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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:
DISPOSALS OF LAND AND PROPERTIES BY A WHOLLY-OWNED
SUBSIDIARY OF THE COMPANY TO A CONNECTED PERSON**

The Company announces that Cai Zhi Lin, its wholly-owned subsidiary, entered into the Agreement with GPLH whereby, among other things, GPLH would acquire the Target Assets (comprising land and properties) from Cai Zhi Lin at the Target Assets Total Price.

As at the Announcement Date, GPLH is a controlling shareholder (as defined under the Hong Kong Listing Rules) of the Company and, therefore, is a connected person (as defined under the Hong Kong Listing Rules) of the Company under the Hong Kong Listing Rules. Accordingly, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the Agreement is conducted on normal commercial terms or better and the applicable percentage ratios (other than the profit ratio) exceed 0.1% but are less than 5%, the Agreement is exempt from the circular (including independent financial advice) and shareholders' approval requirements but is subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company is pleased to announce that at the Board meeting held on 27 April 2016, the Board approved the entry into of the Agreement. Accordingly, Cai Zhi Lin entered into the Agreement with GPLH.

BACKGROUND

- (a) The government of Guangzhou has approved the "Three Olds Renovation Plan" (i.e. a plan on the renovation of the old urban areas, old villages and old plants) which involves the Land, pursuant to which it is proposed that the usage of the Land will be changed from industrial use to commercial use.
- (b) As at the Announcement Date, a portion of the Land (i.e. the Target Land) is owned by Cai Zhi Lin and the remaining portion is owned by GPLH. GPLH wishes to acquire the Target Land and the Target Properties in order to push the Three Olds Renovation Plan in relation to the Land.

- (c) After the signing of the Agreement, GPHL will negotiate the compensation for the resumption of the Land with the relevant PRC governmental authority and the compensation will be paid to GPHL.
- (d) In accordance with the relevant PRC policies, the Land will be made available for public disposal (“**Relevant Public Disposal**”) after resumption.
- (e) In consideration of the GPHL’s proposal to acquire the Target Assets at the Target Assets Total Price and for the reasons set out in the section headed “Reasons for entering into the Agreement”, Cai Zhi Lin entered into the Agreement with GPHL.

PRINCIPAL TERMS OF THE AGREEMENT

Set out below is a summary of the principal terms of the Agreement:

Target Assets and the Target Assets Total Price

Pursuant to the Agreement, GPHL shall acquire the Target Assets from Cai Zhi Lin at the Target Assets Total Price which is comprised of (i) the Target Properties Price; (ii) the Initial Target Land Price; and (iii) the Additional Target Land Price.

Target Properties Price

The Target Properties Price (i.e. RMB13,272,900) is determined by reference to the Valuation.

Initial Target Land Price

The Initial Target Land Price (i.e. RMB6,710,000) is determined by reference to the Valuation.

Target Land Total Price and Additional Target Land Price

In relation to the Target Land, GPHL shall, in addition to the Initial Target Land Price, pay the Additional Target Land Price. The Additional Target Land Price shall be the difference between (i) the amount of the Target Land Total Price to be determined based on one of the principles as described in (a) or (b) below, as applicable; and (ii) the Initial Target Land Price provided that the Target Land Total Price shall not exceed the Maximum Target Land Total Price:

- (a) the compensation in relation to the resumption of the Target Land which the owner of the Target Land is expected to receive pursuant to the Rejuvenation Rules and the relevant policies;
or
- (b) if at the time of the disposal of the Land pursuant to the Relevant Public Disposal, there are More Favourable Policies, the More Favourable Policies.

As the Relevant Public Disposal has not yet occurred as at the Announcement Date, both the price paid by the successful transferee of the Land in the Relevant Public Disposal and whether there are More Favourable Policies are unknown. Accordingly, the exact amount of the Target Land Total Price is also unknown yet. Based on the Rejuvenation Rules and the relevant policies and the land premium of the land adjacent to the Target Land for commercial use, the Board estimated that the compensation in relation to the resumption of the Target Land which the owner of the Target Land is expected to receive pursuant to the Rejuvenation Rules and the relevant policies would be approximately RMB36,100,000 (“**Total Target Land Reference Price**”). On these bases and if there are no More Favourable Policies, the Total Target Land Price and the Additional Target Land Price are estimated to be approximately RMB36,100,000 and RMB29,390,000 respectively.

