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廣州白雲山医药集团股份有限公司
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 AND CONNECTED TRANSACTION – ACQUISITION OF TRADEMARKS FROM A CONNECTED PERSON AND THE ASSOCIATED PROFIT COMPENSATION AGREEMENT

Financial Adviser to the Company

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Celestial Capital Limited

ACQUISITION OF TRADEMARKS AND THE RELEVANT PROFIT COMPENSATION

On 27 December 2018, the Company and GPHL, the controlling shareholder of the Company, entered into (i) the Trademark Acquisition Agreement, pursuant to which GPHL conditionally agreed to sell, and the Company conditionally agreed to acquire, the Target Trademarks (being the WangLaoJi* (王老吉) series trademarks) at the cash consideration of RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT); and (ii) the Profit Compensation Agreement in relation to the compensation from GPHL to the Company in case the Audited Incomes are lower than the amounts guaranteed by GPHL thereunder.

IMPLICATIONS UNDER LISTING RULES

Each of the Trademark Acquisition Agreement and the Profit Compensation Agreement was entered into between the Company and GPHL, a connected person. Accordingly, the respective transactions contemplated under the Trademark Acquisition Agreement (including the Acquisition) and the Profit Compensation Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules. The connected transactions constituted by the Agreements are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purposes only*

The transactions under the Agreements also constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The transactions contemplated in the Agreements are not required to be approved by the Shareholders (independent or otherwise) under the Listing Rules but are required to be approved by the Shareholders pursuant to the applicable rules of the Shanghai Stock Exchange. The Company will convene an extraordinary general meeting for this purpose in due course.

I. INTRODUCTION

The Board is pleased to announce that on 27 December 2018, the Company and GPHL, the controlling shareholder of the Company, entered into (i) the Trademark Acquisition Agreement, pursuant to which GPHL conditionally agreed to sell, and the Company conditionally agreed to acquire, the Target Trademarks at the cash consideration of RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT); and (ii) the Profit Compensation Agreement in relation to the compensation from GPHL to the Company in case the Audited Incomes are lower than the amounts guaranteed by GPHL thereunder.

II. THE ACQUISITION

The Trademark Acquisition Agreement

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

Date: 27 December 2018 (after trading hours).

Parties:
(i) GPHL (as the vendor); and
(ii) the Company (as the purchaser).

Subject matter: Subject to the terms and conditions of the Trademark Acquisition Agreement, GPHL conditionally agreed to sell and the Company conditionally agreed to acquire the Target Trademarks together with all the rights and interests attaching thereto.

Consideration: The Consideration of RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT) shall be payable by the Company to GPHL in cash on the Completion Date.

The Consideration was determined through arm's length negotiations between the Company and GPHL and with reference to the Appraised Value (details of the Appraised Value are set out in the section headed "VI. Basis of the determination of the Consideration and profit forecast underlying the valuation of the Operation Trademarks" below). If any of the Target Trademarks having been revoked or invalidated or the trademark application(s) having been rejected by the relevant authorities before the Completion Date, the Consideration shall be adjusted by deducting the amount of consideration corresponding to the appraised value of such trademark(s). The Company expects that (i) approximately 77.75% (RMB1,080 million) of the Consideration will be financed by the proceeds from the placing of new A shares of the Company as disclosed in another announcement of the Company of the date of this announcement announcing changes in the use of proceeds from the placing of the A shares of the Company; and (ii) the remaining approximately 22.25% (approximately RMB309.12 million) of the Consideration will be financed by the idle internal funds of the Group.

Conditions precedent: Completion is conditional upon the following conditions precedent being satisfied or waived (save for conditions (ii), (iii) and (iv) which cannot be waived in any event),

(i) the representations and warranties made by a Party in the Trademark Acquisition Agreement having been true, accurate and of no material change as at the Completion Date, unless otherwise waived by the other Party in writing;

(ii) the Acquisition, the Trademark Acquisition Agreement and the Profit Compensation Agreement having been considered and approved by the board of directors of GPHL;

(iii) the Acquisition, the Trademark Acquisition Agreement and the Profit Compensation Agreement having been approved by the Board and (if applicable) the Shareholders at the meeting of Shareholders; and

(iv) the Valuation Report having been filed by GPHL in accordance with the relevant rules and regulations.

