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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: 00874)

SUPPLEMENTARY AMENDMENTS TO THE 2017 ANNUAL REPORT

References are made to the Summary of the 2017 Annual Report dated 15 March 2018 and the 2017 Annual Report dated 6 April 2018 of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) in relation to the annual results of the Company for the year of 2017. Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those defined in the abovementioned summary and annual report.

The Company hereby announces that according to the Letter on Post Review and Enquiry on the 2017 Annual Report of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (Shang Zheng Gong Han [2018] No. 0295 《關於對廣州白雲山醫葯集團股份有限公司 2017 年年度報告的事後審核問詢函》(上證公函 [2018]0295 號) received from Shanghai Stock Exchange, the Company made the following supplementary amendments to the 2017 Annual Report:

1. To add the following supplementary in “III. Company’s Business Profile/ 1. DESCRIPTION OF THE GROUP’S PRINCIPAL BUSINESS, OPERATION MODEL AND INDUSTRY SITUATION DURING THE REPORTING PERIOD/ (2) Operating Model/ (i) Great Southern TCM/ 3) Sales Model”:

Before supplementing the revision:

3) Sales Model

The sales mode of Great Southern TCM segment is mainly divided into two categories: one is the sales mode for national essential drugs, and the other is the sales mode for non-national essential drugs.

① The sales mode for national essential drugs

In recent years, China has put more efforts in deepening medicare reform and actively promoted universal health insurance system. All national essential drugs

have been included into Medical Insurance Catalogue, and reimbursed with full amount, forming huge advantages in China's pharmaceutical market. The companies under the Company have responded to the national policies by setting special marketing team for undertaking sales of national essential drugs, and actively participating in purchasing by Invitation to Bid for essential drugs in all provinces and considered essential drugs marketing as the key point of pharmaceutical sales in the future.

The sales mode of essential drugs: The governments or hospitals used the centralized purchasing platform to carry out uniform Purchasing by Invitation to Bid for essential drugs. The companies under the Company carried out tendering process for essential drugs throughout the country according to the relevant national policies. After winning the bid for the products, the companies carried out uniform distribution and dispatching process for essential drugs through the medicine operation enterprises.

② The sales mode for non-national essential drugs

For non-national essential drugs, the Company established pharmaceutical industry marketing and e-commerce marketing sub-platforms for sales.

(a) Pharmaceutical industry sales sub-platform

The Company established the pharmaceutical industry sales sub-platform in the mode of "industrial operation + commercial platform", which integrated with the Group's pharmaceutical industry marketing resources to improve sales level of pharmaceutical industry enterprises, creating overall pharmaceutical marketing advantages. During the Reporting Period, the Group established the OTC integrated marketing platform with HWBYS as the subject, deepened in-depth cooperation with retail drug stores, especially the Top 100 Chains, and leveraged Baiyunshan Pharmaceutical Marketing Company as platform for further integrating the sales resources of part of its pharmaceutical manufacturing companies.

(b) E-commerce sales sub-platform

E-commerce sales sub-platform as a platform for promoting brands and new products is complementary to the existing sales systems. It is also one of the sales channels that the Company will focus on developing.

Currently, the Company's Guangyao Baiyunshan flagship store has set up e-commerce terminal sales platforms in Tmall and Jingdong etc.; Guangyao Jian Min Network has become the appointed drug store for medical insurance network that can make payment online without medical insurance card, integrating Jian Min conventional stores, Jian Min experimental stores, each retail store with online marketing, to build Mega Retail of e-commerce with full efforts.

After supplementing the revision:

3) Sales Model

①The Company's affiliated subsidiaries and its holding subsidiaries organize external sale of their self-produced pharmaceutical products mainly through self-operation and agent sales models by leveraging on sales channels of distributors and agents at all levels to cover the majority of hospitals, community medical services and retail

terminals in the PRC.

For products tendered by hospitals: The affiliated enterprises of the Company carry out tendering process for pharmaceutical products tendered by hospitals throughout the country according to the relevant national policies. After winning the bid, they carry out distribution and dispatching process for relevant pharmaceutical products through the drug distribution and operation enterprises.

For products not tendered by hospitals: The Company conducts promotion mainly by agent sales and by way of distribution. The Company's affiliated enterprises dispatch their own teams to assist the distributors in terminal development and maintenance for realizing products sales and market coverage by taking advantage of the resource, distribution and delivery of the drug distribution and operation enterprises.