Maximum Target Land Total Price

Under the Agreement, the Target Land Total Price shall not exceed the Maximum Target Land Total Price. The Maximum Target Land Total Price represents a 100% premium over the Total Target Land Reference Price and is determined through arm’s length negotiation between Cai Zhi Lin and GPHL after taking into account, among other things, the relevant PRC policies, the Total Target Land Reference Price, the possible rise in land premium and the possible More Favourable Policies.

In the event that the Target Land Total Price shall exceed the Maximum Target Land Total Price, Cai Zhi Lin and GPHL shall enter into further negotiation.

Payment of the Target Assets Total Price

The Target Assets Total Price shall be payable in cash as follows:

- (a) the Target Properties Price and the Initial Target Land Price (i.e. an aggregate of RMB19,982,900) shall be paid by GPHL within 10 working days after the signing of the Agreement; and
- (b) the Additional Target Land Price shall be paid by GPHL within 10 working days after it has received the compensation for the resumption of the Land.

Remedial expense

If, based on the soil analysis, remedial work is necessary as a result of pollution, Cai Zhi Lin shall be responsible for all the expense.

Condition(s)

The coming into effect of the Agreement is subject to each of GPHL and Cai Zhi Lin having obtained all the necessary approvals pursuant to the applicable laws and regulations.

INFORMATION ON THE TARGET ASSETS

The Target Land is the portion of the Land with an area of 3,471 square metres and is owned by Cai Zhi Lin. The Target Properties comprise principally godown leased to independent third parties. The Target Assets have been held by the Group for more than 12 months.

According to the Valuation, the value of the Target Land and the Target Properties as at 31 December 2015 is RMB6,710,000 and RMB13,272,900 respectively.

USE OF PROCEEDS

Based on (i) the amount of the Target Properties Price being RMB13,272,900 and (ii) the assumption that the final Target Land Total Price is equivalent to the Total Target Land Reference Price (i.e. RMB36,100,000), the amount of the Target Assets Total Price will be approximately RMB49,372,900. On this basis and without taking into account taxes and other relevant expenses, an unaudited gain of approximately RMB47,674,000 calculated by reference to the carrying value of the Target Assets as at 31 December 2015 (i.e. RMB1,698,829.32) will be accrued to the Group as a result of the disposal of the Target Assets. If the final Target Land Total Price is equivalent to the Maximum Target Land Price (i.e. RMB72,200,000), the amount of the Target Assets Total Price will be approximately RMB85,472,900. On this basis, the unaudited gain will be approximately RMB83,774,100.

As at the Announcement Date, the Company intends to use the Target Assets Total Price as the Group's working capital.

INFORMATION ON THE GROUP, CAI ZHI LIN AND GPLH

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..

Cai Zhi Lin is a wholly-owned subsidiary of the Company established in the PRC whose registered capital is RMB32,202,000. The scope of business of Cai Zhi Lin includes Chinese crude drugs, Chinese medicine herbal pieces and Chinese and Western medicine.

GPLH is a state-owned enterprise established in the PRC and the controlling shareholder of the Company which holds approximately 45.23% shareholding interest in the Company as at the Announcement Date. GPLH is principally engaged in the development, manufacture and trading of pharmaceutical products.

REASONS FOR ENTERING INTO THE AGREEMENT

As the Land, which Cai Zhi Lin and GPHL each owns a portion, has been included in the relevant Three Olds Renovation Plan, negotiation with the relevant PRC governmental authority in relation to compensation for resumption will be required. After making all reasonable enquiries, the Board expects that it will take longer for the Group to conclude the negotiation with relevant PRC governmental authority than to conclude an agreement with GPHL, entering into the Agreement with GPHL is therefore more cost efficient for the Group and allows the Group to receive the portion of the Target Assets Total Price which has already been fixed (i.e. the Target Properties Price and the Initial Target Land Price) earlier. Further, since the Target Assets Total Price is determined by reference to the relevant PRC policies in relation to land resumption, it will not be less than what Cai Zhi Lin would otherwise receive if the Group negotiates the land resumption compensation directly with the relevant PRC governmental authority and, as disclosed, the Group can receive part of the Target Assets Total Price earlier. Lastly, since the Target Properties have been leased out to independent third parties and therefore the transfer of the Target Properties and the Target Land to GPHL will not have any material impact on the operation and business of the Group.

