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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)

CONNECTED TRANSACTION PARTICIPATION IN THE ESTABLISHMENT OF THE WBA GP FUND

On 2 March 2023, the Board approved Guangzhou GP Fund Equity Investment Partnership (Limited Partnership)* (廣州廣葯基金股權投資合夥企業(有限合夥)) (“**GP Fund**”), which was established by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) upon the capital contribution of RMB999 million, to contribute RMB334 million to participate in the establishment of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership)* (沃博聯廣葯(廣州)股權投資合夥企業(有限合夥)) (the “**Partnership**”, “**WBA GP Fund**” or “**Fund**”, tentative title subject to the final approval of industrial and commercial registration authorities) as the principal investor, and agreed the entering into the Cooperation Agreement of Guangzhou GP Capital Private Equity Fund Management Co., Ltd.* (廣州廣葯資本私募基金管理有限公司) (“**GP Capital**”), Guangzhou GP Fund Equity Investment Partnership (Limited Partnership), Alliance BMP Limited (“**ABMP**”) and WBA Asia Investments Limited* (沃博聯亞洲投資有限公司) (“**WBA Asia Investments**”) regarding the Establishment of the Private Equity Investment Fund within the PRC (the “**Cooperation Agreement**” or the “**Agreement**”) by GP Fund with GP Capital, ABMP and WBA Asia Investments (the “**Parties to the Agreement**”). On the same day, GP Fund and the Parties to the Agreement jointly entered into the Cooperation Agreement.

As at the date of this announcement, Guangzhou Pharmaceutical Holdings Limited (“**GPHL**”), the controlling shareholder of the Company, holds 80% interests of GP Capital. As such, GP Capital is an associate of connected person of the Company under the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Fund Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Cooperation Agreement are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements, but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

* for identification purpose only

INTRODUCTION

On 2 March 2023, the Board approved GP Fund, which was established by the Company upon the capital contribution of RMB999 million, to contribute RMB334 million to participate in the establishment of WBA GP Fund as the principal investor, and agreed the entering into the Cooperation Agreement by GP Fund with GP Capital, ABMP and WBA Asia Investments. On the same day, GP Fund and the Parties to the Agreement jointly entered into the Cooperation Agreement.

The connected transaction regarding the capital contribution of RMB999 million by the Company as the principal investor to participate in the establishment of GP Fund (the “**GP Fund Connected Transaction**”) was considered and approved at the 19th meeting of the eighth session of the Board convened by the Company. Details of which are set out in the announcement dated 18 March 2022 regarding the Connected Transaction Participation in the Establishment of the GP Fund. The funds used by GP Fund to participate in the establishment of WBA GP Fund are funds from the GP Fund Connected Transaction.

WBA GP Fund is a limited partnership registered in the PRC engaged in equity investment, investment management, asset management and other activities with the main focus on the equity investment in the field of biomedical health.

MAJOR TERMS OF THE COOPERATION AGREEMENT

The Cooperation Agreement comprises three appendices namely the body of the text and the Partnership Agreement of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (the “**Partnership Agreement**”), the Investment Management System of WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (the “**Investment Management System**”) and the Consulting Services Agreement.

The major terms of the Cooperation Agreement are as follows:

- Parties to the Agreement:
1. GP Capital (as the Fund’s general partner, executive partner and fund manager)
 2. WBA Asia Investments Limited (as limited partner of the Fund)
 3. GP Fund (as limited partner of the Fund)
 4. Alliance BMP Limited (formerly the shareholder of Guangzhou Pharmaceuticals Company Limited, a controlling subsidiary of the Company with a sound and trusting relationship established with the Company; and one of the major sponsors of the Transaction. Its associate is designated to be the contributor of WBA GP Fund)

As at the date of this announcement, GPL, the controlling shareholder of the Company, holds 80% interests of GP Capital. As such, GP Capital is an associate of connected person of the Company under the Hong Kong Listing Rules.

Fund Name: WBA GP (Guangzhou) Equity Investment Partnership (Limited Partnership) (tentative title subject to the final approval of industrial and commercial registration authorities)

Fund Size: The total size not exceeding RMB1,000 million, the initial subscribed capital contribution is RMB74.75 million, and the remaining funds are planned to be raised privately from other qualified investors.

Subsequent Subscription: In the event of fundraising from initial partners or new subscribers with the target total subscribed capital of RMB1,000 million prior to the expiry of 12 months from the date of establishment of the Fund, GP Capital shall at the same time increase its capital contribution to ensure that its capital contribution ratio represents 1.00% of the total capital contribution.

