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CHARMACY PHARMACEUTICAL CO., LTD.

創美藥業股份有限公司

(a joint stock limited liability company established in the People's Republic of China)

(Stock code: 2289)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June		Change
	2016	2015	
	RMB'000	RMB'000	
	(Unaudited)	(Audited)	
Results			
Turnover	1,777,949	1,635,397	8.72%
Profit before taxation	49,229	33,715	46.02%
Profit attributable to the owners of the Company	36,762	25,234	45.68%
Basic and diluted earnings per share (expressed in RMB cents per share)	34.04	31.54	7.93%

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Charmacy Pharmaceutical Co., Ltd. (the “**Company**” or “**us**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Turnover	4	1,777,949	1,635,397
Cost of sales		(1,679,033)	(1,551,784)
Gross profit		98,916	83,613
Other income		4,558	2,818
Selling and distribution expenses		(21,930)	(18,504)
Administrative expenses		(23,562)	(22,674)
Finance costs	5	(8,753)	(11,538)
Profit before taxation		49,229	33,715
Income tax expense	6	(12,467)	(8,481)
Profit for the period attributable to the owners of the Company	7	36,762	25,234
Earnings per share			
Basic and diluted (RMB cents)	8	34.04	31.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	125,149	117,667
Prepaid land use right	<i>11</i>	94,961	96,350
Deferred taxation		945	840
		<hr/> 221,055	<hr/> 214,857
Current assets			
Inventories		349,114	318,465
Prepaid land use right	<i>11</i>	2,778	2,778
Trade and other receivables	<i>12</i>	1,055,253	1,025,871
Pledged bank deposits		317,586	345,370
Bank balances and cash		130,969	155,629
		<hr/> 1,855,700	<hr/> 1,848,113
Current liabilities			
Trade and other payables	<i>13</i>	1,352,363	1,355,631
Bank borrowings		269,150	290,650
Income tax payables		4,224	2,433
		<hr/> 1,625,737	<hr/> 1,648,714
Net current assets		<hr/> 229,963	<hr/> 199,399
Total assets less current liabilities		<hr/> 451,018	<hr/> 414,256
Capital and reserves			
Share capital		108,000	108,000
Reserves		343,018	306,256
		<hr/> 451,018	<hr/> 414,256

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.*) (the “**Company**”) was established as an enterprise owned by 全民所有制企業 (the whole people in the PRC) under the name of 汕頭市醫藥聯合公司物資站 (Shantou Pharmaceutical Supplies Company *) on 18 February 1984. Pursuant to an approval granted by the relevant PRC authorities on 28 May 2015, the Company was transformed into a joint stock company with limited liability and changed to its current name. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 14 December 2015. The address of the registered office and principal place of business are No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the PRC.

With effect from 5 July 2016, the name of the Company was changed from “Chuangmei Pharmaceutical Co., Ltd.*” to “Charmacy Pharmaceutical Co., Ltd.”. Details were disclosed in the announcement of the Company published on 8 July 2016, the special resolution regarding the change of the name of the Company was passed by the shareholders at the annual general meeting held on 3 June 2016.

The Company and its subsidiary (collectively referred to as the “**Group**”) are engaged in trading of pharmaceutical products and provision of related services.

The condensed interim consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed interim consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

* *English name for identification purpose only*

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“**new HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial period beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed interim consolidated financial statements.

4. TURNOVER AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The directors of the Company consider that there is only one operating and reportable segment for the Group: trading and promoting pharmaceutical products.

Turnover represents the amounts received and receivable for goods sold and provision of services in the normal course of business, net of discounts and sales related taxes. Analysis of the Group’s turnover for the period is as follows:

	Six months ended 30 June	
	2016	2015
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Sales of goods	1,765,243	1,626,237
Services income	<u>12,706</u>	<u>9,160</u>
	<u>1,777,949</u>	<u>1,635,397</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Interest expenses on bank borrowings	6,959	9,204
Interest expenses on discounted bills	<u>1,794</u>	<u>2,334</u>
	<u>8,753</u>	<u>11,538</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Current income tax		
– PRC Enterprise Income Tax	12,362	8,076
Deferred taxation	105	405
Total income tax expenses for the period	<u>12,467</u>	<u>8,481</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiary is 25% for the both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Cost of inventories sold	1,678,507	1,552,579
Allowance (reversal of provision) on inventories (included in cost of sales)	526	(795)
Loss on disposal of property, plant and equipment	12	80
Depreciation of property, plant and equipment	4,298	4,411
Amortisation of prepaid lease payments	1,389	1,108
Foreign exchange gain	1,740	–
Auditor’s remuneration	200	94

