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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) PROPOSED ISSUE AND PLACING OF NEW A SHARES;**
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- EMPLOYEE STOCK OWNERSHIP SCHEME (2015);**
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- AND**
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PROPOSED ISSUE AND PLACING OF NEW A SHARES

The Board is pleased to announce that on 12 January 2015, the Board approved the Proposed Placing, pursuant to which the Company will issue no more than 419,463,087 new A Shares to 5 subscribers in total, being GPLH, GZ SOA Development, GZ China Life, Shanghai Yunfeng (on behalf of the Fund) and the Asset Manager (as trustee of the Employee Stock Trust). On 12 January 2015, the Subscribers have entered into the Subscription Agreements respectively with the Company to subscribe for a total of up to 419,463,087 new A Shares at the Subscription Price of RMB23.84 per new A Share, representing a maximum amount of gross proceeds of approximately RMB10,000 million. Save for the parties to the agreement, the number of A Shares subscribed, the aggregate subscription amount payable to the Company and the GPLH Undertaking, all other major terms of the Subscription Agreements are the same.

The A Shares to be issued are subject to a lock-up period of 36 months from the date of completion of the Proposed Placing.

The Shareholders and potential investors should be cautioned that the Proposed Placing is subject to the conditions precedent set out in this announcement, and therefore the Proposed Placing may or may not proceed. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF NEW A SHARES BY GPLH

As part of the Proposed Placing, the Company entered into the GPLH Subscription Agreement with GPLH pursuant to which GPLH agreed to subscribe for a maximum of 146,596,236 new A Shares for a maximum subscription amount of approximately RMB3,495 million and gave the GPLH Undertaking in case of any under-subscription of the Employee Scheme Subscription. The maximum of 146,596,236 A Shares to be subscribed for by GPLH represent (i) approximately 13.68% of the existing issued A Shares and approximately 11.35% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.83% of the enlarged issued A Shares and approximately 8.57% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.

GPLH is a controlling Shareholder holding approximately 45.24% of the total issued share capital of the Company as at the date of this announcement and, therefore, is a connected person of the Company. Accordingly, the entering into the GPLH Subscription Agreement by the Company constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. GPLH and its associates shall abstain from voting on the Shareholders' resolutions in relation to the Proposed Placing, the GPLH Subscription Agreement and transactions contemplated thereunder at the EGM, the A Share Class Meeting and the H Share Class Meeting respectively.

PROPOSED IMPLEMENTATION OF EMPLOYEE STOCK OWNERSHIP SCHEME (2015)

In order to motivate the employees of the Group, the Board approved the Employee Stock Ownership Scheme (2015) on 12 January 2015.

The target participants of the Employee Stock Ownership Scheme (2015) are all employees of the Group as at 1 January 2015, including Directors (excluding independent non-executive Directors), supervisors, senior management and other employees of the Group.

Total size of the Employee Stock Ownership Scheme (2015) will be no more than the maximum number of A Shares to be subscribed for under the Employee Scheme Subscription, being 21,189,000 A Shares and no more than the maximum subscription amount of approximately RMB505 million under the Employee Scheme Subscription.

GENERAL MANDATE TO ISSUE NEW H SHARES

As at the date of this announcement, the Company has 219,900,000 H Shares in issue. On 12 January 2015, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which the Board may issue, allot and/or deal with a maximum of 43,980,000 new H Shares, representing 20% of the existing issued H Shares, assuming that there will be no change in the number of issued H Shares on the date the proposed special resolution regarding the General Mandate is passed.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In order to comply with the applicable laws and regulations of the PRC with regard to the Proposed Placing, the Company proposed to amend its articles of association to reflect changes in, among other things, the registered capital and shareholding structure of the Company immediately after completion of the Proposed Placing.

WHITEWASH WAIVER

Each of GPLH, GZ SOA Development and GZ China Life is a state-owned enterprise under the Guangzhou Municipal People's Government, but they are under the administration of different government departments. GPLH is under the administration of the Guangzhou Municipal People's Government State-owned Assets Supervision and Administration Commission while GZ SOA Development and GZ China Life are under the administration of the Guangzhou Municipal People's Government. GPLH, GZ SOA Development and GZ China Life would be treated as parties acting in concert by virtue of falling into the class (1) presumption of "acting in concert" as defined in the Hong Kong Takeovers Code as a result of the Proposed Placing from which their aggregate interests in the Company will increase (i) from approximately 45.24% to approximately 56.20% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking) or (ii) from approximately 45.24% to approximately 57.44% of the total issue share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPLH is required to take up all additional A Shares pursuant to the GPLH Undertaking), the Concert Group will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Hong Kong Takeovers Code. The Whitewash Waiver will be conditional on, among other things, the approval by the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting by way of poll. The Whitewash Waiver will also be subject to the approval of the Proposed Placing, the GPLH Subscription Agreement and the Concert Party Subscription Agreements by the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting by way of poll.

The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders, the Independent A Share Shareholders and the Independent H Share Shareholders may or may not approve the Whitewash Waiver. The Proposed Placing will not proceed if the Whitewash Waiver is not granted or approved.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Proposed Placing and the Whitewash Waiver. In this connection, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Placing and the Whitewash Waiver. Further announcement will be made in relation to the appointment of the Independent Financial Adviser.

The EGM, A Share Class Meeting and H Share Class Meeting will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Proposed Placing and the transactions contemplated thereunder and the Whitewash Waiver. At the EGM, the resolutions relating to the Employee Stock Ownership Scheme (2015) will also be proposed for the consideration, and if thought fit, the approval by the Shareholders. All members of the Concert Group and their respective parties acting in concert and associates and any Shareholders who are interested in or involved in the Proposed Placing, the Employee Stock Ownership Scheme (2015) and/or the Whitewash Waiver will abstain from voting at the EGM, A Share Class Meeting and H Share Class Meeting for the relevant resolutions. The notice convening the EGM, A Share Class Meeting and H Share Class Meeting and forms of proxy are expected to be despatched to the Shareholders on or before 2 February 2015.

A circular containing, among other things, (i) further information on the Proposed Placing and the Subscription Agreements and the transactions contemplated thereunder; (ii) further information on the Employee Stock Ownership Scheme (2015) and the Asset Management Agreement and the transactions contemplated thereunder; (iii) further information on the Whitewash Waiver; (iv) the General Mandate; (v) the recommendation of the Independent Board Committee; and (vi) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee is expected to be despatched to the Shareholders within 21 days of this announcement (i.e. on or before 2 February 2015) and in any event in accordance with Rule 8.2 of the Hong Kong Takeovers Code.

RESUMPTION OF TRADING

Trading in the H Shares on the Hong Kong Stock Exchange has been suspended with effect from 1:00 p.m. on 3 December 2014, pending the release of this announcement by the Company. An application has been made to the Hong Kong Stock Exchange for the resumption of trading in the H Shares of the Company with effect from 9:00 a.m. on 13 January 2015.

(1) PROPOSED ISSUE AND PLACING OF NEW A SHARES

The Board is pleased to announce that on 12 January 2015, the Board approved the Proposed Placing, details of which are as follows:

A. Details of the Proposed Placing

Class and par value of Shares to be issued : New A Shares with a par value of RMB1.00 each.

Method and time of the Proposed Placing : The Proposed Placing will be carried out by way of non-public issue of new A Shares to the Subscribers. The Company will complete the Proposed Placing within six (6) months from obtaining the endorsement for the Proposed Placing from the CSRC.

Number of Shares to be issued : Subject to any adjustment which may be made by the CSRC but in any event, the maximum number of A Shares to be issued under the Proposed Placing will not be more than 419,463,087 new A Shares, which represents (i) approximately 39.15% of the existing issued A Shares and approximately 32.48% of the existing total issued share capital of the Company as at the date of this announcement; and (ii) approximately 28.13% of the enlarged issued A Shares and approximately 24.52% of the enlarged total issued share capital of the Company upon completion of the Proposed Placing. The aggregate nominal value of the A Shares to be issued under the Proposed Placing, with a par value of RMB1.00 each, will be no more than RMB419,463,087.

