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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 GP FUND

On 18 March 2022, the entering into the Partnership Agreement of 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)) (“**Fund Partnership Agreement**” or the “**Agreement**”) between Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) and 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**”) approved by the Board, pursuant to which, the Company agreed to contribute RMB999 million to participate in the establishment of Guangzhou GP Fund Equity Investment Partnership (Limited Partnership) (“**GP Fund**” or (“**Partnership**”), tentative title subject to the final approval of industrial and commercial registration authorities) as a limited partner. As of the date of this announcement, the Company had not signed the Fund Partnership Agreement, and it will make further announcement in relation to the progress of the establishment of GP Fund in due course.

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 Partnership 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 Partnership Agreement is more than 0.1% but less than 5% (other than the profit ratio), the transactions contemplated under the Fund Partnership 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 18 March 2022, the entering into the Fund Partnership Agreement between the Company and GP Capital approved by the Board, pursuant to which, the Company agreed to contribute RMB999 million to participate in the establishment of GP Fund as a limited partner. As of the date of this announcement, the Company had not signed the Fund Partnership Agreement, and it will make further announcement in relation to the progress of the establishment of GP Fund in due course.

GP Fund is a limited partnership registered in the PRC, the Fund and Sub-Fund invested by the Fund focus on the equity investment in the field of biomedical health around the Company's strategic plan, which mainly includes: (1) the internal high-quality resource integration and capital operation of the Company and its subsidiaries; (2) the external investment, merger and acquisitions for the four business segments of the Company, namely, "Great Southern TCM", "Great Health", "Great Commerce" and "Great Medical Care"; (3) the strategic emerging industries of pharmaceutical, such as biomedicine, medical instruments and smart medical systems and others.

MAJOR TERMS OF THE FUND PARTNERSHIP AGREEMENT

- Parties:
1. GP Capital (as a general partner)
 2. The Company (as a limited partner)

As at the date of this announcement, 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.

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

Fund Size: RMB1 billion. The subscribed capital contribution of each partner is as follows:

No.	Name of Partner	Nature of Partner	Subscribed Capital Contribution (RMB in ten thousand)	Subscription Ratio	Form of Capital Contribution
1	GP Capital	as a general partner	100.00	0.10%	Cash
2	The Company	a limited partner	99,900.00	99.90%	Cash
Total			100,000.00	100.00%	–

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. The Company intended to utilize its own funds to pay for its contribution.

The Company will not consolidate the financial statements of GP Fund.

Organizational Form of the Fund: Limited partnership

Method of Capital Contribution to the Fund: The paid-up capital contributions made by each partner shall be paid in instalments in the same proportion, the initial capital contribution ratio is 18% of the capital contribution subscribed by each partner with a total of RMB180 million; and the subsequent capital contribution shall be paid-up by each partner according to the Demand Notice issued by the fund manager based on the need of the fund investment.

Liability for Breach of Contract: General partner's liability for breach of contract

1. If the general partner violates the stipulations of the Agreement or the administrator's duties of diligence and prudence and causes losses to the Partnership or limited partners, it shall compensate the Partnership or the limited partners for all losses caused thereby.
2. If the general partner fails to engage in a business that competes with the Partnership or deals with the Partnership as stipulated in the Agreement, the proceeds shall belong to the Partnership. In the event of causing losses to the Partnership or other partners, it shall be liable for damages in accordance with the law.

Limited partners' liability for breach of contract

1. If a limited partner conducts unauthorized trading with others on behalf of the Partnership and causes losses to the Partnership or other partners, the limited partner shall be liable for damages.
2. If a limited partner violates the applicable laws and the stipulations and the Agreement, and causes losses to the Partnership, the limited partner shall be liable for damages.

