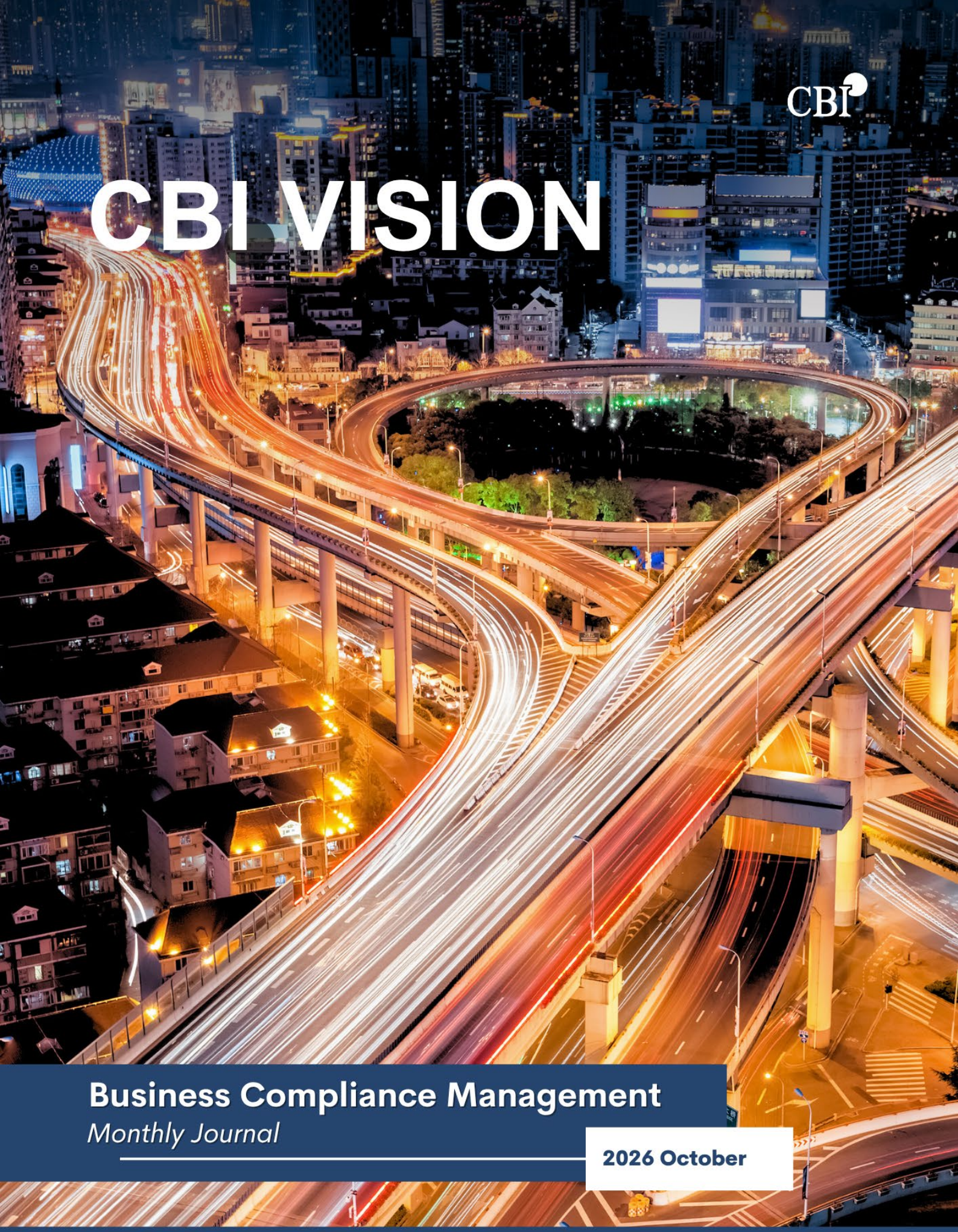


CBI VISION

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PREFACE



Xinbang Pharmaceutical Bribery Case Forces Drug Companies to Rebuild M&A and Promotion Compliance Defenses

On 13 October 2026, Xinbang Pharmaceutical (002390.SZ) announced a first-instance fine of 23 million yuan from the Kaiyang County People's Court in Guizhou for unit bribery — 19.12% of its latest audited net profit attributable to the parent. Six days earlier, subsidiary Kekai Pharmaceutical had been fined 4 million yuan on the same charge. The two cases total 27 million yuan. Relative to the company's roughly 120 million yuan in 2025 parent net profit, the fines effectively erase more than 20% of annual earnings. Notably, the judgment comes 12 years after the acquisition.