Upon completion of the Proposed Placing and if the maximum of 419,463,087 new A Shares are placed, the total number of A Shares in issue will be increased from 1,071,440,650 A Shares to 1,490,903,737 A Shares and the total issued share capital of the Company will be increased from 1,291,340,650 Shares to 1,710,803,737 Shares.

- Target Subscribers** : Pursuant to the Proposed Placing and subject to the Share Adjustment, the Company shall issue new A Shares for subscription to 5 subscribers in total, being GPHL, GZ SOA Development, GZ China Life, Shanghai Yunfeng (on behalf of the Fund) and the Asset Manager (as trustee of the Employee Stock Trust). On 12 January 2015, the Subscribers have entered into the Subscription Agreements respectively with the Company to subscribe for a total of up to 419,463,087 new A Shares at the Subscription Price of RMB23.84 per new A Share, representing total gross proceeds of approximately RMB10,000 million.
- Method of subscription and placing** : All the Subscribers shall subscribe for new A Shares to be issued under the Proposed Placing in cash. The Subscription Price for all new A Shares to be issued will be the same.
- Price Determination Date** : 13 January 2015, being the date of the announcement of the Board resolution made by the Company in relation to the Proposed Placing on the Shanghai Stock Exchange and the date on which the Subscription Price was fixed.
- Subscription Price and pricing principles** : Subject to the Price Adjustment, the Subscription Price is RMB23.84 per new A Share, being 90% of the average trading price per A Share during the 20 trading days prior to the Price Determination Date.

The Subscription Price represents (i) a discount of approximately 12.06% to the closing price of RMB27.11 per A Share as at 3 December 2014, being the last trading day immediately before the date of this announcement and the date of the Subscription Agreements; and (ii) a discount of approximately 10.88% to the average closing price of RMB26.75 per A Share for the last five trading days up to and including 3 December 2014.

The Subscription Price was determined through arm's length negotiation between the Company and the Subscribers with reference to the trading prices of the A Shares on the Shanghai Stock Exchange.

If there is any ex-right event (such as declaration of dividend, bonus issue or capitalization of capital reserves) to the Company between the Price Determination Date and the date of issue of A Shares under the Proposed Placing, the Subscription Price and the number of new A Shares to be issued by the Company under the Proposed Placing shall be adjusted in accordance with the relevant regulations relating to the Price Adjustment and Share Adjustment respectively.

- Lock-up period** : Under the Proposed Placing, all the Subscribers shall not transfer the A Shares subscribed within 36 months from the date of completion of the Proposed Placing.
- Place of listing** : The new A Shares to be issued under the Proposed Placing will be listed on the Shanghai Stock Exchange. The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the new A Shares.
- Use of proceeds** : If the maximum of 419,463,087 new A Shares are placed, the Proposed Placing will raise gross proceeds of approximately RMB10,000 million. The net proceeds from the Proposed Placing, after deducting all related expenses incurred, will be used to strengthen the Group's research and development capability on medicines, health products and medical technology; expand and reform part of the Group's production facilities; expand and strengthen the Group's distribution networks and promotion channel; establish a new management and information system of the Group; and for general working capital purpose, further details of which are set out in the section headed "(10) Reasons for the Proposed Placing and the Employee Stock Ownership Scheme (2015)" in this announcement below.
- Arrangements for the accumulated undistributed profits** : Upon completion of the Proposed Placing, holders of new A Shares, together with all existing Shareholders of the Company, will be entitled to all accumulated, retained and undistributed profits of the Company prior to the completion of the Proposed Placing.

Effective period of the Shareholders' resolutions : The effective period of the Shareholders' resolutions on the Proposed Placing shall be 12 months starting from the date on which the resolutions are approved by the Shareholders at the EGM, the A Share Class Meeting and the H Share Class Meeting.

B. Conditions precedent of the Proposed Placing

The Subscription Agreements entered into by the Company in respect of the Proposed Placing are subject to the satisfaction of certain conditions including, among other things:

- (i) the passing of relevant resolutions in respect of the Proposed Placing by the Board;
- (ii) the passing of all relevant resolutions in respect of the Proposed Placing (including the entering into the Subscription Agreements) by the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting respectively;
- (iii) the obtaining of approvals from relevant Stated-owned Assets Supervision and Administration Departments regarding the Proposed Placing;
- (iv) the obtaining of approval from the CSRC regarding the Proposed Placing;
- (v) the obtaining of approval from the Independent Shareholders at the EGM in relation to the waiver of a mandatory general offer by GPLH and its concert parties which may be triggered by the Proposed Placing pursuant to the relevant PRC takeover laws and regulations;
- (vi) the obtaining of approvals from the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting about the Whitewash Waiver;
- (vii) the Executive having granted, and not having withdrawn or revoked such grant, the Whitewash Waiver and the fulfillment of all conditions (if any) attached to the Whitewash Waiver; and
- (viii) the obtaining of all the approvals and consents which are necessary pursuant to the laws and regulations outside the PRC (if any) regarding the Proposed Placing.

None of the above conditions may be waived by any party to the Proposed Placing and therefore, if any condition above cannot be obtained (including but not limited to, if the Whitewash Waiver is not granted and approved as per conditions (vi) and (vii) above), the Company will not proceed with the Proposed Placing. As at the date of this announcement, the condition (i) above has been fulfilled.

C. Rights of the new A Shares

Save for no voting right will be exercised by the Asset Manager for the A Shares held by it as trustee of the Employee Stock Trust (details of which are set out in the section headed “(4) Proposed asset management of the Employee Stock Ownership Scheme (2015)” in this announcement below), the new A Shares to be issued pursuant to the Proposed Placing, when fully paid up and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of issue and allotment of such new A Shares.

D. Authorization to the Board in connection with the Proposed Placing

To ensure a smooth implementation of the Proposed Placing, a Shareholders’ resolution will be proposed at the EGM, the A Share Class Meeting and the H Share Class Meeting to authorize the Board to exercise the full power to handle matters relating to the Proposed Placing. The contents and scope of such authorization will be set out in the circular in relation to the Proposed Placing.

(2) PROPOSED SUBSCRIPTION OF NEW A SHARES

As part of the Proposed Placing, the Company has entered into a Subscription Agreement with each of the 5 Subscribers. Save for the parties to the agreement, the number of A Shares subscribed for, the aggregate subscription amount payable to the Company and the GPLH Undertaking (as detailed below), all other major terms of the Subscription Agreements are the same.

Completion of each of the Subscription Agreements is not conditional upon each other.

A. Connected transaction – Proposed subscription of new A Shares by GPLH

On 12 January 2015, GPLH, being a controlling Shareholder of the Company, entered into the GPLH Subscription Agreement with the Company pursuant to which GPLH has agreed to subscribe for a maximum of 146,596,236 new A Shares for a maximum subscription amount of approximately RMB3,495 million and given the GPLH Undertaking in case of any under-subscription of the Employee Scheme Subscription. Major terms of the GPLH Subscription Agreement are set out below.

1. Major terms of the GPLH Subscription Agreement

- Date** : 12 January 2015.
- Parties** : (i) the Company as the issuer; and
(ii) GPLH as the subscriber.
- Subscription Shares** : Subject to the Share Adjustment, a maximum of 146,596,236 A Shares, representing (i) approximately 13.68% of the existing issued A Shares and approximately 11.35% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.83% of the enlarged issued A Shares and approximately 8.57% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.
- Subscription Price** : Subject to the Price Adjustment, RMB23.84 per A Share with a maximum subscription amount of approximately RMB3,495 million payable by GPLH to the Company in cash.
- Lock-up undertaking** : GPLH undertakes not to transfer or otherwise dispose of the new A Shares subscribed during the period commencing from the completion of its subscription and ending on the date which is 36 months from the time of such completion.
- Conditions precedent** : Details of which are set out in the section headed “(1) Proposed issue and placing of new A Shares” in this announcement above.

