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廣州白雲山医药集团股份有限公司

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: 00874)

CONNECTED TRANSACTION

CAPITAL INCREASE IN BAIYUNSHAN BIOLOGICAL

CAPITAL INCREASE

On 28 May 2025, the Board approved the Company's entering into the Capital Increase Agreement, pursuant to which the Company, GP Venture Capital Fund, Guangzhou Time Honored Brand Fund shall contribute RMB150.00 million, RMB130.00 million, and RMB20.00 million to Baiyunshan Biological, respectively, while Other Shareholders of Baiyunshan Biological will waive their pre-emptive rights in respect of this Capital Increase. Upon completion of this Capital Increase, the registered capital of Baiyunshan Biological will increase from RMB84.00 million to RMB120.535909 million. The Company's direct and indirect equity interest in Baiyunshan Biological will remain unchanged at 50.00%. Baiyunshan Biological will remain a subsidiary of the Company and its financial results will continue to be consolidated into the Company's financial statements.

As of the date of this announcement, the Capital Increase Agreement has not been formally executed. A separate announcement will be made upon execution of the Capital Increase Agreement in compliance with the Hong Kong Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the Company's securities.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As of the date of this announcement, the Company's controlling shareholder, GPHL, indirectly controls GP Industrial Investment Fund, which is therefore a connected person of the Company. GP Industrial Investment Fund holds a 25.00% equity interest in Baiyunshan Biological, which accordingly constitutes a connected subsidiary of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transaction contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the transaction is exempt from the independent shareholders' approval requirements, but is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

On 28 May 2025, the Board approved the Company's entering into the Capital Increase Agreement, pursuant to which the Company, GP Venture Capital Fund, Guangzhou Time Honored Brand Fund shall contribute RMB150.00 million, RMB130.00 million, and RMB20.00 million to Baiyunshan Biological, respectively, while Other Shareholders of Baiyunshan Biological will waive their pre-emptive rights in respect of this Capital Increase. Upon completion of this Capital Increase, the registered capital of Baiyunshan Biological will increase from RMB84.00 million to RMB120.535909 million. The Company's direct and indirect equity interest in Baiyunshan Biological will remain unchanged at 50.00%. Baiyunshan Biological will remain a subsidiary of the Company and its financial results will continue to be consolidated into the Company's financial statements.

As of the date of this announcement, the Capital Increase Agreement has not been formally executed. A separate announcement will be made upon execution of the Capital Increase Agreement in compliance with the Hong Kong Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the Company's securities.

CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement, as reviewed and approved by the Board, are summarized as below:

Parties:

1. the Company
2. GP Venture Capital Fund
3. Guangzhou Time Honored Brand Fund
4. GP Industrial Investment Fund
5. State Owned Assets M&A Fund
6. Bai Di Biological
7. Baiyunshan Biological

The Capital Increase:	<p>Baiyunshan Biological will increase its registered capital by RMB36,535,909.00, from RMB84.00 million to RMB120,535,909.00. Upon completion of this Capital Increase, the total number of shares of Baiyunshan Biological will increase from 84.00 million shares to 120,535,909.00 shares. The Company shall subscribe for 18,267,955.00 new shares at a consideration of RMB150.00 million, with a premium of RMB131,732,045.00 to be credited to the capital reserve of Baiyunshan Biological. GP Venture Capital Fund shall subscribe for 15,832,227.00 shares at a consideration of RMB130.00 million, with a premium of RMB114,167,773.00 to be credited to the capital reserve of Baiyunshan Biological. Guangzhou Time Honored Brand Fund shall subscribe for 2,435,727.00 shares at a consideration of RMB20.00 million, with a premium of RMB17,564,273.00 to be credited to the capital reserve of Baiyunshan Biological. Other Shareholders of Baiyunshan Biological will waive their pre-emptive rights in respect of this Capital Increase.</p>
Subscription Price:	<p>Baiyunshan Biological's existing registered capital was RMB84.00 million, represented by 84.00 million shares. According to the Appraisal Report, the assessed total equity value of Baiyunshan Biological was RMB689.7316 million (the “Appraisal”). Based on the aforementioned valuation, all parties have unanimously agreed to set the subscription price for this Capital Increase at RMB8.2111 per share.</p>
Contribution Timeline:	<p>The Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund shall, within 10 working days from the date when all the following prerequisites are fulfilled, pay the total subscription funds agreed in the Capital Increase Agreement to the bank account designated by Baiyunshan Biological:</p> <ol style="list-style-type: none"> <li data-bbox="526 1372 1525 1491">1. The parties have successfully signed and delivered all transaction documents, including (i) the Capital Increase Agreement; (ii) the amended articles of association reflecting the Capital Increase;

2. All internal and external authorizations, consents, approvals, and other relevant permissions (if applicable) required for the completion of the Capital Increase have been obtained and remain valid, including but not limited to the resolutions of the shareholders' meeting and the board of directors of Baiyunshan Biological approving the Capital Increase, and the existing shareholders of Baiyunshan Biological have waived their pre-emptive subscription rights in respect of this Capital Increase;
3. The "Appraisal Report" agreed in the Capital Increase Agreement has completed the state-owned assets appraisal filing in accordance with the requirements of laws and regulations and is within the validity period of the appraisal report, and any discrepancies between the "Appraisal Report" and the "Audit Report" (if any) of Baiyunshan Biological are within the permissible scope under applicable laws and regulations and comply with the provisions of state-owned assets supervision;
4. The parties to the Capital Increase Agreement have obtained the relevant project approvals for the Capital Increase through a non-public agreement, and have completed their respective internal decision-making procedures and required state-owned assets approval/filing procedures (if necessary).
5. From the date of signing the Capital Increase Agreement (inclusive) to the Completion Date, there has not occurred, and there is no reasonably foreseeable occurrence of, any event, fact, condition, change or other circumstance that has had or may have a material adverse effect on the business, operations, assets, financial condition, liabilities, technology, profit prospects, normal operations, or financial market conditions of Baiyunshan Biological.
6. From the date of signing the Capital Increase Agreement (inclusive) to the Completion Date, the representations and warranties made by Baiyunshan Biological in the Article 11 of the Capital Increase Agreement are remain true, complete, accurate and not misleading in all respects.
7. Baiyunshan Biological has issued a written confirmation to the Capital Contributors confirming that the above preconditions have been fully met on the Completion Date.

Completion:

The date on which a Capital Contributor pays the subscription funds to the bank account designated by Baiyunshan Biological in accordance with the Capital Increase Agreement shall be the completion date (the “**Completion Date**”) of the Capital Contribution by such Capital Contributor. On the Completion Date, Baiyunshan Biological shall issue to the Capital Contributor a register of shareholders affixed with its official seal. With effect from the Completion Date, the Capital Contributor shall hold the Baiyunshan Biological’s shares as subscribed under this Capital Increase and shall, in accordance with applicable laws and regulations, the articles of association of Baiyunshan Biological, and the provisions of the Capital Increase Agreement, enjoy the corresponding shareholders’ rights and undertake the corresponding shareholders’ obligations.