If any of the above conditions precedent are not fulfilled or waived (if applicable) on or before 30 June 2019, unless the Parties mutually agree to extend to another date, any Party shall have the right to terminate the Trademark Acquisition Agreement by giving written notice to the other Party. In addition, the Trademark Acquisition Agreement shall be terminated upon occurrence of any of the events specified thereunder, such as (i) any force majeure event leading to non-performance of the Trademark Acquisition Agreement having occurred; and (ii) where a Party has committed a material breach of the Trademark Acquisition Agreement, and the non-defaulting Party terminates the Trademark Acquisition Agreement by exercising its right of termination which it is entitled to as a result of the aforesaid breach.

Completion: Upon all the conditions precedent having been satisfied or waived (if applicable), the Company shall determine the Completion Date and notify the same to GPHL. The Parties shall execute the Completion Confirmation to facilitate the transfer of the Target Trademarks on the Completion Date. Upon Completion, unless otherwise agreed by the Parties (it was agreed that the costs, losses and profits arising from certain on-going litigations, appeals, mediations and legal disputes as specified in the Trademark Acquisitions Agreement shall be borne and enjoyed by GPHL), all rights, interests, obligations, responsibilities, losses, liabilities and risks attaching to the Target Trademarks shall be enjoyed and borne by the Company.

The Parties also agreed that upon the execution of the Completion Confirmation, the trademarks custody agreement (as supplemented) entered into between GPC (the predecessor of the Company) and GPHL in February 2012 in relation to the provision of custody services by the Company to GPHL for the Operation Trademarks shall be terminated whereupon (i) GPHL shall cease to pay custody fees to the Company; and (ii) the Company shall cease to pay license fees it received from the licensees to GPHL pursuant to the custody arrangements contemplated in the said trademarks custody agreement (as supplemented). Accordingly, in respect of those existing licencing agreements for the Operation Trademarks which were entered into by the Company or GPHL before the Completion Date, the following shall apply:

(i) in respect of those licencing agreements entered into by the Company on behalf of GPHL, the Company shall continue to perform those licencing agreements; and

(ii) in respect of those licencing agreements entered into by GPHL as licensor, GPHL should arrange for execution of supplemental agreements to effect novation of those licencing agreements to the Company. Before execution of such supplemental agreements, GPHL should use its best endeavours to assist the Company in performing its duties under those licencing agreements, and transfer the fees received under those licencing agreements to the Company.

The Profit Compensation Agreement

Date: 27 December 2018 (after trading hours)

Parties:
(i) GPHL; and
(ii) the Company

Guaranteed Incomes: The Parties agreed that compensation shall be paid by GPHL to the Company if 80% (being GPHL's portion of previous contributions in advancing the reputation and value of the Operation Trademarks) of the aggregated licence fee incomes generated from the Operation Trademarks minus (i) custody fees, (ii) taxation; and (iii) other expenses (the "**Audited Incomes**", which is to be audited by an accounting firm with securities qualifications engaged by the Company) is less than RMB486.97 million (equivalent to approximately HKD555.15 million) (the "**Guaranteed Incomes**") during the three financial years ending 31 December 2021, if Completion shall take place in 2019.

If the Audited Incomes is lower than the Guaranteed Incomes, GPHL shall compensate the Company an amount (the "**Compensation Amount**") calculated in accordance with the formula below:

Compensation Amount =

$$\frac{\textit{(Guaranteed Incomes – Audited Incomes)}}{\textit{Guaranteed Incomes}} \times \textit{RMB1,387,748,100}^{\textit{Note}}$$

Note: being the appraised value of the Operation Trademarks as appraised by the Independent Valuer by adopting the income – based approach valuation method, exclusive of VAT

Termination: The Profit Compensation Agreement shall be terminated upon occurrence of any of the events specified thereunder, such as (i) any force majeure event leading to non-performance of the Profit Compensation Agreement having occurred; (ii) where a Party has committed a material breach of the Profit Compensation Agreement, and the non-defaulting Party terminates the Profit Compensation Agreement by exercising its right of termination which it is entitled to as a result of the aforesaid breach, and (iii) the Trademark Acquisition Agreement being terminated.