Payment and completion : Subject to the satisfaction of the conditions precedent, payment of the subscription amount will be made in cash by GPHL on the date to be determined by the Company and its advisers pursuant to the relevant PRC laws and regulations.

The Company will appoint a certified registered accountant in the PRC to verify the payment made by GPHL for its subscription and issue relevant verification report; the Company will also apply in writing to register the A Shares subscribed by GPHL with the securities and depository and clearing institution as soon as practicable.

In the event that GPHL fails to make payment of its subscription amount, GPHL shall be liable to pay the Company 10% of its total subscription amount as liquidated damages.

Additional Shares : GPHL also undertakes to subscribe for all the under-subscribed A Shares under the Employee Scheme Subscription if there is no and/or any under subscription by the Asset Manager at the same Subscription Price and on the same terms as above.

2. *Information on GPHL*

GPHL is 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. GPHL is principally engaged in the investment in and management of State-owned assets, manufacturing and selling of Chinese and western medicine, Chinese raw medicine, bio-tech products, medical apparatus, packing materials for pharmaceutical products, health drinks and food, hygienic materials and pharmaceutical related merchandise; undertaking medicine related import and export affairs and development of real estate.

3. *Implications under the Hong Kong Listing Rules and the Hong Kong Takeovers Code*

GPHL is a controlling Shareholder holding approximately 45.24% of the total issued share capital of the Company as at the date of this announcement and, therefore, is a connected person of the Company. Accordingly, the entering into the GPHL Subscription Agreement by the Company constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. GPHL and its associates shall abstain from voting on the Shareholders' resolutions in relation to the Proposed Placing, the GPHL Subscription Agreement and transactions contemplated thereunder at the EGM, the A Share Class Meeting and the H Share Class Meeting respectively.

Please refer to the section headed “(11) Whitewash Waiver” in this announcement below for details of implication of the Hong Kong Takeovers Code on the Concert Group Subscription.

B. Proposed Concert Party Subscription

On 12 January 2015, the Company entered into the Concert Party Subscription Agreements with the respective Concert Party Subscribers. Pursuant to the Concert Party Subscription Agreements, GZ SOA Development and GZ China Life have agreed to subscribe for an aggregate maximum of 230,704,697 new A Shares for a maximum subscription amount of approximately RMB5,500 million. Major terms of the Concert Party Subscription Agreements are set out below.

1. Major terms of the Concert Party Subscription Agreements

- Date** : 12 January 2015.
- Parties** : (i) the Company as the issuer; and
(ii) GZ SOA Development and GZ China Life as the subscribers.
- Subscription Shares** : Subject to the Share Adjustment, a maximum of 125,838,926 A Shares to be subscribed by GZ SOA Development, representing (i) approximately 11.74% of the existing issued A Shares and approximately 9.74% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.44% of the enlarged issued A Shares and approximately 7.36% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.

Subject to the Share Adjustment, a maximum of 104,865,771 A Shares to be subscribed by GZ China Life, representing (i) approximately 9.79% of the existing issued A Shares and approximately 8.12% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.03% of the enlarged issued A Shares and approximately 6.13% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.

- Subscription Price** : Subject to the Price Adjustment, RMB23.84 per A Share with a maximum subscription amount of approximately RMB3,000 million and RMB2,500 million payable by GZ SOA Development and GZ China Life respectively to the Company in cash.
- Lock-up undertaking** : GZ SOA Development and GZ China Life respectively undertakes not to transfer or otherwise dispose of the new A Shares subscribed during the period commencing from the completion of their respective subscriptions and ending on the date which is 36 months from the time of such completion.
- Conditions precedent** : Details of which are set out in the section headed “(1) Proposed issue and placing of new A Shares” in this announcement above.
- Payment and completion** : Subject to the satisfaction of the conditions precedent, payment of the subscription amounts will be made in cash by the Concert Party Subscribers respectively on the date to be determined by the Company and its advisers pursuant to the relevant PRC laws and regulations.

The Company will appoint a certified registered accountant in the PRC to verify the payment made by the Concert Party Subscribers for their respective subscriptions and issue relevant verification reports; the Company will also apply in writing to register the A Shares subscribed by the Concert Party Subscribers with the securities and depository and clearing institution as soon as practicable.

In the event that the Concert Party Subscribers fail to make payment of their respective subscription amounts, the Concert Party Subscribers shall be liable to pay the Company 10% of their respective total subscription amounts as liquidated damages.

2. *Information on GZ SOA Development and GZ China Life*

GZ SOA Development is a state-owned enterprise established by, and under the administration of, the Guangzhou Municipal People’s Government in the PRC. GZ SOA Development is principally engaged in the investment of its own funds; investment management services; business management services; investment advisory services; and product wholesale and retail business.

GZ China Life is a state-owned enterprise established by, and under the administration of the Guangzhou Municipal People's Government in the PRC. GZ China Life is principally engaged in the investment of its own funds; equity investment; and investment advisory services.

3. *Implications under the Hong Kong Listing Rules and Hong Kong Takeovers Code*

The Concert Party Subscribers are established by, and under the administration of, the Guangzhou Municipal People's Government in the PRC, which is a "PRC Governmental Body" as defined under Rule 19A.04 of the Hong Kong Listing Rules and therefore, the Concert Party Subscribers and their ultimate beneficial owners are not connected persons of the Company and the entering into the Concert Party Subscription Agreements by the Company are not connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Please refer to the section headed "(11) Whitewash Waiver" in this announcement below for details of implication of the Hong Kong Takeovers Code on the Concert Group Subscription.

C. Proposed Employee Scheme Subscription

On 12 January 2015, the Company entered into the Employee Scheme Subscription Agreement with the Asset Manager. Pursuant to the Employee Scheme Subscription Agreement, the Asset Manager (as trustee of the Employee Stock Trust) has agreed to subscribe for a maximum of 21,189,000 new A Shares for a maximum subscription amount of approximately RMB505 million. Major terms of the Employee Scheme Subscription Agreement are set out below.

1. *Major terms of the Employee Scheme Subscription Agreement*

Date : 12 January 2015.

Parties : (i) the Company as the issuer; and
(ii) the Asset Manager (as trustee of the Employee Stock Trust) as the subscriber.

- Subscription Shares** : Subject to the Share Adjustment, a maximum of 21,189,000 A Shares, representing (i) approximately 1.98% of the existing issued A Shares and approximately 1.64% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.42% of the enlarged issued A Shares and approximately 1.24% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.
- Pursuant to the GPLH Undertaking, GPLH undertakes to subscribe for all the under-subscribed A Shares under the Employee Scheme Subscription if there is no and/or any under subscription by the Asset Manager.
- Subscription Price** : Subject to the Price Adjustment, RMB23.84 per A Share with a maximum subscription amount of approximately RMB505 million payable by the Asset Manager (as trustee of the Employee Stock Trust) to the Company in cash.
- Lock-up undertaking** : The Asset Manager (as trustee of the Employee Stock Trust) undertakes not to transfer or otherwise dispose of the new A Shares subscribed during the period commencing from the completion of its subscription and ending on the date which is 36 months from the time of such completion.
- Conditions precedent** : Details of which are set out in the section headed “(1) Proposed issue and placing of new A Shares” in this announcement above.
- Payment and completion** : Subject to the satisfaction of the conditions precedent, payment of the subscription amounts will be made in cash by the Asset Manager on the date to be determined by the Company and its advisers pursuant to the relevant PRC laws and regulations.

The Company will appoint a certified registered accountant in the PRC to verify the payment made by the Asset Manager (as trustee of the Employee Stock Trust) for the Employee Scheme Subscription and issue relevant verification report; the Company will also apply in writing to register the A Shares subscribed by the Asset Manager (as trustee of the Employee Stock Trust) with the securities and depository and clearing institution as soon as practicable.