Within 20 working days after the Completion Date, Baiyunshan Biological shall be responsible for handling the registration and filing procedures (if applicable) for the changes in shareholding and amendments to the articles of association arising from this Capital Increase, and all parties shall cooperate with Baiyunshan Biological in completing the relevant change procedures.

Profit or Loss During the
Transition Period:

During the period from the asset appraisal base date (30 September 2024) to the Completion Date of this Capital Increase (inclusive), the profits and losses incurred by Baiyunshan Biological shall be borne or enjoyed by the original shareholders of Baiyunshan Biological according to their respective proportions of shares.

In the event that any existing circumstances of Baiyunshan Biological prior to the Completion Date of the Capital Increase give rise to material litigation, contingent liabilities, tax arrears, administrative penalties or similar matters resulting in losses, penalties or third-party claims, Baiyunshan Biological shall bear full responsibility therefor.

After the completion of this Capital Increase, if it is discovered that Baiyunshan Biological had any off-balance sheet liabilities within one month prior to the Completion Date, Baiyunshan Biological shall be responsible for the repayment of such liabilities. If any losses are thereby incurred by the Capital Contributors, the Capital Contributors shall have the right to seek recovery from Baiyunshan Biological and the original shareholders prior to the Capital Increase.

Liability for Breach of
Contract and Dispute
Resolution:

1. Provided that Baiyunshan Biological is not in breach of the Capital Increase Agreement, if any Capital Contributor fails to pay the subscription funds within the time limit agreed in the Capital Increase Agreement, it shall pay liquidated damages for late payment to Baiyunshan Biological. The liquidated damages shall accrue daily at a rate of 0.03% of the unpaid amount during the period of delay. If the payment is overdue for more than 30 days, Baiyunshan Biological shall have the right to (i) require the defaulting Capital Contributor to pay an amount equivalent to 20% of the overdue capital contribution as liquidated damages for breach of contract; (ii) claim compensation for any losses suffered by Baiyunshan Biological as a result of the breach; and (iii) terminate the Capital Increase Agreement.

2. if any of the following events attributable to Baiyunshan Biological occurs, such events shall be deemed a fundamental breach of contract by Baiyunshan Biological. In such case, the Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund shall have the right to terminate the Capital Increase Agreement, and Baiyunshan Biological shall return the capital contributions received from the Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund, together with interest accrued on such amounts during the period of capital occupation, calculated based on the one-year loan prime rate (LPR) announced by the National Interbank Funding Center:

- (1) Baiyunshan Biological fails to issue a shareholder register affixed with its official seal to the Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund within the time limit agreed in the Capital Increase Agreement, failed to complete the change of the articles of association of Baiyunshan Biological, and fails to remedy such breaches within 30 days after receiving a written reminder from the Company, GP Venture Capital Fund and Guangzhou Time Honored Brand Fund;
- (2) Baiyunshan Biological fails to complete the registration and filing procedures (if applicable) for the changes in shareholding and articles of association relating to the Capital Increase within the time limit stipulated in the Capital Increase Agreement, and fails to remedy such failure within 30 days after receiving a written reminder from the Company, GP Venture Capital Fund, and Guangzhou Time Honored Brand Fund.

Set out below is the shareholding structure of Baiyunshan Biological immediately before and after completion of the Capital Increase:

Unit: RMB ten thousand

Shareholders	Immediately before completion of the Capital Increase		Immediately after completion of the Capital Increase	
	Capital contribution	Shareholding percentage	Capital contribution	Shareholding percentage
Bai Di Biological	4,200.00	50.00%	4,200.00	34.8444%
GP Industrial Investment Fund	2,100.00	25.00%	2,100.00	17.4222%
State Owned Assets M&A Fund	2,016.00	24.00%	2,016.00	16.7253%
GP Venture Capital Fund	42.00	0.50%	1,625.2227	13.4833%
Guangzhou Time Honored Brand Fund	42.00	0.50%	285.5727	2.3692%
The Company	0.00	0.00%	1,826.7955	15.1556%
Total	8,400.00	100.00%	12,053.5909	100.00%

Financial Data of Baiyunshan Biological

According to the audited consolidated financial statements of Baiyunshan Biological, prepared in accordance with Chinese Accounting Standards for the two fiscal years ended 31 December 2023 and 31 December 2024, the profit before and after tax for the respective fiscal years are as follows:

Item	For the fiscal year ended 31 December 2023	For the fiscal year ended 31 December 2024
	(RMB)	(RMB)
Profit before tax	(37,584,986.66)	(4,544,357.28)
Profit after tax	(37,584,986.66)	(4,544,357.28)

THE APPRAISAL

(1) Selection of Appraisal Approach

According to the Appraisal Report prepared by Guozhonglian Assets Appraisal and Land and Real Estate Valuation Co., Ltd. (“GZL” or “Valuer”) with 30 September 2024 as the Appraisal Reference Date, two appraisal approaches, namely the asset-based approach and the income approach, were adopted in the Appraisal Report. The value of the entire shareholders’ equity of Baiyunshan Biological using the asset-based approach was RMB314.7844 million, and the value of the entire shareholders’ equity of Baiyunshan Biological using the income approach was RMB689.7316 million. The conclusion of the appraisal is based on the income approach.

Reasons for Adopting the Income Approach as the Conclusion of the Appraisal

The Appraisal using income approach takes the expected return generated by an asset as the basis for determining its value, reflecting the earning capacity (profitability) of an enterprise’s entire asset base. This profitability not only represents the earning capacity of physical assets, but also encompasses the earning capacity of intangible assets such as personnel management, marketing channels, intellectual property, and equity contracts. Furthermore, it embodies the impact of various conditions such as macroeconomy, government control and effective use of assets.

The Appraisal using asset-based approach is based on the objectively existing assets and liabilities of an enterprise on the Appraisal Reference Date and arrives at a value by assessing each asset and liability individually using appropriate methods. This approach reflects the socially necessary labor consumed by asset investment (acquisition and construction cost), which usually changes with the changes of national economy. The appraisal using income approach takes the expected return generated by an asset as the basis for determining its value, reflecting the asset’s operating capacity (profitability). This profitability is usually affected by various conditions such as macroeconomy, government control, enterprise’s operations and management, and effective use of assets.

Therefore, the appraisal result obtained through the income approach is relatively more reasonable and more objectively reflects the actual value of Baiyunshan Biological at the time of appraisal. Consequently, the Appraisal Report adopts the appraisal result obtained through the income approach as the final conclusion.

For the further information of the Appraisal Report (including key parameter values, etc.), please refer to “Appendix – Further Information on the Appraisal” to this announcement.

