
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s), or to the bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

- (1) TRANSACTIONS REQUIRED TO BE APPROVED BY SHAREHOLDERS
PURSUANT TO THE APPLICABLE PRC REGULATORY REQUIREMENTS:**
- (a) ACQUISITION OF TRADEMARKS FROM A CONNECTED PERSON AND
THE ASSOCIATED PROFIT COMPENSATION AGREEMENT;
AND**
- (b) PROVISION OF BANK CREDIT GUARANTEES BY GP CORP.
TO ITS WHOLLY-OWNED SUBSIDIARIES;
AND**
- (c) CHANGES IN USE OF PLACING PROCEEDS TRANSACTION;
AND**
- (d) ADDITION OF NEW ENTITIES WHICH MAY USE
PART OF THE PLACING PROCEEDS;
AND**
- (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Celestial Capital Limited

Capitalized terms used in this cover page have the same meanings of those defined in this circular.

The Board Letter is set out on pages 6 to 21 of this circular.

A notice convening the EGM to be held at the conference room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC on Thursday, 28 March 2019 at 10:00 a.m. or any adjournment thereof is set out on pages 27 to 31 of this circular. Whether or not you intend to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to have been revoked.

31 January 2019

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“A Shares”	domestic shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and denominated in RMB
“Acquisition”	the acquisition of the Target Trademarks together with all the rights and benefits attaching thereto by the Company
“Acquisition Announcement”	the announcement of the Company in relation to the Acquisition and dated 27 December 2018
“Agreements”	collectively, Trademark Acquisition Agreement and the 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 “The Acquisition” in the Board Letter
“Bank Credit Guarantees”	has the meaning given to it in the section headed “B. Other Transactions – Provision of Bank Credit Guarantees by GP Corp. to its wholly-owned subsidiaries” in the Board Letter
“Board”	the board of Directors
“Board Letter”	the section headed “LETTER FROM THE BOARD” of this circular
“Change in Use of Placing Proceeds Transaction”	the proposed change of use of the Placing Proceeds as described in more details in the section headed “B. Other Transactions – Change in Use of Placing Proceeds Transaction” in the Board Letter
“Company”	Guangzhou Baiyunshan Pharmaceutical Holding 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

DEFINITIONS

“Completion Confirmation”	a confirmation to be entered into between the Company and GPLH to facilitate the transfer of the Target Trademarks on the Completion Date
“Completion Date”	the date of 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 “Information on the Target Trademarks” in the Board Letter
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 28 March 2019 (Thursday) at 10:00 a.m. for seeking the approvals of the Shareholders or, where applicable, the Independent Shareholders, in respect of the respective transactions contemplated under the Agreements and Other Transactions
“GP Corp.”	Guangzhou Pharmaceutical Corporation* (廣州醫藥有限公司), a company established in the PRC which is owned by the Company as to 80% and an Independent Third Party as to 20%
“GP Corp. Subsidiaries”	has the meaning given to it in the section headed “B. Other Transactions – Provision of Bank Credit Guarantees by GP Corp. to its wholly-owned subsidiaries” in the Board Letter
“GPC”	Guangzhou Pharmaceutical Company Limited* (廣州藥業股份有限公司), the predecessor 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 held approximately 45.04% of the shares of the Company in issue as at the Latest Practicable Date
“Group”	the Company and its subsidiaries

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“Guaranteed Incomes”	the aggregated net licence fee incomes generated from the Operation Trademarks as guaranteed by GPLH 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
“H Shares”	foreign shares of nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and denominated in HKD
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Shareholders other than GPLH and its associates
“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 GPLH for the purpose of appraising the value of the Target Trademarks
“Legal Disputes”	has the meaning given to it in the section headed “Reasons for and benefits of entering into the Trademark Acquisition Agreement and the Profit Compensation Agreement” in the Board Letter
“Latest Practicable Date”	25 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“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 “Information on the Target Trademarks” in the Board Letter
“ORA”	the overseas regulatory announcement of the Company dated 27 December 2018 in relation to the addition of new entities which may use part of the Placing Proceeds

