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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)

## **CONTINUING CONNECTED TRANSACTIONS**

On 18 April 2018, the Group entered into the CCT Agreement with Huacheng for a term of two years from 1 January 2018 to 31 December 2019.

As at the Announcement Date, Huacheng is a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

The Directors (including independent non-executive Directors) consider that the transactions contemplated under the CCT Agreement are conducted on normal commercial terms, in the ordinary and usual course of business of the Group and the terms of the CCT Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As all the applicable percentage ratios (except for the profits ratio) calculated in respect of the annual caps of the transactions contemplated under the CCT Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the CCT Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

## **BACKGROUND**

In light of the development of the business of the Group, it is expected that the Group will purchase the Huacheng Products from, sell the Materials to, provide labour services (advertising agency and research and development services) and entrusted processing services to, Huacheng from time to time in the ordinary course of business of the Group. On 18 April 2018, the Company entered into the CCT Agreement with Huacheng for a term of two years from 1 January 2018 to 31 December 2019.

As at the Announcement Date, Huacheng is a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under the Hong Kong Listing Rules.

## PRINCIPAL TERMS OF THE CCT AGREEMENT

### 1. Parties

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

### 2. Term

From 1 January 2018 to 31 December 2019.

### 3. Basis of pricing

The prices for the transactions contemplated under the CCT Agreement shall be determined with reference to the prevailing market prices of similar products or services at the time when the Company's subsidiaries or Huacheng place the purchase orders or entering into the specific labour service contracts or processing service contracts and will be on normal commercial terms or terms no less favourable to the Group than those available to or from Independent Third Parties at the material time.

The prevailing market prices of similar products or services at the time when the Company's subsidiaries or Huacheng place the purchase orders or enter into the specific labour service contracts or processing service contracts shall be determined at the prices of similar products or services supplied or provided on arm's length basis by the Group to or from Independent Third Parties on normal commercial terms and in the ordinary course of business of the Group.

### 4. Proposed annual caps

The annual caps for the continuing connected transactions between the Group and Huacheng and its subsidiaries for the two years ending 31 December 2018 and 2019 are set out below:

Type of transaction	Annual Cap for the year ending 31 December	
	2018 (RMB'000)	2019 (RMB'000)
Purchase of the Huacheng Products from Huacheng	12,000	16,000
Sale of the Materials to Huacheng	150,000	180,000
Provision of labour services to Huacheng	9,000	12,000
Provision of entrusted processing services to Huacheng	<u>30,000</u>	<u>36,000</u>
<b>Total</b>	<b><u>201,000</u></b>	<b><u>244,000</u></b>

The annual caps are determined with reference to the following factors: (i) the historical amount of such transactions (if there is similar historical transaction); (ii) the continuous expansion of the business of the Group and the further enhancement in the resources consolidation of the Group; and (iii) the expected demand of the Company's subsidiaries and Huacheng and its subsidiaries.

## **5. Payment terms**

The Group and Huacheng will separately enter into specific purchase orders, labour service contracts or process service contracts under the CCT Agreement to specify, among other things, the mode and terms of payment, the type, specification and the amount of the goods and other details.

## **INFORMATION ON THE GROUP AND HUACHENG**

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. It is a connected person of the Company by virtue of it being the controlling shareholder of the Company holding approximately 45.04% shareholding interest in the Company as at the Announcement Date.

Huacheng is a company established in the PRC whose principal business is the manufacture of pharmaceutical products and is wholly-owned by GPHL. Accordingly, Huacheng is a connected person of the Company.

## **REASONS FOR ENTERING INTO THE CCT AGREEMENT**

As disclosed in the announcement of the Company dated 15 March 2018, the Group had continuing connected transactions with Huacheng since 1 January 2017 and continued to have such transactions in 2018. In respect of the continuing connected transactions constitute by the purchase of the Huacheng Products from Huacheng, the Huacheng Products are different from the pharmaceutical products produced by the Group. The Group will resell the Huacheng Products purchased through its retail network to increase its revenue. In respect of the continuing connected transactions constitute by the sale of the Materials, the provisions of labour services (being provision of advertising agency and research and development services to Huacheng) and entrusted processing services (processing of Chinese medicine raw materials) to Huacheng, the revenue of the Group can be increased. After taking into account the factors above, the Directors (including the independent non-executive

Directors) consider that the transactions contemplated under the CCT Agreement are of commercial benefit to the Company and the Group as a whole and entering into the CCT Agreement can contribute to the growth of the Group's business.

The Directors (including the independent non-executive Directors) further consider that (i) the terms of the CCT Agreement are fair and reasonable; (ii) the transactions contemplated under the 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 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 Huacheng CCT. However, as Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning and Mr. Ni Yidong are both (i) executive Directors and (ii) the directors and/or members of the senior management of GPHL, they have abstained from voting on the Board resolution approving the CCT Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the CCT Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution considering and approving the 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**

Huacheng is a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute the continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the CCT Agreement and the transactions contemplated thereunder are on normal commercial terms or better and all the applicable percentage ratios (except for the profits ratio) calculated in respect of the annual caps for the CCT Agreement and the transactions contemplated thereunder exceed 0.1% but are less than 5%, the transactions contemplated under the CCT Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, but are subject to, among other things, the notification and announcement requirements under Chapter 14A of the Hong Kong Listing Rules.

## **DEFINITIONS**

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

“Announcement Date”                      the date of this announcement, being 18 April 2018

“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(s)”	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
“CCT Agreement”	the agreement entered into between the Company and Huacheng on 18 April 2018 in relation to the Group’s purchase of the Huacheng Products from, sale of the Materials to, the provisions of labour services (advertising agency and research and development services) and entrusted processing services to, Huacheng
“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
“Huacheng”	Guangzhou Huacheng Pharmaceutical Company Limited* (廣州花城藥業有限公司)
“Huacheng Products”	the pharmaceutical products produced by Huacheng
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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”	the third party who is independent of, and not connected with, the Company or any of its connected persons

“Materials”	the unpackaged pharmaceutical raw materials, medical apparatus, packaging materials and other materials
“PRC”	the People’s Republic of China and, for the purpose of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the share(s) of the Company

The Board of  
**Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited**

Guangzhou, the PRC, 18 April 2018

*As at the Announcement Date, the Board comprises Mr. Li Chuyuan, Mr. Chen Mao, Ms. Liu Juyan, Ms. Cheng Ning, Mr. Ni Yidong and Mr. Wu Changhai as executive Directors, and Mr. Chu Xiaoping, Mr. Jiang Wenqi, Mr. Wong Hin Wing and Ms. Wang Weihong as independent non-executive Directors.*

*\* For identification purpose only*