In the event that the Asset Manager (as trustee of the Employee Stock Trust) fails to make payment of its subscription amount of the Asset Manager (as trustee of the Employee Stock Trust) shall be liable to pay the Company 10% of the total subscription amounts as liquidated damages.

2. Information on the Asset Manager

The Asset Manager is a joint stock limited company established in the PRC, owned as to 47% by Orient Securities Company Limited (東方證券股份有限公司); as to 26.5% by Wenhui Xinmin United Press Group (文匯新民聯合報業集團); and as to 26.5% by CES Finance Holding Co., Ltd. (東航金戎控股有限責任公司). It is principally engaged in the fund raising and trading, asset management, and other businesses as permitted by the CSRC.

3. Implications under the Hong Kong Listing Rules

To the best knowledge and belief of the Directors, having made all reasonable enquires, the Asset Manager and its ultimate beneficial owners are independent third parties of the Group and its connected persons. In addition, since all employees of the Group as at 1 January 2015 have an equal opportunity to participate into the Employee Stock Ownership Scheme (2015) (there were 4,897 employees of the Group confirmed their participations), pursuant to Rule 14A.12 of the Hong Kong Listing Rules, the Employee Stock Ownership Scheme (2015) is an “employees’ share scheme for a wide scope of participants” and the connected persons’ aggregate interests in the Employee Stock Ownership Scheme (2015) will be less than 30%, the Asset Manager will not be regarded as an associate of the connected persons of the Company. Accordingly, the entering into the Employee Scheme Subscription Agreement by the Company is not a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

D. Proposed Fund Subscription

On 12 January 2015, the Company entered into the Fund Subscription Agreement with Shanghai Yunfeng. Pursuant to the Fund Subscription Agreement, Shanghai Yunfeng (on behalf of the Fund) has agreed to subscribe for a maximum of 20,973,154 new A Shares for a maximum subscription amount of approximately RMB500 million. Major terms of the Fund Subscription Agreement are set out below.

1. Major terms of the Fund Subscription Agreement

- Date** : 12 January 2015.
- Parties** : (i) the Company as the issuer; and
(ii) Shanghai Yunfeng (on behalf of the Fund) as the subscriber.
- Subscription Shares** : Subject to the Share Adjustment, a maximum of 20,973,154 A Shares, representing (i) approximately 1.96% of the existing issued A Shares and approximately 1.62% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.41% of the enlarged issued A Shares and approximately 1.23% of the enlarged issued share capital of the Company upon completion of the Proposed Placing.
- Subscription Price** : Subject to the Price Adjustment, RMB23.84 per A Share with a maximum subscription amount of approximately RMB500 million payable by Shanghai Yunfeng (on behalf of the Fund) to the Company in cash.
- Lock-up undertaking** : Shanghai Yunfeng (on behalf of the Fund) undertakes not to transfer or otherwise dispose of the new A Shares subscribed during the period commencing from the completion of its subscription and ending on the date which is 36 months from the time of such completion.

- Conditions precedent** : Details of which are set out in the section headed “(1) Proposed issue and placing of new A Shares” in this announcement above.
- Payment and completion** : Subject to the satisfaction of the conditions precedent, payment of the subscription amounts will be made in cash by Shanghai Yunfeng (on behalf of the Fund) on the date to be determined by the Company and its advisers pursuant to the relevant PRC laws and regulations.

The Company will appoint a certified registered accountant in the PRC to verify the payment made by Shanghai Yunfeng (on behalf of the Fund) and issue relevant verification report; the Company will also apply in writing to register the A Shares subscribed by Shanghai Yunfeng (on behalf of the Fund) with the securities and depository and clearing institution as soon as practicable.

In the event that Shanghai Yunfeng (on behalf of the Fund) fails to make payment of its subscription amount, Shanghai Yunfeng (on behalf of the Fund) shall be liable to pay the Company 10% of the total subscription amounts as liquidated damages.

Once the Fund is set up by Shanghai Yunfeng, the Company will enter into a subscription agreement with the Fund directly to replace the Fund Subscription Agreement. All terms in the subscription agreement with the Fund, including the number of A Shares subscribed for, the aggregate subscription amount payable to the Company and all terms and conditions, will be the same as the Fund Subscription Agreement. The Fund Subscription Agreement will be terminated at the same time when the Company enters into the subscription agreement with the Fund.

2. *Information on Shanghai Yunfeng*

Shanghai Yunfeng is a limited liability company established in the PRC, owned as to 60% by Mr. Yu Feng (虞鋒先生) and as to approximately 40% by Mr. Ma Yun (馬雲先生). It is principally engaged in investment management, investment advisory, management consultation, and business consultation services.

3. *Implications under the Hong Kong Listing Rules*

To the best knowledge and belief of the Directors, having made all reasonable enquires, Shanghai Yunfeng and its ultimate beneficial owners are independent third parties of the Group and its connected persons. Accordingly, the entering into

the Fund Subscription Agreement is not a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

E. Directors' confirmation

The Directors (excluding the independent non-executive Directors who are members of the Independent Board Committee will provide their view after considering advice from the Independent Financial Adviser) are of the view that the terms of the Proposed Placing and the respective Subscription Agreements are fair, reasonable and on normal commercial terms after taking into account of the current market conditions and are in the interests of the Company and the Shareholders as a whole.

All executive Directors, Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu, who are materially interested in the Proposed Placing, had abstained from voting on the relevant Board resolutions approving the aforesaid transactions. Save as disclosed above, none of the Directors have a material interest in the Proposed Placing or is required to abstain from voting on the Board resolutions for considering and approving the Proposed Placing, the Subscription Agreements and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

The Shareholders and potential investors should be cautioned that the Proposed Placing is subject to the conditions precedent set out in this announcement, and therefore the Proposed Placing may or may not proceed. Accordingly, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(3) PROPOSED IMPLEMENTATION OF EMPLOYEE STOCK OWNERSHIP SCHEME (2015)

In order to motivate the employees of the Group, the Board approved the Employee Stock Ownership Scheme (2015) on 12 January 2015, details of which are as follows:

A. Details of the Employee Stock Ownership Scheme (2015)

Target participants : The target participants of the Employee Stock Ownership Scheme (2015) are all employees of the Group as at 1 January 2015, including Directors (excluding independent non-executive Directors), supervisors, senior management and other employees of the Group.

Investment in new A Shares through the Employee Stock Ownership Scheme (2015) will be made in cash.

- Total size** : No more than the maximum number of A Shares subscribed for and the maximum subscription amount under the Employee Scheme Subscription, being 21,189,000 A Shares and approximately RMB505 million respectively.
- Minimum participation** : Subject to Price Adjustment, the minimum subscription amount of each participating employee is RMB11,920.
- Source of funds** : Remuneration and/or own funds of the Group's employees. Employees of the Group shall voluntarily participate in the Employee Stock Ownership Scheme (2015) with funds from or raised by themselves and at their own risks in compliance with laws and regulations.
- Class and par value of Shares to be subscribed** : New A Shares with a par value of RMB1.00 each.
- In any event, the Employee Stock Ownership Scheme (2015) shall not in aggregate be entitled to more than 10% of the issued share capital of the Company at any time; and any participating employee shall not be entitled to more than 1% of the issued share capital of the Company at any time.
- Method and date of issue** : The new A Shares to be issued under the Employee Stock Ownership Scheme (2015) will be carried out by way of non-public issue of new A Shares simultaneously with the Proposed Placing within six (6) months from obtaining the endorsement for the Proposed Placing from the CSRC.
- Lock-up period** : 36 months from the date when the Company announces that such new A Shares are registered under the Employee Stock Trust.
- Trading moratorium** : The holding period of the new A Shares under the Employee Stock Ownership Scheme (2015) shall be 48 months from the date when the Company announces that such new A Shares are registered under the Employee Stock Trust; and can be extended when the Board and the members of the Employee Stock Ownership Scheme (2015) Committee agree to do so. Such new A Shares will be free for transfer after the 36-month lock-up period.

