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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)

**CONNECTED TRANSACTION:
ACQUISITION OF THE ENTIRE EQUITY INTEREST
IN A PRC COMPANY**

The Board announces that the Company and GPLH entered into an equity transfer agreement dated 7 July 2015 pursuant to which the Company shall acquire 100% of the equity interest of the Target Company (i.e. Guangzhou Pharmaceutical Research Institute Company Limited* (廣州醫葯研究總院有限公司)) at the purchase price of RMB160,197,900. In addition to the purchase price, the Company shall pay RMB70,000,000 to GPLH for repaying a shareholder's loan owing by the Target Company to GPLH according to the terms of the transfer of the Sale Interest contained in the Transfer Announcement. The Target Company is engaged in, among other things, research and development of new pharmaceutical products, raising and sales of animals for laboratory testing and research of medicine and testing of the qualities of pharmaceutical products and is expected to act as the technology platform of the Group after Completion.

GPLH is a connected person of the Company by virtue of it being the controlling shareholder of the Company. Accordingly, the acquisition of the Sale Interest constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the Acquisition is conducted on normal commercial terms or better and all the applicable percentage ratios (other than the profit ratio) are more than 0.1% but less than 5%, the Acquisition is exempt from the circular (including independent financial advice) and shareholders' approval requirements but is subject to the notification, announcement and reporting requirements under Chapter 14A of the Hong Kong Listing Rules.

The Board is pleased to announce that, on 7 July 2015, the Company (as transferee) entered into the Agreement with GPLH (as transferor), pursuant to which the Company has agreed to acquire and GPLH has agreed to sell the Sale Interest at the purchase price of RMB160,197,900 payable in cash together with an additional payment in the amount of RMB70,000,000.

1. BACKGROUND

- (a) GPHL is a controlling shareholder of the Company as at the date of this announcement. GPHL had given an undertaking dated 29 February 2012 to the Company (the “**Transfer Undertaking**”) pursuant to which GPHL undertook to transfer 100% of the equity interest of the Research Institute to the Company within two years from the date on which (i) the Research Institute completed its transformation into a limited liability company and (ii) the equity interest in the Research Institute became transferable.
- (b) The Transfer Undertaking had been disclosed by the Company on various occasions, including but not limited to the announcement in relation to the major asset reorganization of the Company (the “**Major Asset Reorganization**”) dated 27 March 2012.
- (c) The Research Institute completed its transformation into a limited liability company in June 2013 and was renamed as “Guangzhou Pharmaceutical Research Institute Company Limited* (廣州醫藥研究總院有限公司)”.
- (d) According to the applicable PRC requirements, the transfer of the Sale Interest (being state-owned assets) must be effected by way of open tender.
- (e) The details of the open tender in respect of the sale and purchase of the Sale Interest were set out in the announcement of the GEMAS published on or about 3 June 2015 (the “**Transfer Announcement**”).
- (f) The Company was the only party registered with the GEMAS for bidding the Sale Interest. On 7 July 2015, the Company and GPHL entered into the Agreement.

2. THE AGREEMENT

A summary of the principal terms of the Agreement and the relevant information is set out below:

Date

7 July 2015

Parties

- (i) GPHL as transferor; and
- (ii) the Company as transferee.

As at the date of this announcement, GPHL is a controlling shareholder of the Company holding approximately 45.23% of all the issued Shares and is, therefore, a connected person of the Company.

Assets to be acquired

The assets to be acquired by the Company under the Agreement is the Sale Interest. Upon Completion, the Company will own the Sale Interest and the financial results of the Target Company, which will become a direct wholly-owned subsidiary of the Company, will be consolidated in the financial statements of the Group upon Completion. The Sale Interest was allocated to GPLH by the People's Government of Guangzhou City at nil consideration.

Earnest Money

A sum of earnest money in the amount of RMB230,000,000 (the “**Earnest Money**”) has already been paid by the Company to the GEMAS as part of the open tender process. The Earnest Money will be applied (i) as the Purchase Price and (ii) as repayment of the shareholder's loan owing by the Target Company to GPLH as described below.

Purchase Price and repayment of the shareholder's loan owing to GPLH

The Purchase Price is RMB160,197,900. The Purchase Price is payable in one lump sum within five Working Days after the signing of the Agreement.

