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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
ON
ADJUSTMENTS TO THE SUBSCRIPTION PRICE AND THE OFFERING SIZE
AND
THE NUMBER OF NEW A SHARES TO BE ISSUED
UNDER THE PROPOSED PLACING**

References are made to (i) the announcements dated 12 January 2015, 4 May 2015 and 9 July 2015; (ii) the circular dated 26 February 2015 (the “**Circular**”); and (iii) the poll results announcement dated 17 March 2015 made by the Company in relation to, among other things, the proposed issue and placing of new A Shares and the Whitewash Waiver. Unless otherwise specified, capitalized terms used in the Circular have the same meanings when used herein.

1. ADJUSTMENTS TO THE SUBSCRIPTION PRICE AND THE NUMBER OF NEW A SHARES TO BE ISSUED UNDER THE PROPOSED PLACING AS A RESULT OF THE 2014 PROFIT DISTRIBUTION PROPOSAL

As set out in the Circular and pursuant to the Proposed Placing, not more than 419,463,087 new A Shares at the Subscription Price of RMB23.84 per new A Share, representing total gross proceeds of approximately RMB10,000 million, will be issued by the Company. It was disclosed in the Circular that, if there is any ex-dividend or ex-right event (such as declaration of dividend, bonus issue or capitalization of capital reserves) to the Company between the Price Determination Date and the date of issue of A Shares under the Proposed Placing, the Subscription Price and the number of new A Shares to be issued by the Company under the Proposed Placing shall be adjusted in accordance with the relevant regulations relating to the Price Adjustment and Share Adjustment respectively.

The proposal on profit distribution and dividend payment of the Company for year 2014 (the “**2014 Profit Distribution Proposal**”) was considered and approved at the annual general meeting of the Company held on 26 June 2015 (the “**AGM**”), pursuant to which the Company would distribute a final dividend of RMB2.80 (including tax) for every 10 Shares held in cash to all Shareholders, based on the total share capital of 1,291,340,650 Shares at the end of 2014.

1.1 Adjustment to the subscription price

Upon completion of the 2014 Profit Distribution Proposal on 24 August 2015, the Subscription Price and the number of new A Shares to be issued under the Proposed Placing shall be adjusted in accordance with the pricing principles of the Proposed Placing relating to the Price Adjustment and the 2014 Profit Distribution Proposal as follows:

$$\begin{aligned} \text{Adjusted Subscription Price} &= \text{Subscription Price} - \text{dividend per Share} \\ &= \text{RMB23.84 per A Share} - \text{RMB0.28 per Share} \\ &= \text{RMB23.56 per A Share} \end{aligned}$$

1.2 Adjustment to the number of new A Shares to be issued

Prior to the adjustment to the Subscription Price of the new A Shares in respect of the Proposed Placing, not more than 419,463,087 new A Shares will be issued by the Company to the Subscribers. Following the Price Adjustment to such Subscription Price, the number of new A Shares to be issued under the Proposed Placing shall be adjusted to 424,448,216 new A Shares in accordance with the relevant regulations relating to the Share Adjustment, the calculation of which is set out below:

$$\begin{aligned} \text{Maximum number of new A Shares} &= \text{Subscription amount prior to adjustment} / \text{adjusted} \\ \text{to be issued after adjustment to} & \quad \text{Subscription Price} \\ \text{the Subscription Price} & \\ &= \text{RMB9,999,999,994.08} / \text{RMB23.56} \\ &= 424,448,216 \text{ new A Shares} \end{aligned}$$

2. ADJUSTMENTS TO THE OFFERING SIZE AND THE NUMBER OF NEW A SHARES TO BE ISSUED UNDER THE PROPOSED PLACING

As disclosed in the announcement of the Company dated 4 May 2015, the Proposed Placing was accepted by the CSRC for further consideration. Since then, the capital market in the PRC has been volatile significantly. The Proposed Placing is currently being reviewed by the CSRC and pending for its final approval. Having taken into account of the recent volatile market sentiment in the PRC capital market and the actual circumstances of the Company, the Board considered that it is advisable to reduce the offering size of the Proposed Placing. At the Board meeting held on 28 October 2015, the Board resolved to further modify the proposal

of the Proposed Placing (the “**Revised Proposed Placing**”), details of which are as follows:

2.1 Adjustments to the total number of new A Shares to be issued and the amount of the gross proceeds raised

Following the adjustments as a result of the 2014 Profit Distribution Proposal and the Revised Proposed Placing (the “**Adjustments**”), the offering size of the Proposed Placing shall be reduced from approximately RMB10,000 million to approximately RMB8,300 million while the number of new A Shares to be issued under the Proposed Placing shall be adjusted from not more than 419,463,087 new A Shares (as adjusted to 424,448,216 new A Shares as a result of the 2014 Profit Distribution Proposal) to 352,292,020 new A Shares (subject to any adjustment which may be made by the CSRC) at the adjusted Subscription Price of RMB23.56 per A Share.