The subscribed capital of each initial partner (Transaction) is as follows:

| No. | Name of Partner | Nature of Partner | Subscribed Capital | | |
|--------------|----------------------|--------------------|---------------------------------------|---------------------------------|---------------------------------|
| | | | Contribution (RMB in ten thousand) | Form of Capital Contribution | Date of Capital Contribution |
| 1 | GP Capital | as general partner | 675.00 | Cash | 30 April 2023 |
| 2 | WBA Asia Investments | as limited partner | 33,400.00 | Cash | 30 April 2023 |
| 3 | GP Fund | as limited partner | 33,400.00 | Cash | 30 April 2023 |
| Total | | | 67,475.00 | | |

The amount of capital contribution to be made by the aforesaid partners to the partnership was arrived at with reference to, among others, the capital needs of the partnership after arm's length negotiation by the partners. GP Fund intended to utilize its own funds to pay for its contribution. The final total size of the Fund and the subscription ratio of each partner shall be determined according to the situation of subsequent subscription.

Organizational Form of the Fund:

Limited partnership

Execution of Partnership Affairs:

1. All partners of the enterprise unanimously agree that GP Capital, as general partner, shall act as executive partner of the Partnership and concurrently act as fund manager of the Fund. Unless terminated earlier in accordance with the relevant agreement, the term of the appointment of GP Capital as executive partner shall be the same as the partnership term of the Partnership, and the term of the appointment as fund manager shall be the same as the term of the Fund. The executive partner is entitled to invest, manage, utilize and dispose of the assets of the Partnership in accordance with the Partnership Agreement, and is subject to the supervision of limited partners, and agrees that the fund manager shall be responsible for handling the fund affairs of the Fund.

Without the unanimous consent of the partners' meeting, the executive partner shall ensure that there is no change in control during the partnership term of the Partnership.

2. Unless otherwise agreed in the Partnership Agreement, the executive partner shall have the right, in the name of the Partnership, to act as a good administrator in a diligent and responsible manner for the purpose of safeguarding or realizing the interests of the Partnership or the partners, to enter into and conclude contracts, agreements, commitments, manage and dispose of the assets of the Partnership for the purpose of achieving the objectives of the Partnership, after being approved by the investment decision committee and the competent authorities by voting at its sole discretion, if necessary, expedient, beneficial or convenient.
3. Unless otherwise agreed in the Partnership Agreement, when the executive partner or the fund manager no longer assumes the duties of the executive partner or the fund manager for any reason, the executive partner or the fund manager shall be separately selected with the consent of the partners' meeting.

4. The executive partner shall represent the Partnership externally and execute the partnership affairs, whereas other partners shall no longer perform the partnership affairs. The profits generated by the executive partner in the execution of the partnership affairs shall belong to all partners, and the losses incurred shall be borne in the manner agreed in the Partnership Agreement. The liability for debts shall be borne by the general partner with unlimited liability, and the limited partner shall be liable for limited liability to the extent of the subscribed capital contribution.

Term of Operation:

The Partnership shall have a term of 10 years commencing from the date of establishment of the Partnership. The term of the Partnership as a private fund is 7 years, commencing from the date of establishment of the Fund.

The investment period of the Fund is two years from the date of establishment of the Fund. The exit period is from the date of expiry of the investment period to the end of the term of the Fund. The Fund will no longer make external investment during the exit period. The project shall be fully exited during the exit period, and the Fund shall mature in advance.

Upon expiry of the investment period, where the external investment amount of the Fund does not reach 80% of the total paid-in capital of the Fund, the investment period of the Fund will be automatically extended for one year with a maximum of two extensions. After the extension of the investment period, the remaining term of the Fund is the exit period.

In the event that the Fund's investment projects have not fully exited three months prior to the expiry of the term of the Fund, the term of the Fund may be extended for one year for one time only, as proposed by the executive partner and agreed by the partners representing more than two-thirds of the total capital contribution of all partners. If the proposal to extend the term of the Fund is not approved, the fund manager shall actively realize the assets of the Fund based on the principle of maximizing the interests of the Fund and perform the corresponding approval procedures in accordance with the Partnership Agreement.