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	Six months ended 30 June	
	2016 (Unaudited)	2015 (Audited)
Earnings		
Earnings for the purpose of basic and dilutive earnings per share (RMB'000)	<u>36,762</u>	<u>25,234</u>
Number of shares		
Weighted average number of shares for the purpose of basic and dilutive earnings per share ('000 shares)	<u>108,000</u>	<u>80,000</u>

The weighted average number of shares in issue during the six months ended 30 June 2016 and 2015 represented 108,000,000 and 80,000,000 shares respectively.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential shares outstanding during the six months ended 30 June 2016 and 2015.

9. DIVIDEND

The directors are pleased to declare and pay an interim dividend of RMB0.2 (2015: Nil) per share totalling RMB21,600,000 (2015: Nil) after the interim period. The interim dividend has not been recognised as liability at the end of the reporting period.

A special dividend of RMB30,000,000 was declared and paid by the Company in March 2015 (2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB11,902,000 (six months ended 30 June 2015: RMB497,000) on additions of property, plant and equipment.

During the current interim period, the Group received cash proceeds of approximately RMB110,000 (six months ended 30 June 2015: RMB30,000) on disposal of property, plant and equipment with carrying values of approximately RMB122,000 (six months ended 30 June 2015: RMB555,000).

11. PREPAID LAND USE RIGHT

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Prepaid land use right held in the PRC under medium-term lease and are analysed for reporting purposes as follows:		
Current asset	2,778	2,778
Non-current asset	94,961	96,350
	<u>97,739</u>	<u>99,128</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Trade receivables	871,522	882,858
Less: Impairment	(2,286)	(2,286)
	<u>869,236</u>	<u>880,572</u>
Bills receivables (Note)	94,940	94,486
	<u>964,176</u>	<u>975,058</u>
Prepayment	84,935	49,185
Other receivables	6,142	1,628
	<u>1,055,253</u>	<u>1,025,871</u>

The Group generally allows an average credit period of 0–180 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the date of delivery of goods at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
0 to 60 days	630,635	656,964
61 to 180 days	119,201	208,880
181 to 365 days	117,666	12,138
Over 365 days	1,734	2,590
	869,236	880,572

Note: All bills receivables are with ageing within 180 days.

13. TRADE AND OTHER PAYABLES

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
Trade payables	525,941	514,955
Bills payables	792,776	777,108
	1,318,717	1,292,063
Accrued expenses	2,776	4,239
Receipt in advance	8,032	11,511
Other payables	22,838	47,818
	1,352,363	1,355,631

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2016 <i>RMB'000</i> (Unaudited)	31 December 2015 <i>RMB'000</i> (Audited)
0 to 30 days	323,307	393,912
31 to 60 days	120,541	69,164
61 to 180 days	69,225	40,139
181 to 365 days	7,987	7,441
Over 365 days	4,881	4,299
	525,941	514,955

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Since the first half of 2016, following the continuous deepening of pharmaceutical reform, the policies in respect of medical treatment, pharmaceutical products, medical devices and pharmaceutical distribution in China were frequently introduced. With more stringent standards on the corporate management and the quality control of pharmaceutical products, the overall development of the pharmaceutical industry will be affected.

In April 2016, the General Office of the State Council of the PRC promulgated the “2016 Key Work Tasks of In-Depth Reform on Pharmaceutical and Healthcare Structure” (《深化醫藥衛生體制改革2016年重點工作任務》), requiring the implementation of the “Two-vote system” (「兩票制」) to optimize the order of buying and selling pharmaceuticals and cut down circulation procedures; the improvement of the policies and systems regarding the specification on production quality control of pharmaceutical products and the specification on operation quality management of pharmaceutical products with strict supervision; and promotion of the separation of prescription and pharmacies. Such work tasks will actively facilitate the complementary effects in combination of medical treatment, medical insurance and medicine, and capitalize on the key segments of pharmaceutical products production, procurement, distribution, delivery and usage, so as to enhance the mechanism of maintaining pharmaceutical products supply, optimize the healthy development of the pharmaceutical industry and expedite the concentration of pharmaceutical distribution industry.

