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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE CONTINUING CONNECTED TRANSACTIONS ANNOUNCED
ON 24 DECEMBER 2021**

1. BACKGROUND

This announcement is issued by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (“**Company**”) to supplement its announcement dated 24 December 2021 in relation to the New CCT Agreement (“**First Announcement**”). Unless the context otherwise requires, capitalized terms defined in the First Announcement have the same meanings when used in this announcement.

2. SUPPLEMENTAL INFORMATION

2.1 Reasonable profit margin

In the section headed “PRINCIPAL TERMS OF THE NEW CCT AGREEMENT AND RELEVANT INFORMATION - 4. Basis of pricing” on page 4 of the First Announcement, it was disclosed, among other things, that “in the case of the Transactions (other than the Purchase Transactions) with GPHL and its subsidiaries, a reasonable profit margin will be added on the top of the Corporate Bidding Prices as the final prices.”. The said reasonable profit margin will be determined based on, among other things, the supply and demand in the market at the material time, the scale of the orders made by GPHL and with reference to (i) the profits margin which the Group may obtain in the sales of comparable products in comparable quantities to Independent Third Parties and (ii) the profit margin obtained by the Group in historical transactions of comparable products and quantities sold to Independent Third Parties in order to determine whether the profit margin is in line with the industry. In relation to the Sales Transactions, it is expected that the profit margin in respect of the Chinese pharmaceutical materials, raw materials, auxiliary materials, packaging materials and equipment will not exceed 10%.

2.2 Annual caps

The factors that the Company had taken into account in determining the annual caps had been disclosed in the section headed “PRINCIPAL TERMS OF THE NEW CCT AGREEMENT AND RELEVANT INFORMATION - 5. Annual caps” on page 5 of the First Announcement. The Company wishes to provide the following additional information:

(a) The operation of the Company and GPLH (including Huacheng but excluding the Headquarters of GP Macau) in 2020 and January to November 2021 as well as the expectations on the operation and development of the Group in 2022 and 2023

The historical amounts of the transactions with GPLH (including Huacheng) was approximately RMB141,358,000 for year 2020 and RMB177,033,500 for the first eleven months of 2021. After excluding the expected amount of transactions between the Group and the Headquarters of GP Macau, the expected amount of the transactions between (i) the Group and (ii) GPLH and its subsidiaries under the New CCT Agreement are approximately RMB327,000,000 for year 2022 and RMB341,000,000 for year 2023, representing a rise of approximately 97.56% and 106.02%, respectively when compared with year 2021 (*Note: for this purpose, the aggregate amount of the transactions in year 2021 is the result of the historical monthly average amounts of the transactions with GPLH (including Huacheng) for the first eleven months of 2021 times 12*).

After taking into account the financial performance of the Group in the four financial years ended 31 December 2020 and the first nine months ended 30 September 2021, it is noted that the assets, revenue and profits of the Group all grew in the said periods (except for year 2020 when the Group’s business was affected by Covid-19), which demonstrated that the scale, revenue and profits of the Group had been growing steadily in recent years. The further enhancement in the resources consolidation of the Group has created additional capacity for the Group in, among other things, purchase, sales and entrusted processing, which are the transactions contemplated under the New CCT Agreement. Similarly, the revenue and the operation of GPLH had also grown in the four financial years ended 31 December 2020 (except for year 2020 when GPLH’s business was affected by Covid-19) and the first nine months ended 30 September 2021. Accordingly, each of the Group and GPLH anticipated that its operation will continue to grow in years 2022 and 2023 and the transactions contemplated by the New CCT Agreement will also be increased correspondingly. In addition, the Group was given to understand by GPLH that Huacheng experienced excessive stock in 2020 due to Covid-19, however, given that the pandemic has been eased and after the destock exercise in year 2021, it is expected that the production and sale of Huacheng will resume normal and grow steadily in 2022 and therefore it is expected that there will be increase in Purchase Transactions, Sale Transactions and Entrusted Process.

(b) The expected commencement of the operation of the Headquarters of GP Macau in the first quarter of 2022

The Group understands that in light of the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area (《深化粵港澳合作推進大灣區建設框架協議》), the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) and the Master Plan of the Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin (《橫琴粵澳深度合作區建設總體方案》) (collectively, the “**Greater Bay Policies**”), GPHL established the Headquarters of GP Macau. Under the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, it is an objective to deepen the cooperation in the sector of TCM, promote the standardization and internationalization of TCM and promote the development of TCM to overseas. Under the Master Plan of the Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin, it is an aim to establish Macau as a world class base for the manufacture of TCM and innovation in TCM. As disclosed in the First Announcement, the Headquarters of GP Macau will become a strong bond to enhance the cooperation in the pharmaceutical sector among Guangdong, Hong Kong and Macau. Accordingly, the Group believes that the Headquarters of GP Macau has huge business potential in light of the favourable policies described above and the status of its holding company (namely, GPHL) as a leading player in the TCM industry. The Group itself is one of the largest pharmaceutical conglomerates in the PRC and, being based in the Greater Bay Area, is in a favourable position to take advantage of the business potentials of the Headquarters of GP Macau. During the negotiation of the New CCT Agreement, the Group had enquired the development plan of the Headquarters of GP Macau for years 2022 and 2023. To the best knowledge of the Company after making all reasonable enquiries, the Headquarters of GP Macau established its production line in 2021, however, the Headquarters of GP Macau lacks the necessary experience, skills, equipment and market recognition, therefore it is expected that it will seek assistance from the Group in, among other things, purchase of raw materials and distribution of its products and seek licences from the Group for use of trademarks and trade names. Accordingly, it is expected that Purchase Transactions, Sales Transactions and transactions under Entrusted Processing in respect of unpackaged pharmaceutical raw materials and packaging materials, Use of Trademarks Under Licence and Provision of Labour Services will occur.

After taking into account the expected growth in the business of the Group as described in paragraphs (a) and (b) above, the development plan of the Headquarters of GP Macau, the expected business activities between the Group and the Headquarters of GP Macau and the reasons thereof as disclosed above, the Group considers that the annual caps under the New CCT Agreement are reasonable.

Save as supplemented by this announcement, all the information contained in the First Announcement remains unchanged.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 11 February 2022

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.

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*