② Pharmaceutical industry sales platform

The Company established HWBYS and Baiyunshan Pharmaceutical Marketing and HWBYS as two sales platforms in 2015 in the mode of "industrial operation + commercial platform", which integrated with the Group's pharmaceutical manufacturing enterprises' marketing resources to improve the marketing capacity.

With Baiyunshan Pharmaceutical Marketing as the sales platform, the Company integrated the sales business, marketing personnel and other resources of Baiyunshan General Factory, Guang Hua and Jing Xiu Tang to gradually engage in the businesses of several segments such as the prescription drug products marketing centre, OTC products marketing centre, general agent and e-commerce operation centre. Currently, Baiyunshan Pharmaceutical Marketing is mainly engaged in sales of pharmaceutical products (inclusive of prescription drug and OTC) of the above three enterprises, therefore the above three enterprises are not equipped with duplicated pharmaceutical sales teams. As of 31 December 2017, the sales team of the Company consists of approximately 555 employees in total and the sales in 2017 amounted to approximately RMB2.959 billion (tax inclusive).

The HWBYS OTC sales platform, , with HWBYS and its affiliated enterprises as the subject drives the affiliated manufacturing enterprises of the Company to cooperate with Top 100 Chains with a view to enhancing business connection. Meanwhile, Hutchison Whampoa Guangzhou Baiyunshan Pharmaceutical Co., Ltd. ("HWBYS Pharmaceutical"), a wholly-owned subsidiary of HWBYS, conducted sales promotion, cultivation and development for the pharmaceutical products of a medium or small size by way of agent sales to further enhance the sales of the Group's pharmaceutical products in the pharmaceutical chain stores in other provinces. As supplement to the OTC sales system of the Group, the sales of the Group's products through this platform for 2017 amounted to approximately RMB45.80 million (tax inclusive).

③ E-commerce sales platform

E-commerce sales platform is one of the sales channels that the Company will focus on developing. Currently, the Company's Guangyao Baiyunshan flagship store has set up e-commerce terminal sales platforms in Tmall and Jingdong, etc. which recorded a revenue of approximately RMB16 million in 2017; the Guangyao Jian Min e-commerce platform of GP Corp., the Company's joint venture, achieved a revenue of approximately RMB485 million in 2017.

2. To add the following supplementary in “IV. Discussion and Analysis of Operation/ 2. CIRCUMSTANCES OF THE OPERATION DURING THE REPORTING PERIOD/ (4) Analysis on the pharmaceutical manufacturing industry operation information/ (i) Basic information of the industry and main medicine (products)/ 2) Policies related to the industry”:

Before supplementing the revision:

B) Changes of policies and regulations in industry regulation and reform, and resulting effects and countermeasures

① Comprehensive removal of the price markups on medicine

In 2017, 7 agencies including the National Health and Family Planning Commission jointly issued the “Notice on the Full Implementation of Comprehensive Reform in Public Hospitals”, which set a “timetable” and drew a “roadmap” for the comprehensive removal of the price markups on medicine. According to the National Health and Family Planning Commission, all public hospitals in the PRC have removed the price markups on medicine in 2017, and the comprehensive reform of public hospitals has been extended to many cities and districts. In the short term, the comprehensive removal of the price markups on medicine will speed up the development of logistics extension services of modern hospitals, and in the medium to long term, it will make prescription outflows and outpatient prescriptions circulation inevitable.

Countermeasures: The Group will further leverage its experience in logistics extension services in modern hospitals to undertake more business and expand scale advantages and pay attention to cost control so as to respond to possible changes in policies at any time.

② “Two-invoice system”

In 2017, the Medical Reform Office of the State Council (國務院醫改辦) together with 8 ministries, including the National Health and Family Planning Commission, issued the “Notice on the Opinions on the Implementation of the Two-invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation)” 《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)的通知》. The Notice clearly stipulates that public medical institutions should gradually implement the two-invoice system in drug procurement and encourages other medical institutions to implement two-invoice system in drug procurement so that the system can be fully launched in 2018. All localities and all relevant departments should actively create favorable conditions for the two-invoice system, and break the barriers of interests and eliminate local protection to speed up the clean-up and repeal of unreasonable policies and regulations in business registration, drug procurement, cross-regional operation, distributor selection and chain operations that hinder the healthy development of the pharmaceutical distribution industry.

