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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)

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Announcement. The Board has reviewed and evaluated the continuing connected transactions under the Existing CCT Agreement and anticipates that the actual transaction amounts of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPLH and Leasing Asset from GPLH under the Existing CCT Agreement will exceed its previous projections to the effect that the Existing Annual Caps for such transactions under the Existing CCT Agreement will not be sufficient to meet the business requirements of the Group. Accordingly, the Company entered into a Supplemental Agreement with GPLH to revise the Existing Annual Caps for such transactions for the two years ending 31 December 2025 under the Existing CCT Agreement. Save for the revision of the Existing Annual Caps, all other terms and conditions, including but not limited to, the existing annual caps of Other Transactions, type of transactions, basis of pricing and terms of payment, under the Existing CCT Agreement shall remain the same.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, GPLH 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 Existing CCT Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

Under Rule 14A.54 of the Hong Kong Listing Rules, where the Company expects that the continuing connected transactions contemplated under the Existing CCT Agreement will exceed the annual caps previously set and announced, the Company must re-comply with the applicable requirements in relation to such transactions before the annual caps are exceeded.

As one or more of the applicable percentage ratio(s) stipulated under Rule 14.07 of the Hong Kong Listing Rules in respect of the greater of the aggregate amount of annual caps for each of the two years ending 31 December 2025 under the Supplemental Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Existing CCT Agreement and the Supplemental Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Hong Kong Listing Rules.

BACKGROUND

Reference is made to the Announcement. The Board has reviewed and evaluated the continuing connected transactions under the Existing CCT Agreement and anticipates that the actual transaction amounts of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPHL and Leasing Asset from GPHL under the Existing CCT Agreement will exceed its previous projections to the effect that the Existing Annual Caps for such transactions under the Existing CCT Agreement will not be sufficient to meet the business requirements of the Group. Accordingly, the Company entered into a Supplemental Agreement with GPHL to revise the Existing Annual Caps for the two years ending 31 December 2025 under the Existing CCT Agreement. Save for the revision of the Existing Annual Caps of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPHL and Leasing Asset from GPHL, all other terms and conditions, including but not limited to, the existing annual caps of Other Transactions, type of transactions, basis of pricing and terms of payment, under the Existing CCT Agreement remain the same.

PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT

Parties

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

Date

29 November 2024

Subject

Pursuant to the Supplemental Agreement, the Existing Annual Caps of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPLH and Leasing Asset from GPLH under the Existing CCT Agreement will be revised as follows:

Type of transactions	Existing Annual Caps for the year ending 31 December 2024 <i>(RMB0'000)</i>	Existing Annual Caps for the year ending 31 December 2025 <i>(RMB0'000)</i>	Revised Annual Caps for the year ending 31 December 2024 <i>(RMB0'000)</i>	Revised Annual Caps for the year ending 31 December 2025 <i>(RMB0'000)</i>
Purchase Transactions	1,000.00	1,200.00	1,000.00	1,200.00
Sales Transactions	15,000.00	16,000.00	15,000.00	<u>17,000.00</u>
Provision of Labour Services	600.00	800.00	<u>1,700.00</u>	<u>2,200.00</u>
Acceptance of Labour Services	800.00	900.00	800.00	900.00
Entrusted Processing	100.00	100.00	100.00	100.00
Acceptance of Entrusted Processing	3,500.00	3,900.00	3,500.00	3,900.00
Use of Trademarks Under Licence	150.00	150.00	150.00	150.00
Leasing Asset to GPLH	100.00	100.00	<u>150.00</u>	<u>150.00</u>
Leasing Asset From GPLH	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,000.00</u>	<u>2,100.00</u>
Total	<u>23,250.00</u>	<u>25,150.00</u>	<u>24,400.00</u>	<u>27,700.00</u>

Note: For the avoidance of doubt, and as set forth in the table above, only the Existing Annual Cap for the year ending 31 December 2025 for each of the Sales Transactions and Leasing Assets from GPLH, as well as the Existing Annual Caps for the two years ending 31 December 2025 for each of the Provision of Labour Services and Leasing Assets to GPLH, under the Existing CCT Agreement, have been revised by the Supplemental Agreement. All other existing annual caps for transactions contemplated under the Existing CCT Agreement shall remain unchanged under the Supplemental Agreement.

Pursuant to the Supplemental Agreement, save for the revision of the Existing Annual Caps of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPLH and Leasing Asset from GPLH, all other terms and conditions, including but not limited to, the Existing Annual Caps of Other Transactions, type of transactions, basis of pricing and terms of payment, under the Existing CCT Agreement remain the same.