(2) Profit Forecast under the Appraisal Report

Since the Valuer employed the income approach to determine the fair value of the entire shareholders' equity of Baiyunshan Biological as at the Appraisal Reference Date, the appraisal constitutes a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. The Company will, in accordance with Rule 14.60A of the Hong Kong Listing Rules, publish a further announcement containing profit forecast information either within this announcement or as soon as practicable after the publication of this announcement, which includes: (1) details of the principal assumptions (including commercial assumptions) upon which the forecast is based; (2) a letter from the Company's auditors confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; (3) a letter from the Board confirming that they have made the forecast after due and careful enquiry; and (4) information regarding the expert statements contained in this announcement or in the further announcement, which is specified in paragraph 5 of Appendix D1B to the Hong Kong Listing Rules.

In accordance with Rule 14.60A(1) of the Hong Kong Listing Rules, the principal assumptions (including the commercial assumptions forming the profit forecast basis for the entire shareholders' equity of Baiyunshan Biological) upon which the profit forecast is based are set out as follows:

Basic Assumptions

Transaction assumptions. It is assumed that the appraisal subject is in the process of the transaction, the valuers conduct the appraisal according to the simulated market conditions such as the transaction conditions of the appraisal subject, and the appraisal result is the estimation of which the transaction price is most likely to be reached by the appraisal subject.

Open market assumptions. It is assumed that the assets involved in the appraisal subject are traded in the open market. In such market, buyers and sellers have equal status, and both have the opportunity and time to obtain sufficient market information. The transaction behavior of buyers and sellers is carried out under voluntary, rational and non-mandatory conditions.

It is assumed that after the economic activities for the appraisal purpose have been achieved, the assets involved in the appraisal subject will continue to be used on the same site for the purposes and in the manner in which they were used as at the Appraisal Reference Date.

General Assumptions and Restrictive Conditions

In addition to the extent known to the valuer, it is assumed that the purchase, acquisition, improvement, construction and development of the assets involved in the appraisal subject are in accordance with the relevant laws and regulations of the State.

In addition to the extent known to the valuer, it is assumed that none of the assets involved in the appraisal subject carry rights defects, liabilities and limitations that affect their value.

Unless otherwise indicated in this report, it is assumed that the appraisal subject will not be affected by factors such as pre-existing or future collateral, security matters and particular transaction method on its value.

It is assumed that there will be no major changes in the national macroeconomic policies, and there will be no other force majeure factors or unforeseen factors that have a significant adverse impact on the value of the appraisal subject.

It is assumed that all assets in this Appraisal are based on the actual stock as at the Appraisal Reference Date, and that the current market price of the assets is based on the domestic effective price as at the Appraisal Reference Date.

Assumptions about Enterprise Operation and Forecast

It is assumed that after the economic activities for the appraisal purpose have been achieved, the assessed entity will continue to operate for a finite period according to its original business objectives, operation methods, management level and financial structure, and the existing industry and market conditions, and will generate continuous profits that can be forecast.

It is assumed that after the economic activities for the appraisal purpose have been achieved, the assets involved in the appraisal subject will continue to be developed or operated in accordance with the pre-determined development and operation plans and methods.

It is assumed that the State's existing laws and regulations and administrative policies, industrial policies, financial policies, tax policies and other macro policy environment are relatively stable. Unless otherwise stated, it is assumed that the assessed entity operates in full compliance with relevant laws and regulations.

It is assumed that there are no major changes in the international financial and global economic environment, the national macroeconomic situation, and the political, economic and social environments of the regions where the parties to this transaction are located.

It is assumed that there will be no major changes in the interest rates, exchange rates, tax bases and tax rates, and policy-related charges.

It is assumed that at any point in the continuous operation period of the assessed entity, the performance of its assets is different.

It is assumed that the assessed entity will maintain the total investment amount, financial leverage, etc. as of the Appraisal Reference Date basically unchanged.

It is assumed that the assessed entity continues to operate at the current management level on the Appraisal Reference Date, the management of the assessed entity is responsible and diligent, and the management is relatively stable and capable of performing its duties, regardless of major adjustments to the operator in the future or the impact of major changes in management level on future expected earnings.

It is assumed that the accounting policies adopted by the assessed entity in the future are basically consistent with the accounting policies adopted at the time of preparation of the report.

Other Assumptions

It is assumed that there will be no major changes in the national government administrative policies, and the management models of departments at all levels will continue to operate in the current manner. There will be no other force majeure or unforeseeable factors that will have a significant adverse impact on the value of the appraisal subject.

The Company will make a further announcement as soon as practicable after the publication of this announcement, which will include other information regarding profit forecast as required under Rules 14.60A(2) to (4) of the Hong Kong Listing Rules.

Qualification of the valuer is as follows:

Name	Qualification
Guozhonglian Assets Appraisal and Land and Real Estate Valuation Co., Ltd.	PRC Professional valuer

As of the date of this announcement, the above expert has issued its consent to the publication of this announcement, the reproduction of its report in the form and context contained herein and the citation of its name, and has not withdrawn such consent to date.

As of the date of this announcement, the above expert does not hold any equity interests in any member companies of the Group, nor does it have any rights (whether enforceable at law or not) to subscribe for or nominate others to subscribe for the securities of any member companies of the Group.

As of the date of this announcement, the above expert does not have any direct or indirect interests in any assets acquired, sold, or leased by any member company of the Group, or in any assets that any member company of the Group intends to acquire, sell, or lease to any member company of the Group since 31 December 2024 (i.e., the date of preparation of the Group's most recently published audited financial statements).

REASONS AND BENEFITS FOR ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The biopharmaceutical industry is a national strategic emerging industry and an important driver for promoting the high-quality development of the pharmaceutical and healthcare industry. Baiyunshan Biological, an important subsidiary of the Company in the biopharmaceutical field, is mainly engaged in the research and development, production and sales of human rabies vaccine (Vero Cell). It serves as a key platform for implementing the Company's innovation-driven development strategy and industrial upgrading, holding significant strategic importance to the Company. Currently, Baiyunshan Biological is accelerating the advancement of relevant work, including the application for production approval of its human rabies vaccine (Vero Cell) of PM strain product and is in need of capital support from shareholders. This Capital Increase, to be made by the Company jointly with GP Venture Capital Fund and Guangzhou Time Honored Brand Fund, aims to address Baiyunshan Biological's funding needs and support its efforts in obtaining new product approvals and commencing production as soon as possible, which will contribute to the development of the Company's biopharmaceutical business.

The Company's capital contribution under the Capital Increase will be funded by its internal resources and will not affect the Company's normal production and operation activities, nor will it have any adverse impact on the Company's financial and operating conditions, or harm the interests of the Company or its minority shareholders.

VIEWS OF THE BOARD

The proposed Capital Increase Agreement has been approved by the Board. The connected Directors, Mr. Li Xiaojun, Mr. Yang Jun and Ms. Cheng Ning, have abstained from voting on the resolution of the Board of the Company at the Board meeting approving the Capital Increase Agreement. Save as disclosed above, none of the Directors deemed to have a material interest in the Capital Increase Agreement and is required to abstain from voting on the relevant Board resolution approving the Capital Increase Agreement.

The Directors, including the independent non-executive Directors, consider that the transaction contemplated under the Capital Increase Agreement is on normal commercial terms in the ordinary course of business of the Company and the terms of the Capital Increase Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTNERS

The Company

The Group is principally engaged in: (1) the research and development(R&D), 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 R&D, production and sales of great health products; and (4) the health industry investment in medical care, health management, health maintenance and elderly care, etc.

