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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)

NEW CONTINUING CONNECTED TRANSACTIONS AGREEMENT

As disclosed in the announcement of the Company dated 28 October, 2019, the Company and Huacheng entered into the Existing CCT Agreement, which constituted a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the Existing CCT Agreement will expire on 31 December 2021 and it is proposed that the Headquarters of GP Macau will commence operation in the first quarter of 2022, it is expected that there will be continuing connected transactions between the Headquarters of GP Macau and the Group. In the future, the Company will strengthen the cooperation with GPHL in traditional Chinese medicine industry in Macau, further improve the business coordination, and vigorously promote the innovation of traditional Chinese medicine industry and spread the culture of traditional Chinese medicine to Macau and related countries and regions.

In order to regulate the continuing connected transactions between the Group and GPHL, the Company entered into the New CCT Agreement with GPHL on 24 December 2021 for a term of two years from 1 January 2022 to 31 December 2023.

As at the Announcement Date, GPHL is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the New CCT Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

As all the applicable percentage ratios (except for the profits ratio) calculated in respect of the highest annual cap of the transactions contemplated under the New CCT Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the New CCT Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rule.

BACKGROUND

As disclosed in the announcement of the Company dated 28 October 2019, the Company and Huacheng entered into the Existing CCT Agreement, which constituted a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the Existing CCT Agreement will expire on 31 December 2021 and it is proposed that the Headquarters of GP Macau will commence operation in the first quarter of 2022, it is expected that there will be continuing connected transactions between the Headquarters of GP Macau and the Group. In the future, the Company will strengthen the cooperation with GPHL in traditional Chinese medicine (“TCM”) industry in Macau, further improve the business coordination, and vigorously promote the innovation of TCM industry and spread the culture of traditional Chinese medicine to Macau and related countries and regions. Therefore, the Company entered into the New Continuing Connected Transaction Agreement with GPHL regarding the continuing connected transactions contemplated between the Company and its subsidiaries on the one hand and GPHL and its subsidiaries (including but not limited to Huacheng and the Headquarters of GP Macau) on the other hand.

PRINCIPAL TERMS OF THE NEW CCT AGREEMENT AND RELEVANT INFORMATION

1. Parties

- (i) The Company; and
- (ii) GPHL.

2. Term

From 1 January 2022 to 31 December 2023.

3. Type of Connected Transactions

The types of connected transactions under the New CCT Agreement (“**Transactions**”) include:

- (i) purchase of medicinal materials, drugs and other merchandise from GPHL and its subsidiaries by the Company and its subsidiaries (“**Purchase Transactions**”);
- (ii) sale of products, raw and auxiliary materials and other merchandise to GPHL by the Company and its subsidiaries (“**Sales Transactions**”);
- (iii) provision of labour services (advertising agency and research and development services). (“**Provision of Labour Services**”) by the Company and its subsidiaries to GPHL and its subsidiaries;
- (iv) provision of entrusted processing services (“**Entrusted Processing**”) by the Company and its subsidiaries to GPHL and its subsidiaries;

- (v) grant of licence for the use of trademarks and trade names to GPLH and its subsidiaries (“**Use of Trademarks Under Licence**”);
- (vi) leasing of properties and/or equipment by GPLH and its subsidiaries to the Company and its subsidiaries to (“**Asset Leasing From GPLH**”); and
- (vii) leasing of properties and/or equipment by the Company and its subsidiaries to GPLH and its subsidiaries (“**Asset Leasing to GPLH**”).

4. Basis of pricing

The terms of the Transactions will be determined with reference to the prevailing market prices at the material time when the Purchase Transactions, Sales Transactions, Provisions, Labour Services or Entrusted Processing, Use of Trademarks Under Licence, Asset Leasing From GPLH or Asset Leasing to GPH are entered into between the Company and its subsidiaries (or GPLH and its subsidiaries) on the one hand and the Independent Third Parties on the other hand (“**Similar Transactions**”) and will be determined on normal commercial terms or not less favourable terms than those available to the Group from the Independent Third Parties (or to the Independent Third Parties).

