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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)

PROPOSED DISPOSALS OF ACCOUNTS RECEIVABLE

BACKGROUND OF THE TRANSACTION

On 22 November 2022, the Board passed the resolution approving GP Corp. to conduct asset-backed securitization of accounts receivable. Pursuant to the resolution, GP Corp., as the vendor, intends to enter into the proposed Underlying Assets Sale and Purchase Agreement with Industrial Securities Asset Management, as the purchaser and initial rights holder, under which GP Corp. would agree to dispose of, and Industrial Securities Asset Management would agree to purchase the Underlying Assets (as defined in paragraph 1 below) in accordance with its terms and conditions, set up the Special Scheme to issue asset-backed securities in the amount of not exceeding RMB3 billion and act as the administrator of the Special Scheme. Industrial Securities Asset Management shall issue the Special Scheme by stages within two years from the date on which the SSE approves the issuance, and each phase of the Special Scheme shall have a duration not exceeding two years. As at the date of this announcement, GP Corp. has not entered into any legally binding agreement in respect of the Transaction.

PRINCIPAL TERMS OF THE PROPOSED UNDERLYING ASSETS SALE AND PURCHASE AGREEMENT

As at the date of this announcement, the proposed Underlying Assets Sale and Purchase Agreement contains, among others, the following principal terms and conditions:

1. The underlying assets of GP Corp. (“Underlying Assets”) to be disposed of

The Underlying Assets means accounts receivable (and ancillary rights, if any) of GP Corp. and its subsidiaries arising from the businesses of GP Corp. in respect of sale of drugs and medical devices to public hospitals of Grade II or above or Commercial Companies. The Underlying Assets include the initial Underlying Assets and the new Underlying Assets.

Initial Underlying Assets means initial rights holder's accounts receivable (and ancillary rights, if any) arising from sale of drugs and medical devices to public hospitals of Grade II or above or Commercial Companies as of the Initial Reference Date, which will be transferred to the administrator on the establishment date of each phase of the Special Scheme.

New Underlying Assets means initial rights holder's accounts receivable (and ancillary rights, if any) arising from sale of drugs and medical devices from public hospitals of Grade II or above or Commercial Companies as of the Revolving Reference Date, which will be transferred to the administrator on the Revolving Purchase Date.

2. The basis of determining the consideration of the Transaction

The difference (the specific amount of the difference would depend on the face value of the initial Underlying Assets under the first phase of the Special Scheme) between the face value of the initial Underlying Assets to be sold by GP Corp. to Industrial Securities Assets Management under the first phase of the Special Scheme and the cash consideration would be used for settling part of the financing costs and relevant tax expenses incurred for issuing the current phase of the Special Scheme. Within the duration, the new Underlying Assets will be sold to the Special Scheme through Revolving Purchase. The accumulated discounts of the Underlying Assets will be not less than the sum of the interest of the priority asset-backed securities and the expenses of the Special Scheme. The terms and conditions of purchasing the Underlying Assets are subject to the final version of the Underlying Assets Sale and Purchase Agreement.

The new Underlying Assets will be sold through Special Revolving Purchase and General Revolving Purchase.

For the first phase of the Special Scheme, the consideration for each Special Revolving Purchase will be equal to the face value of the new Underlying Assets. The consideration for each General Revolving Purchase is calculated by multiplying the face value of the new Underlying Assets at the discount rate, and the discount rate will be determined by GP Corp. and Industrial Securities Asset Management 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 receivable of the Underlying Assets; (iii) future recoverability of accounts receivable of the Underlying Assets; and (iv) relevant tax expenses related to the Special Scheme, which will be negotiated on an arm's length basis.

3. Conditions precedent

The conditions precedent to the completion of the Transaction are, among others, as follows:

- (1) GP Corp. having received or obtained all the consents, approvals and authorizations necessary to fulfill its obligations under the Underlying Assets Sale and Purchase Agreement and other documents related to the Special Scheme;

- (2) the Special Scheme having been successfully established; and
- (3) GP Corp. has executed and delivered the Underlying Assets Sale and Purchase Agreement and other documents related to the Special Scheme to the Industrial Securities Asset Management.

4. Completion

(1) Purchase of the initial Underlying Assets

Industrial Securities Asset Management shall pay the issuing scale of the first phase of the Special Scheme as the consideration of the initial Underlying Assets to the GP Corp. and, concurrently, the parties have to sign a completion letter.

(2) Revolving purchase of the new Underlying Assets

Industrial Securities Asset Management, as the administrator of the Special Scheme and the initial rights holder, shall enter into the “Completion Confirmation Letter of the new Underlying Assets” on the Revolving Purchase Date of the Special Scheme.

INFORMATION OF GP CORP. AND INDUSTRIAL SECURITIES ASSET MANAGEMENT

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. GP Corp and its subsidiaries are 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.