| | |
|---------------------------------------|---|
| Fund Decision-Making Mechanisms: | <p>WBA GP Fund has an investment decision committee, which is responsible for making decisions on specific investment projects. The investment decision committee is composed of members appointed by the initial partners and members appointed by the subsequent subscription partners (if any), with each initial partner appointing one member.</p> <p>The investment decision committee shall have one chairman, who is a member recommended by GP Capital.</p> <p>On a poll, each person of the investment decision committee shall be entitled to one vote and can opt for abstention. Decision-making matters shall be approved by a simple majority of all committee members and approved by a simple majority of all members appointed by the initial partners.</p> |
| Management Fee of the Fund: | <ol style="list-style-type: none"> 1. During the investment period of the Fund, the annual management fee shall be withdrawn at 1% of the total paid-in capital contribution; 2. During the fund exit period and extension period, the annual management fee shall be withdrawn at 1% of the outstanding investment amount; 3. No management fee is charged during the liquidation period of the Fund. |
| Investment Scope of the Fund: | <p>The Fund focuses on the equity investment in the field of biomedical health.</p> |
| Profit Distribution and Loss Sharing: | <ol style="list-style-type: none"> 1. The distributable funds of the Fund shall be distributed in the following order: <ol style="list-style-type: none"> (1) Capital contribution and repayment: Distribution is made to all partners in proportion to their paid-in capital contribution until the cumulative amount of distribution received by all partners reaches their paid-in capital contribution to the Fund; (2) Preferred return: Threshold return is distributed to each partner until all partners achieve an annualized threshold rate of return of 7% at simple interest rate calculated based on their paid-in capital contribution; |

- (3) Catch-up distribution: If there is any balance, each of the general partner and WBA Asia Investments shall be entitled to an amount calculated in accordance with the following formula: the aggregate amount of preferred return cumulatively received by all limited partners in accordance with (2) above/ $0.8 * 0.1$;
- (4) Excess profit: The balance (if any) shall be excess profit and shall be distributed as follows: 10% of the excess profit shall be distributed to GP Capital as general partner; another 10% of the excess profit shall be distributed to WBA Asia Investments; and the remaining 80% of the excess profit shall be distributed to each of the limited partners (including WBA Asia Investments) in proportion to their respective paid-in capital contribution.

2. Operating loss commitments

The losses of the Partnership shall be borne in the following order: (1) the losses of the Partnership within the total subscribed capital contribution shall be borne by all partners in proportion to their subscribed capital contribution to the extent of their subscribed capital contribution; and (2) the losses in excess of the total subscribed capital contribution of the Partnership shall be borne by the general partner.

Return Undertaking:

Without an undertaking to fixed returns, any terms in the Partnership Agreement shall not be deemed to be an undertaking to give any form of fixed return to a limited partner. The Agreement and any appendix thereto shall not constitute any warranty given by the Partnership, the general partner, the executive partner and the administrator to any limited partner with respect to the performance of the Partnership.

Strategic Support:

Upon entering into the Cooperation Agreement, WBA Asia Investments has the right but is not obliged to establish a limited liability company (“**Consulting Company**”) to provide strategic support and consulting services for the Fund. The Consulting Company agrees to provide further strategic support to the Fund in various aspects such as fund investment project selection, investment project value judgment, investment project industry empowerment, and fund investment exit by leveraging on its team’s extensive industry experience and resources in the field of biomedical health, and assist the Fund to seize the investment opportunities in the big health industry to realize the preservation and appreciation of fund assets.

Investment Management
System:

In order to prevent the investment risks of the Fund and establish a rigorous, scientific, efficient and orderly fund investment operation system, all parties agree to establish a practical investment management system for the investment management and operation of the Fund. The signing of the Cooperation Agreement by the parties shall be deemed to be an agreement to the Investment Management System in Appendix II to the Cooperation Agreement, which shall take effect upon the completion of the filing of the Fund with the Asset Management Association of China and the signature and affixation with seal by GP Capital, and the amendment of which shall be approved by the partners representing more than two-thirds of the total capital contribution of the Fund.

1. Investment management team and its duties

- (1) The fund manager shall establish an investment decision committee for the Fund in accordance with the Partnership Agreement. The investment decision committee is the investment decision-making body of the Partnership and is mainly responsible for making decisions on the external investment and exit of the Partnership and accountable to the Partnership. The rules of procedure of the investment decision committee shall be subject to the Partnership Agreement.
- (2) The fund manager shall establish a project consulting committee to assess and screen the Fund's investment project establishment proposal, temporary investment plan, project investment information to be submitted to the investment decision committee of the Fund and project exit information.
- (3) In order to ensure the professional and efficient investment of the Fund, the fund manager shall establish a professional investment management team to deeply participate in the entire investment management procedures of the investment projects of the Fund, and its members shall include but not limited to the fund manager's legal representative/main responsible person, investment director and post-investment management responsible person.

