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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)

DISCLOSEABLE TRANSACTION: DISPOSALS OF ACCOUNTS RECEIVABLES

The Board hereby announces that on 19 November 2019, GP Corp., a subsidiary of the Company, and Industrial Securities Asset Management entered into the Agreement on Sale and Purchase of Underlying Assets of the Industry Yuanrong – Accounts Receivables Phase I of GP Corp. Asset-backed Special Scheme, the issue size under which was RMB1,000,000,000, pursuant to which, GP Corp. entered into the Completion Confirmation Letter with Industrial Securities Asset Management on 11 December 2019 to confirm the disposal of the initial Underlying Assets of GP Corp. to Industrial Securities Asset Management and the receipt of the consideration of RMB1 billion (“**Transaction A**”). GP Corp. entered into the Completion Confirmation Letter of the new Underlying Assets with Industrial Securities Asset Management on 27 December 2019 to confirm the disposal of the first new Underlying Assets of GP Corp. to Industrial Securities Asset Management and the receipt of the consideration of approximately RMB875,427,990.78 (“**Transaction B**”). GP Corp. entered into the Completion Confirmation Letter of the new Underlying Assets with Industrial Securities Asset Management on 20 March 2020 to confirm the disposal of the second new Underlying Assets of GP Corp. to Industrial Securities Asset Management and the receipt of the consideration of RMB490,941,512.96 (“**Transaction C**”). GP Corp. entered into the Completion Confirmation Letter of the new Underlying Assets with Industrial Securities Asset Management on 22 June 2020 to confirm the disposal of the third new Underlying Assets of GP Corp. to Industrial Securities Asset Management and the receipt of the consideration of RMB454,682,376.84 (“**Transaction D**”).

The applicable percentage ratios in respect of each of Transaction A, Transaction B, Transaction C and Transaction D, on a standalone basis, and Transaction A, Transaction B and Transaction C, on an aggregate basis, are lower than 5%, while the applicable percentage ratios in respect of Transaction A, Transaction B, Transaction C and Transaction D, on an aggregate basis, is higher than 5% but lower than 25%. As such, on an aggregate basis, these transactions constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Since these transactions, on an aggregate basis, are disclosable transactions of the Company, they are subject to the reporting and announcement requirements under the Listing Rules but are not required to be approved by the shareholders of the Company.

Reference is made to the announcement of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) dated 10 September 2019 in relation to the proposed disposals of accounts receivables (the “**September Announcement**”). Capitalised terms used in this announcement have the same meanings as defined in the aforesaid announcement unless the context otherwise requires.

1. BACKGROUND

The Company convened the 26th meeting of the seventh session of the Board on 10 September 2019 at which the resolution approving Guangzhou Pharmaceuticals Company Limited (“**GP Corp**”) to conduct asset-backed securitisation of accounts receivables was considered and approved. Subsequently, the September Announcement was published and the aforesaid resolution was approved at the second extraordinary general meeting in 2019 of the Company held on 12 November 2019.

2. ENTERING INTO THE UNDERLYING ASSETS SALE AND PURCHASE AGREEMENT (PHASE I) AND THE RELATED COMPLETION CONFIRMATION LETTER AND COMPLETION CONFIRMATION LETTERS OF THE NEW UNDERLYING ASSETS

On 19 November 2019, GP Corp. and Industrial Securities Asset Management entered into the Agreement on Sale and Purchase of Underlying Assets of the Industry Yuanrong – Accounts Receivables Phase I of GP. Corp Asset-backed Special Scheme (the “**Underlying Assets Sale and Purchase Agreement (Phase I)**”), the issue size under which was RMB1 billion. Subsequently, GP Corp. and Industrial Securities Asset Management entered into the following Completion Confirmation Letter and Completion Confirmation Letters of the new Underlying Assets for carrying out the transactions contemplated under the Underlying Assets Sale and Purchase Agreement (Phase I), confirming the assets sold by GP Corp. to Industrial Securities Asset Management and the consideration received by GP Corp. in this regard:

Date of the Completion Confirmation Letter or Completion Confirmation Letters of the new Underlying Assets	The assets sold by GP Corp.	Consideration received by GP Corp. (RMB)
11 December 2019	Initial Underlying Assets (i.e. the accounts receivables with a face value of RMB1,013,473,408.71) (“ Transaction A ”)	1,000,000,000
27 December 2019	The first new Underlying Assets (i.e. the accounts receivables with a face value of RMB875,427,990.78) (“ Transaction B ”)	875,427,990.78
20 March 2020	The second new Underlying Assets (i.e. the accounts receivables with a face value of RMB504,203,064.47) (“ Transaction C ”)	490,941,512.96
22 June 2020	The third new Underlying Assets (i.e. the accounts receivables with a face value of RMB467,066,361.38) (“ Transaction D ”)	454,682,376.84