Countermeasures: The Group will consciously standardize its norms and make full use of the opportunity of the “two-invoice system” to promote the gradual improvement of the pharmaceutical business distribution and accelerate the sinking of

resources and allocate more resources to basic-tier market.

After supplementing the revision:

B) Changes of policies and regulations in industry regulation and reform, and resulting effects and countermeasures

① Comprehensive removal of the price markups on medicine

In 2017, 7 agencies including the National Health and Family Planning Commission jointly issued the “Notice on the Full Implementation of Comprehensive Reform in Public Hospitals”, which set a “timetable” and drew a “roadmap” for the comprehensive removal of the price markups on medicine. According to the National Health and Family Planning Commission, all public hospitals in the PRC have removed the price markups on medicine in 2017, and the comprehensive reform of public hospitals has been extended to many cities and districts. In the short term, the comprehensive removal of the price markups on medicine will speed up the development of logistics extension services of modern hospitals, and in the medium to long term, it will make prescription outflows and outpatient prescriptions circulation inevitable.

Countermeasures: In 2017, all public hospitals in the PRC have removed the price markups on medicine, strictly controlled the growth in medicine expenses and restricted the dosage of prescription drug, resulting in the slower growth in usage of medicine in hospitals. Due to the implementation of “enhancing capabilities of lower-level medical institutions”, “maintaining basic coverage” and hierarchical diagnosis, the medicine application center will move to the basic-tier market, and the primary medical institutions will increase the dosage of medicine. In light of this, the Group will further accelerate the sinking of resources and allocate more resources to basic-tier market, expand its sales network for primary medical services, and increase the sales volume of grassroots medicines.

② “Two-invoice system”

In 2017, the Medical Reform Office of the State Council (國務院醫改辦) together with 8 ministries, including the National Health and Family Planning Commission, issued the “Notice on the Opinions on the Implementation of the Two-invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation)” 《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)的通知》. The Notice clearly stipulates that public medical institutions should gradually implement the two-invoice system in drug procurement and encourages other medical institutions to implement two-invoice system in drug procurement so that the system can be fully launched in 2018. All localities and all relevant departments should actively create favorable conditions for the two-invoice system, and break the barriers of interests and eliminate local protection to speed up the clean-up and repeal of unreasonable policies and regulations in business registration, drug procurement, cross-regional operation, distributor selection and chain operations that hinder the healthy development of the pharmaceutical distribution industry.

Countermeasures: the “two-invoice system” was gradually implemented in the procurement of public medical institutions in the PRC. The implementation of the

"two-invoice system" will facilitate the manufacturers to speed up the transformation of the original business marketing model, deeply intervene in the market and flatten the channels. The Group sells pharmaceutical products partly by a multi-tiered distributor model. The implementation of the "two-invoice system" will bring about certain pressure on the Group's pharmaceutical sales in the short term. Under this circumstance, on the one hand, the affiliated manufacturing companies of the Company will work with distributors to explore new models for cooperation under the flat channels, or will re-select other regional marketing and promotion service providers to carry out marketing and promotion activities so as to adapt to changes in the new model. On the other hand, the Group will proactively participate in the bidding and tendering for pharmaceutical products in all provinces, and strengthen the cooperation with drugstores, in particular chain drugstores. In addition, the Group will accelerate the transformation of product sales in hospitals and intensify academic promotion to stabilize and expand market share.

3. To add the following supplementary in "V. Major Events/ 2. PERFORMANCE OF UNDERTAKINGS BY THE COMPANY, ITS SHAREHOLDERS AND ACTUAL CONTROLLERS/ (6) Undertakings related to trademarks":

Before supplementing the revision:

(6) Undertakings related to trademarks

Item	Content
Background of the undertakings	Undertakings related to the Major Assets Reorganization in 2013 Controlling
Party giving the undertaking	shareholder
Undertakings	1. GPHL undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings)