III. INFORMATION ON THE GROUP AND GPHL

The Group is principally engaged in (i) research, development, manufacturing and sales of Chinese and western medicine, chemical active pharmaceutical ingredients ("**API**"), natural medicine, biological medicine and chemical API intermediates; (ii) wholesale, retail, import and export of western medicine, Chinese medicine and medical apparatus; (iii) research, production and sales of health products; and (iv) investment in the health industry such as in the sectors of medical treatment, health management and elderly care.

GPHL is a state-owned enterprise established in the PRC. It is a connected person of the Company by virtue of it being the controlling shareholder of the Company holding approximately 45.04% shareholding interest in the Company as at the date of this announcement. GPHL is the owner of the Target Trademarks, which were either (i) first registered by GPHL itself and were not acquired from any other parties or (ii) transferred from Guangzhou Yangcheng Pharmaceutical Co., Ltd* (廣州羊城藥業股份有限公司) or Guangzhou Yangcheng Pharmaceutical Co., Ltd. Wang Lao Ji Food & Beverage Branch* (廣州羊城藥業股份有限公司王老吉食品飲料分公司) to GPHL with no acquisition cost.

IV. INFORMATION ON THE TARGET TRADEMARKS

The Target Trademarks represent a total of 420 registered trademarks owned, and all trademark applications currently made, in the PRC and other jurisdictions in relation to the WangLaoJi* (王老吉) series by GPHL. Among the 420 registered trademarks, (i) 14 trademarks are the trademarks that are authorised by GPHL to the subsidiaries and an associated company of the Company for the use in their actual operations (the "**Operation Trademarks**"); and (ii) the remaining 406 trademarks are regarded as associated trademarks and/or defensive trademarks being registered for the purpose of protecting the WangLaoJi* (王老吉) series trademarks (the "**Defensive Trademarks**").

As at the date of this announcement, save for the licences granted to the subsidiaries and an associated company of the Company, no licence in respect of the Target Trademarks has been granted to any other party.

Set out below are (i) the revenues (construed as the gross incomes generated from the Target Trademarks) and net profits (construed as the net incomes generated from the Target Trademarks after deduction of operating expenses) before and after taxation attributable to the Target Trademarks for each of the two years ended 31 December 2017 and for the six-month period ended 30 June 2018; and (ii) the net book values of the Target Trademarks as at 31 December 2016, 31 December 2017 and 30 June 2018 as extracted from the unaudited management accounts of GPHL and the Company:

	For the year ended 31 December 2016 *RMB'000* (unaudited)	**For the year ended 31 December 2017** *RMB'000* (unaudited)	**For the six months ended 30 June 2018** *RMB'000* (unaudited)
Revenue	174,201.95	201,103.04	124,321.95
Net profit before tax	171,655.45	199,044.59	122,862.46
Net profit after tax	136,898.84	158,338.25	97,269.50

	As at 31 December 2016 *(RMB'000)* (unaudited)	**As at 31 December 2017** *(RMB'000)* (unaudited)	**As at 30 June 2018** *(RMB'000)* (unaudited)
Net book value	1,019.76	920.53	839.07

According to the audited pro-forma accountant report in respect of the Target Trademarks, GPHL received approximately RMB93,015,823.22, RMB110,871,679.23 and RMB73,207,648.52 as its share of license fees of the Operation Trademarks pursuant to the trademarks custody agreement (as supplemented) for each of the two years ended 31 December 2017 and for the six-month period ended 30 June 2018.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRADEMARK ACQUISITION AGREEMENT AND THE PROFIT COMPENSATION AGREEMENT

Fulfilment by GPHL of its undertaking in relation to the transfer of the Target Trademarks