DEFINITIONS

“Other Transactions”	the transactions (other than the transactions contemplated in the Agreements) to be considered and, if thought fit, to be approved by the Shareholders (or the Independent Shareholders, where applicable) at the EGM as described in more details in the section headed “B. Other Transactions” in the Board Letter
“Parties”	the parties to the Agreements, being the Company and GPLH, and “Party” refers to any one of them
“Placing”	the placing of the new A Shares as disclosed in, among others, the Placing Circular and other relevant circular(s) and announcement(s) of the Company
“Placing Circular”	the circular of the Company in relation to the Placing dated 26 February 2015
“Placing Proceeds”	the final proceeds raised by the Company through the Placing, being approximately RMB7,863 million after deducting relevant expenses
“PRC”	the People’s Republic of China and, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Profit Compensation Agreement”	the agreement dated 27 December 2018 entered into between the Company and GPLH in relation to the compensation from GPLH to the Company in case the Audited Incomes are lower than the amounts guaranteed by GPLH thereunder
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the A Shares and/or the H Shares
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it 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 GPLH, comprising the Operation Trademarks and the Defensive Trademarks
“Trademark Acquisition Agreement”	the conditional agreement dated 27 December 2018 entered into between the Company and GPLH in relation to the Acquisition

DEFINITIONS

“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

For the purpose of this circular, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.14 as set out in the announcement of the Company dated 27 December 2018 in relation to the Acquisition. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Chuyuan
Mr. Chen Mao
Ms. Liu Juyan
Ms. Cheng Ning
Mr. Ni Yidong
Mr. Li Hong
Mr. Wu Changhai

Independent non-executive Directors

Mr. Chu Xiaoping
Mr. Jiang Wenqi
Mr. Wong Hin Wing
Ms. Wang Weihong

*Registered office and principal place
of business:*

45 Sha Mian North Street
Liwan District
Guangzhou City, Guangdong Province
The PRC

Principal place of business in Hong Kong:

Room 2005, 20th Floor
Tower Two Lippo Centre
89 Queensway
Hong Kong

31 January 2019

To the Shareholders

Dear Sir/Madam,

**(1) TRANSACTIONS REQUIRED TO BE APPROVED BY SHAREHOLDERS
PURSUANT TO THE APPLICABLE PRC REGULATORY REQUIREMENTS:**

**(a) ACQUISITION OF TRADEMARKS FROM A CONNECTED PERSON
AND THE ASSOCIATED PROFIT COMPENSATION AGREEMENT;
AND**

**(b) PROVISION OF BANK CREDIT GUARANTEES BY GP CORP.
TO ITS WHOLLY-OWNED SUBSIDIARIES;
AND**

**(c) CHANGES IN USE OF PLACING PROCEEDS TRANSACTION;
AND**

**(d) ADDITION OF NEW ENTITIES WHICH MAY USE
PART OF THE PLACING PROCEEDS;
AND**

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference are made to (i) the Acquisition Announcement; and (ii) the following announcements of the Company in relation to Other Transactions: the overseas regulatory announcement of the Company dated 29 October 2018 in relation to the limit for the provision of bank credit guarantees by GP Corp. to the GP Corp. Subsidiaries, the announcement of the Company dated 27 December 2018 in relation to the Change in

LETTER FROM THE BOARD

Use of Placing Proceeds Transaction and the ORA. The transactions contemplated in the Agreements and Other Transactions 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 (or the Independent Shareholders, where applicable) at the general meeting of the Company pursuant to the applicable PRC rules and regulations (including the SSE Listing Rules).

The purpose of this circular is to provide you with (i) information reasonably necessary to enable you to make an informed decision on how to vote on the ordinary resolutions to be proposed at the EGM which will be held for the Shareholders (or Independent Shareholders, where applicable) to consider and, if thought fit, approve the transactions contemplated under (A) the Agreements; and (B) Other Transactions; and (ii) the notice of the EGM.

A. ACQUISITION OF TRADEMARKS FROM A CONNECTED PERSON AND THE ASSOCIATED PROFIT COMPENSATION AGREEMENT

The Acquisition

On 27 December 2018, the Company and GPLH, the controlling shareholder of the Company, entered into (i) the Trademark Acquisition Agreement, pursuant to which GPLH 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 GPLH to the Company in case the Audited Incomes are lower than the amounts guaranteed by GPLH thereunder.

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) GPLH (as the vendor); and (ii) the Company (as the purchaser).
Subject matter:	Subject to the terms and conditions of the Trademark Acquisition Agreement, GPLH 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 GPLH in cash on the Completion Date.

