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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)

**MAJOR AND CONNECTED TRANSACTION:
VARIATIONS TO THE TERMS OF A PUT OPTION CONDITIONALLY
GRANTED BY THE COMPANY**

**VARIATIONS TO THE TERMS OF A PUT OPTION CONDITIONALLY GRANTED BY
THE COMPANY**

In the announcement of the Company dated 22 December 2017, the Company announced, among other things, that Put Option A (which was the right (but not obligation) was conditionally granted by the Company to the Vendor in respect of the sale by the Vendor to the Company all of the Option Equity Interest held by the Vendor (being 20% of the equity interest in the registered capital of GP Corp.) at any time during the Option A Exercise Period at the Option A Exercise Price. Before the end of the original Option A Exercise Period on 31 May 2021, the Company and the Vendor agreed to extend the Option A Exercise Period, and the Supplementary Agreement was entered into accordingly. The new Option A Exercise Period will be ended on the earlier of (A) 30 November 2021; and (B) the first day on which the H shares of GP Corp. are listed and traded on the Main Board of the Stock Exchange. The Supplementary Agreement also includes a term to reflect that the equity interest held by the Vendor in GP Corp., which is subject to Put Option A, is 18.18% instead of 20% as a result of the dilution of the Vendor's equity interest in GP Corp. after the date of the Equity Interest Transfer Agreement.

IMPLICATIONS UNDER THE LISTING RULES

Major transaction

If the Vendor exercises Put Option A, Option A Exercise Price shall be determined by taking into account, among other things, the then appraised value of GP Corp. as confirmed by an independent qualified PRC valuer. As the appraised value is not available as at the date of the Supplementary Agreement, the actual monetary value of Option A Exercise Price cannot be determined, the Supplementary Agreement is therefore classified as at least a major transaction of the Company in accordance with the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements.

Connected transaction exempted from the circular, independent financial advice and shareholders' approval requirements

The Vendor is a connected person of the Company. Accordingly, the Supplementary Agreement also constitutes a connected transaction of the Company. As the Vendor is a connected person at the subsidiary level and the Supplementary Agreement is on normal commercial terms or better, the Supplementary Agreement is exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules since the following requirements are satisfied: (i) the Board has approved the Supplementary Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the Supplementary Agreement are fair and reasonable, the Supplementary Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

EGM and Circular

An extraordinary general meeting of the Company will be held for the Shareholders to consider and, if thought fit, approve the Supplementary Agreement. It is expected that the circular of the Company in relation to the Supplementary Agreement will be despatched to the Shareholders on or before 30 July 2021.

1. INTRODUCTION

- (a) In the 2017 Announcement, it was announced, among other things, that:
- (i) the Company proposed to acquire 30% of the equity interest in the registered capital of GP Corp. held by the Vendor pursuant to the Equity Interest Transfer Agreement;
 - (ii) Put Option A was conditionally granted by the Company to the Vendor under the Equity Interest Transfer Agreement (*Note: Put Option A was the right (but not obligation) conditionally granted by the Company to the Vendor in respect of the sale by the Vendor to the Company all of the Option Equity Interest held by the Vendor at any time during the Option A Exercise Period at the Option A Exercise Price*); and
 - (iii) the Proposed Acquisition was completed on 31 May 2018 as disclosed in the announcement of the Company dated 4 June 2018. Accordingly, 31 May 2021 is the last day on which Put Option A is exercisable by the Vendor; and
- (b) the Company and the Vendor agreed to, among other things, vary the terms of Put Option A and the Supplementary Agreement was entered into accordingly.

2. THE SUPPLEMENTARY AGREEMENT AND RELEVANT INFORMATION

Set out below is a summary of the principal terms of the Supplementary Agreement and the relevant information:

(a) Date

31 May 2021 (after trading hours).

(b) Parties

The Company, GP Corp. and the Vendor.

(c) Variations to the terms of Put Option A

Pursuant to the Supplementary Agreement, the Option A Exercise Period has been changed to "the period commencing from six months after the Completion Date and ending on the earlier of (A) the expiry of the 42 months after the Completion Date (i.e. 30 November 2021); and (B) the first day on which the H shares of GP Corp. are listed and traded on the Main Board of the Stock Exchange.

The Supplementary Agreement also includes a term to reflect that the equity interest of the Vendor in GP Corp. subject to Put Option A is 18.18% instead of 20% as a result of the dilution of the Vendor's equity interest in GP Corp. after the date of the Equity Interest Transfer Agreement.

As the assets subject to Put Option A is the equity interest of GP Corp. acquired by the Vendor by way of capital contribution to GP Corp. and not acquired by the Vendor from third party, there is no original acquisition costs of such assets to the Vendor.

(d) Consideration

No consideration is payable by any party to the Supplementary Agreement.

