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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 24 December 2021, the Company and GPHL 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 2023 and the Group expects to continue to conduct business with GPHL thereafter, the Company entered into the New CCT Agreement with GPHL on 28 December 2023 for a term from 1 January 2024 to 31 December 2025.

As at the date of this announcement, GPHL is the controlling shareholder of the Company, holding approximately 45.04% total issued share capital 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 the highest applicable percentage ratio in respect of the New CCT Agreement is more than 0.1% but less than 5%, the Transactions contemplated under the New CCT Agreement are subject to the reporting, announcement and annual review requirement but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 24 December 2021 (the "**Announcement**") in relation to the Existing CCT Agreement and the transactions thereunder. As disclosed in the Announcement, the term of the Existing CCT Agreement is from 1 January 2022 and 31 December 2023. As the Existing CCT Agreement will expire on 31 December 2023 and the Group expects to continue to conduct business with GPHL, thereafter, the Company entered into the New CCT Agreement regarding the contemplated continuing connected transactions between the Group and GPHL and its subsidiaries.

PRINCIPAL TERMS OF THE NEW CCT AGREEMENT AND RELEVANT INFORMATION

1. Parties

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

2. Term

From 1 January 2024 to 31 December 2025.

3. Type of the Transactions

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

- (i) purchase of medicinal materials, drugs and other merchandise from GPLH and its subsidiaries by the Group (“**Purchase Transactions**”);
- (ii) sale of products, raw and auxiliary materials and other merchandise to GPLH and its subsidiaries by the Group (“**Sales Transactions**”);
- (iii) provision of services (advertising, research and development, exhibition, management services, etc.) by the Group to GPLH and its subsidiaries (“**Provision of Labour Services**”);
- (iv) acceptance of labour services (advertising, research and development, exhibition, management services, etc.) from GPLH and its subsidiaries by the Group (“**Acceptance of Labour Services**”);
- (v) provision of processing services by GPLH and its subsidiaries entrusted by the Group (“**Entrusted Processing**”);
- (vi) the Group accepts entrustment from GPLH and its subsidiaries to provide them with processing service (“**Acceptance of Entrusted Processing**”);
- (vii) grant of licence for the use of trademarks/trade names to GPLH and its subsidiaries by the Group (“**Use of Trademarks Under Licence**”);
- (viii) leasing of properties and/or equipment by GPLH and its subsidiaries to the Group (“**Leasing Asset From GPLH**”); and
- (ix) leasing of properties and/or equipment by the Group to GPLH and its subsidiaries (“**Leasing Asset to GPLH**”).

4. Basis of pricing

The terms of the Transactions shall be determined with reference to the then prevailing market prices of similar transactions entered into between the Independent Third Parties and the Group or GPLH and its subsidiaries, and shall be on normal commercial terms or terms no less favourable to the the Group than terms available to/or from independent third parties at the then time.

The then prevailing market prices under the specific contracts entered into between the Group and GPLH and its subsidiaries regarding the various types of Transactions described in section 3 of this announcement will be determined based on the prices of the similar transactions obtained by the Group from the Independent Third Parties in China (or provided to the Independent Third Parties) on an arm's length basis and on normal commercial terms in the ordinary course of business of the Group.

In addition to the basis of pricing stipulated under the New CCT Agreement as set out above, the Group will consider the following principles (“**Pricing Principles**”) in order of priority in determining whether or not to enter into the actual transactions under the New CCT Agreement:

- (1) the final confirmed prices through the bidding and tendering process conducted in accordance with the applicable laws, rules and regulations (if any) (“**Regulatory Bidding Prices**”);
- (2) 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;
- (3) 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
- (4) the agreed prices calculated based on the actual or reasonable cost incurred in the similar transactions (and, in the case of the similar transactions with respect to provision of products or rendering of services, licensing of trademarks and leasing of assets by the Group to GPLH and its subsidiaries, plus a reasonable profit margin), if none of the prices set out in (1) to (3) above are available or applicable.

However, the Company would like to draw the attention of the shareholders of the Company to that: (i) based on the rules and regulations applicable as at the date of this announcement (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 Principles set out in (1) above will be conducted by the relevant provinces and is applicable to the Purchase Transactions but not the other transactions contemplated under the New CCT Agreement; (ii) in the case of the Transactions other than the

Purchase Transactions to be conducted with GPHL and its subsidiaries, a reasonable profit margin will be added on the top of the Corporate Bidding Prices as the final prices; and (iii) in case of asset leasing transactions (including Leasing Asset From GPHL and Leasing Asset to GPHL), the prices for leasing certain equipment to or from GPHL will be determined after arm's length negotiations between the parties with reference to the appraised value of the leased equipment and the prices for leasing certain properties to or from GPHL will be determined with reference to the market prices, being the relevant prices charged by independent third parties on normal commercial terms for comparable properties at the same or nearby locations.