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The Consideration was determined through arm's length negotiations between the Company and GPLH and with reference to the Appraised Value (details of the Appraised Value are set out in the section headed "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 Placing Proceeds as disclosed in an announcement of the Company dated 27 December 2018 announcing changes in the use of proceeds from the Placing; 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 GPLH; and
- (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 GPLH in accordance with the relevant rules and regulations.

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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.

As at the Latest Practicable Date, the conditions precedent referred to in (ii), (iii) (other than the approval of the Shareholders referred to therein) and (iv) had already been fulfilled. As at the Latest Practicable Date, the Company has no intention to waive the conditions precedent which remained unfulfilled.

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 GPLH. 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 ongoing litigations, appeals, mediations and legal disputes as specified in the Trademark Acquisitions Agreement shall be borne and enjoyed by GPLH), 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 GPLH in February 2012 in relation to the provision of custody services by the Company to GPLH for the Operation Trademarks shall be terminated whereupon (i) GPLH 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 GPLH 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 GPLH before the Completion Date, the following shall apply:

LETTER FROM THE BOARD

- (i) in respect of those licencing agreements entered into by the Company on behalf of GPLH, the Company shall continue to perform those licencing agreements; and
- (ii) in respect of those licencing agreements entered into by GPLH as licensor, GPLH should arrange for the execution of supplemental agreements to effect novation of those licencing agreements to the Company. Before execution of such supplemental agreements, GPLH 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) GPLH; and
- (ii) the Company

Guaranteed Incomes: The Parties agreed that compensation shall be paid by GPLH to the Company if 80% (being GPLH'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, GPLH shall compensate the Company an amount (the "**Compensation Amount**") calculated in accordance with the formula below:

Compensation Amount =

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

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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.

Information on the Group and GPLH

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.

GPLH 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 Latest Practicable Date. GPLH is the owner of the Target Trademarks, which were either (i) first registered by GPLH 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 GPLH with no acquisition cost.

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 GPLH. Among the 420 registered trademarks, (i) 14 trademarks are the trademarks that are authorised by GPLH 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 Latest Practicable Date, 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.

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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 GPLH and the Company:

	For the year ended 31 December 2016 <i>RMB'000</i> (unaudited)	For the year ended 31 December 2017 <i>RMB'000</i> (unaudited)	For the six months ended 30 June 2018 <i>RMB'000</i> (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	As at	As at
	31 December	31 December	30 June
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(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, GPLH 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.

Reasons for and Benefits of Entering into the Trademark Acquisition Agreement and The Profit Compensation Agreement

Fulfilment by GPLH 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 GPLH, from GPLH. 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 GPLH and an independent third party (the “**Legal Disputes**”) were 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

LETTER FROM THE BOARD

various trademarks then owned by GPLH) 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 GPLH, GPLH 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 GPLH 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 GPLH proposed to amend the abovementioned undertaking such that it would transfer the trademarks in the WangLaoJi* (王老吉) series owned by GPLH 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 “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 Latest Practicable Date. Licence fees have been paid by the Group to GPLH under such licensing arrangements relating to the Target Trademarks. The Group and GPLH had also entered into the trademarks custody arrangement as mentioned in the paragraph headed “The Trademark Acquisition Agreement” in the section headed “The Acquisition” in this circular. 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 GPLH will be reduced upon Completion by virtue of the termination of the existing arrangements in relation to the Target Trademarks between the Group and GPLH, including licences granted by GPLH 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 GPLH would minimise reliance on GPLH, 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.

LETTER FROM THE BOARD

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 GPLH 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 “The Acquisition” of this circular. In accordance with the applicable PRC rules and regulations (including the SSE Listing Rules), the Profit Compensation Agreement was entered into for the purpose of protecting the interests of the Company and the Shareholders (excluding GPLH) 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 GPLH, 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.

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 GPLH 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.

LETTER FROM THE BOARD

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. General assumptions

- (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.

LETTER FROM THE BOARD

- (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 the Acquisition Announcement for the purpose of Rule 14.62 of the Listing Rules and reproduced in Appendix I to this circular for easy reference.

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 the Acquisition Announcement for the purpose of Rule 14.62 of the Listing Rules and reproduced in Appendix II to this circular for easy reference.