The Directors (including the independent non-executive Directors) consider that the Agreement was not entered into in the ordinary and usual course of business of the Group, but are on normal commercial terms, and on terms that are fair and reasonable and in the interest of the Company and its shareholders as a whole.

None of the Directors has a material interest in the Agreement. However, as Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning and Mr. Ni Yidong are both (i) the executive Directors and (ii) the directors and/or members of the senior management of GPHL, they have abstained from voting on the Board resolution approving the Agreement. Save as disclosed above, none of the Directors has a material interest in the Agreement or is required to abstain from voting on the Board resolution considering and approving the Agreement and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the Announcement Date, GPHL is a controlling shareholder (as defined under the Hong Kong Listing Rules) of the Company and, therefore, is a connected person (as defined under the Hong Kong Listing Rules) of the Company under the Hong Kong Listing Rules. Accordingly, the Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the Agreement is conducted on normal commercial terms or better and the applicable percentage ratios (other than the profit ratio) exceed 0.1% but are less than 5%, the Agreement is exempt from the circular (including independent financial advice) and shareholders' approval requirements but is subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

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

“Additional Target Land Price”	the price payable by GPLH for the transfer of the Target Land under the Agreement in addition to the Initial Target Land Price;
“Agreement”	the agreement in relation to the sale and purchase of the Target Assets dated 27 April 2016 and entered into between Cai Zhi Lin and GPLH;
“Announcement Date”	the date of this announcement, being 27 April 2016;
“Board”	the board of Directors;
“Cai Zhi Lin”	Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司), a wholly-owned subsidiary of the Company;
“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 whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively;
“Directors”	the directors of the Company;
“GPLH”	Guangzhou Pharmaceutical Holdings Limited* (廣州醫藥集團有限公司), 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 which holds approximately 45.23% of the issued shares of the Company as at the Announcement Date;
“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;

“Initial Target Land Price”	the initial price in the amount of RMB6,710,000 payable by GPLH for the transfer of the Target Land under the Agreement;
“Land”	the part and parcel of land located at 2439 Xin Gang East Road (新港東路), Guangzhou, the PRC with an area of approximately 19,584.80 square metres;
“Maximum Target Land Total Price”	the maximum price in an amount not exceeding RMB72,200,000 payable by GPLH for the transfer of the Target Land under the Agreement;
“More Favourable Policies”	in relation to the resumption of the Target Land, the PRC policies pursuant to which Cai Zhi Lin may receive more compensation than pursuant to the Rejuvenation Rules and relevant policies;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement;
“Rejuvenation Rules”	the Rules on the Rejuvenation of Guangzhou* (廣州市城市更新辦法) issued by the People’s Government of Guangzhou;
“RMB”	Renminbi, the lawful currency of the PRC;
“Target Assets”	the Target Land and the Target Properties;
“Target Assets Total Price”	the total price payable by GPLH for the transfer of the Target Assets under the Agreement;
“Target Land”	the portion of the Land with a total area of approximately 3,471 square metres and owns by Cai Zhi Lin;
“Target Land Total Price”	the aggregate of the Initial Target Land Price and the Additional Target Land Price, being the total price payable by GPLH for the transfer of the Target Land under the Agreement;
“Target Properties”	the properties with an area of approximately 12,620.77 square metres erected on the Target Land and owns by Cai Zhi Lin;
“Target Properties Price”	the price in the amount of RMB13,272,900 payable by GPLH for the transfer of the Target Properties under the Agreement; and

“Valuation”

the valuation on the Target Assets as at 31 December 2015 as evaluated by an independent property valuer, such valuation having been filed with the PRC governmental authority responsible for the supervision and management of state-owned assets.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 27 April 2016

As at the Announcement Date, 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*