According to the statistics from the Report of Statistical Analysis on the Operation of Pharmaceutical Distribution Industry of 2015 (《2015年藥品流通行業運行統計分析報告》) published by Department of Market Supervision of Ministry of Commerce of the PRC (中國商務部市場秩序司) on 3 June 2016, the size of the pharmaceutical distribution market was on a steady growth in 2015, with a further slowdown in the growth rate.

(I) Slowdown in growth of total sales in the pharmaceutical distribution industry

In 2015, the total sales in the pharmaceutical distribution industry of the PRC amounted to RMB1,661.3 billion, representing a growth of 10.2% as compared with last year. The average annual growth during the “12th Five-year” period was 16.6%, which was lower than the average annual growth rate during the “12th Five-year” period by approximately 6.4 percentage points as shown in the growth rate statistics of 2015.

(II) Further increase in the concentration of the pharmaceutical wholesale enterprises

With regard to the market share, the income from principal activities of the top one hundred pharmaceutical wholesale enterprises in 2015 accounted for 68.9% of the total size of the pharmaceutical market within the PRC for the same period, representing an increase of 3.0 percentage points as compared with 2014. The concentration of the pharmaceutical wholesale enterprises was further increased.

BUSINESS REVIEW

Our principal business is distribution of pharmaceutical products in the PRC, and substantially all of our turnover was contributed by distribution of pharmaceutical products. We also derive our services income by providing consultancy services on marketing strategies and related information services to our suppliers.

As at 30 June 2016, our distribution network covered 4,626 customers, among which 657 were distributors, 2,816 were retail pharmacy stores and 1,153 were hospitals, clinics, health centres and others. As at 30 June 2015, we had a distribution network covering 4,495 customers, among which 672 were distributors, 2,807 were retail pharmacy stores, and 1,016 were hospitals, clinics, health centres and others.

As at 30 June 2016, we had 1,015 suppliers, among which 712 were pharmaceutical manufacturers and 303 were distributor suppliers. As at 30 June 2015, we had 865 suppliers, among which 638 were pharmaceutical manufacturers and 227 were distributor suppliers.

For the six months ended 30 June 2016, we distributed 5,734 products. For the six months ended 30 June 2015, we distributed 5,756 products.

The table below sets forth the major categories of our products and the number of products in each category:

	Number of Products For the six months ended 30 June	
	2016	2015
Categories of Products		
Western medicines	2,766	2,881
Chinese patent medicines	2,242	2,132
Healthcare products	116	121
Others	610	622
Total	<u>5,734</u>	<u>5,756</u>

For the six months ended 30 June 2016, our B2B e-commerce platform, “Charmacy e-Medicine” (創美e藥) (<http://www.cmyynet.com/>) had 3,667 registered customers whom are mainly retail pharmacy stores. The turnover contributed from e-transactions through our B2B e-commerce platform was approximately RMB78.97 million for the six months ended 30 June 2016. In the first half of 2016, we utilized part of the funds raised from listing for the transformation and upgrade of our existing B2B e-commerce platform to SAP Hybris e-commerce management platform. Such platform is expected to be introduced in October 2016. We will increase operating efficiency and reduce transaction costs through the e-commerce management platform.

