
  - (1) report of the Board of directors of the Company for the year 2007;
  - (2) report of the Supervisory Committee for the year 2007;
  - (3) financial reports of the Company for the year 2007;
  - (4) auditors’ reports for the year 2007;
  - (5) proposal for profit distribution and dividend payment for the year 2007;
  - (6) total emoluments to be paid to the directors of the Company for the year 2008;
  - (7) total emoluments to be paid to the supervisors of the Company for the year 2008;
  - (8) re-appointment of Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. (formerly known as “Guangdong Yangcheng Certified Public Accountants Co., Ltd.”) and PricewaterhouseCoopers, whose appointments have expired, as the domestic and international auditors respectively, and the proposal to the shareholders’ meeting to authorize the Board of directors to determine their respective remuneration;

- (9) resolution in relation to the restructuring and creation of a number of special committees to the Board of directors;
- (10) resolution in relation to the Purchase and Sale Connected Transactions Agreement entered into between the Company and Guangzhou Pharmaceutical Holdings Limited and the transactions contemplated thereunder;
- (11) resolution in relation to the amount of guarantees on bank loan to be provided by the Company to certain of its subsidiaries in 2008;
- (12) resolution in relation to amendment to the Articles of Association of the Company;
- (13) resolution in relation to amendment to the provisions under the Rules of Procedures for the Meeting of the Board of directors of the Company.

## **I. INFORMATION REGARDING THE CONVENING OF THE AGM**

- (1) The resolution to convene the AGM was considered and passed at the 5th meeting of the 4th session of the Board of the Company;
- (2) Date and time of the AGM: 29 May 2008 (Thursday) at 10:00 a.m.;
- (3) Place of the AGM: Conference Room of the Company, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC.

## **II. MATTERS TO BE CONSIDERED AT THE AGM**

### **(1) To be considered and approved by way of ordinary resolution:**

- 1. report of the Board of directors of the Company for the year 2007;
- 2. report of the Supervisory Committee of the Company for the year 2007;
- 3. financial reports of the Company for the year 2007;
- 4. auditors' reports on the Company for the year 2007;
- 5. proposal for profit distribution and dividend payment for the year 2007;
- 6. total emoluments to be paid to the directors of the Company for the year 2008;
- 7. total emoluments to be paid to the supervisors of the Company for the year 2008;

8. re-appointment of Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. (formerly known as “Guangdong Yangcheng Certified Public Accountants Co., Ltd.”) and PricewaterhouseCoopers, whose appointments have expired, as the domestic and international auditors respectively, and the proposal to the shareholders’ meeting to authorize the Board of directors to determine their respective remuneration;
9. resolution in relation to the restructuring and creation of a number of special committees to the Board;
10. resolution in relation to the Purchase and Sale Connected Transactions Agreement entered into between the Company and Guangzhou Pharmaceutical Holdings Limited and the transaction contemplated thereunder;
11. resolution in relation to the amount of guarantees on bank loan to be provided by the Company to certain of its subsidiaries in 2008.

The above resolutions were considered and passed at the Board meetings held on 26 October 2007 and 28 March 2008 and the meeting of the Supervisory Committee held on 28 March 2008.

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

1. Resolutions in relation to amendment to the Articles of Association of the Company:

In response to the requirements issued by China Securities Regulatory Commission and according to the actual conditions of the Company, the Company hereby proposes to amend these Articles of Association as follows:

*The first paragraph of the existing Article 11 shall be amended as follows:*

Article 11 The Company’s business scope covers the operation, investment, development and financing of state-owned assets; development and manufacturing of CPM, biological products and healthcare medicines and drinks (licensed); wholesale of dangerous chemicals (wholesale and retail of ethanol); sales of medical apparatus (licensed: three categories of injection apparatus, medical and optical instruments and apparatus and endoscopic equipment, medical X-ray equipment, extracorporeal circulation and blood processing equipment, equipment and apparatus for operation theatres, accidents and emergency rooms and clinics and medical macromolecule materials and products; two categories of general treatment apparatus, physiotherapy and rehabilitation equipment, medical X-ray auxiliary devices and components, clinical testing and analytical apparatus and diagnosis reagent, medical suture materials and adhesives and bandages); and wholesale and retail trade (except for the commodities exclusively sold and controlled by the State). (The following operation are carried out by the branches):

*The followings shall be added to the end of the existing Article 53:*

Director, supervisors and senior management members of the Company shall be obliged to prevent a controlling shareholder from embezzlement of the Company's funds. In the event that any director or senior management member of the Company provides assistance to or allows a controlling shareholder and his/her respective subsidiaries to misappropriate the property/properties of the Company, the Board of the Company shall impose penalties on to such person directly accountable for such misconduct, and remove the director(s) with material responsibility from office, as the case may be. In case that a controlling shareholder of the Company misappropriates the property/properties of the Company, including but not limited to the embezzlement of the Company's funds, the Board of the Company shall submit application on behalf of the Company to the People's Court, to freeze the misappropriated property/properties and the shares of the Company held by such controlling shareholder. In the event that such controlling shareholder is not capable of restoring the property/properties of the Company misappropriated by him/her to its/their original conditions or to make compensation to the Company in cash for the misappropriation, the Company has the right to seek restitution of the misappropriated property/properties from such controlling shareholder by way of disposal of the shares of the Company held by him/her in accordance with the provisions and procedures of applicable laws, regulations and rules.

*The existing Article 155 be amended as follows:*

Article 155 In accordance with resolutions passed by the Company in the shareholders' meeting, the Board sets up several special committees. All committees comprised of directors, and shall be convened by independent directors other than Strategic Development and Investment Committee. The majority of the members of the Audit Committee shall be independent non-executive directors, of whom at least one independent director shall be professional accountant.