The basis of determination of the consideration shown in the above table is the same as disclosed in the section headed “2. The basis of determining the consideration of the Transaction” in the September Announcement. In this regard, (a) the difference between the consideration and the face value of the initial Underlying Assets (i.e. approximately RMB13 million) would be used for settling part of the financing costs and relevant tax expenses incurred for this disposal; (b) the first new Underlying Assets were sold through Special Revolving Purchase, the consideration of which was equal to the face value of the new Underlying Assets; and (c) the second new Underlying Assets and the third new Underlying Assets were sold through General Revolving Purchase, the consideration of which was calculated by multiplying the face value of the new Underlying Assets at the discount rate. As disclosed in the section headed “2. The basis of determining the consideration of the Transaction” in the September Announcement, the discount rate was determined by GP Corp. and Industrial Securities Asset Management after negotiation on an arm’s length basis with reference to (i) the coupon rate and the duration of the asset-backed securities under the Special Scheme; (ii) future collection period of accounts receivables of the Underlying Assets; (iii) future recoverability of accounts receivables of the Underlying Assets; and (iv) relevant tax expenses related to the Special Scheme.

3. PRINCIPAL TERMS OF THE UNDERLYING ASSETS SALE AND PURCHASE AGREEMENT (PHASE I)

The principal terms of the Underlying Assets Sale and Purchase Agreement (Phase I) are the same as disclosed in the section headed “PRINCIPAL TERMS OF THE PROPOSED UNDERLYING ASSETS SALE AND PURCHASE AGREEMENT” in the September Announcement.

4. THE FINANCIAL IMPACTS OF THE DISPOSALS AND THE USE OF PROCEEDS

Based on the disclosure in section 2 of this announcement, the aggregate sum of the face value of the accounts receivables under Transaction A, Transaction B, Transaction C and Transaction D (collectively referred as the “**Subject Transactions**”) was RMB2,860,170,825.34 and the total consideration received by GP Corp. was RMB2,821,051,880.58. The difference between the face values of the accounts receivables under the Subject Transactions and the total consideration, i.e. approximately RMB39 million, will be used for settling part of the financing costs and relevant tax expenses incurred under the Industry Yuanrong – Accounts Receivables Phase I of GP Corp. Asset-backed Special Scheme.

As disclosed in the September Announcement, the proceeds from the Subject Transactions are intended for supplementing the working capital of GP Corp.

5. INFORMATION OF GP CORP. AND INDUSTRIAL SECURITIES ASSET MANAGEMENT

GP Corp. is a subsidiary of the Company and its principal business includes, among other things, wholesale of western medicines, retail of medicines, wholesale of Chinese patent medicine and Chinese medicine herbal pieces, retail of Chinese medicine herbal pieces, wholesale of chemical raw materials intermediates and biological products (including vaccine), retail of medical supplies and equipment (excluding medicine and medical apparatus).

Industrial Securities Asset Management is a company established in the PRC with limited liability and is a wholly-owned asset management subsidiary of Industrial Securities Co., Ltd. It mainly engages in securities asset management. To the best of the knowledge, information and belief of the directors of the Company, having made all reasonable enquiries, Industrial Securities Asset Management and its ultimate beneficial owners were third parties independent of the Company and its connected persons on the dates of the agreement and the confirmation letters referred to in section 2 of this announcement.

6. REASONS FOR AND BENEFITS OF THE SUBJECT TRANSACTIONS

As disclosed in the September Announcement, GP Corp. would utilize its accounts receivables for asset-backed securitization through transactions contemplated under the Subject Transactions, thus allowing the conversion of accounts receivables into cash assets which are

of higher liquidity and in turn achieving the purpose of revitalizing its stock of assets. In light of the aforesaid reasons and the terms of the Subject Transactions disclosed in this announcement, the Board is of the view that the terms of the Subject Transactions are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

7. IMPLICATIONS UNDER THE LISTING RULES

The applicable percentage ratios in respect of each of Transaction A, Transaction B, Transaction C and Transaction D, on a standalone basis, and Transaction A, Transaction B and Transaction C, on an aggregate basis, are lower than 5%, while the applicable percentage ratios in respect of Transaction A, Transaction B, Transaction C and Transaction D, on an aggregate basis, is higher than 5% but lower than 25%. As such, the Subject Transactions, on an aggregate basis, constitute a disclosable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Subject Transactions are subject to the reporting and announcement requirements under the Listing Rules but are not required to be approved by the shareholders of the Company.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 22 June 2020

As at the date of this announcement, the Board of the Company comprises Mr. Li Chuyuan, Ms. Cheng Ning, Mr. Yang Jun, Ms. Liu Juyan, Mr. Li Hong, Mr. Wu Changhai and Mr. Zhang Chunbo as executive directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive directors.