Shengnuo Biotechnology Case Sounds the Alarm on Compliance Review in the Pharmaceutical Industry

On 9 October 2026, Shengnuo Biotechnology (STAR Market) announced that its wholly-owned subsidiary Chengdu Shengnuo Biopharmaceutical and its actual controller and chairman Wen Yongjun had been prosecuted by the Yuhuatai District People's Procuratorate in Nanjing for collusive bidding. The case involves alleged collusion in bid quotations during the seventh batch of national centralized drug procurement. The procuratorate found that the subsidiary constituted a unit crime, with Wen as the principal offender. Illegal gains of 10.98 million yuan had already been recorded as a provision in the company's 2025 financial statements.



APEC Shenzhen Summit Opens Soon: Chinese Companies Going Overseas Face Three Compliance Tests

From 18 to 19 November 2026, the 33rd APEC Economic Leaders' Meeting will be held in Shenzhen under the theme "Building an Asia-Pacific Community for Shared Prosperity," with openness, innovation and cooperation as the three priority areas. A Business Leaders' Summit will run concurrently, with companies including Amazon, Walmart and Microsoft already applying to attend. As Asia-Pacific cooperation opportunities intensify, compliance issues in cross-border business operations have become a core focus of this year's summit.



Compliance Hotspot

Xinbang Pharmaceutical Bribery Case Forces Drug Companies to Rebuild M&A and Promotion Compliance Defenses

On the evening of 13 October 2026, Xinbang Pharmaceutical (002390.SZ) announced that it had been fined 23 million yuan by the Kaiyang County People's Court in Guizhou Province in a first-instance judgment for the crime of unit bribery. The fine represents 19.12% of the company's latest audited net profit attributable to the parent. Six days earlier, on 7 October, its controlling subsidiary Kekai Pharmaceutical had already been fined 4 million yuan on the same charge. The two cases total 27 million yuan. Based on the company's approximately 120 million yuan in net profit attributable to the parent for 2025, media calculations suggest the fines are equivalent to wiping out more than 20% of annual profit in a single stroke. What is more noteworthy for the industry is that the judgment comes 12 years after the relevant acquisition.

1. Tracing the Case: An M&A for "Leapfrog Growth

Xinbang Pharmaceutical is a listed company covering the full industrial chain of medical services, pharmaceutical distribution and pharmaceutical manufacturing. Its core distribution platform, Kekai Pharmaceutical, is approximately 99.99% owned by the company. In 2025, the subsidiary recorded standalone revenue of 2.096 billion yuan and net profit of 56.61 million yuan, accounting for 37.30% of the listed company's revenue and 29.52% of its net profit respectively.

The origin of the case traces back to March 2014, when Xinbang Pharmaceutical acquired Kekai Pharmaceutical through a combination of share issuance and cash, at a valuation of approximately 997 million yuan. In the year of consolidation, revenue jumped from 740 million yuan to 2.48 billion yuan.



According to the January 2025 special documentary *In-Depth Advancement* released by the Guizhou Provincial Commission for Discipline Inspection and Supervision, the predecessor of Kekai Pharmaceutical was the drug sales department of the Affiliated Hospital of Guiyang Medical College.

