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廣州白雲山醫葯集團股份有限公司

**GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.**

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

(H Share Stock Code: 0874)

## **ANNOUNCEMENT**

References are made to the announcement dated 18 June 2012 and the circular (the “**Circular**”) dated 4 September 2012 of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (the “**Company**”) relating to the Major Assets Reorganization. Unless otherwise defined, terms used in this announcement have the same meaning as those defined in the Circular.

Guangzhou Pharmaceutical Company Limited (“**GPC**”), the predecessor of the Company, entered into the Profit Compensation Agreement with GPHL on 15 June 2012. Pursuant to the Profit Compensation Agreement, if the accumulated actual net profits of the Target Trademarks and the Target Properties are less than the accumulated forecasted net profits of the Target Trademarks and the Target Properties (as estimated by adopting income approach) for the three financial years commencing from 1 January of the year in which completion of the Major Assets Reorganization takes place as shown in the asset valuation report issued by China Valuer on 9 June 2012 and set out in Appendix VII(A) of the Circular, GPHL shall make compensation for the shortfall with A shares of the Company acquired for the relevant Target Assets.

According to the special accountants’ report issued by BDO China Shu Lun Pan CPAs LLP (“**BDO**”), the actual net profits of Target Trademarks for 2013 was less than its forecasted net profits for the same period and GPHL has to execute the Profit Compensation Agreement to compensate the Company with shares. On 26 March 2014, the Company gave a notification letter regarding the execution of the Profit Compensation Agreement to GPHL, giving written notice to GPHL for the execution of the Profit Compensation Agreement. On 4 April 2014, the Company received the reply letter from GPHL in respect of the above notice. GPHL confirmed that it will execute the share compensation under the Profit Compensation Agreement.

Details of which are as follows:

## **I. Quantity of compensation**

According to the asset valuation report issued by China Valuer (as set out in Appendix VII(A) of the Circular) and as confirmed by GPLH and the Company, the forecasted net profits of the Target Trademarks for 2013, 2014 and 2015 are RMB2,172,800, RMB2,334,900 and RMB2,440,200 respectively. According to the accountants' report issued by BDO, the actual net profits for 2013 of the Target Trademarks was RMB1,739,300. According to the Profit Compensation Agreement, the number of A shares of the Company to be compensated by GPLH is 261,400 shares. The Company will repurchase 261,400 A shares of the Company held by GPLH at a total consideration of RMB1, and such shares will be cancelled by the Company thereafter.

## **II. Execution of the share compensation proposal and its impact on the Company**

### **(1) The way of share repurchase**

Pursuant to the Profit Compensation Agreement, the Company will prepare the resolution in relation to the execution of the Profit Compensation Agreement by GPLH and submit the same to the next board meeting and general meeting for consideration. Directors and its associates who are connected persons of GPLH shall abstain from voting when the board of Directors considers the resolution. For the general meeting considering the resolution, online voting will be available and the resolution is to be approved by over two-thirds of voting rights held by independent shareholders who are not connected to GPLH. The repurchase proposal is as follows:

- 1. Purpose of share repurchase:** execution of the Profit Compensation Agreement by GPLH, and the repurchased shares will be cancelled forthwith.
- 2. The way of share repurchase:** targeted repurchase of A shares of the Company held by GPLH for which the Company should be compensated.
- 3. Price of share repurchase:** the total consideration is RMB1.
- 4. Number of shares to be repurchased:** 261,400 A shares, representing approximately 0.02% of the total number of issued shares of the Company.
- 5. Source of funds for the repurchase:** internal resources.
- 6. Time limit for share repurchase:** to be completed within one year after obtaining the approval at the general meeting.

**7. Expected changes in the shareholding structure of the Company upon the share repurchase are as follows:**

Class of shares	Before repurchase		Shares repurchased		After repurchase	
	No. of shares	Percentage	No. of shares	Percentage	No. of shares	Percentage
<b>1. A shares</b>	<b>1,071,440,650</b>	<b>82.97%</b>	<b>261,400</b>	<b>100.00%</b>	<b>1,071,179,250</b>	<b>82.97%</b>
Of which: shares held by GPLH and its associates	584,228,036	45.24%	261,400	100.00%	583,966,636	45.23%
<b>2. H shares</b>	<b>219,900,000</b>	<b>17.03%</b>	<b>0</b>	<b>0.00%</b>	<b>219,900,000</b>	<b>17.03%</b>
<b>3. Total number of shares</b>	<b>1,291,340,650</b>	<b>100.00%</b>	<b>261,400</b>	<b>100.00%</b>	<b>1,291,079,250</b>	<b>100.00%</b>

**8. The impact of the share repurchase on the operation, financial condition and future development of the Company:** the share repurchase will not have any material impact on the operation, financial condition and future development of the Company.

**(2) Arrangement of distributing shares for free when the share repurchase proposal cannot be executed**

According to the Profit Compensation Agreement, in case the repurchase and cancellation of shares cannot be executed as a result of the Company's failure to obtain the approvals from the relevant creditors or by the general meeting for the reduction in capital of the Company, GPLH will distribute 261,400 A shares of the Company held by it to the other shareholders for free within two months from the date of occurrence of such failure. Specifically, registered shareholders other than GPLH on the record date set out in the announcement on distribution of shares for free will be entitled to receive shares for free in proportion to the number shares held by them against the total number of shares of the Company on the record date less the shares held by GPLH. The specific proposal for the distribution of shares for free will be announced and implemented (if applicable) after it is considered and approved by the board of Directors.

The Board of  
**Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd**

Guangzhou, the PRC, 9 April 2014

*As at the date of this announcement, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu as executive directors, and Mr. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Fang Shuting and Mr. Chu Xiaoping as independent non-executive directors.*