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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)

CHANGES IN USE OF PROCEEDS

INTRODUCTION

References are made to the circular of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) dated 26 February 2015 (the “**2015 Circular**”) and the announcements and circular(s) of the Company in relation to the Proposed Placing issued subsequent to the 2015 Circular, including without limitation:

- (a) the announcement of the Company dated 28 October 2015 whereby it was announced, among other things, that the offering size of the Proposed Placing had been reduced from approximately RMB10,000 million to approximately RMB8,300 million while the number of new A Shares to be issued under the Proposed Placing had been adjusted from not more than 419,463,087 new A Shares to 352,292,020 new A Shares;
- (b) the announcement of the Company dated 18 August 2016 in relation to the issue of A Shares pursuant to the Proposed Placing (the “**Announcement of Issue**”); and
- (c) the announcement of the Company dated 29 August 2016 in relation to changes in allocation of proceeds raised from the Proposed Placing.

Unless otherwise defined, capitalised terms used in the 2015 Circular have the same meanings when used herein.

USE OF PROCEEDS RAISED FROM THE PROPOSED PLACING

As disclosed in the Announcement of Issue, the final total gross proceeds raised by the Company under the Proposed Placing was approximately RMB7,885 million. The final total net proceeds raised by the Company was approximately RMB7,863 million after deducting relevant expenses. Details of the use of the RMB7,863 million as at 30 November 2018 are set out in the table below:

Purpose	Final allocation (RMB million)	Amount utilized (RMB million)	Amount unutilized (RMB million)
Strengthening the Group's research and development capability on medicines, health products and medical technology	1,500	43	1,457
Expanding and reforming part of the Group's production facilities	1,000	30	970
Expanding and strengthening the Group's distribution networks and promotion channel	3,000	800	2,200
Establishing a new management and information system of the Group	200	18	182
General working capital	2,163	2,185 (including the use of interest incomes on deposits)	0
Total	<u>7,863</u>	<u>3,076</u>	<u>4,809</u>

CHANGES IN THE USE OF PROCEEDS RAISED FROM THE PROPOSED PLACING

As at the date of this announcement, the total balance of the unutilized proceeds was approximately RMB4,809 million. Considering that (i) the project to expand and strengthen the Group's distribution networks using the proceeds raised from the Proposed Placing mentioned above has not yet

commenced and the detailed implementation plan and time cannot be determined due to, among other things, the developing trend of distribution networks, changes in the landscape of the pharmaceutical trading industry and the change in the equity holding structure (as disclosed in the announcement of the Company dated 22 December 2017) in Guangzhou Pharmaceutical Corporation (being the proposed entity through which the Company intended to implement the expansion and strengthening the Group's distributing networks and promotion channel); and (ii) there will be a balance left in the proceeds allocated to establish a new management and information system of the Group, in order to avoid leaving the funds raised idle for a long period of time and to realize the benefits of the investment in the projects which the funds raised had been applied to as soon as possible, the Board has resolved to change the proposed use of the unutilized proceeds as follows:

RMB1,000 million and RMB80 million out of the proceeds raised and originally intended to be allocated to expanding and strengthening the Group's distribution networks and establishing a new management and information system of the Group, respectively (being a total of RMB1,080 million), is changed to apply to the project of acquiring the "Wang Lao Ji" trademarks series held by GPLL, the controlling shareholder of the Company. Please refer to another announcement of the Company dated the date of this announcement for details of the acquisition of the "Wang Lao Ji" trademarks series.

The Board has considered the impact of the proposed changes in the use of proceeds on the business of the Group and is of the view that, given the latest circumstances of the Company's operation and business, the Company would benefit from the change in the use of the unutilized proceeds as this can improve the efficiency in using the funds raised by the Company and therefore is in the best interest of the Company and its shareholders as a whole.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 27 December 2018

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. Li Hong and Mr. Wu Changhai as executive directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive directors.