LETTER FROM THE BOARD

Implications under Listing Rules

Each of the Agreements was entered into between the Company and GPHL, the controlling shareholder of the Company which held approximately 45.04% shareholding interest in the Company as at the Latest Practicable Date. Accordingly, the transactions contemplated under the Agreements constituted the 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.

However, the transactions contemplated under the Agreements are required to be approved by the Independent Shareholders under applicable PRC rules and regulations (including the SSE Listing Rules). Accordingly, an ordinary resolution on the transactions contemplated under the Agreements will be proposed for the Independent Shareholders to consider and, if thought fit, approve at the EGM. Under the applicable PRC rules and regulations (including the SSE Listing Rules), GPHL, being materially interested in the Agreements, and its associates are required to abstain from voting on the resolution to be proposed at the EGM to approve the Agreements.

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 Latest Practicable Date, (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,

LETTER FROM THE BOARD

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 circular 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.

B. OTHER TRANSACTIONS

Provision of Bank Credit Guarantees by GP Corp. to its wholly-owned subsidiaries

GP Corp. was a joint venture company which was owned as to 50% by the Company and 50% by Alliance BMP Limited, an Independent Third Party, prior to 31 May 2018. In order to cope with the business development of GP Corp., the board of directors of GP Corp. resolved to approve the application for the provision of bank credit guarantees to the subsidiaries of GP Corp. (the “**GP Corp. Subsidiaries**”) in the amount of RMB2,110,000,000 (the “**Bank Credit Guarantees**”) in early 2018. GP Corp. has become a non-wholly-owned subsidiary of the Company since 31 May 2018, and is owned as to 80% by the Company and 20% by Alliance BMP Limited. Pursuant to the applicable PRC rules and regulations (including the SSE Listing Rules), the implementation of the renewal of the Bank Credit Guarantees is required to be approved by the Board and the Shareholders at the general meeting of the Company. The approval of the Board had been obtained on 29 October 2018. For the purpose of seeking the approval of the Shareholders, an ordinary resolution will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve the provision of the Bank Credit Guarantees to the GP Corp. Subsidiaries. The provision of the Bank Credit Guarantees to the GP Corp. Subsidiaries is to facilitate the GP Corp. Subsidiaries to obtain banking facilities for the purposes of their ordinary course of business. Accordingly, the Board considers that the provision of the Bank Credit Guarantees by GP Corp. is in the interest of the Company and the Shareholders as a whole.

Changes in Use of Placing Proceeds Transaction

In the announcement of the Company dated 27 December 2018, it was disclosed, among other things, that the Board had resolved to approve that RMB1,000 million and RMB80 million out of the Placing Proceeds and originally intended to be allocated to expanding and strengthening the Group’s distribution networks and establishing a new management and information system of the Group, respectively (being a total of RMB1,080 million), is changed to apply to the project of acquiring the “Wang Lao Ji” trademarks series held by GPHL, i.e. the Target Trademarks.

As disclosed in the said announcement of the Company dated 27 December 2018, the Board had considered the impact of the proposed changes in the use of the Placing Proceeds on the business of the Group and is of the view that, given the latest circumstances of the Company’s operation and business, the Company would benefit from the change in the use of the unutilized proceeds as this can improve the efficiency in using the funds raised by the Company from the Placing and therefore is in the best interest of the Company and the Shareholders as a whole.

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The Change in Use of Placing Proceeds Transaction is for the acquisition of assets from a connected person, namely GPLH and, as such, is required to be approved by the Independent Shareholders pursuant to the applicable PRC rules and regulations (including the SSE Listing Rules). For the purpose of seeking the approval of the Independent Shareholders, an ordinary resolution will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, approve the Change in Use of Placing Proceeds Transaction. Under the applicable PRC rules and regulations (including the SSE Listing Rules), GPLH, being materially interested in the Change in Use of Placing Proceeds Transaction, and its associates are required to abstain from voting on the resolution to be proposed at the EGM to approve the Change in Use of Placing Proceeds Transaction.