Voting right : During the holding period of the new A Shares under the Employee Stock Ownership Scheme (2015), the Employee Stock Trust shall give up the exercise of any voting right in respect of the A Shares and the Asset Manager will not exercise any voting right attaching to or arising from any A Shares which it may hold as trustee of the Employee Stock Trust.

For the purpose of managing the Employee Stock Ownership Scheme (2015), the Company (on behalf of the Group's employees) will enter into the Asset Management Agreement with the Asset Manager and an asset custodian, details of which are set out in the section headed "(4) Proposed asset management of the Employee Stock Ownership Scheme (2015)" in this announcement below.

B. Conditions precedent of the Employee Stock Ownership Scheme (2015)

The Employee Stock Ownership Scheme (2015) is subject to, among other things, the passing of all relevant resolution(s) in respect of the Employee Stock Ownership Scheme (2015) by the Shareholders at the EGM. As the Employee Scheme Subscription forms part of the Proposed Placing, the Company will not proceed with the Employee Stock Ownership Scheme (2015) if the conditions precedent of the Employee Scheme Subscription Agreement (which are the same as those set out in the Subscription Agreements entered into by the Company, details of which are set out in the section headed "(1) Proposed issue and placing of new A Shares" in this announcement above) are not fulfilled.

C. Rights of the new A Shares

As the Employee Scheme Subscription forms part of the Proposed Placing, details of rights of new A Shares under the Employee Scheme Subscription are the same as those under the Proposed Placing as set out in the section headed "(1) Proposed issue and placing of new A Shares" in this announcement above except that the Asset Manager will not exercise any voting right in respect of the A Shares held by it as trustee of the Employee Stock Trust.

D. Authorization to the Board in connection with the Employee Stock Ownership Scheme (2015)

To ensure a smooth implementation of the Employee Stock Ownership Scheme (2015), a Shareholders' resolution will be proposed at the EGM to authorize the Board to exercise the full power to handle matters relating to the Employee Stock Ownership Scheme (2015). The contents and scope of such authorization will be set out in the circular in relation to the Employee Stock Ownership Scheme (2015).

(4) PROPOSED ASSET MANAGEMENT OF THE EMPLOYEE STOCK OWNERSHIP SCHEME (2015)

For the purpose of managing the A Shares held under the Employee Stock Ownership Scheme (2015), the Company (on behalf of the Group's employees) will enter into the Asset Management Agreement with the Asset Manager and an asset custodian after the approval of the Shanghai Stock Exchange. Major proposed terms of the Asset Management Agreement are set out below.

A. Major terms of the Asset Management Agreement

- Parties** : (i) the Company (on behalf of the Group's employees) as the principal;
- (ii) the Asset Manager as the asset manager; and
- (iii) an asset custodian (to be appointed) (who and its ultimate beneficial owner will be independent third parties of the Group and its connected persons).
- Asset management** : The Asset Manager shall be responsible for the management and operation of the assets entrusted by the Company (on behalf of the Group's employees), in particular the sale, disposal or transfer of the A Shares subscribed for under the Employee Scheme Subscription after the 36-month lock-up period.

- Voting right** : During the holding period of the new A Shares under the Employee Stock Ownership Scheme (2015), the Employee Stock Trust shall give up the exercise of any voting right in respect of the A Shares and the Asset Manager will not exercise any voting right attaching to or arising from any A Shares which it may hold as trustee of the Employee Stock Trust.
- Asset custodian and supervision** : The asset custodian shall be responsible for the custodian of the assets entrusted by the Company, including the A Shares subscribed for under the Employee Stock Ownership Scheme (2015); and also responsible for the monitoring and supervision of the investment operation of the entrusted assets by the Asset Manager.
- Size of the assets to be entrusted** : The initial size of the assets to be entrusted by the Company (on behalf of the Group's employees) will be no less than RMB30,000,000. Within the term of the Asset Management Agreement, the Company can request the Asset Manager and the asset custodian to manage additional assets to be entrusted by the Company (on behalf of the Group's employees).
- Assets to be entrusted** : Mainly the subscription money and then the A Shares to be held for the Employee Stock Trust. If there is any fund unutilized, such fund can be used for short term bonds, bank deposits, bills of central bank, etc.
- Fees** : The Asset Manager will charge the asset management fee and performance reward based on the market rates.
- The asset custodian will charge the asset custodian fee based on the market rates.
- An agreement will be entered into by the parties to the Asset Management Agreement to determine the applicable fee. The Company will comply with the Hong Kong Listing Rules when entering into such agreement.
- Term** : No fixed term, subject to the holding period of the new A Shares under the Employee Stock Ownership Scheme (2015), which shall be 48 months from the date when the Company announces that such new A Shares are registered under the Employee Stock Trust and can be extended by the parties to the Asset Management Agreement.

B. Information on the Asset Manager

Details of the Asset Manager is set out in the section headed “(2) Proposed subscription of new A Shares” in this announcement above.

C. Implications under the Hong Kong Listing Rules

To the best knowledge and belief of the Directors, having made all reasonable enquires, the Asset Manager and its ultimate beneficial owners are independent third parties of the Group and its connected persons. In addition, since all employees of the Group as at 1 January 2015 have an equal opportunity to participate into the Employee Stock Ownership Scheme (2015) (there were 4,897 employees of the Group confirmed their participations), pursuant to Rule 14A.12 of the Hong Kong Listing Rules, the Employee Stock Ownership Scheme (2015) is an “employees’ share scheme for a wide scope of participants” and the connected persons’ aggregate interests in the Employee Stock Ownership Scheme (2015) will be less than 30%, the Asset Manager will not be regarded as an associate of the connected persons of the Company. Besides, the Company will appoint an asset custodian who and its ultimate beneficial owner will be independent third parties of the Group and its connected persons. Accordingly, the entering into the Asset Management Agreement by the Company will not be a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

D. Directors’ confirmation

The Directors are of the view that the terms of the Employee Stock Ownership Scheme (2015) and the Asset Management Agreement are fair, reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The executive Directors, Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu, who are materially interested in the Employee Stock Ownership Scheme (2015), had abstained from voting on the relevant Board resolutions approving the aforesaid transactions. Save as disclosed above, none of the Directors have a material interest in the Employee Stock Ownership Scheme (2015) or is required to abstain from voting on the Board resolutions for considering and approving the Employee Stock Ownership Scheme (2015), the Asset Management Agreement and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

(5) GENERAL MANDATE TO ISSUE NEW H SHARES

As at the date of this announcement, the Company has 219,900,000 H Shares in issue. On 12 January 2015, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which the Board may issue, allot and/or deal with a maximum of 43,980,000 new H Shares, representing 20% of the existing issued H Shares, assuming that there will be no change in the number of issued H Shares on the date the proposed special resolution regarding the General Mandate is passed.

Subject to the passing of the special resolution for the approval of the General Mandate at the EGM, the A Share Class Meeting and the H Share Class Meeting, the General Mandate shall become effective immediately upon the passing of the relevant special resolution up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the 12-month period from the date of passing the relevant special resolution; and (iii) the date on which the General Mandate is revoked or varied by a special resolution of the Shareholders in general meeting, whichever is the earliest.

The Directors believe that the General Mandate will allow financial flexibility for the Company to raise further funds for its future business development and expansion. Accordingly, the Directors consider that the approval of the grant of the General Mandate is in the interests of the Company and the Shareholders as a whole.

Further details of the proposal in respect of the General Mandate to be submitted to the Shareholders for their consideration and approval at the EGM will be set out in the circular in relation to the Proposed Placing.

