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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)

**DISCLOSEABLE TRANSACTION
COOPERATIVE FRAMEWORK AGREEMENT IN RELATION TO THE
FORMATION OF COOPERATIVE COMPANY
IN THE MEDICAL HEALTH SECTOR**

On 20 August 2015, Party A, Party B (i.e. the Company), Party C and Party D entered into the Framework Agreement in relation to the establishment of a cooperative company whose business would include, among other things, investment in medical sector and management and services in medical sector, investment, operation and management in the basic facilities of medical organization and hire and leasing of medical equipment. Subject to the satisfaction of the conditions set out in the Framework Agreement, the Company (or its related parties, such as subsidiaries or associated companies) will invest approximately RMB1,000,000,000, representing approximately 33% of the equity interest of the Cooperative Company. After obtaining the necessary approvals, the Parties (or their respective related parties, such as subsidiaries or associated companies) shall sign, among other things, the Formal Agreement and the articles of association of the Cooperative Company.

To the best knowledge of the Directors, information and belief having made all reasonable enquiry, each of Party A, Party C and Party D and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. As one of the applicable percentage ratios is more than 5% but below 25%, the Transaction constitutes a discloseable transaction which is subject to the notification and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The Board is pleased to announce that, on 20 August 2015, the Company, Party A, Party C and Party D entered into the Framework Agreement. Set out below is a summary of the principal terms of the Framework Agreement.

FRAMEWORK AGREEMENT

Date: 20 August 2015

Parties: Party A, Party B (i.e. the Company), Party C and Party D

To the best knowledge of the Directors, information and belief having made all reasonable enquiry, each of Party A, Party C and Party D and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Proposed scope of cooperation

The Framework Agreement provides that the Cooperative Company shall cooperate with the Cooperative Hospitals in, among other things, provision of medical technology services including medical examination, medical imaging and pathology.

Proposed scope of business of the Cooperative Company

It is proposed that the business of the Cooperative Company shall include, among other things, investment in medical sector and management and services in medical sector, investment, operation and management in the basic facilities of medical organization and hire and leasing of medical equipment.

Investments in the Cooperative Company

The Company will invest approximately RMB1,000,000,000 (approximately 33% of the equity interest) by way of cash. Party A will invest approximately RMB1,150,000,000 (approximately 49% of the equity interest) by way of assets. Party C will invest approximately RMB500,000,000 (approximately 15% of the equity interest) by way of cash. Party D will own approximately 2% of the equity interest and will invest by way of cash. The investments may be made by the Parties or their respective related parties, such as subsidiaries or associated companies. The final details of the investments contemplated by the Framework Agreement, such as the ultimate proportions and amounts of the investments will be set out in the Formal Agreement. To the extent permitted by the applicable laws and regulations, approximately 1% of the equity interest of the Cooperative Company will be reserved for incentive purpose.

The funds to be raised by the Cooperative Company as disclosed above shall be applied for the basic facilities of the Cooperative Hospitals, purchase of medical equipment and as the working capital of the Cooperative Hospitals.

The investment to be made by the Company will be funded by loan facilities and/or internal resources. The Cooperative Company will not become a subsidiary of the Company after its establishment.

Conditions

Investments in the Cooperative Company is conditional upon satisfaction of the conditions specified in the Framework Agreement. A summary of those conditions is set out below:

- (a) the Company and Party C having basically completed the legal and financial due diligence and the results thereof being satisfactory, including without limitation:
 - (i) the results must be satisfactory to allow the Company and Party C to obtain all necessary regulatory approvals or consents;
 - (ii) the taxation, financial and legal issues discovered by the intermediaries in the due diligence having been resolved or the proposal to resolve those issues has been agreed; and
 - (iii) the land and real properties of Jining Medical Company to be used for its investment in the Cooperative Company having been changed to state-owned land for land grant purpose and that Jining Medical Company owned the land and real properties and equipment to be used for its investment in the Cooperative Company legally and there being no encumbrances thereon;
- (b) each of the Company, Party C and Party D has the capabilities to invest in the Cooperative Company as contemplated by the Framework Agreement; and
- (c) each Party has obtained all necessary governmental and regulatory approvals or consents.