GP Venture Capital Fund

GP Venture Capital Fund is a limited partnership established in the PRC. GP Venture Capital Fund is primarily engaged in venture capital investments (limited to unlisted enterprises), private equity investment, investment management and asset management activities (business operations may commence only after completing registration with the Asset Management Association of China). As of the date of this announcement, GP Venture Capital Fund was owned as to 39.00% by the Company through its subsidiary, GP Fund, 30.00% by Guangzhou Industrial Investment Biomedical and Health Special Master Fund Partnership Enterprise (Limited Partnership), 30.00% by Guangzhou State-owned Enterprise Innovation Fund Co., Ltd., and 1.00% by Guangzhou GP Capital Private Equity Fund Management Co., Ltd. which also acts as the general partner of GP Venture Capital Fund. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, Guangzhou GP Capital Private Equity Fund Management Co., Ltd. is controlled by GPLH. Guangzhou GP Capital Private Equity Fund Management Co., Ltd. is primarily engaged in sub-fund investments, equity investments, equity related investments and other investments in compliance with applicable laws.

Guangzhou Time Honored Brand Fund

Guangzhou Time Honored Brand Fund is a limited partnership established in the PRC. Guangzhou Time Honored Brand Fund is primarily engaged in private equity investment, investment management and asset management activities (business operations may commence only after completing registration with the Asset Management Association of China). As of the date of this announcement, the Company holds a 12.3762% interest in Guangzhou Time Honored Brand Fund. The general partner of Guangzhou Time Honored Brand Fund is Guangzhou Industrial Investment Private Equity Fund Management Co., Ltd. Guangzhou Industrial Investment Private Equity Fund Management Co., Ltd. is primarily engaged in venture capital investment (limited to investments in unlisted enterprises); investment activities using self-owned funds; information consulting services (excluding licensed information consulting services); and private equity investment fund management and venture capital fund management services (which may only be conducted after completing registration and filing with the Asset Management Association of China).

GP Industrial Investment Fund

GP Industrial Investment Fund is a limited partnership established in the PRC, and is primarily engaged in private equity investment, investment management and asset management activities (business operations may commence only after completing registration with the Asset Management Association of China). As at the date of this announcement, GP Industrial Investment Fund is owned as to 46.90% interest by the Company through its subsidiary, GP Fund, 33.00% by Guangzhou State-owned Assets Mixed Equity Investment Fund Partnership Phase II Equity Investment Fund (Limited Partnership) , 20.00% by Guangzhou State-owned Assets Mixed Equity Investment Fund Partnership Phase I Equity Investment Fund (Limited Partnership), and 0.10% by Guangzhou GP Capital Private Equity Fund Management Co., Ltd. which also acts as the general partner of GP Industrial Investment Fund.

State Owned Assets M&A Fund

State Owned Assets M&A Fund is a limited partnership established in the PRC and is primarily engaged in project investment (excluding licensed operations; operations prohibited by laws and regulations are not permitted), investment consulting services and venture capital. The general partner of State Owned Assets M&A Fund is Guangzhou Industrial Investment Private Equity Fund Management Co., Ltd.

Bai Di Biological

Bai Di Biological is a limited liability company incorporated in the PRC and is a subsidiary of the Company. It is primarily engaged in medical research and experimental development, cell technology R&D and applications, and biochemical product technology R&D.

Baiyunshan Biological

Baiyunshan Biological is a joint stock company incorporated in the PRC and is a subsidiary of the Company. It is primarily engaged in the manufacture of biological pharmaceuticals, import/export of goods (excluding specially regulated commodities) and import/export of technologies.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As of the date of this announcement, the Company's controlling shareholder, GPHL, indirectly controls GP Industrial Investment Fund, which is therefore a connected person of the Company. GP Industrial Investment Fund holds a 25.00% equity interest in Baiyunshan Biological, which accordingly constitutes a connected subsidiary of the Company. As such, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of all applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transaction contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Capital Increase Agreement is exempt from the independent shareholders' approval requirements, but is subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Appraisal Report”	the Asset Appraisal Report on the Total Equity Value of Baiyunshan Biological for Capital Increase and Share Expansion (Guozhonglian Appraisal Report No. 2-2482 (2024)) issued by Guozhonglian Assets Appraisal and Land and Real Estate Valuation Co., Ltd.
“Bai Di Biological”	Guangzhou Baiyunshan Bai Di Biological Co., Ltd. (廣州白雲山拜迪生物醫藥有限公司), the subsidiary of the Company
“Baiyunshan Biological”	Guangzhou Baiyunshan Biological Products Co., Ltd. (廣州白雲山生物製品股份有限公司), the subsidiary of the Company
“Board”	the board of Directors of the Company
“Capital Contributor(s)”	any or all of the parties subscribing for the increased registered capital of Baiyunshan Biological pursuant to the Capital Increase Agreement, including the Company, GP Venture Capital Fund, and Guangzhou Time Honored Brand Fund. References to “Capital Contributor” shall be construed to include “Capital Contributors” where the context so requires and vice versa
“Capital Increase”	Pursuant to the Capital Increase Agreement, the Company, GP Venture Capital Fund, and Guangzhou Time Honored Brand Fund will contribute RMB150.00 million, RMB130.00 million, and RMB20.00 million to Baiyunshan Biological respectively, while Other Shareholders of Baiyunshan Biological will waive their pre-emptive rights to in respect of this Capital Increase
“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 established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company

“GPHL”	Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司), a company established in the PRC with limited liability, holding 45.04% equity interest in the Company and is the controlling shareholder of the Company
“GP Fund”	Guangzhou GP Fund Equity Investment Partnership (Limited Partnership)* (廣州廣藥基金股權投資合夥企業(有限合夥))
“GP Industrial Investment Fund”	Guangzhou GP Industrial Investment and Equity Investment Partnership (Limited Partnership)* (廣州廣藥產投股權投資合夥企業(有限合夥))
“GP Venture Capital Fund”	Guangzhou GP Industrial Investment Venture Capital Fund Partnership (Limited Partnership)* (廣州廣藥產投創業投資基金合夥企業(有限合夥))
“Guangzhou Time Honored Brand Fund”	Guangzhou Time Honored Brand Revitalization Fund Partnership Enterprise (Limited Partnership)* (廣州老字號振興基金合夥企業(有限合夥))
“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
“Other Shareholders of Baiyunshan Biological”	collectively, Bai Di Biological, GP Industrial Investment Fund and State Owned Assets M&A Fund
“PRC”	the People’s Republic of China
“State Owned Assets M&A Fund”	Guangzhou State Owned Assets Industry Development M&A Fund Partnership Enterprise (Limited Partnership) * (廣州國資產業發展併購基金合夥企業(有限合夥))

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 28 May 2025

As at the date of this announcement, the Board comprises Mr. Li Xiaojun, Mr. Yang Jun, Ms. Cheng Ning 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.