The prevailing market prices under the specific contracts regarding the various connected transactions described in section 3 of this announcement will be determined at the prices of the Similar Transactions conduct on arm’s length basis obtain by the Group from Independent Third Parties in China (or provide to the Independent Third Parties) and on normal commercial terms and in the ordinary course of business of the Group.

In addition to the above basis of pricing stipulated under the New CCT Agreement, the Group will consider the following principles (“**Pricing Principles**”) in order of priority before determining whether to enter into the actual transactions under the New CCT Agreement:

- (a) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable rules and regulations (if any) (“**Regulatory Bidding Prices**”);
- (b) the final confirmed prices through the bidding and tendering process conducted by the Group at which at least three independent bidders will be invited (“**Corporate Bidding Prices**”) if the Regulatory Bidding Prices are not available or applicable;
- (c) the market prices which are offered to or by the Independent Third Parties in the ordinary and usual course of business if none of the Regulatory Bidding Prices and the Corporate Bidding Prices are available or applicable; and

- (d) the agreed prices based on the actual or reasonable cost incurred thereof (and, in the case of the Similar Transactions by the Group to GPLH and its subsidiaries, plus a reasonable profit margin), which is determined by reference to the nature of the Similar transactions, past prices, current market prices and market price changes in the remaining period if none of the prices set out in (a) to (c) above are available or applicable.

The Pricing Principles basically apply to the Transactions. However, the Company would like to draw the attention of the shareholders of the Company that:

- (i) based on the rules and regulations applicable as at the Announcement Date (such as The Opinion of Establishment and Implementation of National Essential Medicine System* 《關於建立國家基本藥物制度的實施意見》, The Administrative Measures for the National Essential Medicines List* 《國家基本藥物目錄管理辦法》, The National Essential Medicines List* 《國家基本藥物目錄》 and The Administrative Measures for Supervision and Administration of the Centralised Procurement for Pharmaceutical Products* 《藥品集中採購監督管理辦法》), the bidding and tendering process referred to in the Pricing Principle set out in (a) above will be conducted by the relevant provinces and Pricing Principle (a) is applicable to the Purchase Transactions but not the other transactions contemplated under the New CCT Agreement; and
- (ii) in the case of the Transactions (other than the Purchase Transactions) with GPLH and its subsidiaries, a reasonable profit margin will be added on the top of the Corporate Bidding Prices as the final prices.

Since the Group is under no obligation to enter into any actual transaction under the New CCT Agreement unless it is satisfied with the terms of the relevant proposed transactions after considering the Pricing Principles, the Directors believe that such mechanism and procedures can ensure that the transactions contemplated by the New CCT Agreement will be conducted on normal commercial terms (including the prices) and not prejudicial to the interests of the Company and the minority shareholders of the Company.

5. Annual caps

The annual caps under the New CCT Agreement for the two years ending 31 December 2022 and 2023 are set out below:

| Type of transaction | Annual cap for the year ending 31 December 2022 (RMB0'000) | Annual cap for the year ending 31 December 2023 (RMB0'000) |
|----------------------------|---|---|
| Purchase Transactions | 8,700.00 | 15,000.00 |
| Sales Transactions | 25,000.00 | 30,000.00 |

| Type of transaction | Annual cap for the year ending 31 December 2022 (RMB0'000) | Annual cap for the year ending 31 December 2023 (RMB0'000) |
|---------------------------------|---|---|
| Provision of Labour Services | 4,300.00 | 6,400.00 |
| Entrusted Processing | 5,000.00 | 6,000.00 |
| Use of Trademarks Under Licence | 500.00 | 600.00 |
| Asset Leasing from GPLH | 1,900.00 | 1,900.00 |
| Asset Leasing to GPLH | 100.00 | 100.00 |
| Total | 45,500.00 | 60,000.00 |

The annual caps are determined with reference to the following factors:

