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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 RECEIVABLES

BACKGROUND OF THE TRANSACTION

On 10 September 2019, the Board passed the resolution approving GP Corp. to conduct asset-backed securitisation of accounts receivables. 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, 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 GP Corp.’s accounts receivables (and ancillary rights, if any) 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 receivables (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 receivables (and ancillary rights, if any) arising from sale of drugs and medical devices from public hospitals of Grade II or above or Commercial Companies held by the initial rights holder 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 initial Underlying Assets to be sold by GP Corp. to Industrial Securities Assets Management under the first phase of the Special Scheme have a face value of approximately RMB1.013 billion and will be sold for a cash consideration of RMB1 billion. The difference between the consideration and the face value of the initial Underlying Assets is approximately RMB13 million, which would be used for settling part of the financing costs and relevant tax expenses incurred for issuing the first phase 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 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, 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 RMB1 billion 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 subsidiary of the Company and its principal business of which 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 are third parties independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Under the Transaction, GP Corp. would utilise its accounts receivables for asset-backed securitization and thus allowing the conversion of accounts receivables 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 the Company, 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 shareholder and the Company shall convene a general meeting for its shareholders to consider 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:

“Articles of Association”	The Articles of Association of the Company
“Board”	the board of directors of the Company
“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
“Company”	Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd.
“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)
“GP Corp.”	Guangzhou Pharmaceuticals Corporation (廣州醫藥有限公司), a company established under the laws of the PRC with limited liability, of which the Company holds 80% equity interest, and a subsidiary of the Company and the initial rights holder under the Special Scheme
“HKEx”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	The Hong Kong Special Administrative Region, the PRC

“Industrial Securities Asset Management”	Industrial Securities Asset Management Co., Ltd., a company established under the laws of the PRC with limited liability, as the administrator of the Special Scheme
“Initial Reference Date”	the date on which certain accounts receivables are classified as eligible assets under the Underlying Assets firstly purchased by the Special Scheme. The initial reference date for the first phase of the Special Scheme to be made is 31 July 2019
“Listing Rules of HKEx”	The Rules Governing the Listing of Securities on HKEx
“Listing Rules of SSE”	The Listing Rules of the SSE
“PRC”	the People’s Republic of China
“Revolving Purchase Date”	the date on which the transfer of new Underlying Assets from GP Corp. to Industrial Securities Asset Management occurs
“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 Reference Date”	the following reference dates for the revolving purchases of accounts receivables classified as eligible assets under the Underlying Assets. The revolving reference date for the first phase of the Special Scheme would be the first day of the month on which the Special Scheme establishes and the first day of March, June, September, December 2020 and the first day of March 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedures for the General Meeting”	The Rules of Procedures for the General Meeting of the Company
“Special 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 would conduct revolving purchase with the initial rights holder subject to the fund balance of the Special Scheme at the end of the first cash flow transfer date (as for the first phase of the Special Scheme, it is the 11th working day after the establishment of the Special Scheme, and the following phases should base on the actual circumstances)

“Special Scheme”	the Industry Yuanrong – Accounts Receivables 1-5 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 receivables and ancillary rights (if any) as its Underlying Assets
“SSE”	The Shanghai Stock Exchange
“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.
“Underlying Assets Sale and Purchase Agreement”	the Agreement on sale and purchase of Underlying Assets of the Industry Yuanrong – Accounts Receivables 1-5 Phases of GP Corp. Asset-backed Special Scheme proposed to be entered into between GP Corp. and Industrial Securities Asset Management

Guangzhou, the PRC, 10 September 2019

As at the date of this announcement, the Board comprises Mr. Li Chuyuan, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Ni Yidong, 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.