Board of directors

The board of directors shall comprise of nine directors, of which four shall be nominated by the Company. The chairman of the Cooperative Company, who will also act as the legal representative, shall be nominated by the Company.

Distribution of profits

The Cooperative Company shall withhold such amount of profit for the purpose of mandatory provident fund in accordance with the applicable laws and regulations and the balance shall be distributed if the shareholders of the Cooperative Company so determined.

Other material terms

Set out below is a summary of other material terms:

- (a) the business of Jining Medical Company and the Cooperative Hospitals will be transferred to the Cooperative Company after the establishment of the Cooperative Company;
- (b) Jining Medical Company will not carry out any business which may compete with the business of the Cooperative Company;
- (c) the Framework Agreement is a framework agreement which shall form the basis for a more detailed agreement;
- (d) after obtaining the necessary approvals, the Parties shall sign, among other things, the Formal Agreement and the articles of association of the Cooperative Company;
- (e) the government of Jining City undertakes that it will not reduce its investment in the business of the Cooperative Hospitals and relevant subsidies and will not change the relevant favourable policies; and
- (f) the Cooperative Company will be registered in the High and New Technology Industry Development Zone of Jining and the High and New Technology Industry Development Zone of Jining will provide the Cooperative Company with favourable policies.

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 health industry such as in the sectors of medical treatment, health management, health nursing, health preservation, caring of the elderly etc..

INFORMATION ON PARTY A, PARTY C AND PARTY D

Party A is a governmental authority responsible for hygiene and family planning related matters in Jining, Shangdong Province.

Party C is a company established in the PRC with limited liability whose principal business is assets management.

Party D is a governmental authority responsible for the management of the High and New Technology Industry Development Zone of Jining, Shangdong Province.

REASONS FOR THE TRANSACTION

The Group intends to vigorously explore its business in the medical health sector, enter into the medical sector quickly and select high quality projects in the medical health sector in order to acquire resources which can give a competitive edge for the Group's further development. The Board considers that the business of the Cooperative Company has potentials and therefore entered into the Framework Agreement.

The terms of the Framework Agreement were determined after arm's length negotiations among the Parties. For the reasons given in the preceding paragraph, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As one of the applicable percentage ratios is more than 5% but below 25%, the Transaction constitutes a discloseable transaction which is subject to the notification and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors;
“Company” or “Party B”	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;
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules;
“Cooperative Company”	the cooperative company to be established in accordance with the Framework Agreement;

“Cooperative Hospitals”	being Jining No.1 People’s Hospital* (濟寧市第一人民醫院), Jining Municipal Hospital of Traditional Chinese Medicine* (濟寧市中醫院), Jining Municipal Hospital of Communicable Diseases* (濟寧市傳染病醫院), Jining Municipal Women and Children’s Hospital* (濟寧市婦女兒童醫院), Jining Psychiatric Hospital* (濟寧市精神病醫院) and Jining Municipal Direct Organisation Hospital* (濟寧市直機關醫院);
“Directors”	the directors of the Company;
“Formal Agreement”	the formal investment agreement in relation to the Cooperative Company contemplated by the Framework Agreement;
“Framework Agreement”	the cooperative framework agreement entered into between the Parties dated 20 August 2015;
“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;
“Jining Medical Company”	Jining Medical Development Company Limited* (濟寧醫療發展有限責任公司), a company established in the PRC with limited liability;
“Party A”	Hygiene and Family Planning Commission of Jining (濟寧市衛生和計劃生育委員會);
“Party C”	Shenzhen Costone Ventures Investment Management Company Limited* (深圳市基石創業投資管理有限公司), a company established in the PRC with limited liability;
“Party D”	the Management Committee of the High and New Technology Industry Development Zone of Jining* (濟寧高新技術 業開發區管理委員會);
“Parties”	Party A, Party B, Party C and Party D;

“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the shares of whatever class of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Transaction”	the proposed investment in the Cooperative Company to be made by the Company in accordance with the Framework Agreement and other transactions contemplated by the Framework Agreement; and
“%”	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, 20 August 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*