- (I) Based on the operation of the Company and GPLH (including Huacheng) in 2020 and January to November 2021 as well as the expectations on the operation and development of the Group in 2022 and 2023;
- (II) the Headquarters of GP Macau, is expected to commence operation in the first quarter of 2022. The establishment of the Headquarters of GPLH Macau is a concrete step to implement the cooperation between Guangdong and Macau and promote the development of appropriate diversity in Macau' economy, which will become a strong bond to enhance the cooperation in the pharmaceutical sector among Guangdong, Hong Kong and Macau. In the future, the Company will strengthen the cooperation with GPLH in TCM industry in Macau, further improve the business coordination, and vigorously promote the innovation of TCM industry and spread the culture of traditional Chinese medicine to Macau and related countries and regions.

6. Payment terms

The Group and GPLH will separately enter into specific orders and agreements for the Transactions in accordance with the New CCT Agreement, specifying the payment methods and term, and other relevant terms, such as rent and trademark royalties.

HISTORICAL AMOUNTS

Set out below are the historical amounts of the transactions under the Existing CCT Agreement:

CONTINUING CONNECTED TRANSACTIONS WITH HUACHENG

| Type of transaction | The year ended | The eleven |
|--|------------------|------------------|
| | 31 December | months ended |
| | 2020 | 30 November |
| | (RMB0'000) | 2021 |
| | | (RMB0'000) |
| Purchase of the Huacheng Products from Huacheng | 1,819.60 | 1,760.87 |
| Sale of the Materials to Huacheng | 7,979.50 | 10,632.91 |
| Provision of labour services to Huacheng | 1,883.50 | 983.54 |
| Provision of entrusted processing services to Huacheng | 2,049.20 | 1,925.00 |
| Total | 13,731.80 | 15,302.32 |

Note: The annual cap for the connected transactions of Huacheng in 2020 is RMB256 million, and the annual cap for the connected transactions of Huacheng in 2021 is RMB284 million.

CONNECTED TRANSACTIONS WITH GPLH (EXCLUDING HUACHENG)

| Type of transaction | The year ended | The eleven |
|---------------------------------|----------------|-----------------|
| | 31 December | months ended |
| | 2020 | 30 November |
| | (RMB0'000) | 2021 |
| | | (RMB0'000) |
| Sales Transactions | 20.10 | 1,059.14 |
| Provision of Services | 143.70 | 151.90 |
| Use of Trademarks Under Licence | 0.00 | 42.06 |
| Asset Leasing from GPLH | 206.00 | 1,130.46 |
| Asset Leasing to GPLH | 34.20 | 17.47 |
| Total | 404.00 | 2,401.03 |

The Directors confirm that all the applicable percentage ratios (except for the profits ratios) calculated in respect of the connected transactions with GPLH (excluding the connected transactions with Huacheng) actually occurred in 2020 and in the eleven months ended 30 November 2021, respectively, are less than 0.1%. Accordingly, the above transactions are de minimis transactions and therefore are fully exempted pursuant to Rule 14A76(1)(a) of the Hong Kong Listing Rules.

INFORMATION ON THE GROUP AND GPLH

The Group is principally engaged in (i) research, development, manufacturing and sale of Chinese and western medicine, chemical active pharmaceutical ingredients (“API”), natural medicine, biological medicine and chemical API intermediates; (ii) wholesale, retail, import and export of

western medicine, Chinese medicine and medical apparatus; (iii) research, production and sale of health products; and (iv) investment in the health industry such as in the sectors of medical treatment, health management and elderly care.

GPHL is a state-owned enterprise established in the PRC. It is a connected person of the Company by virtue of it being the controlling shareholder of the Company holding approximately 45.04% shareholding interest in the Company as at the Announcement Date. Accordingly, GPHL is a connected person of the Company.