During the six months ended 30 June 2016, the Company became the member of the first session of Guangdong Province Enterprise Credit Construction Association (廣東省企業誠信建設促進會). We were awarded the “Pilot Enterprise with National Standards of Operation Practice for Cold-chain Logistics of Pharmaceutical Products” (《藥品冷鏈物流運作規範》國家標準試點企業) by Pharmaceutical Logistics Sub-branch of China Federation of Logistics & Purchasing (中國物流與採購聯合醫藥物流分會) and Cold Chain Logistics Professional Committee of China Federation of Logistics & Purchasing (中國物流與採購聯合會冷鏈物流專業委員會). We received the “12th Five-Year’ Best Services Innovation Award” (「十二五」最佳服務創新獎) and the “12th Five-Year’ Best Management Innovation Award” (「十二五」最佳管理創新獎) in respect of the PRC pharmaceutical distribution industry from the China Association of Pharmaceutical Commerce (中國醫藥商業協會). We were also awarded the “Model Enterprise of Trustworthiness in Guangdong Province” (廣東省誠信示範企業) for five consecutive years from 2011 to 2015 by Guangdong Association of Enterprises (廣東省企業聯合會) and Guangdong Entrepreneurs Association (廣東省企業家協會).

Purchase of refrigerated transportation vehicles for expanding the distribution coverage

During the six months ended 30 June 2016, the Group had purchased a total of 15 refrigerated transportation vehicles for the two logistic centers. The refrigerated transportation vehicles can ensure better product quality as compared to the existing transportation vehicles. This can optimize the logistic quality, expand the distribution coverage, increase the supply of products to customers and provide better transportation services.

Reform on the information system and cooperation with IBM to build SAP system

The Group officially commenced the information construction project on 20 March 2016. By leveraging on the brand new business suite, SAP S/4HANA, we integrated into Hybris e-commerce platform and various solutions including SAP CRM, mobile application and SAP BO. The IBMPOWER8 server assisted the Group for arranging the solution of SAP HANA on Power, so as to build an integrated information service platform with an omni-channel covering purchasing, logistics, storage, sales and management of customer relationship.

PROSPECTS

The Group will continue to upgrade B2B e-commerce management platform and accelerate the transformation of the information system

The Group plans to achieve the following three major targets through development of the information system: (i) to fully build an integrated information platform with SAP ERP/Hybris being the core for gradually realizing the effective connection with other professional applications; (ii) to refine management and to achieve an integrated management system for business and finance based on the business features of the Company; and (iii) to build a future facing B2B e-commerce platform that adapts to various business modes with all around business structure that can rapidly replicate, clearly identify and effectively synergize on the basis of information unity and integration of business and finance. The Group is committed to realizing intelligent and internet-based operation and management in order to provide more convenient and fast as well as efficient service experience to customers, increase the overall operation efficiency and reduce the operation cost.

The Group will continue to propel the progress of acquisition work

The Group plans to acquire an established pharmaceutical distribution company based in Southern China including Shenzhen with consideration of various factors including geographical location, product mix, turnover and customer base, so as to facilitate the construction of the Group's new logistic center, expansion of distribution network, enhancement of pharmaceutical distribution capabilities and scale, increasing service efficiency and the formation of a more competitive pharmaceutical delivery network.

The Group will continue to expand our product offerings and enhance our product mix

The Group's plan is to introduce 800 more products, including healthcare products, cosmetic products, medical devices and Chinese medicine decoction pieces by the end of 2016. At the same time, the Group will phase out some of the products with lower gross profit margin and turnover rate. In the second half of 2016, the Group will continue to put efforts on seeking and introducing new and good quality products to enrich our product mix for broadening the customer base, and to increase profitability of the Group so as to strengthen our competitive position.

FINANCIAL REVIEW

Turnover

The following table sets forth the breakdown of turnover by sales of goods and services income:

	Six months ended 30 June	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of goods	1,765,243	1,626,237
Services income	12,706	9,160
Total turnover	<u>1,777,949</u>	<u>1,635,397</u>

The Group's turnover for the six months ended 30 June 2016 was approximately RMB1,777.95 million, representing an increase of 8.72% over the corresponding period of last year.

The following table sets forth the breakdown of turnover from sales of goods by customer types:

Customer Type	Six months ended 30 June	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Distributors	1,248,742	1,165,757
Retail pharmacy stores	482,468	419,657
Hospitals, clinics, health centres and others	34,033	40,823
Total sales of goods	<u>1,765,243</u>	<u>1,626,237</u>

For the six months ended 30 June 2016, we generated substantially all of our turnover from sales of goods to (i) distributor customers, (ii) retail pharmacy stores, and (iii) hospitals, clinics, health centres and others. For the six months ended 30 June 2016, over 98% of our turnover from sales of goods was derived from distributor customers and retail pharmacy stores customers.