Reference is made to the circular of the Company dated 4 September 2012 in relation to, inter alia, the major assets reorganisation (the "**Major Assets Reorganisation**") involving, among other things, acquisition of assets, which included various trademarks then owned by GPHL, from GPHL. In the section headed "REASONS FOR THE TRADEMARK CUSTODY" on page 53 of the circular of the Company in relation to the Major Assets Reorganisation dated 4 September 2012, it was disclosed that as the legal disputes in relation to the WangLaoJi* (王老吉) series trademarks between GPHL and an independent third party (the "**Legal Disputes**") was in progress and had not been settled, the Parties then considered that it was fair and reasonable and in the interests of the Company and the Shareholders as a whole that such trademarks would not form part of the assets (including various trademarks then owned by GPHL) to be acquired by the Company under the Major Assets Reorganisation. Nevertheless, as it has been the ultimate purpose of the Parties to centralize the ownership of all trademarks in relation to the principal operations of the Company into the Company, including the trademarks in the WangLaoJi* (王老吉) series owned by GPHL, GPHL had undertaken in the undertakings dated 29 February 2012 and 15 June 2012 respectively that it would transfer the WangLaoJi* (王老吉) series trademarks owned by GPHL to GPC (the predecessor of the Company) according to the relevant laws and regulations within two years from the date falling on which those trademarks are permitted to be transferred and the Legal Disputes have been resolved. It was further announced by the Company in its announcement dated 18 December 2014 that GPHL proposed to amend the abovementioned undertaking such that it would transfer the trademarks in the WangLaoJi* (王老吉) series owned by GPHL to the Company according to the relevant laws and regulations within two years from the effective date of the judgement relating to the case of disputes relating to red-can decoration. As a result of the judgements in respect of the said case of disputes relating to red-can decoration delivered by 中華人民共和國最高人民法院 (the Supreme Court of the PRC*) as disclosed in the announcement of the Company dated 16 August 2017, the condition to fulfil the undertakings mentioned above had been satisfied. The Parties therefore entered into the Trademark Acquisition Agreement and the associated Profit Compensation Agreement. The Agreements are in line with the Major Assets Reorganisation being carried out for the purpose of, among others, strengthening the competitiveness of the Group and achieving synergy through integration of resources.

Elimination of the operating risk and reduction of connected transactions

As mentioned in the section headed "IV. Information on the Target Trademarks" above, save for the licences granted to the subsidiaries and an associated company of the Company, no licence in respect of the Target Trademarks has been granted to any other party as at the date of this announcement. Licence fees have been paid by the Group to GPHL under such licensing arrangements relating to the Target Trademarks. The Group and GPHL had also entered into the trademarks custody arrangement as mentioned in the paragraph headed "The Trademark Acquisition Agreement" in the section headed "II. The Acquisition" in this announcement. The Company considers that by acquiring the Target Trademarks, (i) the operating risk of not being able to renew the said licensing arrangements relating to the Target Trademarks, which are material to the Group's business, would be eliminated; and (ii) the connected transactions between the Group and GPHL will be reduced upon Completion by virtue of the termination of the existing arrangements in relation to the Target Trademarks between the Group and GPHL, including licences granted by GPHL to the Group and the trademarks custody arrangement.

The Company considers that the elimination of the operating risk and reduction of connected transactions between the Group and GPHL would minimise reliance on GPHL, the controlling shareholder of the Company, and lead to improvement in corporate governance, and are therefore in interest of the Company and the Shareholders as a whole.

Provision of further protection to the Group and the Shareholders as a whole by virtue of the Profit Compensation Agreement

Pursuant to the Profit Compensation Agreement, the Parties agreed that compensation shall be paid by GPHL to the Company if the Audited Incomes is less than the Guaranteed Incomes as detailed in the paragraph headed "The Profit Compensation Agreement" in the section headed "II. The Acquisition" of this announcement. In accordance with the relevant rules and regulations of the Shanghai Stock Exchange, the Profit Compensation Agreement was entered into for the purpose of protecting the interests of the Company and the Shareholders (excluding GPHL) from the adverse change (if any) to the incomes generated from the Operation Trademarks during the Guaranteed Period. Accordingly, the Company considers that such compensation arrangement is in the interest of the Company and the Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) consider that the Trademark Acquisition Agreement and the Profit Compensation Agreement and the respective transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has a material interest in any of the Agreements. 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 Agreements. Save as disclosed above, none of the Directors has a material interest in any of the Agreements or is required to abstain from voting on the Board resolution considering and approving the Agreements and the respective transactions contemplated thereunder pursuant to the Listing Rules and/or the articles of association of the Company.