REASONS FOR ENTERING INTO THE NEW CCT AGREEMENT

As disclosed in the announcement of the Company dated 28 October 2019, the Company and Huacheng, entered into the Existing CCT Agreement, which constituted a continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the Existing CCT Agreement will expire on 31 December 2021 and it is proposed that the Headquarters of GP Macau will commence operation in the first quarter of 2022, it is expected that there will be continuing connected transactions between the Headquarters of GP Macau and the Group. In the future, the Company will strengthen the cooperation with GPHL in TCM industry in Macau, further improve the business coordination, and vigorously promote the innovation of TCM industry and spread the culture of traditional Chinese medicine to Macau and related countries and regions. After taking into account the factors above, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the New CCT Agreement are of commercial benefit to the Company and the Group as a whole and entering into the New CCT Agreement can contribute to the growth of the Group's business.

The Directors (including the independent non-executive Directors) further consider that (i) the terms of the New CCT Agreement are fair and reasonable; (ii) the transactions contemplated under the New CCT Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, or if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) the Independent Third Parties; and (iii) the New CCT Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the New CCT Agreement. However, as Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo and Mr. Wu Changhai are both directors and/or members of the senior management of GPHL, and Mr. Li Hong is the vice chairperson of the Headquarters of GP Macau, they have abstained from voting on the Board resolution that approved the New CCT Agreement. Save as disclosed above, none of the Directors has a material interest in the New CCT Agreement and is required to abstain from voting on the Board resolution that considered and approved the New CCT Agreement and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

GPHL is a connected person of the Company as disclosed above. Accordingly, the New CCT Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the New CCT Agreement and the transactions contemplated thereunder are on normal commercial terms or better and all the applicable percentage ratios (except for the profits ratio) calculated in respect of the highest annual cap for the New CCT Agreement and the transactions contemplated thereunder exceed 0.1% but are less than 5%, the transactions contemplated under the New CCT Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

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

| | |
|---------------------------|---|
| “Announcement Date” | the date of this announcement, being 24 December 2021 |
| “Board” | the board of Directors |
| “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 Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively |
| “connected person” | has the meaning given to it under the Hong Kong Listing Rules |
| “controlling shareholder” | has the meaning given to it under the Hong Kong Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Existing CCT Agreement” | the agreement entered into between the Company and Huacheng on 28 October 2019 in relation to the Group's purchase of the Huacheng Products from, sale of the Materials to, the provisions of labour services (advertising agency and research and development services) and entrusted processing services to, Huacheng |

| | |
|----------------------------|---|
| “GPHL” | Guangzhou Pharmaceutical Holdings Limited* (廣州醫藥集團有限公司), a state-owned enterprise established by, and under the administration of, the Guangzhou Municipal People’s Government State-owned Assets Supervision and Administration Commission in the PRC. It is the controlling shareholder of the Company holding approximately 45.04% of the issued shares of the Company as at the Announcement Date |
| “Group” | the Company and its subsidiaries |
| “Headquarter of GP Macau” | Guangyao Group (Macau) International Development Industry Co., Ltd. (廣藥集團(澳門)國際發展產業有限公司), a subsidiary of GPHL |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Huacheng” | Guangzhou Baiyunshan Huacheng Pharmaceutical Company Limited* (廣州白雲山花城藥業有限公司), a wholly-owned subsidiary of GPHL |
| “Huacheng Products” | the pharmaceutical products produced by Huacheng |
| “Independent Third Party” | a third party who is independent of, and not connected with, the Company or any of its connected persons |
| “Materials” | the unpackaged pharmaceutical raw materials, medical apparatus, packaging materials and other materials |
| “New CCT Agreement” | the agreement on continuing connected transactions entered into between the Company and GPHL on 24 December 2021, details of which are set out in the section headed “PRINCIPAL TERMS OF THE NEW CCT AGREEMENT AND RELEVANT INFORMATION” of this announcement |
| “PRC” | the People’s Republic of China and, for the purpose of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the holder(s) of the share(s) of the Company |

“subsidiary”

has the meaning given to it under the Hong Kong Listing Rules

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 24 December 2021

As at the Announcement Date, 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, and as executive directors, and Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin, and Mr. Huang Min as independent non-executive directors.