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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)

CONTINUING CONNECTED TRANSACTION: TRADEMARK LICENSE AGREEMENT

The Company announces that WLJ Great Health, its wholly-owned subsidiary, entered into the Confirmation Letter with GPLH whereby, among other things, the term of the 2013 Trademark License Agreement has been extended to 24 May 2018. Pursuant to the Trademark License Agreement, GPLH agreed to grant WLJ Great Health the exclusive right to use the Trademarks during the Term.

As at the date of this announcement, GPLH is the controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the Trademark License Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) in respect of the License Fee Annual Cap payable under the Trademark License Agreement on an annual basis exceed 0.1% but are less than 5%, the transactions contemplated by the Trademark License Agreement are exempt from independent shareholders' approval requirement and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the 2013 Announcement regarding the trademark license agreement (the “**2013 Trademark License Agreement**”) dated 26 April 2013 entered into between GPLH (as the licensor) and WLJ Great Health (as the licensee) for the grant of the exclusive right to use the Trademarks for a term from 25 May 2013 to 31 December 2015 upon the terms thereof. The 2013 Trademark License Agreement contained a provision under which GPLH and WLJ Great Health may extend the 2013 Trademark License Agreement for a further term up to 24 May 2018.

CONFIRMATION LETTER AND THE TRADEMARK LICENSE AGREEMENT

The Company hereby announces that GPLH (as the licensor) and WLJ Great Health (as the licensee) have signed the Confirmation Letter whereby, among other things, GPLH and WLJ Great Health agreed to extend the term of the 2013 Trademark License Agreement to 24 May 2018.

The terms of the Trademark License Agreement are substantially the same as the 2013 Trademark License Agreement and the principal terms of which are summarised below:

1. Trademarks

Pursuant to the Trademark License Agreement, GPHL agreed to grant WLJ Great Health the exclusive right to use in the PRC the five Trademarks (four of which are in the 王老吉 (WangLaoJi*) trademarks series) on red canned and red bottled herbal tea drinks and solid herbal drinks on the terms of the Trademark License Agreement within the Term and within the PRC (excluding Hong Kong, Macau and Taiwan). WLJ Great Health shall have no right to transfer such exclusive right of the Trademarks to any third party, but may, with the written consent of GPHL, allow the entities which it has controlling interest in to use the Trademarks on the same terms as the Trademark License Agreement.

2. Term

The term of the Trademark License Agreement as extended by the Confirmation Letter is from 1 January 2016 to 24 May 2018. GPHL should ensure that the licensed Trademarks are valid and should actively work on the Trademarks renewal during the Term. The Company will re-comply with all relevant requirements under Chapter 14A of the Listing Rules and when the new license agreement(s) is/are entered into (if any).

3. Various Rights of GPHL under the Trademark License Agreement

During the term of the Trademark License Agreement, GPHL shall have the right to carry out reasonable supervision and inspection on the quality of WLJ Great Health's products which are manufactured and sold under the Trademarks. In case after the inspection by GPHL, the quality of any WLJ Great Health's products which are manufactured and sold under the Trademarks is sub-standard and will damage the image of the Trademarks as a well-known brand, and WLJ Great Health does not take any remedial measures in relation to the quality of the relevant products after 60 days of the written notice from GPHL, GPHL shall have the right to terminate the use of the Trademarks by WLJ Great Health.

Pursuant to the Trademark License Agreement, GPHL retains the right to use the Trademarks for its own manufactured products (i) where the ingredients and packages of such products are significantly different from those of WLJ Great Health; and (ii) manufactured and sold in the regions outside the PRC.

GPHL also retains the right to license the Trademarks to other third parties (i) who manufacture products where the ingredients and packages of such products are significantly different from those of WLJ Great Health; and (ii) who manufacture and sell products in the regions outside the PRC.

4. License Fee

WLJ Great Health shall pay the license fee (the “**License Fee**”) for the Trademarks at 2.1% of its net sales amount as shown in its audited financial statements prepared in accordance with the China Accounting Standards for Business Enterprises, payable on a quarterly basis. The License Fee shall be paid in proportion to the actual period of licensing if the Trademarks are not licensed for a full year. Unless the parties to the agreement further negotiate and agree in writing as confirmation, the basis of the License Fee will not be changed during the Term. With reference to the terms of the trademark licensing agreement and the supplemental trademark licensing agreement entered into between GPHL and the Company in 1997 and 2004 respectively in relation to certain trademarks in 王老吉 (WangLaoJi*) series, GPHL agreed that it will rebate 47% of the License Fee to the Company. The amount of the License Fee under the Trademark License Agreement was determined after arm’s length negotiations between GPHL and WLJ Great Health.

