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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)

INSIDE INFORMATION
NOTICE IN RELATION TO THE GROUP ISSUED BY THE
NATIONAL HEALTHCARE SECURITY ADMINISTRATION

1. INTRODUCTION

This announcement is issued by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”, and together with the Company’s subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

It has come to the knowledge of the Company that the National Healthcare Security Administration* (國家醫療保障局) issued the “Notice on Obtaining Funds from False Increase of the Price of Raw Materials and Inflation of Drug Price by three enterprises including Tian Xin Pharmaceutical” (hereinafter the “**Notice**”) at its website on 9 August 2022. The three companies involved in the Notice are Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. Baiyunshan Pharmaceutical General Factory* (廣州白雲山醫葯集團股份有限公司白雲山製葯總廠) (a branch of the Company and hereinafter “**Baiyunshan General Factory**”), Guangzhou Baiyunshan Tian Xin Pharmaceutical Co., Ltd.* (廣州白雲山天心製葯股份有限公司)(a subsidiary of the Company and hereinafter “**Tian Xin Pharmaceutical**”) and Guangzhou Baiyunshan Jing Xiu Tang Pharmaceutical Co., Ltd.* (廣州白雲山敬修堂葯業股份有限公司) (a subsidiary of the Company and hereinafter “**Jing Xiu Tang Pharmaceutical**”). The material contents of the Notice is disclosed in section 2 of this announcement.

2. NOTICE IN RELATION TO THE GROUP ISSUED BY NATIONAL HEALTHCARE SECURITY ADMINISTRATION

The material contents of the Notice is set out below.

Recently, the relevant government departments carried out a special investigation into Baiyunshan General Factory, Tian Xin Pharmaceutical and Jing Xiu Tang Pharmaceutical for obtaining funds by way of increasing the prices of pharmaceutical products falsely. The Notice states that in order to circumvent the “Two Invoice System* (兩票制)” policy and its regulation, the three aforementioned pharmaceutical manufacturers colluded with more than 50 downstream pharmaceutical agents in obtaining funds by way of increasing the prices of 87 types of pharmaceutical products including Cephathiamidine for Injection. The typical way of obtaining funds is through the addition of designated “distributors” in the procedure of raw materials procurement, with the raw materials “distributors” under the actual control of the pharmaceutical agents, cashing in on the difference in revenue from the purchase of raw materials at low prices and sale of the same at high prices and transferring it to the pharmaceutical agents. At present, the three companies, including Tian Xin Pharmaceutical, have been required to carry out nationwide price reform (price reduction) in respect of the pharmaceutical products involved, and the procurement of certain products has been suspended. Guangdong Province has ordered these three companies including Tian Xin Pharmaceutical and other affiliated companies to comprehensively rectify their marketing models and stop the related operations which breach rules and regulations. In addition, the relevant departments are investigating the personnel who may have violated discipline or law or may have committed crime in accordance with discipline and law.

3. FINANCIAL INFORMATION IN RELATION TO BAIYUNSHAN GENERAL FACTORY, TIAN XIN PHARMACEUTICAL AND JIN XIU TANG PHARMACEUTICAL

The gross profit of those products of Baiyunshan General Factory, Tian Xin Pharmaceutical and Jin Xiu Tang Pharmaceutical the sale of which has been suspended online (i.e. cessation of active sale or passive sale to public hospitals, hereinafter “**Online Suspension**”) is approximately RMB15,000,000 while the gross profit of those products sold or to be sold at reduced prices in relation to the Notice is approximately RMB320,000,000 which, for reference purpose, representing approximately 0.12% and 2.45% respectively of the audited gross profit of the Company in 2021; the gross profit of the products of these three companies subject to Online Suspension is approximately RMB12,000,000 for the first quarter of 2022 while the gross profit of the products the prices of which have been reduced in relation to the Notice is approximately RMB102,000,000 which, for reference purpose, representing approximately 0.25% and 2.13% respectively of the unaudited gross profit of the Company for the first quarter of 2022.

The board of directors of the Company is of the view that the Notice will have certain impact on the sale of the Company’s products in the future but does not consider that there will be material adverse impact on the operation and business of the Company.

The Company views the Notice with great importance and has taken a series of rectification measures. The Company has instructed Baiyunshan General Factory, Tian Xin Pharmaceutical and Jin Xiu Tang Pharmaceutical to cease cooperation with the relevant agents and distributors, to carry out rectification works of sales model comprehensively and to conduct price reduction and Online Suspension of relevant products nationwide. Moreover, the Company will not protect operation in breach of rules but will deal with resolutely. The relevant responsible persons in these three companies have been dismissed or suspended.

In the future, the Company will resolutely implement the deployment and policies on deepening the medical and health system reform in China, supervise and urge its subsidiaries to standardise their marketing models and proactively regulate their operations, consciously maintain the order of medicine distribution and do its job in production and operation well in accordance with the laws and regulations.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 10 August 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Li Chuyuan, Mr. Yang Jun, Ms. Cheng Ning, Ms. Liu Juyan, Mr. Zhang Chunbo, Mr. Wu Changhai, and Mr. Li Hong, as executive directors, and Mr. Wong Hin Wing, Ms. Wang Weihong, Mr. Chen Yajin, and Mr. Huang Min as independent non-executive directors.

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*