Our turnover from sales of goods increased for the six months ended 30 June 2016 primarily attributable to the increase in sales to distributor customers and retail pharmacy stores customers.

Our turnover from sales to distributor customers increased for the six months ended 30 June 2016 mainly due to the increase in sales volume as a result of the increase in the number of products which we acted as the primary distributor from 3,491 products for the six months ended 30 June 2015 to 4,147 products as at 30 June 2016.

Our turnover from sales to retail pharmacy stores increased for the six months ended 30 June 2016 mainly due to our continued marketing efforts on the expansion of retail pharmacy stores network to prepare for our expansion of B2B e-commerce business, which increased the sales of products to retail pharmacy stores customers and distributor customers.

Cost of sales, gross profit and gross profit margin

For the six months ended 30 June 2016, the cost of sales of the Group was RMB1,679.03 million, representing an increase of 8.20% as compared to RMB1,551.78 million for the six months ended 30 June 2015. The increase in cost of sales was in line with the increase in turnover from sales of goods.

For the six months ended 30 June 2016, the gross profit of the Group was RMB98.92 million, representing an increase of 18.30% as compared to RMB83.61 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the gross profit margin of the Group was 5.56%, increased by 0.45 percentage points as compared to 5.11% for the six months ended 30 June 2015. This was mainly due to (i) the increase in proportion of sales to retail pharmacy stores which generally have higher gross profit margin as the retail pharmacy stores usually sell the pharmaceutical products directly to consumers; and (ii) the increase in purchase discount from our manufacturer suppliers primarily attributable to the increase in procurement of products which we acted as primary distributor from 3,491 products for the six months ended 30 June 2015 to 4,147 products for the six months ended 30 June 2016.

Other income

For the six months ended 30 June 2016, other income was RMB4.56 million, representing an increase of 61.75% as compared to RMB2.82 million for the six months ended 30 June 2015 mainly due to (i) the receipt of tax refund of RMB0.85 million; and (ii) exchange gains of RMB1.74 million arising from the funds raised from listing held in HK\$.

Selling and distribution expenses

For the six months ended 30 June 2016, the selling and distribution expenses were RMB21.93 million, representing an increase of 18.51% as compared to RMB18.50 million for the six months ended 30 June 2015. This was mainly due to (i) the corresponding increase in the promotional expenses as a result of the increase in our sales of products; and (ii) the increase in salaries, welfare and benefits of the sales personnel.

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses were RMB23.56 million, representing a slight increase of 3.92% as compared to RMB22.67 million for the six months ended 30 June 2015 mainly due to (i) the increase in expenses for professional advisers engaged upon the listing of the Group; (ii) the increase in expenses related to the upgrade of information system; and (iii) the increase in staff salaries and other allowances, contribution to retirement benefits plan.

Finance cost

For the six months ended 30 June 2016, the finance costs were RMB8.75 million, representing a decrease of 24.14% as compared to RMB11.54 million for the six months ended 30 June 2015. This was mainly due to the decrease in the interest expenses on borrowings and bill charges on discounted bills resulted from the decrease in the borrowing interest rate of RMB.

Income tax expense

For the six months ended 30 June 2016, the income tax expense of the Group was RMB12.47 million, increased by 47.00% as compared with that of RMB8.48 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the effective tax rate (income tax divided by profit before taxation) was 25.32%, representing an increase of 0.17 percentage points as compared to 25.15% for the six months ended 30 June 2015.

Profit attributable to the owners of the Company

The Group recorded a profit attributable to the owners of the Company of RMB36.76 million for the six months ended 30 June 2016 compared to RMB25.23 million for the six months ended 30 June 2015, representing an increase of 45.68%. The increase of profit attributable to the owners of the Company was mainly due to (i) the increase in turnover as compared to the corresponding period in 2015; (ii) the increase in the overall gross profit margin; and (iii) the decrease in finance costs as compared to the corresponding period in 2015.

Property, plant and equipment

The net carrying amount of the Group's property, plant and equipment as at 30 June 2016 was RMB125.15 million, representing an increase of RMB7.48 million from that as of 31 December 2015. This was mainly due to (i) the new purchase of 15 refrigerated transportation vehicles; (ii) the purchase of software, facilities and auxiliary hardware equipment relating to the information construction project.