In 2002, it was restructured under the leadership of then-president Wang Xiaolin. In 2013, Kekai Pharmaceutical had already reached a preliminary M&A agreement with a state-owned enterprise. An Huailue, together with Zhang Guanfu, then chairman of Xinbang Pharmaceutical, lobbied Wang Xiaolin and promised substantial rewards after the transaction was completed. Wang Xiaolin subsequently terminated the cooperation with the state-owned enterprise, instead facilitating the acquisition by Xinbang Pharmaceutical and accepting large amounts of property. In February 2026, Wang Xiaolin was sentenced to death with a two-year reprieve in a first-instance judgment for accepting bribes of more than 150 million yuan. A separate bribery case against former actual controller An Huailue has also been filed and is under trial.

2. Three Regulatory Signals Worth Highlighting

First, the crime of unit bribery (Article 393 of the Criminal Law) adopts a dual-punishment system: the unit is fined, while the directly responsible person in charge and other directly responsible personnel may face imprisonment of three to ten years. In this case, the parent company and the subsidiary were convicted and penalized separately, and the fines can be stacked. Some lawyers have noted that the maximum statute of limitations for such cases can reach 15 years, meaning historical transactions do not enjoy a de facto “safe period.”

Second, commercial bribery is now hard-linked to medical insurance credit evaluation. The National Healthcare Security Administration disclosed that in 2025 it processed 6,865 pharmaceutical commercial bribery case leads pushed by the Supreme People’s Court and issued seven batches of notifications to provinces. By the end of 2025, local authorities had rated 1,236 enterprises as untrustworthy, and untrustworthy records directly affect listing and centralized procurement eligibility.

Third, the regulatory logic has shifted from spot checks to full-chain penetrating reviews — no longer limited to frontline sales representatives or stopping at subsidiary level. The documents for the eleventh batch of national drug centralized procurement, released on 18 October 2026, introduced a “leniency for the first to report” mechanism, further tightening constraints on benefit transfers in the procurement and sales process.



3. Four Layers of Warning for Pharmaceutical Companies

First layer: The structure of "isolating risk through subsidiaries" is failing. In the past, many pharmaceutical companies used layers of subsidiaries, distributors and CSOs to keep compliance risks outside the consolidated financial statements. This case shows that criminal liability can penetrate directly to the listed entity. Once a listed company itself carries a criminal record for unit bribery, it will face cascading restrictions on drug bidding, centralized procurement access, bank credit, refinancing and bond issuance, and credit ratings — costs that far exceed a fine of tens of millions of yuan.

Second layer: Pharmaceutical distribution is highly sensitive to compliance stains. Kekai Pharmaceutical contributes about 37% of revenue, and its public-hospital distribution rights are directly affected by compliance records. Both the renewal review of existing contracts and the threshold for bidding on new business have been raised simultaneously.

Third layer: M&A due diligence must penetrate historical transactions. The judgment came 12 years after the acquisition, showing that due diligence cannot stop at the target's current-period financials. It must also screen the transaction decision chain, the target's history of cooperation with public hospitals and government departments, and large fund flows. The personal conduct of the original actual controller can likewise transmit upward to the listed company.

Fourth layer: Background checks on key personnel have become a mandatory obligation. The *Measures for the Administration of Medical Representatives* explicitly prohibit the employment of individuals with commercial bribery records. Pre-employment background checks on personnel have shifted from an "optional item" to a "mandatory item."

4. Compliance Review: From "Post-Event Remediation" to "Pre-Event Prevention"

Compliance risks for pharmaceutical companies have two characteristics: long-tail risk, which may only erupt more than a decade later; and penetrating risk, which can transmit upward along the equity chain. These two features mean that internal self-inspections are difficult to cover — they lack independence and struggle to form a compliance evidence chain that can be accepted by regulators.

Under the "leniency for the first to report" mechanism in centralized procurement, the value of the window for proactive discovery, proactive reporting and proactive rectification has risen significantly. The premise of "discovery," however, is the existence of an investigation mechanism independent of the business departments. When the risks of "grey promotion" have already been transmitted to the top-level entity, pharmaceutical companies can only shift compliance review from post-event remediation to pre-event prevention,



upgrade “formal compliance” to “evidence-based compliance,” and elevate personnel background checks from an onboarding process to a risk defense line. Only then can they hold the bottom line of operations and avoid paying a real cash price years later for an old account.