2.2 Adjustments to the number of new A Shares to be subscribed by the Concert Party Subscribers

In order to reflect the adjustments to the number of new A Shares to be issued under the Revised Proposed Placing, the Company entered into a supplemental subscription agreement with each of GZ SOA Development and GZ Chengfa, both are the Concert Party Subscribers, on 27 October 2015, pursuant to which the number of new A Shares to be subscribed by GZ SOA Development and GZ Chengfa shall be adjusted from 125,838,926 new A Shares to 87,976,539 new A Shares, and from 104,865,771 new A Shares to 73,313,783 new A Shares at the adjusted Subscription Price of RMB23.56 per new A Share respectively. As a result, the total subscription amount of GZ SOA Development and GZ Chengfa shall be reduced from approximately RMB3,000 million and RMB2,500 million to approximately RMB2,100 million and RMB1,700 million respectively.

Save as disclosed in this announcement, there are no other changes to all of the Subscription Agreements.

2.3 Adjustment to use of proceeds

Following the Adjustments, the gross proceeds to be raised from the Revised Proposed Placing will be reduced from a maximum of approximately RMB10,000 million to approximately RMB8,300 million. The Company initially intended to apply approximately RMB4,000 million of the proceeds for additional capital injection into Guangzhou Wang Lao Ji Great Health Industry Co., Ltd., among which approximately RMB1,600 million was initially intended to be used to construct the production bases for “Wang Lao Ji” drinks in Nansha Guangzhou, Meizhou Guangdong, Yaán Sichuan and other places in the PRC respectively. After careful consideration of the Board, it is proposed that the proceeds raised from the Revised Proposed Placing will not be applied on this construction plan. In addition, the proceeds to be applied as general working capital of the

Group will also be reduced by RMB100 million from approximately RMB2,300 million to approximately RMB2,200 million after reviewing the consolidated cash and bank balance of the Company of approximately RMB4,300 million as at 30 June 2015.

Save for the above adjustments, there are no other changes to the use of proceeds from the Proposed Placing.

3. SUMMARY OF ADJUSTMENTS

The number of new A Shares to be issued to each of the Subscribers upon completion of the Revised Proposed Placing shall be, for illustrative purposes only, as follows:

| Subscribers | Number of new A Shares to be subscribed | | | | |
|--|---|--|--|---|--|
| | (1) Original subscription amount <i>(RMB in million)</i> | (2) Prior to adjustment <i>(No. of Shares)</i> | (3) After adjustment as a result of 2014 Profit Distribution Proposal <i>(No. of Shares)</i> | (4) After adjustment as a result of the Revised Proposed Placing <i>(No. of Shares)</i> | (5) Final subscription amount <i>(RMB in million)</i> |
| The Concert Group | | | | | |
| GPHL | 3,495 | 146,596,236 | 148,338,467 | 148,338,467 | 3,495 |
| GZ SOA Development | 3,000 | 125,838,926 | 127,334,465 | 87,976,539 | 2,073 |
| GZ Chengfa | 2,500 | 104,865,771 | 106,112,053 | 73,313,783 | 1,727 |
| Sub-total | 8,995 | 377,300,933 | 381,784,985 | 309,628,789 | 7,295 |
| Other non-public A Share Shareholders | | | | | |
| The Employee Stock Trust | 505 | 21,189,000 | 21,440,821 | 21,440,821 | 505 |
| Public A Share Shareholders | | | | | |
| The Fund | 500 | 20,973,154 | 21,222,410 | 21,222,410 | 500 |
| Total | 10,000 | 419,463,087 | 424,448,216 | 352,292,020 | 8,300 |

The increases in the number of new A Shares to be subscribed by GPHL, the Employee Stock Trust and the Fund upon completion of the Revised Proposed Placing as demonstrated in column (3) of the above table are solely the results of the Share Adjustment which had been fully disclosed in the Circular. The pricing principles of the Proposed Placing and the 2014 Profit Distribution Proposal, which are relevant to the occurrence of the Share Adjustment, had been specifically approved by the Shareholders at the EGM held on 13 March 2015 and the AGM respectively.