Addition of new entities which may use part of the Placing Proceeds

In the subsection headed “a. Establishment of the R&D platform for “Grand Southern TCM” on page 18 of the Placing Circular, it was disclosed that part of the Placing Proceeds (being RMB1,500 million) were intended to be used for financing the establishment of the R&D platform for “Grand Southern TCM”. Under the plan of the non-public issue of A Shares of the Company in relation to the Placing, the Company was specified as the entity to use part of the Placing Proceeds for the Grand Southern TCM Platform Establishment. At the extraordinary general meeting of the Company held on 22 December 2017, the Shareholders approved that (i) Guangzhou Baiyunshan Pharmaceutical General Factory* (廣州白雲山醫藥集團股份有限公司白雲山製藥總廠), a branch of the Company; (ii) Guangzhou Baiyunshan Chemical Pharmaceutical Factory* (廣州白雲山醫藥集團股份有限公司廣州白雲山化學製藥廠), a branch of the Company; (iii) Guangzhou Baiyunshan Bai Di Bio-technology Co., Ltd.* (廣州白雲山拜迪生物醫藥有限公司), a subsidiary of the Company; and (iv) Guangzhou Baiyunshan Han Fang Contemporary Pharmaceutical Co., Ltd.* (廣州白雲山漢方現代藥業有限公司), a subsidiary of the Company, shall, in addition to the Company, be included as the entities which may use the part of the Placing Proceeds for the Grand Southern TCM Platform Establishment.

At the Board meeting held on 27 December 2018, the Directors (including all the independent non-executive Directors) resolved that (I) Guangzhou Pharmaceutical Research General Institute Co., Ltd. (廣州醫藥研究總院有限公司); (II) Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd. (廣州白雲山明興製藥有限公司); and (III) Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (廣州采芝林藥業有限公司), each a wholly-owned subsidiary of the Company, shall additionally be included as the entities which may use the part of the Placing Proceeds for the Grand Southern TCM Platform Establishment.

The reasons for the proposed addition of new entities are, among other things, to speed up the implementation of the Grand Southern TCM Platform Establishment and to strengthen the competitiveness of the Company. On the basis of the reasons disclosed above, the Directors considered that the proposed addition of new entities which may use the part of the Placing Proceeds for the Grand Southern TCM Platform Establishment are in the best interests of the Company and the Shareholders as a whole. The independent non-executive directors of the Company opined that addition of the entities which may use the part of the Placing Proceeds for the Grand Southern TCM Platform Establishment would not cause material impact on the implementation of the Grand Southern TCM Platform Establishment or the operation and management of the Group and is in the benefit of the business development of the Group.

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Pursuant to the applicable PRC regulations, such as Listed Companies Regulatory Guidelines No. 2 – Management and Use of Funds Raised by Listed Companies (《上市公司監管指引第2號 – 上市公司募集資金管理和使用》) and the Measures for the Management of the Funds Raised by Listed Companies of the Shanghai Stock Exchange (2013 Revised) (《上海證券交易所上市公司募集資金管理辦法(2013年修訂)》), the changes of the entities using the Placing Proceeds are required to be approved by both the Directors and the Shareholders. Accordingly, a resolution on the addition of new entities which may use the part of the Placing Proceeds for the Grand Southern TCM Platform Establishment will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve. Should such resolution passed by the Shareholders at the EGM, the Company will inject further capital into the subsidiaries of the Company mentioned in the second paragraph of this subsection. The proposed addition of entities which may use part of the Placing Proceeds as described in this circular would not result in any change to the information regarding the Placing disclosed by the Company prior to the Latest Practicable Date.

Implications of Other Transactions under the Listing Rules

None of the Other Transactions is required to be approved by the Shareholders, independent or otherwise, under the Listing Rules. However, all of the Other Transactions are to be approved by the Shareholders or, where applicable, the Independent Shareholders as explained above.

CLOSURE OF REGISTER OF MEMBERS FOR HOLDERS OF H SHARES

The register of members of the Company will be closed from Tuesday, 26 February 2019 to Thursday, 28 March 2019 (both days inclusive) for the purpose of determining the entitlements of the Shareholders to attend the EGM, during which no transfer of H Shares will be effected. In order to qualify to attend the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:00 p.m. on Monday, 25 February 2019.

THE EGM

Set out on pages 27 to 31 of this circular is a notice convening the EGM to be held at the conference room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC, at 10:00 a.m. on 28 March 2019 (Thursday).