APPENDIX – FURTHER INFORMATION ON THE APPRAISAL

The following is extracted from the Assets Appraisal Report issued by Guozhonglian (國眾聯) for the purpose of incorporation in this announcement. In case of inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail. In this appendix, unless otherwise stated, all amounts stated are in RMB.

I. ASSESSMENT TARGET AND ASSESSMENT SCOPE

(I) Assessment Target

The target of this assessment is the total equity value of Guangzhou Baiyunshan Biological Products Co., Ltd. (hereinafter referred to as “Baiyunshan Biological”) as of the appraisal benchmark date.

(II) Assessment Scope

The specific scope of assessment includes all assets and liabilities listed in the balance sheet of Baiyunshan Biological as of the appraisal benchmark date, as well as the identifiable and unidentifiable off-balance-sheet intangible assets declared by the assessed entity in the balance sheet. The book value of total assets is RMB378,178,500, the book value of total liabilities is RMB120,143,900, and the book value of owners’ equity is RMB258,034,600. The book value as of the appraisal benchmark date has been audited by Guangzhou Branch of WUYIGE Certified Public Accountants LLP, which has issued an unqualified audit report numbered Da Xin Sui Zhuan Shen Zi [2025] No. 00009.

II. VALUE TYPE

Based on the purpose of this assessment, market conditions, and the inherent conditions of the subject of evaluation, the value type of the subject of evaluation is determined to be market value.

Market value refers to the estimated value of an asset that is transacted in a normal and fair manner as at the appraisal benchmark date, as assessed by willing buyers and willing sellers, both acting rationally and without any coercion.

III. APPRAISAL BENCHMARK DATE

The appraisal benchmark date of this report is 30 September 2024.

IV. ASSESSMENT BASIS

(I) Basis of Economic Behavior

“Approval by Guangzhou Baiyunshan Bai Di Biological Co., Ltd. on the Project Initiation of Capital Increase of Guangzhou Baiyunshan Biological Products Co., Ltd.” from Guangzhou Baiyunshan Bai Di Biological Co., Ltd. (Sui Bai Di [2024] No. 32).

(II) Main Legal and Regulatory Basis

1. The Assets Appraisal Law of the People’s Republic of China (effective from 1 December 2016);
2. The Company Law of the People’s Republic of China (amended for the fourth time based on the Decision on Amending the Company Law of the People’s Republic of China made at the sixth meeting of the Standing Committee of the 13th National People’s Congress on 26 October 2018, promulgated by Presidential Decree No. 15 of the People’s Republic of China on 26 October 2018);
3. The Civil Code of the People’s Republic of China (effective from 1 January 2021);
4. The Enterprise Income Tax Law of the People’s Republic of China (amended based on the Decision on Amending the Enterprise Income Tax Law of the People’s Republic of China made at the seventh meeting of the Standing Committee of the 13th National People’s Congress on 29 December 2018, effective from 29 December 2018);
5. The Vaccine Administration Law of the People’s Republic of China (passed by the eleventh meeting of the Standing Committee of the 13th National People’s Congress of the People’s Republic of China on 29 June 2019, effective from 1 December 2019);
6. The Enterprise State-Owned Assets Law of the People’s Republic of China (Presidential Decree No. 5);
7. The Patent Law of the People’s Republic of China was amended for the fourth time based on the Decision on Amending the Patent Law of the People’s Republic of China made at the twenty-second meeting of the Standing Committee of the 13th National People’s Congress on 17 October 2020;
8. The Trademark Law of the People’s Republic of China (as amended for the fourth time by the Decision on Amending the Trademark Law of the People’s Republic of China made at the tenth meeting of the Standing Committee of the 13th National People’s Congress on 23 April 2019, effective from 1 November 2019);

9. The Notice on Issues Related to the Implementation of the Revised General Principles of Corporate Finance (Cai Qi [2007] No. 48 of the Ministry of Finance dated 20 March 2007);
10. The Notice on Issues Related to the Transition Between Old and New Financial Systems of Enterprises (Cai Qi [2008] No. 34 dated 20 March 2008);
11. The Provisional Regulations on Value-Added Tax of the People's Republic of China (amended for the second time based on the Decision of the State Council on Abolishing the Provisional Regulations on Business Tax of the People's Republic of China and Amending the Provisional Regulations on Value-Added Tax of the People's Republic of China dated 19 November 2017);
12. The Announcement on Policies about Deepening the Value-added Tax Reform (Announcement [2019] No. 39 by Ministry of Finance, State Taxation Administration and General Administration of Customs, effective from 1 April 2019);
13. The Management Measures for the Appraisal of State-owned Assets (Decree No. 91 of the State Council of the People's Republic of China, dated 16 November 1991, amended based on the Decision of the State Council on Amending and Abolishing Certain Administrative Regulations dated 29 November 2020);
14. The Implementation Rules for the Management Measures for the Appraisal of State-owned Assets, issued by the State-owned Assets Supervision and Administration Office of the State-owned Assets Supervision and Administration Commission of the State Council, [1992] No. 36;
15. The Notice of the General Office of the State Council forwarding the Opinions of the Ministry of Finance on Reforming the Administrative Management of State-owned Assets Appraisal and Strengthening the Supervision and Management of Assets Appraisal (Guo Ban Fa [2001] No. 102 dated 31 December 2001);
16. The Regulations on Several Issues Concerning the Management of State-owned Assets Appraisal (Order No. 14 of the Ministry of Finance dated 31 December 2001);
17. The Management Measures for the Approval of State-Owned Assets Appraisal Projects (Cai Qi [2001] No. 801);
18. The Management Measures for the Filing of State-owned Assets Appraisal Projects (Cai Qi [2001] No. 802 by the Ministry of Finance);

19. The Interim Regulations on the Supervision and Administration of State-Owned Assets of Enterprises (Decree No. 378 of the State Council dated 13 May 2003, amended based on the Decision of the State Council on Abolishing and Amending Certain Administrative Regulations dated 8 January 2011, and amended for the second time based on the Decision of the State Council on Amending Certain Administrative Regulations dated 2 March 2019);
20. The Interim Measures for the Administration of State-owned Assets Appraisal of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council dated 1 September 2005);
21. The Notice on Strengthening the Management of State-owned Assets Appraisal of Enterprises (Guo Zi Fa Chan Quan [2006] No. 274 dated 12 December 2006);
22. The Management Measures for Assets Appraisal of Enterprises Supervised by the State-owned Assets Supervision and Administration Commission of Guangzhou (Sui Guo Zi Chan Quan [2021] No. 15).