	<p>Company Limited (鴻道 (集團) 有限公司) legally ceases to own the right of pre-emption.</p> <p>2. On the basis of the original undertaking letter, GPLH has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by GPLH after the Execution Day (inclusive of today) for the “Supplementary Agreement to the Agreement of Trademark Custody”. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</p>
Time and period of the undertaking	<p>The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.</p>
Valid period for performance	N/A
Whether timely and strictly performed	<p>In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao</p>

	<p>Ji Trademark Series from GPLH, which proposed to amend the performance period of the former undertakings to “two years since the commencing date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration.</p> <p>As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of injection of Wang Lao Ji trademark series was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.</p>
Compliance or not	Yes

After supplementing the revision:

(6) Undertakings related to trademarks

Item	Content
Background of the undertakings	Undertakings related to the Major Assets Reorganization in 2013 Controlling
Party giving the undertaking	shareholder
Undertakings	<p>1. GPLH undertakes that, within two years from the date of satisfaction of any one of the conditions set out below, it will legally transfer the trademarks in Wang Lao Ji series (25 in total) and 4 other trademarks (comprising trademarks with registration numbers of 125321, 214168, 538308 and 5466324) to the Company according to the requirements of laws and regulations then in force: (i) Upon the expiry on 1 May 2020, or earlier when the license agreement and its supplemental agreement were invalidated/void/terminated as determined by the arbitration institution, or earlier when the agreement was terminated or released as agreed between the parties; or (ii) Hung To (Holdings) Company Limited (鴻道(集團)有限公司) legally ceases to own the right of</p>

	<p>pre-emption.</p> <p>2. On the basis of the original undertaking letter, GPLH has further made the promise as follows: After all of the legal disputes regarding the trademark of Wang Lao Ji have been resolved and within two years commencing from the transferable day, GPLH shall, pursuant to the provisions of the effective laws and regulations then and after the relevant procedures regarding the reporting for approval have been processed, legally transfer to the Company such 29 trademarks of the series of “Wang Lao Ji” together with such other trademarks related to Wang Lao Ji and 4 trademarks obtained and owned in legal manner by GPLH after the Execution Day (inclusive of today) for the “Supplementary Agreement to the Agreement of Trademark Custody”. The Company may obtain such by cash or by issuing shares for purchasing assets wherein the transfer price shall be legally confirmed based on such appraisal value as issued by an appraisal institute possessing the professional qualification of engaging in securities and as confirmed in the asset appraisal report verified by the State-owned assets authority.</p>
Time and period of the undertaking	<p>The original undertaking was given on 29 February 2012. GPLH gave a supplemental undertaking in respect of the relevant contents on 15 June 2012. The undertaking remains valid until it has been fully performed.</p>
Valid period for performance	N/A
Whether timely and strictly performed	<p>In December 2014, the Company received the Letter of Amendment to the Undertakings of Injection of Wang Lao Ji Trademark Series from GPLH, which</p>

	<p>proposed to amend the performance period of the former undertakings to “two years since the commencing date of the judgment on the law case of red can decoration”, due to the disputes of red can decoration.</p> <p>As approved at the 8th meeting of the sixth session of the Board, the resolution on the amendment to the performance period of injection of Wang Lao Ji trademark series was submitted to the first extraordinary general meeting in 2015 held on 13 March 2015 and was approved.</p>
Compliance or not	Yes
Remark	<p>On 16 August 2017, the Supreme People’s Court of the PRC announced the judgment on the “case of over red can decoration”, and the judgment is final. On the same day, GPHL and Wang Lao Ji Great Health, the Company's wholly-owned subsidiary, received the relevant civil judgment of the Supreme People’s Court of the PRC on the “case over red can decoration” (For details, please refer to the Announcement of the Final Judgement on the “Case over Wang Lao Ji Red Can Decoration” of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. dated 16 August 2017). According to GPHL’s undertaking made on 29 February 2012, the supplementary undertaking made on 15 June 2012 and the revised undertaking made in 2014, the conditions for GPHL to transfer “Wang Lao Ji” series trademarks to the Company have been satisfied. At present, relevant work is in progress. The Company and GPHL have set up a work team and engaged relevant intermediaries to carry out evaluation and relevant work, striving to complete injection of trademarks within the period promised.</p>

Apart from the above amendments, other contents of the 2017 Annual Report remain unchanged. We apologize for any inconvenience caused by the above amendments.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 18 April 2018

As at the Announcement Date, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Wu Changhai as executive Directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive Directors.