Liquidity and financial resources

As at 30 June 2016, the cash and bank balances of the Group was RMB130.97 million, while the cash and bank balances was RMB155.63 million as at 31 December 2015.

At as 30 June 2016 and 31 December 2015, the Group recorded net current assets of RMB229.96 million and RMB199.40 million respectively. As at 30 June 2016, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.14, while the current ratio was 1.12 as at 31 December 2015. The bank borrowings of the Group as at 30 June 2016 were RMB269.15 million (31 December 2015: RMB290.65 million).

All of the bank borrowings were provided by the banks within the PRC. Except the bank loan of RMB80.27 million which was subject to floating interest rates, the remaining borrowing bore interest at fixed rates. The unit of the carrying amount of the bank borrowings is RMB, which is approximate to the fair value. The Group did not use any financial instruments for hedging purposes or any existing borrowings and/or other hedging instruments for hedging net foreign currency investments.

Trade and other receivables

The trade and other receivables of the Group mainly include trade receivables, bills receivables, prepayment and other receivables. As at 30 June 2016, the amount of the trade and other receivables was RMB1,055.25 million, increased by RMB29.38 million as compared to the amount of the trade and other receivables as at 31 December 2015, mainly due to the increase in the prepayment to pharmaceutical manufacturers by RMB35.75 million as compared with 31 December 2015 as a result of the increase in procurement of products, representing growth of 72.68%.

Trade and other payables

The trade and other payables of the Group mainly include trade payables, bills payables, receipt in advance, other tax payables, accrued expenses and other payables. As at 30 June 2016, the amount of the trade and other payables was RMB1,352.36 million, decreased by RMB3.27 million as compared to the amount of the trade and other payables as at 31 December 2015, mainly due to the decrease in value-added tax payable as compared with 31 December 2015.

Financial ratios

	Six months ended 30 June	
	2016	2015
Net profit margin	2.07%	1.54%
	As at 30 June 2016	As at 31 December 2015
Gearing ratio	0.60	0.70
Net debt to equity ratio	0.31	0.33

The net profit margin of the Group (based on the calculation of net profit divided by turnover) for the six months ended 30 June 2016 was 2.07% as compared to 1.54% the last corresponding period.

The gearing ratio of the Group as at 30 June 2016 (based on the calculation of bank borrowings divided by total equity) was approximately 0.60 as compared to 0.70 as at 31 December 2015.

The net debt to equity ratio of the Group as at 30 June 2016 (based on the calculation of total debts net of cash and cash equivalents divided by total equity) was approximately 0.31 as compared to 0.33 as at 31 December 2015.

Treasury policies

The Group adopts a prudent financial management strategy in implanting the treasury policy. Thus a sound liquidity position was able to be maintained throughout the period under review. The Group continues to assess its customers' credit and financial positions so as to minimize the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

Foreign exchange risks

The transactions of the Group are mainly denominated in RMB. Except for part of the unused funds raised from listing which are denominated in HK\$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong, most of the assets and all liabilities are denominated in RMB. The Group's deposits which are denominated in HK\$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong are subject to exchange risks. During the six months ended 30 June 2016, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risks

For the six months period ended 30 June 2016, the Group had bank borrowings amount of RMB80.27 million which bears a floating interest rate.

Capital structure

The shares of the Company were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 December 2015. There has been no change in the capital structure of the Company since that date. The capital structure of the Company comprises bank borrowings, secured bank deposits, bank balances and cash as well as equity attributable to the owners of the Company (including issued share capital and reserves).

Capital commitments

As at 30 June 2016, the Group did not have any significant capital commitments (2015: nil).

Employees' information

As at 30 June 2016, the Group had 604 employees (2015: 604), including the executive Directors. Total staff costs (including emoluments of Directors and supervisors) were approximately RMB18.71 million, as compared to approximately RMB14.86 million for the six months ended 30 June 2015. The emoluments were determined with reference to market practice and the performance, qualification and experience of individual employees.