2. Investment management procedures

The project investment management procedures of the Fund include preliminary project review, project establishment management, prudent investigation, investment decision-making, drafting and execution of agreements, follow-up management, investment exit and etc.

3. Investment management professional consulting services

In order to improve the quality of investment management and prevent investment risks, the fund manager shall, when implementing the investment of the Fund, take into account factors such as the complexity of the investment project and its own professional capabilities, to procure the Fund to engage professional investment management consulting service providers to provide professional services in corresponding fields for the project investment of the Fund, including but not limited to industry research, technical consulting, etc..

In view of the extensive industry experience and resources of the team of the Consulting Company in the field of grand health, the parties agree that the Consulting Company and the Fund shall enter into the Consulting Services Agreement in Appendix III to the Cooperation Agreement, pursuant to which the Fund shall engage the Consulting Company to provide services and pay service fees to the Consulting Company and/or its designated third-party professional institutions in accordance with the Consulting Services Agreement.

Applicable Laws:

The establishment, validity, interpretation and performance of the Partnership Agreement, as well as the settlement of disputes under the Partnership Agreement, shall be governed by the PRC applicable law (excluding the laws of Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan).

INFORMATION OF THE COMPANY

The Company is principally engaged in (1) 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; (2) the wholesale, retail and import and export business of Western medicine, Chinese medicine and medical equipment; (3) the research, production and sales of health product; and (4) the health industry investment in medical care, health management, health maintenance and elderly care.

INFORMATION OF THE PARTIES TO THE COOPERATION AGREEMENT

GP Capital

GP Capital is a company established in the PRC with limited liability on 25 January 2022, and 80% is ultimately and beneficially owned by GPHL, a controlling shareholder of the Company. It is principally engaged in sub-fund investments, equity investments, equity related investments and other investments in compliance with applicable laws. As at the date of this announcement, it becomes a connected person of the Company as a result of being a subsidiary of the controlling shareholder of the Company.

ABMP and WBA Asia Investments

Both ABMP and WBA Asia Investments are mainly engaged in equity investment business, among which WBA Asia Investments is a company specially established for the establishment of WBA GP Fund in connection with this investment. ABMP and WBA Asia Investments are indirectly wholly owned by Walgreens Boots Alliance, Inc (“WBA”). WBA is a company incorporated in Delaware, the United States upon the merger of Alliance Boots plc. and Walgreen Co. in 2014. As of the latest practicable date, WBA’s shares were listed on the NASDAQ stock market (Stock code: WBA). According to its website, WBA is an integrated healthcare, pharmacy and retail leader serving millions of customers and patients every day, with a 170-year heritage of caring for communities. It is also the largest retail health, pharmacy and daily living destination across the U.S. and Europe. As at the latest practicable date, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, ABMP, WBA Asia Investments and their ultimate beneficial owners are independent third parties.

GP Fund

GP Fund is a fund the Company participated in the establishment with its own capital of RMB999 million. The Company owns 99.90% of its equity interest and is a subsidiary of the Company. GP Capital is its manager, general partner and executive partner of the Fund. GP Fund is mainly engaged in equity investment, investment management, asset management and other activities through private equity fund. GP Fund and its sub-funds focus on the equity investment in the field of biomedical health around the Company’s strategic planning.

REASONS AND BENEFITS FOR ENTERING INTO THE COOPERATION AGREEMENT AND ITS IMPACT ON THE COMPANY

This investment is beneficial for the Company to leverage on the strengths of industrial layout and information resource of the parties in the field of global medical health, to accelerate the pace of the Company’s foreign investment and to discover and cultivate high-quality project targets that have market competitiveness, so as to achieve good investment returns.

This investment utilizes GP Fund’s own funds, which will not affect the Company’s normal production and operation activities, nor have any significant impact on the Company’s current financial conditions, nor harm the interests of the Company and small and medium shareholders.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, GPLH, the controlling shareholder of the Company, holds 80% interests of GP Capital. As such, GP Capital is an associate of connected person of the Company under the Hong Kong Listing Rules. Therefore, the transaction contemplated under the Fund Cooperation Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Fund Cooperation Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Fund Cooperation Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, but subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Board has resolved and approved the Transaction on 2 March 2023. Among the Directors attending the board meeting, connected Directors Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo and Mr. Wu Changhai were deemed to have material interests in the Transaction by virtue of being employed by GPLH and had thus abstained from voting on the relevant resolution(s). The Directors, including the independent non-executive Directors, consider that the Transaction is entered into on normal commercial terms in the ordinary course of business of the Company, the terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 2 March 2023

As at the date of this announcement, the Board 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.