The Purchase Price was determined by reference to the minimum bidding price of RMB160,197,900 stipulated in the Transfer Announcement and the valuation in the amount of RMB160,197,900 attributable to the Sale Interest pursuant to the report on the valuation of the Target Company as at 30 June 2014 prepared by the PRC valuer, namely Zhong He Appraisal Company Limited* (中和資產評估有限公司) as disclosed in the Transfer Announcement.

In addition to the Purchase Price, the Company shall pay RMB70,000,000 (the “**Additional Payment**”) to GPLH at the same time when the Purchase Price is paid to GPLH. The Additional Payment shall be applied as repayment of a shareholder's loan in the amount of RMB70,000,000 owing by the Target Company to GPLH.

Both the Purchase Price and the Additional Payment will be funded by the Group's internal resources.

Completion

Under the Agreement, the Company and GPLH shall effect the change of shareholder of the Target Company at the relevant PRC authorities in accordance with the relevant PRC requirements. Under the PRC laws, Completion shall take place upon the governmental department responsible for the administration of industry and commerce having completed the registration in relation to the change of shareholder of the Target Company.

3. INFORMATION ON THE TARGET COMPANY

The Target Company was established in September 1992 and was subsequently allocated to GPLH by the People's Government of Guangzhou City at nil consideration. Upon completion of its transformation into a limited liability company in June 2013, the Research Institute was renamed as "Guangzhou Pharmaceutical Research Institute Company Limited* (廣州醫藥研究總院有限公司)". The Target Company is engaged in, among other things, research and development of new pharmaceutical products, raising and sales of animals for laboratory testing and research of medicine and testing of the qualities of pharmaceutical products. The registered capital of the Target Company is RMB47,664,000 and has been fully paid up.

Set out below is the audited financial information of the Target Company for the two years ended 31 December 2013 and 31 December 2014 respectively which were prepared in accordance with the PRC Accounting Standards:

	Year ended 31 December 2013 (RMB)	Year ended 31 December 2014 (RMB)
Revenue	21,630,068.14	20,258,596.37
(Loss)/Profit before tax	(2,168,983.78)	1,062,046.64
(Loss)/Profit after tax	(2,168,983.78)	1,062,046.64

4. INFORMATION ON THE GROUP

The Company is a joint stock company established under the laws of the PRC with limited liability, whose H class shares and A class shares are listed on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. The Group is principally engaged in (a) research and development, manufacture and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (b) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus; (c) research and development, production and sales of great health products; and (d) investment in the healthcare industry such as in the sectors of medical treatment, health management, health nursing, health preservation, care for the elderly etc..

5. INFORMATION ON GPLH

GPLH is a state-owned enterprise established by, and under the administration of, the Guangzhou Municipal People's Government State-owned Assets Supervision and Administration Commission in the PRC. It is the controlling shareholder of the Company holding approximately 45.23% of the issued Shares as at the date of this announcement. GPLH is principally engaged in the investment in and management of state-owned assets, manufacturing and selling of Chinese and western medicine, Chinese raw medicine, bio-tech products, medical apparatus, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise,

“Board”	the board of Directors
“Company”	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited* (廣州白雲山醫藥集團股份有限公司), a joint stock company with limited liability established in the PRC
“Completion”	completion of the sale and purchase of the Sale Interest in accordance with the Agreement
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company
“GEMAS”	Guangzhou Enterprises Mergers and Acquisition Services* (廣州產權交易所)
“GPHL”	Guangzhou Pharmaceutical Holdings Limited* (廣州醫藥集團有限公司), a state-owned enterprise established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Purchase Price”	the purchase price for the Acquisition, details of which are set out in the subsection headed “Purchase Price and repayment of the shareholder’s loan owing to GPHL” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Research Institute”	Guangzhou Pharmaceutical Research Institute* (廣州醫藥研究總院), the predecessor of the Target Company
“Sale Interest”	the entire equity interest in the Target Company

“Share(s)”	any class of shares of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Target Company”	Guangzhou Pharmaceutical Research Institute Company Limited* (廣州醫藥研究總院有限公司), a state-owned enterprise established in the PRC with limited liability
“Working Day”	a working day in the PRC
“%”	per cent

Note: where the context so requires or permits, the singular includes the plural and vice versa and a gender includes other genders.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 7 July 2015

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. Chu Xiaoping and Mr. Jiang Wenqi as independent non-executive directors.

* *For identification purpose only*