(6) EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking and there is no change in the total issued share capital of the Company other than the issue of A Shares since the date of this announcement and up to completion of the Proposed Placing) ; and (iii) immediately after the completion of the Proposed Placing (assuming GPLH is required to take up all additional A Shares pursuant to the GPLH Undertaking and there is no change in the total issued share capital of the Company other than the issue of A Shares since the date of this announcement and up to completion of the Proposed Placing):

Shareholders	(i) As at the date of this announcement		(ii) Immediately after the completion of the Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking)		(iii) Immediately after the completion of the Proposed Placing (assuming GPLH is required to take up all additional A Shares pursuant to the GPLH Undertaking)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
A Shares						
The Concert Group						
GPLH	584,228,036	45.24	730,824,272	42.72	752,013,272	43.96
GZ SOA Development	–	–	125,838,926	7.36	125,838,926	7.36
GZ China Life	–	–	104,865,771	6.13	104,865,771	6.13
Sub-total	584,228,036	45.24	961,528,969	56.20	982,717,969	57.44
Other non-public A Share Shareholders						
The Employee Stock Trust	–	–	21,189,000	1.24	–	–
Public A Share Shareholders						
The Fund	–	–	20,973,154	1.23	20,973,154	1.23
Other public A Share Shareholders	487,212,614	37.73	487,212,614	28.48	487,212,614	28.48
Sub-total	487,212,614	37.73	508,185,768	29.70	508,185,768	29.70
Total number of A Shares	1,071,440,650	82.97	1,490,903,737	87.15	1,490,903,737	87.15
H Shares						
Public H Share Shareholders	219,900,000	17.03	219,900,000	12.85	219,900,000	12.85
Total number of Shares	1,291,340,650	100.00	1,710,803,737	100.00	1,710,803,737	100.00

Note: The percentages shown are rounded to the nearest 2 decimed places. Number may not add up to 100% due to rounding.

The Company has no outstanding warrants, options or securities convertible into Shares as at the date of this announcement.

(7) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In order to comply with the applicable laws and regulations of the PRC with regard to the Proposed Placing, the Company proposed to amend its articles of association to reflect changes in, among other things, the registered capital and shareholding structure of the Company immediately after completion of the Proposed Placing. The details of such proposed amendments to the articles of association of the Company will be set out in the circular in relation to the Proposed Placing.

The proposed amendments to the articles of association of the Company will be subject to the Shareholders' approval at the EGM by way of special resolution.

(8) EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

(9) INFORMATION ON THE GROUP

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares and A Shares are listed on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively. The Group is principally engaged in (a) research and development, manufacture and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (b) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus; (c) research and development, production and sales of great health products; and (d) investment in healthcare industry such as medical treatment, health management, health nursing, etc..

(10) REASONS FOR THE PROPOSED PLACING AND THE EMPLOYEE STOCK OWNERSHIP SCHEME (2015)

The Proposed Placing

The Proposed Placing and the implementation of projects to be invested with the proceeds raised will help the Group to improve its financial condition, strengthen the Group's research and development capability, production facilities, distribution networks and promotion channel; and maximize its returns, which will be in the best interests of the Shareholders.

The participation of GPLH in the Proposed Placing also demonstrates its confidence in the Company and support of the development of the Company's business, which is conducive to enhancing the market image of the Company.

Following the completion of the Proposed Placing, GPLH intends to continue the existing business of the Group, and has no intention to introduce any major changes in such business (including redeployment of the fixed assets of the Group) or to terminate the continued employment of the Group.

The gross proceeds to be raised from the Proposed Placing will be a maximum of approximately RMB10,000 million. The net proceeds from the Proposed Placing, after deducting all related expenses incurred, will be used as to approximately RMB1,500 million for strengthening the Group's research and development capability on medicines, health products and medical technology; as to approximately RMB3,600 million for expansion and reformation of part of the Group's production facilities; as to approximately RMB2,400 million for expansion of and strengthening the Group's distribution networks and promotion channels; as to approximately RMB200 million for establishment of a new management and information system of the Group; and as to approximately RMB2,300 million as for general working capital, details of which are set out below. In the event that the proceeds from the Proposed Placing are not enough to fund the above plans, the Group will use its internal resources to finance the shortfall.

A. Establishment of R&D platform for “Grand Southern TCM”

In order to maintain its competitiveness, the Company intends to apply approximately RMB1,500 million to establish the R&D platform, from which approximately RMB350 million will be used to construct the R&D center and acquire equipment and machinery; approximately RMB1,150 million will be used to conduct further laboratory studies, clinical studies on various famous traditional Chinese medicines, chemical medicines (e.g. medicines for cancers, Parkinson's disease and other age-related diseases, new antibiotics), biological medicines (e.g. medicines for cardiovascular and cerebrovascular diseases, biological vaccines) and high-end health care products of the Group; studies on the development of high-end medical equipment and vitro diagnostic reagents for early detection of infectious diseases, cancer and HPV; and studies on some of the common and critical medical technologies (e.g. extraction and separation technology of Chinese medicines, chemical synthesis technology).

B. Expansion and reformation of phase 1 of the production base for “Grand Southern TCM”

The production facilities of the Group are currently located in different areas of Guangzhou. With an aim to centralize its production facilities, the Company intends to establish an integrated production base and apply approximately RMB1,000 million for establishment of phase 1 of the production base, relocation of factories of Guangzhou Baiyunshan He Ji Gong Pharmaceutical Factory* (廣州白雲山河濟公製藥廠) and Guangzhou Baiyunshan Ming Xing Pharmaceutical Co., Ltd.* (廣州白雲山明興製藥有限公司) in the production base and refurbishment of production facilities of these two factories to increase their production capacities and technology level.

C. Establishment of logistic platform for “Grand Commerce”

The Company intends to apply approximately RMB1,000 million for the additional capital injection in Guangzhou Pharmaceuticals Corporation* (廣州醫藥有限公司), which is a 50% joint venture of the Company. Alliance Boots (聯合博姿), the joint venture partner will also inject RMB1,000 million into Guangzhou Pharmaceuticals Corporation* (廣州醫藥有限公司) at the same time to establish a modern logistic system for medicines distribution, set up a new logistic center outside Guangzhou, obtain operation rights in hospital pharmacies and establish an e-commerce platform for medicines distribution.

D. Sales and Promotion of “Wang Lao Ji” brand and products for “Great Health”

The Company intends to apply approximately RMB4,000 million for the additional capital injection in Guangzhou Wang Lao Ji Great Health Industry Co., Ltd.* (廣州王老吉大健康產業有限公司), which is a wholly-owned subsidiary of the Company. Approximately RMB2,400 million of the amount injected will be used to conduct brand, culture and marketing activities, and enhance the reputation of “Wang Lao Ji” brand and products to young consumers, expand the existing sale teams to further penetrate in food and beverage industry to increase “Wang Lao Ji” market share in the PRC. The Company will use part of the proceeds to vigorously promote the culture of herbal tea and “Wang Lao Ji” brand to overseas markets, and accelerate to establish a distribution network of “Wang Lao Ji” drinks. Approximately RMB1,600 million of the amount injected will be used to construct the production bases for “Wang Lao Ji” drinks in Nansha Guangzhou, Meizhou Guangdong, Yaán Sichuan and other places in the PRC respectively in order to ensure product quality and reduce the reliance on OEM manufacturers.

E. Establishment of a new management and information platform

The Company intends to apply approximately RMB200 million for the establishment of a new management and information system of the Group, including establishing an information data base for procurements and suppliers management, customers’ relationship, sales and distribution management, production management to enhance the efficiency of the Company’s management and administration efficiency.

Reference is made to the announcements of the Company dated 17 December 2014 and 24 December 2014 in which, among other things, it was disclosed that part of the proceeds from the Proposed Placing would be applied to acquire 100% equity interest of Guangzhou Pharmaceutical Research Institute Company Limited* (廣州醫藥研究總院有限公司) (“Research Institute”) from GPHL. Although the relevant initial audit and valuation works have been completed as disclosed in the announcement of the Company dated 24 December 2014, as at the date of this announcement, further works, including the finalizations of the audit and valuation, with respect to the 100% equity interest of Research Institute have yet to

be completed. The Company resolved not to apply the proceeds from the Proposed Placing to the proposed acquisition of the Research Institute.