Each of the GPLH Subscription Agreement, the Concert Party Subscription Agreements and the Employee Scheme Subscription Agreement contained a clause setting out that the final subscription amount may vary upon mutual agreement. As a result of negotiation, GZ SOA Development and GZ Chengfa, being the Concert Party Subscribers, agreed to reduce their subscription amounts and the number of new A Shares to be subscribed under the Revised Proposed Placing as shown in column (4) of the above table while GPLH and the Employee Stock Trust would keep their subscription amounts unchanged. For the Fund Subscription Agreement, save and except for the Share Adjustment, the number of new A Shares to be subscribed by the Fund was fixed. Therefore no pro rata reduction was made to the number of new A Shares to be subscribed by GPLH, the Employee Stock Trust and the Fund under the Revised Proposed Placing.

4. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Revised Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking and there is no change in the total issued share capital of the Company other than the issue of A Shares since the date of this announcement and up to completion of the Revised Proposed Placing); and (iii) immediately after completion of the Revised Proposed Placing (assuming GPLH is required to take up all the additional A Shares pursuant to the GPLH Undertaking and there is no change in the total issued share capital of the Company other than the issue of A Shares since the date of this announcement and up to completion of the Revised Proposed Placing):

| Shareholders | (i) As at the date of this announcement | | (ii) Immediately after completion of the Revised Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking) | | (iii) Immediately after completion of the Revised Proposed Placing (assuming GPLH is required to take up all additional A Shares pursuant to the GPLH Undertaking) | |
|--|---|---------------|---|---------------|--|---------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| A Shares | | | | | | |
| The Concert Group | | | | | | |
| GPLH | 583,966,636 | 45.23 | 732,305,103 | 44.56 | 753,745,924 | 45.87 |
| GZ SOA Development | – | – | 87,976,539 | 5.35 | 87,976,539 | 5.35 |
| GZ Chengfa | – | – | 73,313,783 | 4.46 | 73,313,783 | 4.46 |
| Sub-total | 583,966,636 | 45.23 | 893,595,425 | 54.38 | 915,036,246 | 55.68 |
| Other non-public A Share Shareholders | | | | | | |
| The Employee Stock Trust | – | – | 21,440,821 | 1.30 | – | – |
| Public A Share Shareholders | | | | | | |
| The Fund | – | – | 21,222,410 | 1.29 | 21,222,410 | 1.29 |
| Other public A Share Shareholders | 487,212,614 | 37.74 | 487,212,614 | 29.65 | 487,212,614 | 29.65 |
| Sub-total | 487,212,614 | 37.74 | 508,435,024 | 30.94 | 508,435,024 | 30.94 |
| Total number of A Shares | 1,071,179,250 | 82.97 | 1,423,471,270 | 86.62 | 1,423,471,270 | 86.62 |
| H Shares | | | | | | |
| Public H Share Shareholders | 219,900,000 | 17.03 | 219,900,000 | 13.38 | 219,900,000 | 13.38 |
| Total number of Shares | 1,291,079,250 | 100.00 | 1,643,371,270 | 100.00 | 1,643,371,270 | 100.00 |

Note: The percentages shown are rounded to the nearest 2 decimal places. The numbers may not add up to 100% due to rounding.

5. OTHERS

Save for the adjustments as disclosed in this announcement, there are no other changes to the Proposed Placing. Should there be any other ex-right or ex-dividend during the period from the Price Determination Date to the date of issue of A Shares under the Revised Proposed Placing, the subscription price and number of new A Shares to be issued will be further adjusted in accordance with the relevant requirements.

The Directors are of the view that the changes to the Proposed Placing as described in this announcement would not have material adverse effect on the operation and financial position of the Group.

As disclosed in the Circular, the approval given by the CSRC is one of the conditions to the completion of Proposed Placing and this condition is the only condition which remains unfulfilled as at the date of this announcement. The Company will issue further announcement(s) to provide information on the progress of the Revised Proposed Placing as and when appropriate.

Shareholders and potential investors should be cautioned that the Revised Proposed Placing is subject to the approval from the CSRC, and therefore, the Revised Proposed Placing may or may not proceed. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The Board of
**Guangzhou Baiyunshan Pharmaceutical
Holdings Company Limited**

Guangzhou, the PRC, 28 October 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.