Central Business Information has deep expertise in global commercial due diligence and corporate compliance services, covering China and 214 countries and regions worldwide. It provides one-stop services for the pharmaceutical, automotive, financial and other industries, including supplier compliance reviews, distributor compliance reviews, HCO compliance reviews, compliance due diligence on M&A targets, and background checks on executives, key-position personnel and medical representatives. Leveraging its self-developed intelligent background-check system and large-scale verification database, CBI can conduct penetrating investigations into a target company’s historical transactions, equity linkages, litigation and administrative penalty records, helping enterprises build a long-term compliance control mechanism that is “verifiable in advance, controllable during the process, and evidential after the fact.”



Case Sharing

Shengnuo Biotechnology Case Sounds the Alarm on Compliance Review in the Pharmaceutical Industry

On 9 October 2026, Shengnuo Biotechnology, a STAR Market-listed company, announced that its wholly-owned subsidiary Chengdu Shengnuo Biopharmaceutical Co., Ltd., together with its actual controller and chairman Wen Yongjun, had been prosecuted by the Yuhuatai District People's Procuratorate in Nanjing for the crime of collusive bidding. The case involves alleged collusion in bid quotations during the seventh batch of national centralized drug procurement. The procuratorate determined that Shengnuo Biopharmaceutical constituted a unit crime, and that Wen Yongjun, as the directly responsible person in charge, was the principal offender. Illegal gains of 10.9796 million yuan had already been recorded as a provision for liabilities in the company's 2025 financial statements. This is the first landmark case since the implementation of the centralized procurement system in which a pharmaceutical company has entered the criminal prosecution stage for bid-rigging in centralized procurement, sounding the alarm for the industry that administrative sanctions are escalating to criminal liability.

1. Case Review: From Abnormal Price Reports to Criminal Prosecution

The product involved is octreotide acetate injection, a variety in the seventh batch of national centralized procurement. In July 2022, Shengnuo Biopharmaceutical won the bid at 16.82 yuan per vial and committed to selection as the fifth-ranked supplier. In April 2024, the National Joint Procurement Office for Drugs received public reports alleging abnormal bidding prices for octreotide injection and three other varieties. It immediately summoned 37 related enterprises for talks. Eight companies uniformly reduced the price of octreotide to 8.99 yuan per unit, a cut of 46.6%.

Criminal proceedings followed: on 28 June 2024, the Nanjing Public Security Bureau designated the Yuhuatai Sub-bureau to open the case; on 18 December the same year, Wen Yongjun was placed under bail pending trial on suspicion of collusive bidding; in January 2026 the case was transferred for review and prosecution, and formal charges were filed in October. Under Article 223 of the Criminal Law, collusive bidding in serious circumstances is punishable by imprisonment of up to three years or criminal detention, plus a fine or a fine alone. For a unit crime, the unit is fined and the directly responsible person in charge is held criminally liable. During the period in question, Shengnuo Biopharmaceutical sold 7.51 million vials of the drug with sales of 117 million yuan. If the fine is calculated at one to five times the illegal gains, the potential fine range is approximately 10.98 million to 54.9 million yuan.

It is worth noting that this case is not an isolated one. In August 2024, the National Joint Procurement Office notified a case of collusive bidding for bromhexine injection in centralized procurement. Six companies, including Chengdu Xinjie, Yipinhong and Shijiazhuang No. 4 Pharmaceutical, had their selection qualifications canceled and were placed on a "violation list." Yipinhong's losses from centralized-procurement defaults that year reached 266 million yuan. Compliance issues in centralized procurement have become a high-frequency risk hanging over pharmaceutical companies.

2. Case Insights: Industry Warnings from Three Overlapping Risks



First, bid-rigging in centralized procurement has escalated from "credit sanctions" to "criminal liability." Under the new pharmaceutical price and procurement credit evaluation system released in June 2025, enterprises that engage in bid-rigging or collusive bidding in national centralized volume-based procurement are uniformly treated at the highest "particularly serious" level.