HISTORICAL AMOUNTS

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

Type of transactions	For the year ended	For the
	31 December 2023	ten months ended
	(RMB0'000)	31 October 2024
		(RMB0'000)
		(Unaudited)
Purchase Transactions	432.10	483.90
Sales Transactions	9,132.40	8,033.70
Provision of Labour Services	674.80	591.02
Acceptance of Labour Services	388.70	434.55
Entrusted Processing	0.00	0.00
Acceptance of Entrusted Processing	2,486.90	1,099.85
Use of Trademarks Under Licence	85.70	73.74
Leasing Asset to GPLH	77.40	65.02
Leasing Asset From GPLH	1,021.70	670.86
Total	14,299.70	11,452.64

Up to the date of this announcement, no continuing connected transactions between the Group and GPLH or its subsidiaries have exceeded the respective existing annual caps under the Existing CCT Agreement.

BASIS FOR THE DETERMINATION OF THE REVISED ANNUAL CAPS

The Revised Annual Caps of the Sales Transactions, Provision of Labour Services, Leasing Asset to GPLH and Leasing Asset from GPLH under the Supplemental Agreement were determined based on arm's length negotiations between the Company and GPLH with reference to, among others:

With respect to the Sales Transactions

Hua Cheng, a subsidiary of GPLH, plans to expand its production capacity for various proprietary Chinese medicine products in order to meet its business requirements. Based on past transactions and taking into consideration that the Group's ability to ensure the quality, quantity, and price of Chinese herbal medicine through its centralized purchasing platform for Chinese medicinal materials, Hua Cheng anticipates a significant increase in its purchases of Chinese herbal medicines from the Group from 2025 onwards. The Revised Annual Cap of the Sales Transaction for the year ending 31 December 2025 was determined with reference to: (i) the amounts paid by Hua Cheng to the Group for the purchase of Chinese herbal medicine from January to October 2024; and (ii) the expected increase in Hua Cheng's purchase of Chinese herbal medicine from the Group in 2025, projected to exceed 50% compared to 2024.

With respect to Provision of Labour Services

Hua Cheng, a subsidiary of GPHL, has increased its investment in advertising of its products beginning in the third quarter of 2024, in response to its business expansion and promotion needs for key products. As the Group has been a long-term provider of advertising services and exhibition services to Hua Cheng, it is expected that the transactions on the provision of labour services, including advertising services and exhibition services, from the Group to Hua Cheng will continue to increase. The Revised Annual Caps for the transactions related to Provision of Labour Services for the two years ending 31 December 2025 were determined with reference to the following considerations: (i) from 1 January 2024 to the date of this announcement, the Group expects that the transactions related to provision of advertising services and exhibition services to Hua Cheng will exceed the previous forecast and the Existing Annual Caps will be insufficient to meet the growing demand of such business; (ii) Hua Cheng's product promotion efforts are concentrated in the peak season at the end and beginning of each year, with anticipated advertising expenditures for the remainder of 2024 expected to increase by more than 100% compared to the period from January to October 2024, to ensure sufficient promotion during this peak period; and (iii) it is projected that advertising expenses will increase by 15% to 20% in 2025 compared to 2024, as Hua Cheng will continue its promotional activities as described above.

With respect to Leasing Asset to GPHL

The Group has recently leased additional offices and business premises to GPHL and its subsidiaries. As a result, the Group anticipates a corresponding increase in annual rental income from properties leased to GPHL and its subsidiaries. The Revised Annual Caps with respect to transactions for the purpose of leasing assets to GPHL for the two years ending 31 December 2025 were determined based on (i) the historical transaction amount of rent payable by GPHL and its subsidiaries in respect of the existing properties leased to them; and (ii) the expected rental payable by GPHL and its subsidiaries for leasing those additional offices and business premises.

With respect to Leasing Asset from GPHL

In light of the Group's ongoing need to secure additional business premises and the strategic advantage of the properties owned by GPHL, which are located in business districts aligned with the Group's requirements for its proposed new premises, the Group intends to lease additional business premises from GPHL from 2025 onwards, and it is expected that transactions on leasing Assets by the Group from GPHL will increase. The Revised Annual Caps of Leasing Asset from GPHL for the year ending 31 December 2025 was determined with reference to: (i) total value of right-of-use assets associated with the existing leased properties and total value of other short-term lease payables between the Group and GPHL and its subsidiaries; and (ii) the maximum estimated value of the sum of the total value of right-of-use assets and other short-term lease payables of the properties that the Group will or expects to rent for the year ending 31 December 2025.