The reasonable profit margin mentioned above is determined by reference to the nature of the similar transactions, historical prices, current market prices and market price changes in the remaining period, as well as the supply and demand level of the similar transactions in the market at the material times and the order size of GPHL and its subsidiaries. For example, in respect of the Sales Transactions, it is determined with reference to (i) the profit margin of the Group when selling comparable quantities of similar products to GPHL and its subsidiaries in previous transactions; (ii) the profit margin of the Group when selling comparable quantities of similar products to the Independent Third Parties, and (iii) the profit margin of the Group when selling comparable quantities of similar products to the Independent Third Parties in previous transactions, so as to determine whether the profit margin charged is in line with the industry conditions. It is expected that the profit margin of the Sales Transactions related to traditional Chinese medicine, raw materials, auxiliary materials, packaging materials and equipment will not exceed 10%.

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 under the New CCT Agreement to 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. Historical Amounts

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

Type of transaction	For the year ended 31 December 2022 (RMB0'000)	For the eleven months ended 30 November 2023 (RMB0'000) (Unaudited)
Purchase Transactions	613.00	483.51
Sales Transactions	10,096.10	11,847.76
Provision of Labour Services	1,198.40	8.01
Acceptance of Entrusted Processing	2,098.60	2,394.28
Use of Trademarks Under Licence	68.20	69.83
Leasing Asset to GPHL	44.90	35.38
Leasing Asset From GPHL	954.10	552.63
Total	15,073.30	15,391.39

To the knowledge of the Directors, no transaction between the Group and GPHL and its subsidiaries under the Existing CCT Agreement for the year 2022 and the eleven months ended 30 November 2023 has exceeded its annual cap.

The actual amount incurred for each type of the continuing connected transactions with GPHL and its subsidiaries under the Existing CCT Agreement for year 2022 and the eleven months ended 30 November 2023 respectively was lower than its existing annual cap, which was mainly attributable to the following factors: (i) Guangzhou Baiyunshan Huacheng Pharmaceutical Company Limited* (廣州白雲山花城藥業有限公司), a subsidiary of GPHL, adjusted its production arrangement of related products in response to market sales conditions, and as a result, the transaction volume relating to purchase of medicinal materials, drugs and other merchandise from GPHL and its subsidiaries and provision of labour services and entrusted processing services by the Group to GPHL and its subsidiaries was comparatively lower than envisaged when the Existing CCT agreement was entered into; and (ii) as a result of strategic adjustments, the Company has integrated its import and export business within the Group, and the transactions originally planned to be conducted with the Headquarters of GP Macau under GPHL and its subsidiaries and branches have not been conducted. As stated in the section headed “Principal Terms of the New CCT Agreement and Relevant Information – 6. Proposed Annual Caps”, the Company has taken into account the historical transaction amounts of each type of transactions under the Existing CCT Agreement in addition to our future business strategies in determining the annual caps for the new continuing connected transactions for the two years ended 31 December 2024 and 31 December 2025.

6. Annual caps

The annual caps under the New CCT Agreement for the two years ending 31 December 2024 and 2025 are set out below:

Type of transaction	Annual cap for the year ending 31 December 2024 (RMB0'000)	Annual cap for the year ending 31 December 2025 (RMB0'000)
Purchase Transactions	1,000.00	1,200.00
Sales Transactions	15,000.00	16,000.00
Provision of Labour Services	600.00	800.00
Acceptance of Labour Services	800.00	900.00
Entrusted Processing	100.00	100.00
Acceptance of Entrusted Processing	3,500.00	3,900.00
Use of Trademarks Under Licence	150.00	150.00
Leasing Asset to GPLH	100.00	100.00
Leasing Asset From GPLH	2,000.00	2,000.00
Total	23,250.00	25,150.00

When determining the annual caps above, the Company has taken into account (i) the operating situation of the Company and GPLH in recent years, including the continuous growth in size, revenue, and profit; (ii) the further integration of resources by the Group has strengthened the Group's capabilities in, among others, purchases, sales, labour services, entrusted processing and other aspects, all of which are transactions contemplated under the New CCT Agreement; (iii) the historical transaction amounts between the Group and GPLH and its subsidiaries from January to November in 2022 and 2023; and (iv) the expected business growth and business development strategies of the Group for the two years of 2024 and 2025.