VI. BASIS OF THE DETERMINATION OF THE CONSIDERATION AND PROFIT FORECAST UNDERLYING THE VALUATION OF THE OPERATION TRADEMARKS

The Consideration was determined through arm's length negotiations between the Company and GPHL and with reference to the Appraised Value. The Appraised Value was confirmed in the Valuation Report issued by the Independent Valuer, which performed an independent valuation in respect of the Target Trademarks using the income-based approach and the asset-based approach, and adopted the income-based approach as the valuation methodology for the valuation of the Operation Trademarks and the asset-based approach as the valuation methodology for the valuation of the Defensive Trademarks.

In preparing the valuation for the Operation Trademarks (the "**Operation Trademarks Valuation**"), the Independent Valuer has applied the discounted cash flow method under income-based approach and based on certain assumptions, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, and the requirements under Rule 14.62 of the Listing Rules are therefore applicable.

Details of the principal assumptions of the Operation Trademarks Valuation contained in Valuation Report are as follows:

1. Basic assumptions

(a) Transaction assumption. It is assumed that the appraised objects are already in the course of transaction and the Independent Valuer performs the Valuation with reference to a hypothetical market simulated by the trade conditions of the appraised objects. The result of the Valuation is an estimation of the most achievable transaction price of the appraised objects.

(b) Open market assumption. It is assumed that the appraised objects involve assets that are traded in an open market, and both of the buyer and the seller in such market are in equal position and have opportunities and time to obtain sufficient market information to, without any forced conditions, take voluntary and rational actions in respect of the transaction.

(c) It is assumed that after the economic behaviour of the subject of valuation having been realised, the assets related to the appraised objects would continue to be used in accordance with their application and usage as at the Valuation Benchmark Date.

2. Assumptions in relation to the appraised objects

(a) Save for those to the knowledge of the Independent Valuer, it is assumed that the acquisition, obtainment, improvement and development processes of the assets related to the appraised objects complied with relevant laws and regulations of the PRC.

(b) Save for those to the knowledge of the Independent Valuer, it is assumed that the appraised objects bear no defects in title, liabilities and restrictions which may affect their values, and it is assumed that all amounts payable relating to those assets have been fully settled.

(c) The Valuation is based on the use of the trademark and the relevant signed contracts or agreements of the trademarks as at the Valuation Benchmark Date or the date of the Valuation Report. It is assumed that relevant issues, for instance, the use of the trademark and the licensed products related to the appraised object, after the Valuation Benchmark Date or the date of the Valuation Report will be consistent with those as at the Valuation Benchmark Date or the date of the Valuation Report. Unless otherwise specified, it is assumed that the trademark licensing agreement and the trademark custody agreement or contract will be renewed pursuant to the terms and conditions stated in the corresponding original contracts upon expiry.

(d) Unless otherwise specified in the Valuation Report, it is assumed that the value of the appraised objects will not be affected by factors such as the existing and future charges and guarantees, and special transaction arrangements.

(e) It is assumed that there will not be any significant changes in the macro-economic policies of the PRC, force majeure or unforeseeable factors that will have material adverse effects on the value of the appraised objects.

(f) Assuming that all assets are appraised in accordance with their actual quantity in the Valuation as at the Valuation Benchmark Date, the fair values of the appraised objects are based on the effective prices as at the Valuation Benchmark Date.

3. Other assumptions

(a) According to "Asset Appraisal Law of the People's Republic of China", "the principal should be responsible for the truthfulness, completeness and legality of the proof of ownership, financial accounting information and other materials provided", it is assumed that the principal has complied with the above accordingly.

(b) Should there be any changes to the aforementioned assumptions and the valuation principles being relied on for the purpose of conducting the Valuation, the Valuation Report will become invalid as the changes will affect the results of the Valuation.

It was set out in the Valuation Report that the appraised value of the Operation Trademarks, by adopting the income-based approach valuation methodology, amounted to RMB1,387,748,100 (equivalent to approximately HKD1,582.03 million, exclusive of VAT) and the appraised value of the Defensive Trademarks, by adopting the asset-based approach valuation methodology, amounted to RMB1,374,531 (equivalent to approximately HKD1.57 million, exclusive of VAT). Accordingly, the Appraised Value of the Target Trademarks amounted to RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT) in total.