The annual caps in relation to the 2013 Trademark License Agreement and the license fee which had been paid are set out below:

| Period | Annual cap (RMB) | Amount of license fee paid (RMB) |
|------------------------------------|-----------------------------|---|
| 25 May 2013 to 31 December 2013 | 200 million | 79,460,151.89 |
| 1 January 2014 to 31 December 2014 | 200 million | 149,043,562.30 |
| 1 January 2015 to 31 December 2015 | 200 million | 144,387,645.81 |

The maximum amount of the aggregate License Fee per annum (the “**License Fee Annual Cap**”) for each of the two financial years ending 31 December 2017 and the period from 1 January 2018 to 24 May 2018 shall be RMB250 million. The License Fee Annual Cap was determined after taking into account, among other things, (i) the historical figures for the term under the 2013 Trademark License Agreement (i.e. 25 May 2013 to 31 December 2013 and each of the two years ended 31 December 2015) and (ii) the Group’s estimation of the growth in the demand for Trademarks related products during the Term.

REASONS FOR EXTENDING THE TERM OF THE 2013 TRADEMARK LICENSE AGREEMENT

The Directors consider that the license for WLJ Great Health to use the Trademarks, in particular, the well-known trademarks in the 王老吉 (WangLaoJi*) series will provide leverage to the development of WLJ Great Health, broaden the sales and distribution channels of the Group, and enhance the sales of the products of WLJ Great Health. The resulting potential profitability for the Group is in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) also consider that the Trademark License Agreement was entered into in the ordinary and usual course of business of the Group, 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 Trademark License Agreement. However, as Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning and Mr. Ni Yidong are both (i) executive Directors and (ii) the directors and/or members of the senior management of GPLH, they have abstained from voting on the Board resolution approving the Trademark License Agreement. Save as disclosed above, none of the Directors has a material interest in the Trademark License Agreement or is required to abstain from voting on the Board resolutions for considering and approving the Trademark License Agreement and the transactions contemplated thereunder pursuant to the Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, GPLH is the controlling shareholder of the Company and hence a connected person of the Company. Accordingly, the Trademark License Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Trademark License Agreement is conducted on normal commercial terms or better and the applicable percentage ratios (other than the profit ratio) in respect of the License Fee Annual Cap payable under the Trademark License Agreement on an annual basis exceed 0.1% but are less than 5%, the transactions contemplated by the Trademark License Agreement are exempt from independent shareholders' approval requirements and are only subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP, WLJ GREAT HEALTH AND GPLH

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.

WLJ Great Health is a wholly-owned subsidiary of the Company whose registered capital is RMB100,000,000. WLJ Great Health is principally engaged in the production of alcoholic drinks, drinks and refined tea.

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

DEFINITIONS

In this announcement, the following expressions have the following meanings:

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| “2013 Announcement” | the announcement of the Company dated 26 April 2013 in relation to the 2013 Trademark License Agreement |
| “Board” | the board of Directors |
| “Company” | 廣州白雲山醫藥集團股份有限公司 (Guangzhou Baiyunshan Pharmaceutical Holdings Co, Ltd, a joint stock company with limited liability established in the PRC the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively |
| “Confirmation Letter” | the confirmation letter dated 15 July 2016 between GPHL (as the licensor) and WLJ Great Health (as the licensee) whereby, among other things, GPHL and WLJ Great Health agreed to extend the term of the Trademark License Agreement to 24 May 2018 |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “GPHL” | 廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited*), a state-owned enterprise established in the PRC and the controlling shareholder of the Company which owned approximately 45.23% shareholding interest in the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| “PRC” | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan) |

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| “RMB” | Renminbi, the lawful currency of the PRC |
| “Term” | the term of the 2013 Trademark License Agreement as extended by the Confirmation Letter (i.e. from 1 January 2016 to 24 May 2018) |
| “Trademark License Agreement” | the 2013 Trademark License Agreement as extended and supplemented by the Confirmation Letter, pursuant to which, GPLH agreed to grant WLJ Great Health the exclusive right to use the Trademarks subject to the terms thereunder |
| “Trademarks” | the five trademarks which are registered with Trademark Office of the State Administration for Industry and Commerce of the PRC(中國國家工商行政管理總局商標局) under the name of and beneficially owned by GPLH, among which, four trademarks are in the 王老吉 (WangLaoJi*) trademarks series |
| “WLJ Great Health” | 廣州王老吉大健康產業有限公司 (Guangzhou WLJ Great Health Industry Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company |

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 15 July 2016

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*