2. Resolutions in relation to the amendment to the provisions under Rules of Procedures for the Meeting of the Board of the Company:

*The existing Article 23 be amended as follows:*

Article 23 The Board or the Nomination and Remuneration Committee thereof are responsible for formulating the criteria of appraisal of the directors and conducting the appraisal. In the event that the Board or the Nomination and Remuneration Committee are evaluating the performance of a director or determining his/her remuneration, such director shall be refrained from the meeting.

*The existing Article 37(3) be amended as follows:*

Article 37 (3) To determine the operation and investment plans of the Company. The authority to grant approval for each of investment plans is as follows:

- 1) investment plans with an investment amount of less than 3% of the latest audited and recognized net asset value of the Company, including entering into material contracts (guarantees, mortgages, borrowings, commissioned operations, entrustment, donation, contracting and leasing, etc.) and foreign investments (acquisitions, mergers, short term investment projects, etc.), shall be approved by the Strategic Development and Investment Committee and filed with the Board;
- 2) investment plans with an investment amount of 3% to 10% of the latest audited and recognized net asset value of the Company, including entering into material contracts (guarantees, mortgages, borrowings, commissioned operations, entrustment, donation, contracting and leasing, etc.) and foreign investments (acquisitions, mergers, short term investment projects, etc.), shall be approved by the Board;

*Sub-paragraph 1 under the existing Article 37(4) be amended as follows:*

1. investment plans with an investment amount of less than 3% of the latest audited and recognized net asset value of the Company shall be approved by the Strategic Development and Investment Committee and filed with the Board;

*The existing Article 41 be amended as follows:*

Article 41 Pursuant to the Code of Corporate Governance for Listed Companies, the Board shall establish certain special committees such as the Strategic Development and Investment Committee, Audit Committee, Nomination and Remuneration Committee and Budget Committee as on demand. All members of the special committees are directors, and the majority of the members of the Audit Committee, Nomination and Remuneration Committee and Budget Committee shall be independent non-executive Directors who act as convenors. At least one independent director in the Audit Committee shall be a professional in accounting. The main duties of each special committee are set out below. Please refer to the Rules of Implementation of each committee for details.

(1) Duties of the Strategic Development and Investment Committee mainly include:

- 1) to study the long-term development strategy and major investment of the Company and give advice thereon;
- 2) to review or approve the proposed investment projects of the Company, and to review and supervise the implementation of the Company's investment projects subject to the authorization of the Board;
- 3) to review, approve and manage the other investment projects authorized by the Board.

(2) Duties of the Audit Committee mainly include:

- 1) to propose the appointment or change of external auditors;
- 2) to supervise the internal auditing system of the Company and its implementation;
- 3) to communicate between internal auditors and external auditors;
- 4) to review the financial information of the Company and its disclosure;
- 5) to review the internal control system of the Company.

(3) Duties of the Nomination and Remuneration Committee mainly include:

- 1) to study the criteria and procedures for selection of directors, general manager and other senior management and give advice thereon;
- 2) to seek for persons with the qualifications and conditions as directors and senior management, examine them and give recommendation thereto;
- 3) to study the criteria of appraisal of directors and senior management, conduct appraisal and give advice thereon;
- 4) to study and review the remuneration policy and plans for directors and senior management.

(4) Duties of the Budget Committee mainly include:

To direct the formulation of the annual operation plans and targets, annual budget plans of the Company, and supervise and examine the implementation.

### III. ATTENDEES OF THE AGM

- (1) Holders of domestic shares and overseas listed foreign capital shares whose names appeared on the Register of Members of the Company at the close of business in the afternoon on Monday, 28 April 2008 (including those foreign shareholders who have already successfully submitted documents of shareholding transfer applications on or before 28 April 2008) are entitled to attend the AGM. The Register of Members of the Company will be closed from Tuesday, 29 April 2008 to Thursday, 29 May 2008 (both days inclusive) during which no transfer of H shares will be effected. Holders of H shares of the Company, who are entitled to the final dividend for the year 2007, should deposit all of the share transfer documents together with the relevant share certificates to the share registrar of the Company in Hong Kong, namely Hong Kong Registrars Limited, for share transfer registration not later than 4:00 p.m. on 28 April 2008.
- (2) Any shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (whether he/she is a shareholder or not) to attend and vote at the meeting 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 the notarially certified power of attorney or other documents of authorization (if any) must be delivered to the address of the Company no less than 24 hours before the time appointed for the holding of the AGM or its any adjournment thereof.
- (3) The directors, supervisors and senior management of the Company.

### IV. REGISTRATION FOR THE AGM

- (1) To attend the AGM, 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. Shareholders outside Guangzhou 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 9 May 2008 (Friday)

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: Guangzhou Pharmaceutical Company Limited, 2nd Floor, 45 Sha Mian North Street, Guangzhou City, Guangdong Province, the PRC

Postal code: 510130

Contact person: He Shuhua

Tel: 8620-8121 8117/8119

Fax: 8620-8121 6408

(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: 46th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(3) The AGM 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 4th and the 5th meetings of the 4th session of the Board of the Company.

(2) Resolutions and announcement of the 4th meeting of the 4th session of the Supervisory Committee of the Company.

By order of the Board

**He Shuhua**

*Secretary to the Board*

Guangzhou, the PRC, 11 April 2008

**As at the date of this notice, the Board comprises Mr. Yang Rongming, Mr. Shi Shaobin and Mr. Feng Zansheng as executive directors and Mr. Liu Jinxiang, Mr. Wong Hin Wing, Mr. Li Shanmin and Mr. Zhang Yonghua as independent non-executive directors.**