The Employee Stock Ownership Scheme (2015)

According to the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (國務院關於進一步促進資本市場健康發展的若干意見) (Guo Fa [2014] No.17), listed companies are allowed to adopt employee stock ownership schemes in various forms. The CSRC issued the Guidelines on Pilot Implementation of Employee Stock Ownership Schemes by Listed Companies (關於上市公司實施員工持股計劃試點的指導意見) (the “Guiding Opinions”) on 20 June 2014 on the basis of the Company Law of the PRC and the Securities Law of the PRC pursuant to the approval by the State Council of the PRC for the trial of employee stock ownership schemes of listed companies. The Employee Stock Ownership Scheme (2015) is a long-term incentive and restriction scheme to fully motivate the employee of the Group and to enhance their sense of responsibility, to promote the degree of recognition of the company in the capital market, to maintain the stability of the workforce and the effectiveness of its implementation of strategies.

(11) WHITEWASH WAIVER

Each of GPHL, GZ SOA Development and GZ China Life is a state-owned enterprise under the Guangzhou Municipal People’s Government, but they are under the administration of different government departments. GPHL is under the administration of the Guangzhou Municipal People’s Government State-owned Assets Supervision and Administration Commission while GZ SOA Development and GZ China Life are under the administration of the Guangzhou Municipal People’s Government. Assuming no further Shares will be issued by the Company prior to the completion of the Proposed Placing, upon completion of the Proposed Placing, the interests in the Company held by GPHL will decrease (i) from approximately 45.24% to approximately 42.72% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPHL is not required to take up any additional A Shares pursuant to the GPHL Undertaking) or (ii) from approximately 45.24% to approximately 43.96% of the total issue share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPHL is required to take up all additional A Shares pursuant to the GPHL Undertaking); and the aggregate interests in the Company held by GZ SOA Development and GZ China Life will increase from 0% to approximately 13.49% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing.

GPHL, GZ SOA Development and GZ China Life would be treated as parties acting in concert by virtue of falling into the class (1) presumption of “acting in concert” as defined in the Hong Kong Takeovers Code as a result of the Proposed Placing from which their aggregate interests in the Company will increase (i) from approximately 45.24% to

approximately 56.20% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPLH is not required to take up any additional A Shares pursuant to the GPLH Undertaking) or (ii) from approximately 45.24% to approximately 57.44% of the total issued share capital of the Company as enlarged by the issue of A Shares under the Proposed Placing (assuming GPLH is required to take up all additional A Shares pursuant to the GPLH Undertaking), the Concert Group will apply to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Hong Kong Takeovers Code. The Whitewash Waiver will be conditional on, among other things, the approval by the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting by way of poll. The Whitewash Waiver will also be subject to the approval of the Proposed Placing, the GPLH Subscription Agreement and the Concert Party Subscription Agreements by the Independent Shareholders at the EGM, the Independent A Share Shareholders at the A Share Class Meeting and the Independent H Share Shareholders at the H Share Class Meeting by way of poll.

The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders, the Independent A Share Shareholders and the Independent H Share Shareholders may or may not approve the Whitewash Waiver. The Proposed Placing will not proceed if the Whitewash Waiver is not granted or approved.

GPLH has confirmed that none of the members of the Concert Group and their respective parties acting in concert acquired any voting rights of the Company nor dealt in any securities of the Company and there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Hong Kong Takeovers Code, in the six-month period preceding the date of this announcement and up to and including the date of this announcement.

GPLH has further confirmed that as at the date of this announcement, save for 584,228,036 A Shares, representing approximately 45.24% of the existing issued share capital of the Company, held by GPLH,

- (i) the Concert Group and parties acting in concert with any of them did not hold, control or have direction over any Shares, convertible securities, warrants or options of the Company or any outstanding derivatives in respect of relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Takeovers Code) of the Company;
- (ii) the Concert Group and parties acting in concert with any of them did not receive any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Proposed Placing, the Employee Stock Ownership Scheme (2015) and the Whitewash Waiver;

- (iii) save for the Subscription Agreements, there is no arrangement referred to in Note 8 to Rule 22 of the Hong Kong Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Takeovers Code) of the Company or the Concert Group, which might be material to the Proposed Placing, the Employee Stock Ownership Scheme (2015) and the Whitewash Waiver;
- (iv) other than those conditions set out in the section headed “(1) Proposed issue and placing of new A Shares” in this announcement above, there is no agreement or arrangement to which any of the Concert Group is a party which relates to circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Placing, the Employee Stock Ownership Scheme (2015) and the Whitewash Waiver; and
- (v) there is no borrowing or lending of any relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Takeovers Code) of the Company by any member of the Concert Group and their respective parties acting in concert.

(12) GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Proposed Placing and the Whitewash Waiver. In this connection, the Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Proposed Placing and the Whitewash Waiver. Further announcement will be made in relation to the appointment of the Independent Financial Adviser.

The EGM, A Share Class Meeting and H Share Class Meeting will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Proposed Placing and the transactions contemplated thereunder and the Whitewash Waiver. At the EGM, the resolutions relating to the Employee Stock Ownership Scheme (2015) will also be proposed for the consideration, and if thought fit, the approval by the Shareholders. All members of the Concert Group and their respective parties acting in concert and associates and any Shareholders who are interested in or involved in the Proposed Placing, the Employee Stock Ownership Scheme (2015) and/or the Whitewash Waiver will abstain from voting at the EGM, A Share Class Meeting and H Share Class Meeting for the relevant resolutions. The notice convening the EGM, A Share Class Meeting and H Share Class Meeting and forms of proxy are expected to be despatched to the Shareholders on or before 2 February 2015.

A circular containing, among other things, (i) further information on the Proposed Placing and the Subscription Agreements and the transactions contemplated thereunder; (ii) further information on the Employee Stock Ownership Scheme (2015) and the Asset Management Agreement and the transactions contemplated thereunder; (iii) further information on the Whitewash Waiver; (iv) the General Mandate; (v) the recommendation of the Independent

Board Committee; and (vi) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee is expected to be despatched to the Shareholders within 21 days of this announcement (i.e. on or before 2 February 2015) and in any event in accordance with Rule 8.2 of the Hong Kong Takeovers Code.

(13) RESUMPTION OF TRADING

Trading in the H Shares on the Hong Kong Stock Exchange has been suspended with effect from 1:00 p.m. on 3 December 2014, pending the release of this announcement by the Company. An application has been made to the Hong Kong Stock Exchange for the resumption of trading in the H Shares of the Company with effect from 9:00 a.m. on 13 January 2015.

(14) DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Hong Kong Takeovers Code
“A Share(s)”	Renminbi-denominated domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each and is(are) listed on the Shanghai Stock Exchange
“A Share Class Meeting”	the meeting of the holders of A Shares to be held for the purpose of, inter alia, considering and, if thought fit, passing the resolutions relating to the Proposed Placing, the General Mandate and the Whitewash Waiver
“A Share Shareholder(s)”	the holder(s) of A Shares
“Asset Management Agreement”	the asset management agreement to be entered into among the Company, the Asset Manager and the asset custodian in respect of the Employee Stock Trust
“Asset Manager”	China Universal Asset Management Company Limited* (滙添富基金管理股份有限公司), a joint stock limited company established in the PRC, which is entrusted by the Company as the management organization of the Employee Stock Ownership Scheme (2015) and one of the Subscribers
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

