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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: 00874)

ANNOUNCEMENT IN RELATION TO THE PROVISION FOR ASSET IMPAIRMENT FOR 2024

This announcement is made by Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (the “**Company**”) pursuant to Rule 13.09 (2) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

I. OVERVIEW OF THE PROVISION FOR IMPAIRMENT

In accordance with the Accounting Standards for Business Enterprises (《企業會計準則》) and the Company’s accounting policies, and to present a true and fair view of the Company’s financial position, asset value, and operating results for 2024, the Company has conducted an analysis and evaluation of various assets as of the end of 2024 based on the principle of prudence. The Company proposes to recognize a total impairment provision of RMB470,581,169.46 for assets showing signs of impairment. For details, please refer to the table below.

Items	Amount of Provision for Impairment Loss (RMB)
1. Asset impairment losses	407,283,126.03
Including: Inventory write-down losses	20,981,145.30
Long-term equity investments impairment losses	385,666,507.83
Productive biological assets impairment losses	635,472.90
2. Credit impairment losses	63,298,043.43
Total	470,581,169.46

II. EXPLANATION OF THE PROVISION FOR IMPAIRMENT

1. Method of provision for asset impairment

In accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 8 – Asset Impairment (《企業會計準則第8號 – 資產減值》): If there are indications of asset impairment, the recoverable amount of the asset shall be estimated. The recoverable amount shall be determined as the higher of the asset’s fair value less costs of disposal and the present value of the asset’s expected future cash flows. If the recoverable amount, as measured, is found to be lower than the carrying value of the asset, the carrying value shall be written down to the recoverable amount. The amount written down shall be recognized as an asset impairment loss and is included in the current period’s profit and loss, while a corresponding impairment provision for the asset shall also be made.

2. Specifics of the provision for impairment

(1) *Provision for inventory write-downs*

In accordance with Accounting Standards for Business Enterprises No. 1 – Inventories (《企業會計準則第1號 – 存貨》), inventories shall be measured at the lower of cost or net realizable value as of the balance sheet date. A provision for inventory write-down shall be recognized for the amount by which the cost of individual inventory items exceeds their net realizable value. For inventories held for direct sale, the net realizable value shall be determined by deducting estimated selling expenses and related taxes from the estimated selling price. For inventories requiring further processing, the net realizable value shall be determined by deducting the estimated costs to complete the production process, estimated selling expenses, and related taxes from the estimated selling price of the finished products in the normal course of business operations. In 2024, the Company recognized a provision of RMB20,981,100 for inventory write-downs, mainly due to provision for bad debts on inventories by the Company’s subsidiaries.

(2) *Provision for credit impairment loss on receivables*

In accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (《企業會計準則第22號 – 金融工具確認和計量》), receivables such as accounts receivable and other receivables shall be measured for loss provisions based on the expected credit losses over their entire lifetime. Any increase or reversal in the loss provision resulting from this measurement shall be recognized as an impairment loss or gain in the current period’s profit and loss. Based on the historical loss rates of receivables in prior years, the assessment of future recovery risks, and the analysis of credit risk characteristics, the expected loss rate shall be determined, and a provision for bad debts shall be made accordingly. If there is objective evidence that a specific receivable has incurred credit impairment, the relevant company shall make an individual provision for bad debts for that receivable and recognize the expected credit loss. In 2024, the Company recognized a provision of RMB63,298,000 for bad debts on receivables, mainly due to provisions for bad debt on receivables by the Company’s subsidiaries.

(3) Provision for impairment loss on fixed assets, long-term equity investments, etc.

In accordance with Accounting Standards for Business Enterprises No. 8 – Asset Impairment (《企業會計準則第8號 – 資產減值》), the Group (the Company and its subsidiaries) assesses, as of the balance sheet date, whether there are any indications of impairment for non-current, non-financial assets such as fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured at cost, and long-term equity investments in subsidiaries, joint ventures, and associates. If there are indications of impairment, the recoverable amount shall be estimated, and an impairment test shall be conducted. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet ready for use, impairment tests shall be performed annually, regardless of whether there are any indications of impairment.

When there are indications of impairment, the recoverable amount shall be determined as the higher of the asset's fair value less costs of disposal and the present value of the asset's expected future cash flows. If the recoverable amount, as measured, is found to be lower than the carrying value of the asset, the carrying value shall be written down to the recoverable amount. The amount written down shall be recognized as an asset impairment loss and included in the current period's profit and loss, with a corresponding provision for asset impairment shall be made. In 2024, the Company recognized a provision for asset impairment of RMB386,302,000. The provision is mainly for:(1) provision for impairment of long-term equity investments amounting to RMB385,666,500, based on the 2024 performance estimate of Yixintang Pharmaceutical Group Co., Ltd. ("**Yixintang Pharmaceutical**", the Company holds a 5.27% stake) and the significant decline in its stock price compared to the beginning of the period. The Company determined that there were indications of impairment in its long-term equity investment in Yixintang Pharmaceutical. In accordance with Accounting Standards for Business Enterprises No. 8 – Asset Impairment and the Company's accounting policies, and based on the principle of prudence, the Company made a provision for impairment of its long-term equity investment in Yixintang Pharmaceutical. (2) provision for impairment of productive biological assets amounting to RMB635,500, due to the presence of diseases in some of the Company's productive biological assets.

III. IMPACT OF THE PROVISION FOR IMPAIRMENT ON THE COMPANY

The provision for impairment is recorded under the asset impairment loss and credit impairment loss accounts, which correspondingly reduces the Company's total profit for 2024 by RMB470,581,200.

IV. REVIEW PROCEDURES FOR THE PROVISION FOR IMPAIRMENT

1. Deliberation by the Audit Committee

On 13 March 2025, the Company held the 1st meeting of the Audit Committee of 2025 and deliberated on the Proposal on Provision for Asset Impairment for 2024. The Company's Audit Committee believes that the provision for related asset impairment was made in accordance with the Accounting Standards for Business Enterprises and the Company's accounting policies, based on the principle of prudence and the Company's actual circumstances, which reasonably and fairly reflects the Company's financial position and operating results, providing investors with more truthful, reliable, and accurate accounting information, without damaging the interests of the Company or its shareholders. Therefore, the Audit Committee approves the Company's provision for related asset impairment and agrees to submit this matter to the Board for further deliberation.

2. Deliberation by the Board

On 13 March 2025, the Company held the 21st meeting of the ninth session of the Board and deliberated on the Proposal on Provision for Asset Impairment for 2024. The Board believes that the provision for related asset impairment was made based on the principle of prudence and the Company's actual circumstances, in compliance with the Accounting Standards for Business Enterprises and the Company's accounting policies. It objectively and fairly reflects the Company's financial position and operating results, providing investors with more truthful, reliable, and accurate accounting information, without harming the interests of the Company or its shareholders. The decision-making process for this provision complies with relevant laws, regulations, and the Articles of Association. Therefore, the Board approves the Company's provision for related asset impairment, and this matter does not require submission to the general meeting of shareholders for further deliberation.

3. Deliberation by the Supervisory Committee

On 13 March 2025, the Company held the 12th meeting of the ninth session of the Supervisory Committee and deliberated on the Proposal on Provision for Asset Impairment for 2024. The provision for asset impairment was made in accordance with the Accounting Standards for Business Enterprises and the Company's accounting policies, based on the principle of prudence and the Company's actual circumstances. It is sufficiently justified and reasonable. The Supervisory Committee approves the Company's provision for asset impairment, and this matter does not require submission to the general meeting of shareholders for further deliberation.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

The Board of
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited

Guangzhou, the PRC, 13 March 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.