BDO China Shu Lun Pan Certified Public Accountants LLP ("**BDO**"), which has been engaged by the Company in reviewing the calculations of the discounted future cash flows of the Operation Trademarks (the "**Discounted Future Cash Flows**") underlying the Operation Trademarks Valuation, has confirmed that it has reviewed the calculations for the Discounted Future Cash Flows and that so far as the calculations are concerned, the Discounted Future Cash Flows have been properly compiled in accordance with the bases and assumptions as set out in the Valuation Report. The relevant assurance report from BDO is set out in Appendix I to this announcement for the purpose of Rule 14.62 of the Listing Rules.

Celestial Capital Limited ("**Celestial Capital**"), the Hong Kong financial advisor of the Company with respect of the Acquisition, has reviewed the Operation Trademarks Valuation and has discussed with the management of the Company about the principal assumptions upon which the Operation Trademarks Valuation were based. Celestial Capital has also considered the above assurance report from BDO regarding the calculations of the Discounted Future Cash Flows. On the basis of the foregoing, Celestial Capital has confirmed that it is satisfied that the Operation Trademarks Valuation has been made by the Directors after due and careful enquiry. The relevant letter from Celestial Capital is set out in Appendix II to this announcement for the purpose of Rule 14.62 of the Listing Rules.

VII. IMPLICATIONS UNDER LISTING RULES

Each of the Agreements was entered into between the Company and GPHL, the controlling shareholder of the Company which holds approximately 45.04% shareholding interest in the Company as at the date of this announcement. Accordingly, the transactions contemplated under the Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated in the Agreements are less than 5%, those transactions are only subject to the reporting and announcement requirements and are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the profits ratio in respect of the transactions contemplated in the Agreements is more than 5% but less than 25%, those transactions also constitute discloseable transactions for the Company and are subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but are not required to be approved by Shareholders.

VIII. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions or advice in respect of the Valuation are as follows:

Name	Qualification
Allied Appraisal Co., Ltd.	Independent professional valuer
BDO China Shu Lun Pan Certified Public Accountants LLP	Certified Public Accountants of the PRC, which is approved by the relevant PRC authorities to act as an auditor or a reporting accountant for a PRC established company listed in Hong Kong
Celestial Capital Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

As at the date of this announcement, (a) the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the Independent Valuer, BDO and Celestial Capital has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its report and/or opinion and all references to its name in the form and context in which it is included.

IX. OBTAIN SHAREHOLDERS' APPROVAL UNDER PRC REQUIREMENTS

In accordance with the relevant rules under the Rules Governing the Listing of the Stocks on Shanghai Stock Exchange, the respective transactions contemplated under the Trademark Acquisition Agreement (including the Acquisition) and the Profit Compensation Agreement are required to be approved at the general meeting of the Company. A circular together with the notice of the general meeting containing details of the Agreements will be despatched by the Company in due course. As at the date of this announcement, the Company expects that the said circular and notice of general meeting will be despatched to the Shareholders on or around 28 January 2019.