Duration:	The duration shall be 7 years, including 5 years for investment and 2 years for exit. The partner meeting can extend the duration of the Fund according to business needs, up to 2 years.
Fund Decision-Making Mechanisms:	An investment decision committee shall be established by GP Fund. The investment decision committee shall be comprised of 3 members, 2 recommended by the Company, 1 recommended by GP Capital, and the chairman is a member recommended by GP Capital; fund investment decisions need to be reviewed and approved by more than half of the members.
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 2% of the total paid-in capital contribution; (2) During the fund exit period and extension period, the annual management fee shall be withdrawn at 1.5% of the outstanding investment amount; (3) For the part of the management fee that GP Capital should receive from the sub-fund as the sub-fund manager, GP Capital will deduct the management fee which already collected from the fund to avoid repeated management fees.
Investment Scope of the Fund:	<p>The Fund and Sub-Fund invested by the Fund focus on the equity investment in the field of biomedical health around the Company's strategic plan, which mainly includes:</p> <ol style="list-style-type: none"> (1) the Company's internal high-quality resource integration and capital operation; (2) the external investment, merger and acquisitions for the four business segments of the Company, namely, "Great Southern TCM", "Great Health", "Great Commerce" and "Great Medical Care"; (3) the strategic emerging industries of pharmaceutical, such as biomedicine, medical instruments and smart medical systems and others.
Exit from partnership and liquidation:	<ol style="list-style-type: none"> (1) In any of the following circumstances for a limited partner, upon performing the applicable law or the procedures stipulated in this Agreement, the executive partner shall handle the exit of the partner at fair value then:

- 1) with the consent of all partners to withdraw from the partnership;
 - 2) the limited partner must have relevant qualifications as prescribed by applicable laws or as agreed herein, and if loss such qualifications would affect the operation of the Fund;
 - 3) the limited partners have any major ownership dispute over their total share of properties among the partnership, which materially affected the operation of the Fund in a direct or indirect manner;
 - 4) any legal person or other organization, as the limited partner, has its business license revoked according to the laws, is being ordered to close, dissolve or has declared bankrupt;
 - 5) the limited partner's entire interest in the Partnership is being enforced by the People's Court;
 - 6) any other circumstances of mandatory exit and withdrawal from the partnership as prescribed in the Partnership Enterprise Law.
- (2) In any of the following circumstances, the general partner shall exit upon performing the applicable law or the procedures stipulated in the Agreement:
- 1) in case of violation of laws or regulations, or omissions, disqualification or material losses to the partnership, and the partners' meeting agrees to exit;
 - 2) the circumstances of mandatory exit stipulated by the Partnership Enterprise Law;
 - 3) any other circumstances stipulated by the applicable law or agreed in the Agreement.
- (3) As the People's Court enforces the limited partner's share of the property, the general partner is entitled to decide on handling the exit of the partner at a reasonable price. Upon the general partner's share of property is enforced by the People's court, it shall be handled based on the exit of the general partner.

- (4) The partnership shall not be dissolved and liquidated as a result of any limited partner's interest in the partnership being enforced by the court and other circumstances where it is deemed to be a mandatory exit under the Partnership Enterprise Law.
- (5) The general partner shall bear unlimited joint and several liability for partnership debts incurred for reasons prior to its exit.

Profit distribution: threshold rate of return: 7% per year (compound interest)

Excess profit: after returning the principal and distributing the threshold return to all partners, the excess profit is distributed among all partners in agreed proportion, of which 80% is distributed to the limited partner in accordance with the proportion of paid-in capital contribution, and the remaining 20% is used as the performance remuneration of the fund manager.

Loss Sharing: without an undertaking to fixed returns, any terms in the 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.

INFORMATION OF THE PARTIES TO THE FUND PARTNERSHIP AGREEMENT

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.

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.

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

The purpose of participating in the establishment of the GP Fund is to seize the opportunities of industry development, accelerate the industrial layout in the field of biomedical health, and increase the incubation and investment of the Company in the pharmaceutical and health industry. This investment is beneficial for the Company to discover and cultivate project targets that are in line with the development direction of the Company's main business and have certain market competitiveness, and provide project reserves for the Company's future sustainable development while enriching the Company's industrial structure. Meanwhile, it will help the Company to improve its capital operation capabilities and accelerate the pace of foreign investment, which will promote the Company's acceleration of transformation and upgrading in the field of biomedical health industry and achieve rapid development.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, 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 Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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GENERAL INFORMATION

The Board has resolved and approved the Transaction on 18 March 2022. 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 GPHL 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, 18 March 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.