(e) Coming into effect of the Supplementary Agreement

The Supplementary Agreement was constituted upon the signing by the parties thereto but shall only come into effect on the day on which both the Board and the Shareholders have approved the Supplementary Agreement.

As at the Announcement Date, the Board has already approved the Supplementary Agreement. As disclosed in section 6.3 of this announcement, the approval of the Supplementary Agreement by the Shareholders will be sought at the EGM.

(f) Other information

Save and except for the variations to the Option A Exercise Period and the meaning of the Option Equity Interest as disclosed in section 2(c) above, all the terms governing Put Option A (including Option A Exercise Price) remain the same as disclosed in the 2017 Announcement.

Assuming that the Vendor exercises Put Option A, the Group's shareholding in GP Corp. will be increased to 90.92% immediately upon completion of the sale and purchase of the Option Equity Interest (assuming that there is no change in the registered capital of GP Corp. between the Announcement Date and upon the aforesaid completion).

3. INFORMATION ON GP CORP GROUP

3.1 Shareholding and principal business

GP Corp. is a non-wholly-owned subsidiary of the Company established in the PRC which is owned as to 72.74% by the Company, 18.18% by the Vendor and the remaining 9.08% by other third parties as at the Announcement Date. As disclosed in the announcement of the Company dated 31 March 2021, GP Corp. had, through its sole sponsor, submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and the permission to deal in, its H shares on the Main Board of the Stock Exchange.

The GP Corp Group is principally engaged in the distribution and retail of a wide range of pharmaceutical products and dedicated to providing supply chain services to its upstream and downstream partners along the pharmaceutical industry value chain. It mainly provides comprehensive, integrated distribution services to hospitals and other medical institutions, distributors and retail pharmacies in the PRC.

3.2 Financial information

Set out below is the audited financial information on the GP Corp Group for the two financial years ended 31 December 2019 and 2020 respectively which were prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2019 <i>RMB ('000)</i>	For the year ended 31 December 2020 <i>RMB ('000)</i>
Profits (before taxation)	520,643	569,264
Profits (after taxation)	385,766	413,076
	As at 31 December 2019 <i>RMB ('000)</i>	As at 31 December 2020 <i>RMB ('000)</i>
Net asset value	4,399,614	4,908,351

4. INFORMATION ON THE PARTIES

4.1 The Group and GP Corp Group

The Group is principally engaged in (i) the research and development, manufacturing and sales of Chinese patent medicine, Western medicine, chemical raw materials, natural medicine, biological medicine and chemical raw materials intermediates; (ii) the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; (iii) the research and development, production and sales of great health product; and (iv) the health industry investment in medical care, health management, health maintenance and elderly care, etc..

Please refer to section 3 above for information on the GP Corp Group.

4.2 The Vendor

The Vendor, Alliance BMP Limited, is a company incorporated in the United Kingdom with limited liability on 17 January 2007. It is an investment holding company established to hold the interests in GP Corp. and is a wholly-owned subsidiary of Walgreens Boots Alliance, Inc. (a company listed on NASDAQ, stock ticker: WBA), which is primarily engaged in the business of retail and wholesale pharmacy.

As at the Announcement Date, the Vendor is holding 18.18% of the registered capital of GP Corp., a subsidiary of the Company and therefore is a connected person of the Company by virtue of it being a substantial shareholder of a subsidiary of the Company.

5. REASONS FOR AND BENEFITS OF THE SUPPLEMENTARY AGREEMENT

As disclosed in section 1(a)(iii) above, the last day on which Put Option A may be exercised by the Vendor was 31 May 2021 and, as disclosed in section 3.1 above, GP Corp. had submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and the permission to deal in, its H shares on the Main Board of the Stock Exchange. Given that the proposed listing of GP Corp. is still at its application stage, the Vendor has therefore requested the Company to extend the Option A Exercise Period. Pursuant to the Supplementary Agreement, the Option A Exercise Period will, upon the Supplementary Agreement having come into effect, change to “the period commencing from six months after the Completion Date and ending on the earlier of (A) the expiry of the 42 months after the Completion Date (i.e. 30 November 2021) and (B) the first day on which the H shares of GP Corp. are listed and traded on the Main Board of the Stock Exchange. The Board believes that such arrangement can enable GP Corp. to maintain the status quo of its existing shareholding structure which in turn can avoid any potential disruption to the listing application of GP Corp. and is beneficial in terms of the progress of the spin-off of GP Corp. and its proposed listing on the Stock Exchange.

Taking into account the reasons and benefits described above, the Directors (including all the independent non-executive Directors) consider that the terms of the Supplementary Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Company agreed to extend the Option A Exercise Period on the terms of the Supplementary Agreement.

None of the Directors has a material interest in the Supplementary Agreement.