Completion of the Acquisition is subject to the satisfaction (or waiver, if applicable) of the conditions specified under the Trademark Acquisition Agreement which may or may not occurred. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Target Trademarks together with all the rights and benefits attaching thereto by the Company
"Agreements"	collectively, Trademark Acquisition Agreement and Profit Compensation Agreement, and "Agreement" means any one of them
"Appraised Value"	the appraised value of the Target Trademarks of RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT) in total as at the Valuation Benchmark Date as set out in the Valuation Report
"Audited Incomes"	has the meaning given to it in the section headed "II. The Acquisition"
"Board"	the board of Directors
"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 limited liability company established in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
"Completion"	completion of the Acquisition in accordance with the Trademark Acquisition Agreement
"Completion Confirmation"	a confirmation to be entered into between the Company and GPHL to facilitate the transfer of the Target Trademarks on the Completion Date
"Completion Date"	the date of the Completion
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the Acquisition in the amount of RMB1,389,122,631 (equivalent to approximately HKD1,583.60 million, exclusive of VAT)
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"Defensive Trademarks"	has the meaning given to it in the section headed "IV. Information on the Target Trademarks"
"Director(s)"	the director(s) of the Company
"GPC"	Guangzhou Pharmaceutical Company Limited* (廣州藥業股份有限公司), the predecessor of the Company
"GPHL"	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 45.04% of the issued shares of the Company as at the date of this announcement
"Group"	the Company and its subsidiaries
"Guaranteed Incomes"	the aggregated net licence fee incomes generated from the Operation Trademarks as guaranteed by GPHL in accordance with the Profit Compensation Agreement, being an amount of RMB486.97 million (equivalent to approximately HKD555.15 million) for the three financial years ending 31 December 2021 in case Completion takes place in 2019
"Guaranteed Period"	the three financial years ending 31 December 2021
"HKD"	Hong Kong dollars, the lawful currency of the Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region, the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Third Party(ies)"	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
"Independent Valuer"	Allied Appraisal Co., Ltd.* (中聯國際評估諮詢有限公司), an independent qualified PRC valuer engaged by GPHL for the purpose of appraising the value of the Target Trademarks
"Legal Disputes"	has the meaning given to it in the paragraph headed "V. Reasons for and benefits of entering into the Trademark Acquisition Agreement and the Profit Compensation Agreement"

"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Operation Trademarks"	has the meaning given to it in the section headed "IV. Information on the Target Trademarks"
"Parties"	the parties to the Agreements, being the Company and GPHL, and "Party" refers to any one of them
"PRC"	the People's Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Profit Compensation Agreement"	the agreement dated 27 December 2018 entered into between the Company and GPHL in relation to the compensation from GPHL to the Company in case the Audited Incomes are lower than the amounts guaranteed by GPHL thereunder
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the A shares and/or the H shares of the Company
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Target Trademarks"	a total of 420 registered trademarks owned, and all trademark applications currently made, in the PRC and other jurisdictions in relation to the WangLaoJi* (王老吉) series trademarks by GPHL, comprising the Operation Trademarks and the Defensive Trademarks
"Trademark Acquisition Agreement"	the conditional agreement dated 27 December 2018 entered into between the Company and GPHL in relation to the Acquisition
"Valuation"	the valuation of the Target Trademarks as at the Valuation Benchmark Date by the Independent Valuer
"Valuation Benchmark Date"	30 June 2018
"Valuation Report"	the report dated 27 December 2018 issued by the Independent Valuer with regard to the Valuation
"VAT"	Value – added tax
"%"	per cent

Conversions of RMB into HKD are based on the exchange rate of RMB1 to HK$1.14, for information purpose only. Such conversions should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 27 December 2018

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Li Hong 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.

The following is the full text of the report received from the Company's independent reporting accountants, BDO, for the inclusion in this announcement.

立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

Our ref.: XinKuaiShiBaoZi[2018] No.ZC10489

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE CALCULATION OF DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE OPERATION TRADEMARKS

TO THE BOARD OF DIRECTORS OF GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

We refer to the discounted future cash flows of the Operation Trademarks (the "**Discounted Future Cash Flows**") underlying the valuation of the Operation Trademarks prepared by the Independent Value (the "**Operation Trademarks Valuation**") which forms part of the Valuation as mentioned in the announcement of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (the "**Company**") dated 27 December 2018 (the "**Announcement**"). Capitalized terms used in this report, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

The Operation Trademarks Valuation is prepared based on the Discounted Future Cash Flows and is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE DISCOUNTED FUTURE CASH FLOWS

The Directors are responsible for the preparation of the Discounted Future Cash Flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation Report. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Discounted Future Cash Flows for the Operation Trademarks Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Chinese Institute of Certified Public Accountants ("**CICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies the Standard on Quality Control 5101 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the CICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the Discounted Future Cash Flows used in the Operation Trademarks Valuation. The Discounted Future Cash Flows do not involve the adoption of accounting policies.