At the EGM, ordinary resolutions for approving the transactions contemplated under the Agreements and Other Transactions will be proposed to the Shareholders (or the Independent Shareholders, where applicable) for them to consider and, if thought fit, approve. The resolutions will be voted by way of poll at the EGM. An announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 24 hours before the time appointed for the

LETTER FROM THE BOARD

holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to have been revoked.

RECOMMENDATIONS

The Directors consider that each of the resolutions in respect of the approval of the Agreements and Other Transactions is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the proposed resolutions.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By Order of the Board
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

**APPENDIX I ASSURANCE REPORT FROM BDO CHINA SHU LUN
PAN CPAS LLP ON THE CALCULATION OF DISCOUNTED
FUTURE CASH FLOWS IN CONNECTION WITH THE
VALUATION OF THE OPERATION TRADEMARKS**

The following is the full text of the report received from the Company's independent reporting accountants, BDO which had been included in the Acquisition Announcement and reproduced for inclusion in this circular.



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.

**APPENDIX I ASSURANCE REPORT FROM BDO CHINA SHU LUN
PAN CPAS LLP ON THE CALCULATION OF DISCOUNTED
FUTURE CASH FLOWS IN CONNECTION WITH THE
VALUATION OF THE OPERATION TRADEMARKS**

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.

**APPENDIX I ASSURANCE REPORT FROM BDO CHINA SHU LUN
PAN CPAS LLP ON THE CALCULATION OF DISCOUNTED
FUTURE CASH FLOWS IN CONNECTION WITH THE
VALUATION OF THE OPERATION TRADEMARKS**

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 CELESTIAL CAPITAL LIMITED IN RESPECT OF THE OPERATION TRADEMARKS VALUATION

The following is the full text of the letter from Celestial Capital Limited in respect of the Operation Trademarks Valuation which had been included in the Acquisition Announcement and reproduced for inclusion in this circular.



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.

APPENDIX II LETTER FROM CELESTIAL CAPITAL LIMITED IN RESPECT OF THE OPERATION TRADEMARKS VALUATION

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

NOTICE OF THE EGM



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)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING IN 2019

IMPORTANT NOTICE

- Date and time of the first extraordinary general meeting in 2019 (the “EGM”) to be held on-site: 28 March 2019 (Thursday) at 10:00 a.m.
- Registration date of the EGM: 25 February 2019 (Monday)
- Place of the EGM: Conference Room of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “Company”), 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”)
- Manner of the voting at the EGM: the manner of the voting at the EGM will be both on-site and by way of network voting (applicable to A shares)

I. INFORMATION REGARDING THE CONVENING OF THE EGM

1. The resolution on convening the EGM was considered and passed at the 18th meeting of the seventh session of the board of directors of the Company (the “Board”)
2. Date and time of the EGM: 28 March 2019 (Thursday) at 10:00 a.m.
3. Place of the EGM: Conference Room of the Company, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC.
4. The convener of the meeting: the Board.
5. Manner of voting: the manner of voting for the EGM will be both on-site and by way of network voting (applicable to A shares).

NOTICE OF THE EGM

6. The system, commencement date, ending date and voting time of the network voting (applicable to A shares):

The Company will utilize the network voting system of The Shanghai Stock Exchange. The time for casting votes via the voting platform of the trading system is the trading sessions on the date on which the EGM will be held (28 March 2019) i.e. 9:15 to 9:25, 9:30 to 11:30 and 13:00 to 15:00. The time for casting votes via network voting will be from 9:15 to 15:00 on the date on which the EGM will be held.

7. The voting procedure of accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link:

The voting procedure of accounts in respect of margin trading and securities lending, refinancing, buy-back agreement business and investors of the Northbound Trading Link shall be conducted in accordance with, among others, the relevant provisions of the Detailed Rules of the Shanghai Stock Exchange for Online Voting at Shareholders' General Meetings of Listed Companies.

8. Solicitation of shareholders' voting rights

Not applicable

II. MATTERS TO BE CONSIDERED AT THE EGM

To be considered and approved by way of ordinary resolutions:

1. Resolution on the amounts of guarantees to be provided by Guangzhou Pharmaceutical Corporation, a subsidiary of the Company, to secure the bank loans for its wholly-own subsidiaries;
2. Resolution regarding the proposal on purchasing trademarks in cash and the relevant agreements and connected transactions;
3. Resolution on the changes in use of proceeds from the fund raising of the Company; and
4. Resolution on the addition of new entities which may use part of the proceeds from the fund raising of the Company.