6. IMPLICATIONS OF THE SUPPLEMENTARY AGREEMENT UNDER THE LISTING RULES

6.1 Connected transaction and major transaction

- (a) Given that the Vendor is a connected person of the Company as disclosed in section 4.2 above, the Supplementary Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. This connected transaction is exempted from the circular, independent financial advice and shareholders’ approval requirements as explained in section 6.2 below.
- (b) Given that the exercise of Put Option A is not at the Company’s discretion, the transactions contemplated by the Supplementary Agreement are classified as if Put Option A had been exercised pursuant to Rules 14.74(1) and 14A.79(1) of the Listing Rules.

- (c) As disclosed in the section headed “PUT OPTION A” on page 11 of the 2017 Announcement, Option A Exercise Price shall be determined by taking into account, among other things, the then appraised value of the Target Company (i.e. GP Corp.) as confirmed by an independent qualified PRC valuer which shall make priority reference to the valuation methodology adopted for the Valuation Report. As the appraised value is not available as at the date of the Supplementary Agreement, the actual monetary value of Option A Exercise Price cannot be determined, the Supplementary Agreement is therefore be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the Supplementary Agreement constitutes a major acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. In future, if the actual monetary value results in respect of the sale and purchase of the Option Equity Interest falling within a higher classification of notifiable transaction, the Company must announce this fact by means of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as reasonably practicable and comply with the additional requirements of such higher classification.

6.2 Connected transaction exempted from the circular, independent financial advice and shareholders’ approval requirements

As the Vendor is a connected person at the subsidiary level and the Supplementary Agreement is on normal commercial terms or better, the Supplementary Agreement is exempted from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules since:

- (a) the Board has approved the Supplementary Agreement; and
- (b) the independent non-executive Directors have confirmed that the terms of the Supplementary Agreement are fair and reasonable, the Supplementary Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

6.3 EGM and Circular

Notwithstanding that as a connected transaction the Supplementary Agreement is exempted from the circular, independent financial advice and shareholders’ approval requirements as explained in section 6.2 above, as the Supplementary Agreement constitutes a major transaction of the Company as explained in section 6.1 above, it is therefore subject to the announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. Accordingly, the Circular will be despatched to the Shareholders and the approval of the Supplementary Agreement by the Shareholders will be sought at the EGM.

As additional time is required to prepare the information to be included in the Circular containing further details of the Supplementary Agreement and other information required under the Listing Rules, the Circular is expected to be despatched to the Shareholders on or before 30 July 2021.

6.4 Shareholders required to abstain from voting at the EGM

By virtue of the Vendor being materially interested in the Supplementary Agreement, it and its associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the Supplementary Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its associates are not Shareholders as at the Announcement Date.

7. DEFINITIONS

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

“2017 Announcement”	the announcement of the Company dated 22 December 2017 whereby, among other things, the grant of Put Option A was announced
“Announcement Date”	the date of this announcement, being 31 May 2021
“associate”	has the meaning given to it under the Listing Rules
“Board”	board of Directors
“Circular”	the circular of the Company in relation to the Supplementary Agreement to be despatched to the Shareholders
“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 Stock Exchange and the Shanghai Stock Exchange respectively
“Completion Date”	as defined in the 2017 Announcement
“connected person”	has the meaning given to it under the Listing Rules
“Director”	a director of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Supplementary Agreement (including any adjournment thereof)
“Equity Interest Transfer Agreement”	as defined in the 2017 Announcement
“GP Corp.”	Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司) (formerly known as Guangzhou Pharmaceutical Corporation (廣州醫藥有限公司)), a company established in the PRC and referred to as the “Target Company” in the 2017 Announcement
“GP Corp Group”	GP Corp. and its subsidiaries
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option A Exercise Period”	as defined in the 2017 Announcement and, subject to the Supplementary Agreement having come into effect, will be varied in accordance with the Supplementary Agreement
“Option A Exercise Price”	as defined in the 2017 Announcement
“Option Equity Interest”	as defined in the 2017 Announcement and, subject to the Supplementary Agreement having come into effect, will be varied in accordance with the Supplementary Agreement
“PRC”	the People’s Republic of China and, for the purposes of this announcement only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	as defined in the 2017 Announcement
“Put Option A”	as defined in the 2017 Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder”	a holder of the shares of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplementary Agreement”	the supplementary agreement entered into among the Company, GP Corp. and the Vendor to vary the terms of Put Option A and dated 31 May 2021
“Valuation Report”	as defined in the 2017 Announcement
“Vendor”	as defined in the 2017 Announcement

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 31 May 2021

As at the Announcement Date, the Board comprises Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Li Hong, Mr. Wu Changhai and Mr. Zhang Chunbo as executive directors, and Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin, and Mr. Huang Min as independent non-executive directors.

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*