Specifically, in respect of Purchase Transactions and Sales Transactions, the Group determines the annual caps of transactions based on existing transactions and the expected increase in purchase and sales order of both parties in the next two years; in respect of Provision of Labour Services, the Group determines the annual cap of transactions based on the transaction volume of advertising and medical services that can be provided to GPLH and its subsidiaries and other relevant businesses in the next two years; in respect of Acceptance of Labour Services, the Group determines the annual cap of transactions based on the expected fund management fees to be paid to GPLH in the next two years; in respect of Entrusted Processing and Acceptance of Entrusted Processing, the Group determines the annual cap of transactions based on the number of processing demand orders of medicinal materials, drugs and other merchandise from both parties in the next two years; in respect of the Use of Trademarks Under Licence, the Group determines the annual cap based on the expected sales of relevant products for which the trademarks of the Company were previously

used by GPHL and its subsidiaries in the next two years; in respect of Leasing Asset to GPHL and Leasing Asset From GPHL, under existing or planned lease contracts, the Group determines the annual caps based on lease-out assets' estimated rents and lease-in assets' estimated right-of-use assets in the next two years.

The transactions regarding the mutual provision of similar services in these connected transactions are conducted based on the business needs of companies with different major business types within the Group and GPHL and its subsidiaries, and there is no overlap. In respect of the transactions regarding the mutual provision of labour services, the Acceptance of Labour Services mainly represents the Group's acceptance of the fund management services provided by the subsidiaries of GPHL, and the Provision of Labour Services mainly represents the Group's provision of advertising and hospital medical examination services for GPHL and its subsidiaries. With respect to the mutual provision of entrusted processing services by the Group and GPHL and its subsidiaries, it is primarily the processing services in different segments of different medicinal materials, drugs and other merchandise provided to both parties. The Group and GPHL and its subsidiaries will mutually lease assets, it is primarily because some office and production premises of the Group are currently located at properties owned by GPHL and some office premises of GPHL are located at the properties of the Company.

7. Payment terms

The Group and GPHL 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.

INFORMATION ON THE GROUP AND GPHL

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, and is principally engaged in the research and development, production and sales of Chinese and Western medicine, healthcare products, medical devices, biopharmaceuticals, medical services and other products related to the overall pharmaceutical industry, as well as the provision of healthcare and wellness services. The actual controller of GPHL is the Guangzhou Municipal People's Government. It is a connected person of the Company by virtue of being the controlling shareholder of the Company holds approximately 45.04% equity interest in the Company as at the date of this announcement.

REASONS FOR ENTERING INTO THE NEW CCT AGREEMENT

As disclosed in the announcement of the Company dated 24 December 2021, the Company and GPLH 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 2023, taking into account the leading position of GPLH in the traditional Chinese medicine industry, and the fact that the Group itself is one of the largest pharmaceutical enterprise groups in the PRC, both parties have a thorough understanding of each other's products and service quality based on our long standing business relationship, as well as cooperation models, continued cooperation will be cost-effective and mutually beneficial for both parties, the Directors are of the view that entering into the New CCT Agreement and the Transactions contemplated thereunder will be commercially beneficial to the Group as a whole and contribute to the growth of the Group's business.

INTERNAL CONTROL MEASURES

The Company will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Hong Kong Listing Rules:

- (1) the Company has implemented a management system on connected transactions and the Board and various internal departments of the Company will be responsible for the control and daily management in respect of continuing connected transactions;
- (2) the Board and relevant internal departments of the Company (including but not limited to the Secretariat of the Board) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction, to ensure the price and relevant terms are no less favourable to the Company than the price and terms offered by independent third parties for similar transactions;
- (3) the Board and the Secretariat of the Board will regularly monitor the connected transactions, including but not limited to the monitoring actual amount, to ensure they will not exceed the annual cap;
- (4) the Company shall engage the auditors of the Company to, and the independent non-executive Directors will, conduct annual review on the continuing connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Hong Kong Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) the Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules for the continuing connected transactions.

VIEWS OF THE BOARD

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

As at the date of this announcement, GPHL is the controlling shareholder of the Company, holding approximately 45.04% total issued share capital 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 the highest applicable percentage ratio in respect of the New CCT Agreement is more than 0.1% but less than 5%, the Transactions contemplated under the New CCT Agreement are subject to the reporting, announcement and annual review requirement but are exempt from the Independent Shareholders' approval 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 28 December 2023
“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 on continuing connected transactions entered into between the Company and GPHL on 24 December 2021
“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)
“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
“Independent Third Party”	a third party who is independent of, and not connected with, the Company or any of its connected persons

“New CCT Agreement”	the agreement on continuing connected transactions entered into between the Company and GPLH on 28 December 2023
“PRC”	the People’s Republic of China
“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, 28 December 2023

As at the date of this announcement, the Board of the Company 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. Chen Yajin, Mr. Huang Min, Mr. Wong Lung Tak Patrick and Ms. Sun Baoqing as independent non-executive directors.