The employees are entitled to bonus based on the results of the Group and individual performances other than basic salaries. Other staff benefits include other related insurances set up for the employees employed by the Group in accordance with the rules under Labour Law, Employment Contract Law, Social Insurance Law of the PRC and the rules and regulations of current related regulatory requirements of the PRC.

The salaries and benefits of the employees of the Group are kept at a competitive level. The employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Material investments, acquisitions and disposals being held

Save as its investments in the subsidiaries, during the six months ended 30 June 2016, the Group did not hold any material investments, acquisitions and disposals in the equity interests of any other companies.

Future plans for material investments and capital assets

Save as disclosed in the Company's prospectus dated 2 December 2015 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals related to the subsidiaries and affiliated companies

During the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals related to the subsidiaries and affiliated companies.

Pledge of assets

As at 30 June 2016, the Group was granted a credit limit of RMB706.94 million by various banks while the Group's utilized banking facilities in a total amount of RMB698.36 million, which were secured by:

- (i) property, plant and equipment held by the Group with carrying amount of RMB55.07 million as of 30 June 2016 (31 December 2015: RMB55.72 million).
- (ii) land use rights held by the Group with carrying amount of RMB70.14 million as of 30 June 2016 (31 December 2015: RMB71.25 million).
- (iii) inventories with carrying amount of RMB349.11 million as of 30 June 2016. (31 December 2015: RMB250.00 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2016 (2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, the Group has no significant events after the period required to be disclosed.

USE OF PROCEEDS

The Company's ordinary shares were listed on the Stock Exchange on 14 December 2015. The net proceeds from the Global Offering after deduction of underwriting commissions, fees and listing related expenses payables amounted to approximately RMB158.91 million. As at the date of this announcement, the Directors did not aware of any material changes in the use of proceeds as set out in the Prospectus.

According to the use of proceeds disclosed in the Prospectus by the Company, the details of the actual usage as of 30 June 2016 are as follows:

Planned Use	Budget Amount <i>RMB</i>	Actual usage amount <i>RMB</i>
To strengthen, expand and integrate our existing distribution network and capabilities	Approximately 55.62 million	Approximately 11.17 million
To enhance and promote our B2B e-commerce platform	Approximately 15.89 million	Approximately 6.14 million
To repay bank borrowings	Approximately 47.67 million	Approximately 47.67 million
To acquire pharmaceutical distribution business in Southern China region	Approximately 23.84 million	Nil
For working capital and general corporate purposes	Approximately 15.89 million	Approximately 15.89 million
Total	<u>Approximately 158.91 million</u>	<u>Approximately 80.87 million</u>

INTERIM DIVIDEND

The Board proposed the payment of an interim dividend of RMB0.2 (tax inclusive) per share for the six months ended 30 June 2016 subject to approval by the shareholders of the Company at the extraordinary general meeting of the Company to be convened and, if approved, will be payable on or before 15 December 2016. Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The Company will issue a circular regarding the date of the extraordinary general meeting, the record date for the payment of H share dividends and the dates of closure of H share register of members of the Company in due course.

CORPORATE GOVERNANCE

The Company confirms that, other than the deviation from Code Provision A.2.1, the Company has complied with all the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six months ended 30 June 2016.

Pursuant to code provision A.2.1, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Yao Chuanglong is our Chief Executive Officer, and he also performs as the chairman of our Board as he has considerable experience in the pharmaceutical distribution industry. Our Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. The Company considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Company will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions for the Directors and supervisors of the Company. Having made enquiries with all Directors and supervisors of the Company, the Company confirmed that all Directors and supervisors have complied with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company.

AUDIT COMMITTEE AND REVIEW ON THE INTERIM RESULTS

The Company established an audit committee pursuant to a resolution of the Director passed on 26 November 2015 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The audit committee consists of three independent non-executive Directors, namely Mr. Wan Chi Wai Anthony (Chairman), Mr. Zhou Tao and Mr. Guan Jian.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee and the audit committee is of the view that the interim report for the six months ended 30 June 2016 is prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chmyy.com>). An interim report of the Company for the six months ended 30 June 2016 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Hong Kong, 22 August 2016

As at the date of this announcement, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan, Mr. Fan Jianbo and Mr. Lin Zhixiong; the non-executive Director is Ms. You Zeyan; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).