(III) Evaluation Criteria and Normative Basis

1. The Code of Professional Ethics for Assets Appraisal ([2017] No. 30 by China Appraisal Society);
2. The Basic Standards for Assets Appraisal (Cai Zi [2017] No. 43);
3. The Practice Standards of Assets Appraisal – Assets Appraisal Reports ([2018] No. 35 by China Appraisal Society);
4. The Practice Standards of Assets Appraisal – Assets Appraisal Procedures ([2018] No. 36 by China Appraisal Society);
5. The Practice Standards of Assets Appraisal – Assets Appraisal Entrustment Contracts ([2017] No. 33 by China Appraisal Society);
6. The Practice Standards of Assets Appraisal – Assets Appraisal Files ([2018] No. 37 by China Appraisal Society);
7. The Practice Standards of Assets Appraisal – Machinery and Equipment ([2017] No. 39 by China Appraisal Society);
8. The Practice Standards of Assets Appraisal – Enterprise Value ([2018] No. 38 by China Appraisal Society);
9. The Standards of Assets Appraisal – Intangible Assets ([2017] No. 37 by China Appraisal Society);

10. The Practice Standards of Assets Appraisal – Assets Appraisal Methods ([2019] No. 35 by China Appraisal Society);
11. The Guidelines on Business Quality Control of Appraisal Institutions ([2017] No. 46 by China Appraisal Society);
12. The Guidelines on Value Types of Assets Appraisal ([2017] No. 47 by China Appraisal Society);
13. The Guidelines on Legal Ownership of Assets Appraisal Objects ([2017] No. 48 by China Appraisal Society);
14. The Guidelines on the Appraisal Reports of State-Owned Assets of Enterprises ([2017] No. 42 by China Appraisal Society);
15. The Practice Standards of Assets Appraisal – Real Estate ([2017] No. 38 by China Appraisal Society);
16. The Guidelines on the Appraisal of Patent Assets ([2017] No. 49 by China Appraisal Society);
17. The Guidelines on the Appraisal of Copyright Assets ([2017] No. 50 by China Appraisal Society);
18. The Guidelines on the Appraisal of Trademark Assets ([2017] No. 51 by China Appraisal Society);
19. The Terminology of the Standards of Assets Appraisal 2020 ([2020] No. 31 by China Appraisal Society);
20. Other basis of the standards related to assets appraisal.

(IV) Basis of Ownership

1. Business license, articles of association, capital verification report, etc.;
2. Proof of shareholding and proof of capital contribution as of the appraisal benchmark date;
3. Equipment purchase contract and original invoice, motor vehicle driving license;
4. Real estate ownership certificate, state-owned land transfer contract and supplemental contract, etc.;
5. Trademark registration certificate, patent registration certificate, domain name certificate, etc.

(V) Basis of Pricing

1. The Financial Rules for Basic Construction (Decree No. 81 of the Ministry of Finance of the People's Republic of China, effective from 1 September 2016);
2. The benchmark interest rates for bank deposits and loans as well as foreign exchange rates on the appraisal benchmark date;
3. The construction project quota and cost quota for the location of buildings and structures;
4. The standards for preliminary and other fees charged by the relevant government at the location of buildings and structures;
5. The standards for pre-construction and other costs announced by relevant national departments;
6. The industry and local project cost information;
7. The engineering contracting and subcontracting contracts signed by the enterprise and relevant entities;
8. The reports of capital increase and share expansion as well as the audit reports for previous years provided by the enterprise;
9. The records of on-site inspections by the appraisers and other relevant valuation information collected;
10. The Notice of the Ministry of Finance on the Issuance of the Regulations on the Management of Construction Costs for Basic Construction Projects (Cai Jian [2016] No. 504);
11. The Notice of the National Development and Reform Commission on Reducing the Charging Standards for Certain Construction Projects and Regulating Charging Behaviors and Other Related Issues (Fa Gai Jia Ge [2011] No. 534);
12. The latest Handbook of Quotations for Electromechanical Products (Mechanical Industry Information Research Institute, Mechanical Industry Press);
13. The Price Information Query System for Electromechanical Products (Mechanical Industry Information Research Institute);
14. The relevant statistical data from China Monthly Economic Indicators of the National Bureau of Statistics;

15. The statistical data from Wind Information Technology Co., Ltd. (上海萬得信息技術有限公司) (WIND Information);
16. The information on the recent transaction prices of machinery, equipment and materials in the market, as well as the results of online and telephone inquiries;
17. The information on the on-site inspections, verifications and market research.

(VI) Reference Materials and Others

1. The detailed declaration statement under the asset-based method and the declaration statement under the income method on the appraisal benchmark date;
2. The previous capital verification reports and audit reports of the enterprises involved in the assessment target;
3. The relevant business forecasts and financial accounting statements, as well as other financial and operational information provided by the enterprise;
4. The financial accounting and operational information provided by the enterprise, including the balance sheet, profit and loss statement and related account books.

V. VALUATION METHODS

(I) Introduction of Income Approach

The income approach refers to a valuation method for determining the value of the assessment target by capitalizing or discounting the expected income of the enterprise. The specific methods commonly used in the income approach include the dividend discount method and the discounted cash flow method.

(II) Explanation of the Principal Parameter Forecasts in the Income Approach for this Valuation

(1) Selection of Income Model

Pursuant to related provisions of the state and international practices, we have observed the Practice Standards of Assets Appraisal – Enterprise Value issued by the China Appraisal Society, and decided to employ the income approach and the discounted cash flow (DCF) method to analyze and measure the value of entire shareholders' equity of the appraised entity.

Based on the due diligence of this valuation as well as the composition of the assessment target's assets and the characteristics of its main business, the basic idea of this valuation is to arrive at the business value of the appraised entity by summing up after discounting using an appropriate discount rate on the basis of cash flows of the enterprise in the future limited period. After arriving at the business value of the appraised entity, the value of entire shareholders' equity is calculated by adding the value of other assets and subtracting the value of other liabilities.

The formula for calculating entire shareholders' equity is:

Entire shareholders' equity = value of operating assets + value of surplus assets – surplus liabilities + value of non-operating assets and liabilities + value of long-term equity investments

In the income model, matters that need further explanation are as follows:

1. The formula for calculating the value of the operating assets of the appraised entity is as follows:

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

Where: R_i : the expected income of the assessment target in the i year of the forecast period; the forecast period refers to the time from the valuation benchmark date of the asset group to the realization of relatively stable operating income.

R_{n+1} : the expected income of the assessment target in the first year after the end of the forecast period;

r : discount rate;

n : the assessment target's future operating period;

Where: the calculation formula for free cash flow to equity is as follows:

Free cash flow to equity = net profit before interest and after tax + depreciation and amortization – capital expenditures – increase in working capital + new interest-bearing debt – repayment of principal on debt

- (2) Value of surplus assets

Surplus assets refer to those assets that exceed the needs of the enterprise's production and operation as of the valuation reference date, which are not involved in the forecast of free cash flow to equity after the valuation benchmark date. Surplus assets are analyzed and evaluated separately.

(3) Value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities that are not related to the production and operation of the appraised entity, which are not involved in the forecast of free cash flow to equity after the valuation benchmark date. Non-operating assets and liabilities are analyzed and evaluated separately.