At the criminal-law level, the crime of collusive bidding is also clearly prosecutable. This means that if a pharmaceutical company organizes or participates in "negotiated quotations or collusive applications" during the bidding process, it will simultaneously face untrustworthy treatment, market exclusion, criminal fines and personal criminal liability for senior executives. The "dual-punishment system" has already taken effect in the field of pharmaceutical centralized procurement.

Second, criminal risks of key personnel transmit directly to corporate governance. Wen Yongjun has been under bail pending trial since December 2024, yet the company did not disclose the matter until it received the indictment in October 2026. Article 80 of the Securities Law clearly states that the placement of directors or senior managers under coercive measures on suspicion of a crime constitutes a statutory material event, and the disclosure obligation does not depend on a final conviction. Another compliance shortcoming exposed by this case is that when the actual controller is also a party to the case, the company's internal procedures for reporting and disclosing material information are highly prone to failure. Coordinated control between information-disclosure compliance and integrity compliance urgently needs to be strengthened.

Third, export compliance and domestic compliance form a risk resonance. Half a month earlier, Shengnuo Biopharmaceutical had just been placed on the US FDA Import Alert 66-40 list due to cGMP deficiencies, fully suspending sales of peptide APIs to the United States, which accounted for 32.83% of its revenue in the first half of 2026. The domestic criminal prosecution, combined with blocked overseas market access, shows that compliance risks are transmissible across markets and domains. A failure in any single link can trigger a systemic crisis.

3. The Necessity of Compliance Review for Pharmaceutical Companies

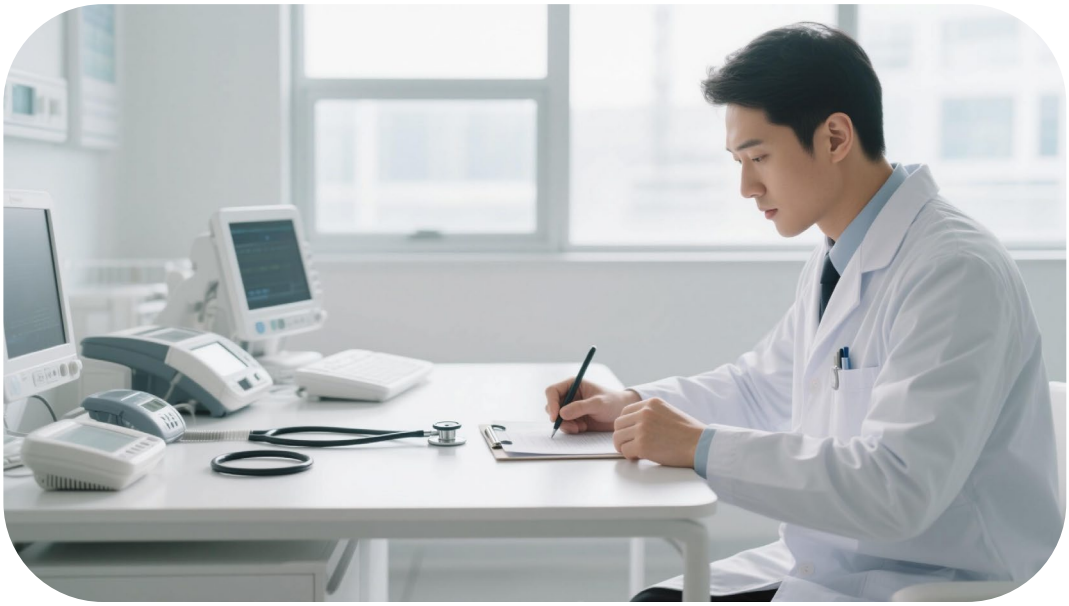
The lessons of this case clearly show that compliance review is not a “multiple-choice question” but a “lifeline” for pharmaceutical companies. Its necessity is reflected on three levels.

First, a full-process compliance review mechanism must be established for the centralized-procurement bidding stage. Companies should set pre-review checkpoints for quotation strategies, communications with other bidders and the fulfillment of commitment letters. Any form of negotiated quotation or price alliance is strictly prohibited. Once a bidding commitment is made, price, supply volume and other terms must be executable and deliverable to avoid “breach upon commitment.”