BASIS OF OPINION

We conducted our engagement in accordance with the Standard on Assurance Engagements 3101 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the CICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the Discounted Future Cash Flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation Report. We performed procedures on the arithmetical calculations and the compilations of the Discounted Future Cash Flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with the Standards on Auditing issued by the CICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the calculations are concerned, the Discounted Future Cash Flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation Report.

OTHER MATTERS

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the Discounted Future Cash Flows are based and our work does not constitute any valuation of the Operation Trademarks or an expression of an audit or review opinion on the Operation Trademarks Valuation.

The Discounted Future Cash Flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the Discounted Future Cash Flows relates to the future, actual results are likely to be different from the Discounted Future Cash Flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

BDO CHINA SHU LUN PAN CPAs LLP
Shanghai, the PRC
27 December 2018

APPENDIX II – LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE OPERATION TRADEMARKS VALUATION

The following is the full text of the letter from Celestial Capital Limited in respect of the Operation Trademarks Valuation for the inclusion in this announcement

Celestial Capital Limited
21/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

27 December 2018

The Board of Directors
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited
45 Sha Mian North Street,
Liwan District, Guangzhou City,
Guangdong Province,
the PRC

Dear Sirs,

Re: Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the "Company") Discloseable and Connected Transaction – Acquisition of Trademarks from a Connected Person and the Associated Profit Compensation Agreement

We refer to the discounted future cash flows of the Operation Trademarks (the "**Discounted Future Cash Flows**") underlying the valuation of the Operation Trademarks prepared by the Independent Valuer (the "**Operation Trademarks Valuation**") which forms part of the Valuation as mentioned in the Company's announcement dated 27 December 2018 (the "**Announcement**"). Capitalized terms used in this letter, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

The Independent Valuer has applied the discounted cash flow method under income-based approach and based on certain assumptions in preparing the Operation Trademarks Valuation. Accordingly, the Operation Trademarks Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and the requirements under Rule 14.62 of the Listing Rules are therefore applicable. This letter is issued by us in the capacity of the Company's financial adviser in compliance with the requirement under Rule 14.62(3) of the Listing Rules. We are not reporting on the arithmetical calculations of the Discounted Future Cash Flows nor the Operation Trademarks Valuation.

We have reviewed the Discounted Future Cash Flows upon which the Operation Trademarks Valuation has been made and for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Independent Valuer in respect of the bases and assumptions upon which the Operation Trademarks Valuation were based.

We have also considered the assurance report (the "**Report**") dated 27 December 2018 from BDO CHINA SHU LUN PAN CPAs LLP ("**BDO**") as set out in Appendix I to the Announcement and note that BDO has performed procedures regarding its responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the Discounted Future Cash Flows used for the Operation Trademarks Valuation. We also note that the Discounted Future Cash Flows do not involve the adoption of accounting policies.

The Discounted Future Cash Flows upon which the Operation Trademarks Valuation has been made have been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur and, as such, the Discounted Future Cash Flows may not be appropriate for purposes other than for deriving the Operation Trademarks Valuation. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Discounted Future Cash Flows since such anticipated events frequently may or may not occur as expected and the variation may be material.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value of the Operation Trademarks. We have had no role or involvement and have not provided and will not provide any assessment of the fair value of the Operation Trademarks. Our work does not constitute any valuation of the fair value of the Operation Trademarks. Therefore we accept no responsibility therefor, and express no views, whether expressly or implicitly, thereon.

On the basis of the foregoing and in the absence of unforeseeable circumstances, and without giving any opinion on the reasonableness of the Discounted Future Cash Flows and of the Operation Trademarks Valuation, we are satisfied that the Discounted Future Cash Flows upon which the Operation Trademarks Valuation has been made, and for which you as Directors are solely responsible, have been made by you as Directors after due and careful enquiry. However, we express no opinion on how closely the actual cash flow and profit eventually will correspond with the Discounted Future Cash Flows.

Our work in connection with the Discounted Future Cash Flows and the Operation Trademarks Valuation has been undertaken solely for the compliance of Rule 14.62(3) of the Listing Rules and for no other purpose. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,
For and on behalf of
Celestial Capital Limited

Daphne Ng
Managing Director and
Head of Investment Banking

Carmen Chan
Director