(2) Determination of the Income Period

The business license of the appraised entity records its operating period as from 20 April 2006 to long term. The appraisers, based on the characteristics of the appraised entity's business operations and their judgment regarding its future development potential and prospects, believe that the appraised entity possesses market competitiveness and sustainable operational capability, and under normal circumstances, the enterprise will continue to operate indefinitely. Among them, the forecast period is from 1 October 2024 to 31 December 2030, and the perpetuity period begins on 1 January 2031.

(3) Determination of Key Parameters

1. Revenue

In 2022, shareholders of Baiyunshan Biological assumed controlling stake in Baiyunshan Biological by way of capital increase. Following the acquisition, the company continued to invest in research and development and upgraded its original production lines. Meanwhile, the development timeline for its novel rabies vaccine has advanced from the late Phase III clinical trial stage to the current process validation stage, which is essentially completed and pending regulatory approval before commercial launch. The company's future product portfolio comprises a rabies vaccine. Historically, the company had a production capacity of 10 million doses and had been operating at full capacity prior to the suspension of production. According to statistical data, the volume of rabies vaccine batches released in 2023 was 80.45 million doses, representing an increase of 36% compared with 58.83 million doses in 2019. Prior to suspension in 2019, the volume of rabies vaccine batches released was approximately 10 million doses annually. The launch of a new vaccine is also expected to be perceived by the public as safer and more advanced. Furthermore, the company has maintained sound partnerships with its distributors, many of whom are strong players within the industry. By way of reference, Liaoning Yisheng (遼寧依生), a company with relatively small production capacity, re-launched its rabies vaccine in 2020 and achieved the volume of rabies vaccine batches released of 5 million doses. The company is considered to have certain advantages and a larger production capacity. Accordingly, it is estimated that the company will launch its new product in mid-to-late 2026. The forecast of its revenue from principal business is set out below:

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Sales revenue (RMB0'000)	26,367.60	47,085.00	70,627.50	80,044.50	94,170.00

2. Cost

There was a decline in the cost-to-revenue ratio due to technological transformation carried out by Baiyunshan Biological in 2017 and the increased unit selling price of vaccine in 2017 as a result of the impact of the vaccine incident in 2016.

In recent years, labor and raw material costs have risen. In addition, due to the impact of the COVID-19 pandemic, the procurement risks for certain imported raw materials have increased. The future cost forecast also takes into account the distribution costs incurred after delivery to the Centers for Disease Control and Prevention, as well as the licensing fees for the PM strain. As such, the cost as a percentage of revenue is expected to increase during the forecast period.

For benchmarking, Zhuoyi Biological (卓誼生物), a comparable company, recorded gross profit margins of 82%-87% for comparable rabies vaccines from 2020 to 2023. The expected gross profit margin is 79% (or approximately 85% excluding distribution costs) in this valuation, which is in line with that of comparable company. The forecast of cost of principal business for the period from 2026 to 2030 is set out as follows:

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Cost of sales	5,592.48	9,986.57	14,979.86	16,977.17	19,973.15

The analysis of the cost-to-revenue ratio is as follows:

Item	2026	2027	2028	2029	2030
Rabies vaccine	21.21%	21.21%	21.21%	21.21%	21.21%

3. Net Profit and Profit Margin

The net profit during the forecast period and the perpetual period is calculated by deducting relevant costs, taxes and surcharges, selling expenses, administrative expenses, finance expenses and other period expenses from the forecasted revenue, and then applying the statutory income tax rate applicable to the enterprise. The net profit margin= net profit/revenue. The profit levels and profit margins for the forecast period and perpetual period are set out as follows:

Item	Revenue (RMB0'000)	Cost of sales (RMB0'000)	Gross profit margin	Net profit (RMB0'000)	Net profit margin
October – December 2024	–	–	–	-3,195.82	–
2025	–	–	–	-7,051.56	–
2026	26,367.60	5,592.48	78.79%	2,159.17	8.19%
2027	47,085.00	9,986.57	78.79%	8,253.28	17.53%
2028	70,627.50	14,979.86	78.79%	13,494.81	19.11%
2029	80,044.50	16,977.17	78.79%	15,689.58	19.60%
2030	94,170.00	19,973.15	78.79%	19,529.00	20.74%
Stabilization year	94,170.00	19,973.15	78.79%	19,529.00	20.74%

4. Capital Expenditure

Capital expenditure refers to the capital expenditure that a company is required to make on an annual basis to ensure the normal development of production and operations. Capital expenditure mainly comprises the normal renewal expenditure of existing assets and the capital expenditures of incremental assets.

Existing assets: The existing assets of the company as at the valuation benchmark date mainly comprise fixed assets and intangible assets. As it is assumed that the company operates as a going concern, the renewed expenditure for incremental assets shall also be considered after acquisition. In this valuation, the renewed expenditure for the existing assets in the forecast period is calculated with reference to the depreciation expenses for the relevant year.

Incremental assets: We understood from the appraised entity that the company continued to implement minor upgrades to its original plant and production lines in 2024 to meet its needs of production and operation, and the capital expenditure for the continued construction of such portion of assets is forecasted based on the actual circumstances. The capital expenditure for the incremental assets in 2025 is estimated to be RMB1,000,000.00.

5. Discount Rate

On the basis of estimating the corporate free cash flows of the appraised entity during the forecast period, the capital asset pricing model (CAPM), consistent with the calculation scope of the free cash flow, is adopted and the specific calculation formula is as follows:

$$K_e = R_f + ERP \times \beta_L + R_c$$

Where: R_f : risk-free rate of return

ERP: equity market risk premium;

β_L : systematic risk coefficient of equity;

R_c : enterprise-specific risk adjustment coefficient

(1) Risk-free rate of return (RF)

The risk-free rate of return refers to the lowest rate of return an investor would expect under current market conditions. In the PRC, government bonds are considered a relatively safe investment, and the interest rate on government bonds can be regarded as the safest and lowest rate of return, i.e., the risk-free rate of return, among the investment options. For the purpose of this valuation, the risk-free rate of return (rf) is determined by taking the arithmetic average of the yield to maturity of medium-to-long-term government bonds with maturities over ten years, as at the valuation benchmark date, as published on Wind, that is, rf = 3.49%.

(2) Equity market risk premium in the PRC (ERP)

The China securities market index was used to calculate the equity market risk premium, which is expressed by the following formula:

Equity market risk premium in the PRC = average equity market risk premium in the PRC – China risk-free interest rate

Where: the equity market risk premium in the PRC is calculated based on the monthly data of CSI 300 Index in this valuation. The average monthly yield of the CSI 300 Index is first calculated and then annualized, and the annualized return of the CSI 300 Index is used as the equity market risk premium. The time span is from the base date of the CSI 300 Index on 31 December 2004 to 31 December of each subsequent year. Data are sourced from the Wind Information market database. Both arithmetic and geometric means are applied to calculate the average equity market risk premium for different years.

Based on the analysis of the calculation results and with reference to the ERP range within the industry, a comparative analysis was conducted to ultimately the arithmetic average of the geometric mean values for the equity market risk premium over the past decade, excluding the maximum and minimum values as the equity market risk premium in the PRC for this valuation, being 6.19%.