REASONS FOR AND BENEFITS OF REVISING THE EXISTING ANNUAL CAPS AND ENTERING THE SUPPLEMENTAL AGREEMENT

Given GPLH's leading position in the traditional Chinese medicine industry and the Group's status as one of the largest pharmaceutical enterprise groups in the country, both parties have developed a thorough understanding of each other's products, service quality, and business models, based on prior transactions. Collaboration that leverages each other's superior resources is both cost-effective and mutually beneficial. Entering into the Supplemental Agreement and increasing the Existing Annual Caps for the Sales Transactions, Provision of Labour Services, and Leasing Assets to and from GPLH under the Existing CCT Agreement will help strengthen the Group's business relationship with GPLH. It will also provide greater flexibility to accommodate business growth, ensuring that the Group can meet its operational needs without exceeding the annual caps. Furthermore, this adjustment will enable the Group to continue delivering high-quality products and services to its customers, generate commercial benefits for the Group as a whole, and support the Group's long-term business growth.

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 caps;
- (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

In view of the basis of determination of the Revised Annual Caps and reasons for and benefits of revising the Existing Annual Caps and entering into the Supplemental Agreement as set out above, the Directors (including the independent non-executive Directors) further consider that (i) the terms of the Supplemental Agreement are fair and reasonable; (ii) the transactions contemplated under the Existing CCT Agreement and the Supplemental Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group and (iii) the Existing CCT Agreement and the Supplemental Agreement and the transactions contemplated thereunder (including the respective Revised Annual Caps) are in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Supplemental Agreement and the transactions thereunder. However, as the executive directors Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan and Mr. Wu Changhai are also (or have been in the past 12 months) directors and/or members of the senior management of GPHL, and Mr. Li Hong is the vice chairperson of the Headquarters of GP Macau, the subsidiary of GPHL, they have abstained from voting on the Board resolution that approved the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps). Save as disclosed above, none of the other Directors has a material interest in the Supplemental Agreement and, accordingly, they are not required to abstain from voting on the Board resolution approving the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) 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 Existing CCT Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

Under Rule 14A.54 of the Hong Kong Listing Rules, where the Company expects that the continuing connected transactions contemplated under the Existing CCT Agreement will exceed the annual caps previously set and announced, the Company must re-comply with the applicable requirements in relation to such transactions before the annual caps are exceeded.

As one or more of the applicable percentage ratio(s) stipulated under Rule 14.07 of the Hong Kong Listing Rules in respect of the greater of the aggregate amount of annual caps for each of the two years ending 31 December 2025 under the Supplemental Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the Existing CCT Agreement and the Supplemental Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A 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.

GPLH 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 ultimate beneficial owner of GPLH is the Guangzhou Municipal People’s Government.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 December 2023 in relation to the Existing CCT Agreement entered into between the Company and GPLH
“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 GPLH on 28 December 2023 in connection with the continuing connected transactions detailed in the Announcement

“Existing Annual Caps”	the existing annual caps for the year ending 31 December 2024 for each of the Sales Transactions and Leasing Assets from GPHL, as well as the existing annual caps for the two years ending 31 December 2025 for each of the Provision of Labour Services and Leasing Assets to GPHL contemplated under the Existing CCT Agreement
“Supplemental Agreement”	the supplemental agreement to the Existing CCT Agreement, as detailed in the section titled “PRINCIPAL TERMS OF THE SUPPLEMENTAL AGREEMENT” of this announcement
“Revised Annual Caps”	the revised annual caps for the year ending 31 December 2024 for each of the Sales Transactions and Leasing Assets from GPHL, as well as the revised annual caps for the two years ending 31 December 2025 for each of the Provision of Labour Services and Leasing Assets to GPHL under the Supplemental Agreement
“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 date of this announcement
“Group”	the Company and its subsidiaries
“Hua Cheng”	Guangzhou Baiyunshan Hua Cheng Pharmaceutical Co., Ltd.* (廣州白雲山花城藥業有限公司)
“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 Stock Exchange of Hong Kong Limited
“Other Transactions”	continuing connected transactions with respect to the Purchase Transactions, Acceptance of Labour Services, Entrusted Processing, Acceptance of Entrusted Processing, and Use of Trademarks Under Licence under the Existing CCT Agreement
“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, 29 November 2024

As at the date of this announcement, the Board of the Company comprises Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, 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.