“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 company with limited liability established in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“Concert Group”	GPHL and the Concert Party Subscribers
“Concert Group Subscription”	the GPHL Subscription and the Concert Party Subscription
“Concert Party Subscribers”	GZ SOA Development and GZ China Life
“Concert Party Subscription”	the subscription of an aggregate maximum of 230,704,697 new A Shares by the Concert Party Subscribers pursuant to the Concert Party Subscription Agreements
“Concert Party Subscription Agreements”	the conditional subscription agreements dated 12 January 2015 and entered into by the Company and the respective Concert Party Subscriber in relation to the Concert Party Subscription
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“EGM”	the first extraordinary general meeting of the Company in 2015 for all the Shareholders to be held for the purpose of, inter alia, considering and, if thought fit, passing the resolutions relating to the Proposed Placing, the Employee Stock Ownership Scheme (2015), the General Mandate and the Whitewash Waiver

“Employee Scheme Subscription”	the subscription of a maximum of 21,189,000 new A Shares by the Asset Manager (as trustee of the Employee Stock Trust) pursuant to the Employee Scheme Subscription Agreement
“Employee Scheme Subscription Agreement”	the conditional subscription agreement dated 12 January 2015 and entered into by the Company and the Asset Manager (as trustee of the Employee Stock Trust) in relation to the Employee Scheme Subscription
“Employee Stock Ownership Scheme (2015)”	the employee stock ownership scheme of the Company set up to allow all employees of the Group as at 1 January 2015, including Directors (excluding independent non-executive Directors), supervisors, senior management and other employees of the Group to hold the Shares
“Employee Stock Ownership Scheme (2015) Committee”	a committee to be established for the Employee Stock Ownership Scheme (2015) comprising 7 committee members to be elected by participating employees of the Employee Stock Ownership Scheme (2015) and to monitor the operation of the Employee Stock Ownership Scheme (2015)
“Employee Stock Trust”	the asset management trust known as “China Universal – Private Placement Prosperous Age Exclusive Account No. 66 Asset Management Scheme* (添富一定增盛世專戶66號資產管理計劃)” set up by the Asset Manager for the Employee Stock Ownership Scheme (2015)
“Executive”	the Executive Director of the Corporate Finance Division of the Hong Kong Securities and Futures Commission or any delegate of the Executive Director
“Fund”	the fund to be set up by Shanghai Yunfeng to hold the A Shares to be subscribed for pursuant to the Fund Subscription Agreement
“Fund Subscription”	the subscription of a maximum of 20,973,154 new A Shares by Shanghai Yunfeng (on behalf of the Fund) pursuant to the Fund Subscription Agreement
“Fund Subscription Agreement”	the conditional subscription agreement dated 12 January 2015 and entered into by the Company and Shanghai Yunfeng (on behalf of the Fund) in relation to the Fund Subscription

“General Mandate”	an unconditional and general mandate proposed to be granted to the Board at the EGM to issue, allot and/or deal with additional new H Shares not exceeding 20% of the total issued H Shares as at the date of EGM
“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 and the controlling Shareholder of the Company which held approximately 45.24% equity interest in the Company as at the date of this announcement
“GPHL Subscription”	the subscription of a maximum of 146,596,236 new A Shares by GPHL pursuant to the GPHL Subscription Agreement
“GPHL Subscription Agreement”	the conditional subscription agreement dated 12 January 2015 and entered into by the Company and GPHL in relation to the GPHL Subscription and GPHL Undertaking
“GPHL Undertaking”	the undertaking given by GPHL under the GPHL Subscription Agreement to subscribe for all the under-subscribed A Shares under the Employee Scheme Subscription if there is no and/or under subscription by the Asset Manager
“Group”	the Company and its subsidiaries
“GZ China Life”	Guangzhou China Life Insurance Urban Development Industry Investment Enterprises (Limited Partnership)* (廣州國壽城市發展產業投資企業(有限合夥)), a state-owned enterprise established by, and under the administration of a wholly-owned subsidiary of the Guangzhou Municipal People’s Government in the PRC and one of the Subscribers
“GZ SOA Development”	Guangzhou State-owned Asset Development Holdings Limited* (廣州國資發展控股有限公司), a state-owned enterprise established by, and under the administration of the Guangzhou Municipal People’s Government in the PRC and one of the Subscribers
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each and is(are) listed on the Hong Kong Stock Exchange

“H Share Class Meeting”	the meeting of the holders of H Shares to be held for the purpose of, inter alia, considering and, if thought fit, passing the resolutions relating to the Proposed Placing, the General Mandate and the Whitewash Waiver
“H Share Shareholder(s)”	the holder(s) of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Independent A Share Shareholders”	the holders of A Shares other than all members of the Concert Group and their respective parties acting in concert and associates and any holders of A Shares who are interested in or involved in the Proposed Placing, the Employee Stock Ownership Scheme (2015) and/or the Whitewash Waiver
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors formed to advise the Independent Shareholders on (i) the Proposed Placing and the GPLH Subscription in accordance with the Hong Kong Listing Rules and (ii) the Proposed Placing including the Concert Group Subscription and the Whitewash Waiver in accordance with the Hong Kong Takeovers Code
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Proposed Placing and the Whitewash Waiver
“Independent H Share Shareholders”	the holders of H Shares other than all members of the Concert Group and their respective parties acting in concert and associates and any holders of H Shares who are interested in or involved in the Proposed Placing, the Employee Stock Ownership Scheme (2015) and/or the Whitewash Waiver

“Independent Shareholders”	the Shareholders other than all members of the Concert Group and their respective parties acting in concert and associates and any Shareholders who are interested in or involved in the Proposed Placing, the Employee Stock Ownership Scheme (2015) and/or the Whitewash Waiver
“PRC”	the People’s Republic of China
“Price Adjustment”	the adjustment which may be made to the Subscription Price where there occurs any ex-dividend or ex-rights event (such as distribution of dividend, bonus issue or capitalization of capital reserves) to the Company between the Price Determination Date and the date of the proposed issue of A Shares
“Price Determination Date”	13 January 2015, being the date of the announcement of the Board resolution made by the Company in relation to the Proposed Placing on the Shanghai Stock Exchange and the date on which the Subscription Price was fixed
“Proposed Placing”	the proposed non-public issue and placing of not more than 419,463,087 new A Shares at the Subscription Price by the Company to the Subscribers
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Yunfeng”	Shanghai Yunfeng Xinchuang Investment Management Company Limited* (上海雲鋒新創投資管理有限公司), a limited liability company established in the PRC and one of the Subscribers
“Share(s)”	A Share(s) and H Share(s)
“Share Adjustment”	the adjustment which may be made to the number of new A Shares to be issued under the Proposed Placing where there occurs any ex-dividend or ex-rights event (such as distribution of dividend, bonus issue or capitalization of capital reserves) to the Company between the Price Determination Date and the date of the proposed issue of A Shares (but in any event, the maximum number of new A Shares to be issued under the Proposed Placing will not be more than 419,463,087 A Shares)
“Shareholder(s)”	the holder(s) of Shares

“Subscribers”	GPHL, the Concert Party Subscribers, the Asset Manager (as trustee of the Employee Stock Trust) and Shanghai Yunfeng (on behalf of the Fund)
“Subscription Agreements”	the GPHL Subscription Agreement, the Concert Party Subscription Agreements, the Employee Scheme Subscription Agreement and the Fund Subscription Agreement
“Subscription Price”	RMB23.84 per A Share (subject to the Price Adjustment)
“trading day(s)”	with respect to A Shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities, and with respect to H Shares, means a day on which the Hong Kong Stock Exchange is open for dealing or trading in securities
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Hong Kong Takeovers Code in respect of the obligations of the Concert Group to make a mandatory general offer for all the securities of the Company not already owned by them which would otherwise arise as a result of the Proposed Placing and the Concert Group Subscription
“%”	per cent

The Board of
**Guangzhou Baiyunshan Pharmaceutical
Holdings Company Limited**

Guangzhou, PRC 12 January 2015

As at the date of this announcement, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong, Mr. Wu Changhai and Mr. Wang Wenchu as executive Directors, and Mr. Wong Lung Tak Patrick, Mr. Qiu Hongzhong, Mr. Fang Shuting and Mr. Chu Xiaoping as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any of the statements in this announcement misleading.

* for identification purpose only