(3) Beta value

As at the valuation benchmark date, there were 93 listed companies under the “Biotechnology IV” sector according to Wind industry classification. Based on screening, three listed companies with businesses similar to the appraised entity were identified. The selected comparable companies for this valuation must meet the following conditions regarding revenue structure, income tax, and market trading conditions:

- ① Revenue structure of principal business: The revenue from principal business of the appraised entity mainly consists of revenue from vaccine sales, and therefore the selected comparable companies must have a similar revenue structure dominated by vaccine products;
- ② Listing history: At least three years of listing;
- ③ Positive revenue growth;
- ④ Market trading conditions: Normal trading on the Shanghai or Shenzhen Stock Exchanges

The vaccine companies identified as reasonably comparable to Baiyunshan Biological in terms of vaccine business mainly include Hualan Bio, Walvax and Kangtai Biological, as detailed below:

Stock Code	Stock Abbreviation	Listing Date	Composition of Revenue from Principal Business Reporting Period Annual Report of Year 2023 Type By Product
002007.SZ	Hualan Bio	2004-06-25	Influenza vaccine: 44.98%; human albumin: 19.78%; other blood products: 19.19%; intravenous immunoglobulin: 15.81%; others: 0.24%
300142.SZ	Walvax	2010-11-12	Self-developed vaccine products: 99.12%; Intermediate products: 0.42%; Service income: 0.27%; Other businesses: 0.19%
300601.SZ	Kangtai Biological	2017-02-07	Self-developed products – non-immunization program vaccines: 98.96%; Self-developed products – immunization program vaccines: 0.72%; Income from other businesses: 0.32%

The appraisers obtained the values of the three comparable listed companies as at 30 September 2024 through the WIND Information system, and then converted these values into values based on the income tax rates and capital structures of the comparable listed companies, and average unlevered value of 1.1273 was adopted as the value for the appraised asset group.

Item	Comparable Company 1	Comparable Company 2	Comparable Company 3
Stock code	002007.SZ	300142.SZ	300601.SZ
Stock abbreviation	Hualan Bio	Walvax	Kangtai Biological
Underlying index	000300.SH	000300.SH	000300.SH
Calculation period	Monthly	Monthly	Monthly
Timeframe			
From	2019/10/1	2019/10/1	2019/10/1
To	2024/9/30	2024/9/30	2024/9/30
Rate of return calculation method	General rate of return	General rate of return	General rate of return
Raw Beta	1.0939	1.2462	1.4934
Adjusted Beta	1.0629	1.165	1.3306
Raw Beta excluding financial leverage	1.0691	1.209	1.3616
Adjusted Beta excluding financial leverage	1.0388	1.1301	1.2131
Alpha	0.7058	0.6627	1.2042
R-squared	0.3299	0.2033	0.255
Standard deviation of error value	8.6507	13.6898	14.1655
Beta standard deviation	0.1722	0.2725	0.2819
Observation points	84	84	84

As at the valuation benchmark date, the long-term debt to equity (D/E) ratio of the appraised entity was 8.41%, and the long-term corporate income tax rate was 25%.

Accordingly, Beta value for enterprise with financial leverage = Beta value excluding financial leverage $\times [1 + (1 - t) \times D/E]$

$$= 1.1273 \times [1 + (1 - 25\%) \times 8.40\%]$$

$$= 1.1983$$

(4) Calculation of the company- specific risk excess rate of return (Rc)

As the selected companies for the purpose of calculating the risk coefficient are listed companies, whose securities or capital are publicly tradable in capital markets. In contrast, the assets under this valuation scope are non-listed assets, which inherently carry higher equity risk compared to companies listed on the Main Board or GEM. After comprehensively evaluating factors such as the scale of the appraised entity within its industry, its operational stage, the development phase of its core products, its internal management and control mechanisms, quality of management and human resources, the company-specific risk adjustment factor was determined to be 3.50% to account for these incremental risks.

(5) Determination of the discount rate

The determination of the abovementioned indicators led to the calculation of the CAPM, the results of which are shown in the table below:

Item	October – December					
	2024	2025	2026	2024	2025	2029
Target Beta value with financial leverage of the appraised entity (βL)	1.2193	1.3174	1.4154	1.4522	1.4645	1.3541
Risk-free rate of return (Rf)	3.49%	3.49%	3.49%	3.49%	3.49%	3.49%
Equity market risk premium (ERP)	6.19%	6.19%	6.19%	6.19%	6.19%	6.19%
Company-specific risk premium (Rc)	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Cost of equity capital of the appraised entity (Re)	14.54%	15.14%	15.75%	15.98%	16.06%	15.37%

6. Sensitivity Analysis

In the income approach valuation model, both the gross profit margin and the discount rate have a greater impact on the valuation results under income approach. Therefore, sensitivity analyses were conducted for both gross profit margin and discount rate, with the results as follows:

(1) Sensitivity analysis of gross profit margin changes

Using the current forecasted gross profit margins for future periods as the baseline, and assuming that the forecasted revenue remains unchanged, the sensitivity analysis of gross profit margin changes on the valuation under the income approach is as follows (assuming consistent percentage changes in gross profit margin across periods):

Gross profit margin changes	Appraised value (RMB0'000)	Change in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in gross profit margins (RMB0'000)	Rate of change in appraised value per 0.5% change in gross profit margins
-1.50%	60,459.68	-8,513.48	-12.34%	2,837.83	4.11%
-1.00%	63,297.50	-5,675.66	-8.23%	2,837.83	4.11%
-0.50%	66,135.31	-2,837.85	-4.11%	2,837.85	4.11%
0.00%	68,973.16	—	—	—	—
0.50%	71,810.96	2,837.80	4.11%	2,837.80	4.11%
1.00%	74,648.77	5,675.61	8.23%	2,837.81	4.11%
1.50%	77,486.60	8,513.44	12.34%	2,837.81	4.11%
Average change			2,837.82		
Average rate of change			4.11%		

(2) Sensitivity analysis of discount rate changes

Using the current discount rates for future periods as the baseline, and assuming other parameters in the income approach valuation model remain unchanged, the sensitivity analysis of discount rate changes on the appraised value under income approach is as follows:

Discount rate changes	Appraised value (RMB0'000)	Change in appraised value (RMB0'000)	Rate of change in appraised value	Change in appraised value per 0.5% change in discount rate (RMB0'000)	Rate of change in appraised value per 0.5% change in discount rate
-1.50%	80,854.00	11,880.84	17.23%	3,960.28	5.74%
-1.00%	76,559.15	7,585.99	11.00%	3,793.00	5.50%
-0.50%	72,620.05	3,646.89	5.29%	3,646.89	5.29%
0.00%	68,973.16	—	—	—	—
0.50%	65,613.69	-3,359.47	-4.87%	3,359.47	4.87%
1.00%	62,502.35	-6,470.81	-9.38%	3,235.41	4.69%
1.50%	59,604.56	-9,368.60	-13.58%	3,122.87	4.53%
Average change			3,519.65		
Average rate of change			5.10%		