Second, the conduct of key positions and senior executives must be brought into the scope of compliance monitoring. Bidding decisions, commercial negotiations and other stages should be independently reviewed by the legal and compliance departments with records retained, to prevent individual decisions from overriding internal controls. Information that the actual controller or senior executives are suspected of illegal conduct should simultaneously trigger an information-disclosure assessment process, to avoid secondary violations arising from delayed or omitted disclosure of material information.

Third, quality systems and cross-border business must be aligned simultaneously with dual domestic and international standards. Centralized-procurement compliance, information-disclosure compliance, GMP compliance and export compliance must form a unified risk list and regular audit mechanism, so that potential defects can be identified and rectified in advance rather than waiting passively for regulatory inspections.

The corporate cost of bid-rigging in centralized procurement has evolved from “refunds, downgrades and list inclusion” to “prosecution, fines and criminal liability for senior executives.” For pharmaceutical companies, only by embedding compliance review into every operational stage — bidding, production, export and information disclosure — and building a full-chain compliance system of “institutional constraints + process controls + supervision and accountability” can they move steadily forward under the continued tightening of regulation and hold the compliance bottom line of corporate development.





To help enterprises adapt to the new regulatory landscape, Central Business Information provides full-dimensional compliance support services. These help companies accurately identify hidden compliance risks, strengthen internal control mechanisms, avoid multi-agency coordinated penalties and industry untrustworthy risks, and safeguard continuous compliant and stable operations.



Compliance Information

APEC Shenzhen Summit Opens Soon: Chinese Companies Going Overseas Face Three Compliance Tests

From 18 to 19 November 2026, the 33rd APEC Economic Leaders' Meeting will be held in Shenzhen under the theme "Building an Asia-Pacific Community for Shared Prosperity," with openness, innovation and cooperation as the three priority areas. A Business Leaders' Summit will be held concurrently, and companies including Amazon, Walmart and Microsoft have already submitted applications to attend. As opportunities for Asia-Pacific cooperation are concentrated and released, compliance issues in cross-border business operations have also become a core focus of this year's summit.

First, cross-border data flows have entered the stage of institutional implementation. In July this year, China announced the establishment of the "China Center for Promoting APEC Cross-Border Data Flow Cooperation" in Qianhai, Shenzhen, which has now moved into the implementation phase. The Qingdao Free Trade Zone has already pioneered the link of "domestic computing power — compliant transmission — overseas use," completing closed-loop verification of the "token overseas" scenario. Compliance review, security assessment and desensitization control requirements for companies transferring data abroad have accordingly been upgraded.



Second, overseas employment compliance risks have become more prominent. Labor laws among APEC member economies differ significantly: Indonesia implements a foreign employee quota system and outsourcing license management ; Singapore applies tiered restrictions on work permits; Malaysia sets clear limits on wage periods and working hours. Cross-border secondment, localized employment and employer-of-record (EOR) models each have their advantages and disadvantages. Over-quota hiring or working without a permit can result in fines, license revocation or even deportation. Companies need to conduct employment compliance reviews at the project initiation stage.

Third, personal information protection faces overlapping multi-layered regulation. Taking the United States as an example, Federal Trade Commission enforcement, comprehensive privacy laws in 24 states, and Executive Order 14117 form a triple restriction. Since 2025, enforcement by state attorneys general has intensified markedly, and compliance requirements for bulk cross-border transfer of sensitive data are particularly stringent. Companies must complete a three-tier self-assessment covering cross-border, state-law and industry requirements, and establish mechanisms for responding to consumer rights and for data isolation.



Facing the Asia-Pacific cooperation dividends released through the APEC platform, companies should place compliance review ahead of every stage of their overseas expansion. Only by building full-chain controls — from data export and employment structures to personal information protection systems — can they seize the opportunities of openness, hold the bottom line of security, and achieve high-quality, sustainable development in the Asia-Pacific win-win landscape.

Thanks for reading

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