The above resolutions were approved at the 17th meeting of the seventh session of the Board and the 11th meeting of the seventh session of the supervisory committee of the Company held on 29 October 2018, the 18th meeting of the seventh session of the Board and the 12th meeting of the seventh session of the supervisory committee of the Company held on 27 December 2018.

Guangzhou Pharmaceutical Holdings Limited, being a shareholder and a connected person of the Company, and its associates shall abstain from voting on resolutions 2 and 3 above.

NOTICE OF THE EGM

III. ATTENDEES OF THE EGM AND BOOK CLOSURE PERIOD FOR HOLDERS OF H SHARES

1. Holders of domestic shares (A shares) and overseas listed foreign shares (H shares) whose names appear on the register of members of the Company after the end of the trading hours on 25 February 2019 (Monday) (including those holders of H shares who have submitted verified application documents for the transfer of shares on or before 25 February 2019 (Monday)) are entitled to attend the EGM. The register of members of the Company will be closed from 26 February 2019 (Tuesday) to 28 March 2019 (Thursday) (both days inclusive) during which no transfer of H shares will be effected. In order to determine who are entitled to attend the EGM, all share transfer documents of H shares together with the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, namely Hong Kong Registrars Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for share transfer registration no later than 4:00 p.m. on 25 February 2019 (Monday).
2. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies (whether or not he/she is a shareholder) to attend and vote at the meeting on his/her behalf. If any shareholder appoints more than one proxy, the proxies can only vote by poll. To be valid, the proxy form and the notarially certified power of attorney and/or other documents of authorization (if any) must be delivered to the address of the Company's office (for holders of A shares) or the office address of the Company's H share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (for holders of H shares) no less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.
3. Shareholders who intend to attend the EGM in person or by proxy should complete and return the attached reply slip by hand, by mail or by fax in accordance with the instructions printed thereon before 8 March 2019 (Friday).
4. The directors, supervisors and senior management of the Company.
5. The lawyers, the auditors, the valuer and the financial adviser of the Company.

IV. REGISTRATION FOR THE EGM

A. Methods of registration

To attend the EGM, an individual shareholder should bring along his/her identity card, shareholder account card of the principal; a proxy should bring along the proxy form, his/her identity card and the identity card of the principal and the shareholder account card for registration purpose. A legal person shareholder should bring along a copy of the business license, the proxy form signed by the representative of the legal entity, the shareholder account card of the principal and the identity card of the attendee for registration purpose.

NOTICE OF THE EGM

B. Place and time of registration:

Registration date and time: 09:30 a.m.-11:30 a.m. and 2:00 p.m.- 4:30 p.m. on 8 March 2019 (Friday)

Place of registration: Office of the secretariat to the Board, 2nd Floor, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC

V. OTHERS

1. Address: 2nd Floor of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, 45 Sha Mian North Street, Liwan District, Guangzhou City, Guangdong Province, the PRC
Postal code: 510130
Contact person: Huang Ruimei/Tan Yanli
Tel: (8620) 6628 1217/6628 1220
Fax: (8620) 6628 1229
Email: sec@gybys.com.cn
2. Address of Shanghai Branch of China Securities Depository and Clearing Corporation Limited: 3/F., China Insurance Building, No. 166 Lujiazui Road East, Shanghai, the PRC
Address of Hong Kong Registrars Limited: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
3. The EGM is expected to last for a day. Shareholders attending the EGM shall be responsible for their own travelling and accommodation expenses.
4. Reporters attending the EGM shall register before the registration time for the shareholders.

VI. DOCUMENTS AVAILABLE FOR INSPECTION

1. Resolutions passed at the 17th meeting of the seventh session of the Board and the relevant announcement;
2. Resolutions passed at the 11th meeting of the seventh session of the supervisory committee of the Company and the relevant announcement;
3. Resolutions passed at the 18th meeting of the seventh session of the Board and the relevant announcement;

NOTICE OF THE EGM

4. Resolutions passed at the 12th meeting of the seventh session of the supervisory committee of the Company and the relevant announcement.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 30 January 2019

As at the date of this notice, the Board 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.