Industrial Securities Asset Management is a company established in the PRC with limited liability and is a wholly-owned asset management subsidiary of ISCL. Industrial Securities Asset Management 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, (1) ISCL is a company listed on the SSE (stock ticker: INDUSTRIALS SECURITIES) whose largest shareholder is the Department of Finance of Fujian Province (福建省財政廳) which, holds approximately 20.44% of the shares of ISCL, and (2) Industrial Securities Asset Management and its ultimate beneficial owners are third parties independent of the Company and its connected persons on the day of this announcement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Under the Transaction, GP Corp. would utilise its accounts receivable for asset-backed securitization and thus allowing the conversion of accounts receivable into cash assets which are of higher liquidity. The proceeds generated from the sale of the Underlying Assets would be applied to supplement the working capital of the GP Corp. Based on the said reasons and the terms of the Transaction as

disclosed in this announcement, the Board is of the view that the terms of the Underlying Assets Sale and Purchase Agreements are fair and reasonable, on normal commercial terms or better and would be entered into in the usual and ordinary course of business of GP Corp., and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER LISTING RULES AND SHAREHOLDERS' APPROVAL

According to the Articles of Association and the Rules of Procedures for the General Meeting, the Transaction would need the approval from the shareholders and the Company shall convene an extraordinary general meeting for its shareholders to consider the Transaction. In order to simplify the procedures, the Board would propose to the general meeting to authorize the management of GP Corp. to handle the matters related to the Transaction.

The entry into of the Underlying Assets Sale and Purchase Agreement, on a standalone basis, the proposed sale and purchase of the new Underlying Assets, on a standalone basis, or the aggregation of these transactions pursuant to Rule 14.22 of the Listing Rules of HKEX (if required), may constitute a notifiable transaction under Chapter 14 of the Listing Rules of HKEX. The Company will comply with all the applicable requirements under the Listing Rules of HKEX in respect of the Transaction.

DEFINITIONS

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

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| “Articles of Association” | The Articles of Association of the Company |
| “Board” | the board of directors of the Company |
| “Company” | Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. |
| “GP Corp.” | Guangzhou Pharmaceuticals Company Limited (廣州醫藥股份有限公司), a limited company established under the laws of the PRC, of which the Company holds 72.74% equity interest, and a subsidiary of the Company and the initial rights holder under the Special Scheme |
| “Commercial Companies” | commercial companies that have acquired the drug business licence and/or medical devices business licence and are allowed to engage in the distribution of medicine and/or medical devices pursuant to applicable laws |
| “PRC” | the People’s Republic of China |

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| “Hong Kong” | The Hong Kong Special Administrative Region, the PRC |
| “SSE” | The Shanghai Stock Exchange |
| “HKEX” | The Stock Exchange of Hong Kong Limited |
| “Listing Rules of HKEX” | The Rules Governing the Listing of Securities on HKEX |
| “Industrial Securities Asset Management” | Industrial Securities Asset Management Co., Ltd. (興證證券資產管理有限公司), a company established under the laws of the PRC with limited liability, as the administrator of the Special Scheme |
| “Underlying Assets Sale and Purchase Agreement” | the Agreement on sale and purchase of Underlying Assets of the Industry Yuanrong – Accounts Receivable 3-7 Phases of GP Corp. Asset-backed Special Scheme proposed to be entered into between GP Corp. and Industrial Securities Asset Management |
| “Transaction” | GP Corp., as the vendor, may enter into the proposed Underlying Assets Sale and Purchase Agreement with Industrial Securities Asset Management, as the purchaser, under which GP Corp. would agree to dispose of, and Industrial Securities Asset Management would agree to purchase the Underlying Assets in accordance with its terms and conditions, set up the Special Scheme to issue asset-backed securities in the amount of not exceeding RMB3 billion and act as the administrator of the Special Scheme. |
| “Special Scheme” | the Industry Yuanrong – Accounts Receivable 3-7 Phases of GP Corp. Asset-backed Special Scheme to be established by Industrial Securities Asset Management as the administrator, and Industrial Securities Asset Management intends to use the accounts receivable and ancillary rights (if any) as its Underlying Assets |
| “General Revolving Purchase” | the initial rights holder provides assets which satisfy the eligibility criteria and are available for revolving purchase during the Revolving Purchase Period, and the administrator who would conduct revolving purchase with the initial rights holder subject to the fund balance of the Special Scheme at the end of the cash flow transfer date (excluding the first cash flow transfer date) |
| “Initial Reference Date” | the date on which certain accounts receivable are classified as eligible assets under the Underlying Assets firstly purchased by the Special Scheme. |

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| “Revolving Purchase Period” | the period during which the administrator of the Special Scheme conducts the revolving purchase of the new Underlying Assets from initial rights holder with fund under the Special Scheme |
| “Revolving Purchase Date” | the date on which the transfer of new Underlying Assets from GP Corp. to Industrial Securities Asset Management occurs |
| Revolving Reference Date” | the following reference dates for the revolving purchases of accounts receivable classified as eligible assets under the Underlying Assets. |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “ISCL” | Industrial Securities Co., Ltd. (興業證券股份有限公司) |
| “Rules of Procedures for the General Meeting” | The Rules of Procedures for the General Meeting of the Company |

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 22 November 2022

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