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廣州白雲山醫葯集團股份有限公司

GUANGZHOU BAIYUNSHAN PHARMACEUTICAL HOLDINGS CO., LTD.

(a joint stock company with limited liability established in the People's Republic of China)

(H Share Stock Code: 0874)

CONTINUING CONNECTED TRANSACTION REGARDING LEASING

The Company hereby announces that on 17 March 2014, the Company entered into the New Leasing Agreement with GPLH. According to the New Leasing Agreement, the Company has leased various lands, business real estates and staff housing using as warehouses, offices, shops, comprehensive service facilities and staff housing from GPLH. The term of the New Leasing Agreement is three years from 1 January 2014 to 31 December 2016 for an annual rental of approximately RMB12,000,000.

As at the date of this announcement, GPLH is the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the New Leasing Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the transactions under the New Leasing Agreement were carried out on normal commercial terms, and the applicable percentage ratios (other than the profit ratio) in respect of the annual rent contemplated under the New Leasing Agreement on an annual basis are less than 5%, such transactions are exempt from independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules and are only subject to the reporting, announcement and annual review requirements under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules respectively.

Background

The Company entered into a lease agreement, a comprehensive service contract and an accommodation provision agreement ("Accommodation Provision Agreement") with GPLH for its subsidiaries' operational needs on 1 September 1997 in respect of the leasing of various warehouses, offices, shops, comprehensive service facilities and staff housing. The lease was subsequently renewed in 2000 and 2004. In 2007, the Company and GPLH combined the said lease agreement and comprehensive service contract as one agreement ("Premises Lease Agreement") and adjusted the rate. The Company and GPLH renewed the Premises Lease Agreement and the Accommodation Provision Agreement in August 2010,

such agreements had expired on 31 December 2013. The transactions contemplated by the Premises Lease Agreement and the Accommodation Provision Agreement were exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under the applicable Listing Rules.

New Leasing Agreement

The Company hereby announces that on 17 March 2014, the Company entered into the New Leasing Agreement with GPLH. Set out below is a summary of the material terms of the New Leasing Agreement:

1. Date: 17 March 2014

2. Parties

(i) GPLH: the controlling shareholder of the Company, as the lessor; and

(ii) the Company: the lessee.

3. Premises

Various lands, business real estates and staff housing (a total of 178 premises) used as warehouses, offices, shops, comprehensive service facilities and staff housing in Guangzhou, Foshan and Zhuhai, Guangdong Province, the PRC.

4. Term

From 1 January 2014 to 31 December 2016 (subject to renewal on terms and conditions to be agreed by the parties).

5. Annual Rental

The parties agreed that the annual rental shall be determined with reference to the reference rental prescribed by the government of the PRC in 2012 and adjust the annual rental of the related properties to approximately RMB12,000,000 (equivalent to approximately HK\$15,188,400), such rent is not subject to adjustment during the continuance of the New Leasing Agreement. The rent is payable on a quarterly basis in advance and is exclusive of water and electricity charges and other outgoings which are payable based on actual consumption.

Listing Rules Implications

As at the date of this announcement, GPLH is the controlling shareholder of the Company and hence a connected person of the Company. Therefore, the New Leasing Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the transactions under the New Leasing Agreement were carried out on normal commercial terms, and the applicable percentage ratios (other than the profit ratio) in respect of the annual rental contemplated under the New Leasing Agreement on an annual basis are less than 5%, such transactions are exempt from independent shareholders' approval requirements pursuant to Rule 14A.34 of the Listing Rules and are only subject to the reporting, announcement and annual review requirements under Rules 14A.37 to 14A.40 and Rules 14A.45 to 14A.47 of the Listing Rules respectively.

Mr. Li Chuyuan and Mr. Chen Mao, both being the directors of the Company and GPHL and Ms. Liu Juyan, Ms. Cheng Ning and Mr. Ni Yidong, being the Directors of the Company and the vice general managers of GPHL, have abstained from voting on the resolution at the meeting of the Board approving the New Leasing Agreement and the transactions contemplated thereunder due to conflict of interests.

Reason for the transactions

Since the Premises Lease Agreement and the Accommodation Provision Agreement had expired on 31 December 2013, the Company and GPHL entered into the New Leasing Agreement in relation to various lands, business real estates and staff housing in order to ensure that the operation of the day to day business of the Company's subsidiaries.

Opinions of the Board

The Directors (including the independent non-executive Directors) consider that the New Leasing Agreement is conducted in the ordinary and usual course of business of the Group. In addition, the New Leasing Agreement are on normal commercial terms and on terms to the Group no less favourable than those available to or from (as appropriate) Independent Third Parties. Therefore, the Directors, including the independent non-executive Directors, consider that the terms of the New Leasing Agreement are fair and reasonable so far as the shareholders are concerned and are in the interests of the shareholders of the Company as a whole.

GENERAL

The Group is principally engaged in: (1) the research and development, manufacturing and sales of Chinese and Western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates; (2) wholesale, retail and import and export of western and Chinese pharmaceutical products and medical apparatus; and (3) research and development, production and sales of great health products.

GPHL is a state-owned enterprise in the PRC, and is principally engaged in the development, manufacture and trading of pharmaceutical products. GPHL is the controlling Shareholder holding approximately 45.24% of the total issued share capital of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	廣州白雲山醫藥集團股份有限公司 (Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited), a company established in the PRC and the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GPHL”	廣州醫藥集團有限公司 (Guangzhou Pharmaceutical Holdings Limited), a state-owned enterprise established in the PRC and the controlling shareholder of the Company which currently holds approximately 45.24% shareholding interest in the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Third Party”	a person or entity who/which is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“New Leasing Agreement”	the new leasing agreement entered into between the Company and GPHL dated 17 March 2014 to replace the Premises Lease Agreement and the Accommodation Provision Agreement
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of this announcement, unless otherwise indicated, the exchange rate at RMB1 = HK\$1.2657 has been used, where applicable, for the purpose of illustration only and not constitute a representation that any amount have been, could have been or may be exchanged.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 17 March 2014

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 non-executive independent directors.