創美·CH'MEI

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL SUMMARY

- In 2019, the operating revenue of the Group was RMB3,492.78 million, representing a decrease of 11.24% as compared to RMB3,935.25 million in 2018.
- In 2019, the net profit of the Group amounted to RMB40.15 million, representing a decrease of 10.30% as compared to RMB44.76 million in 2018.
- In 2019, the Group's net profit attributable to the shareholders of parent company was RMB40.15 million, representing a decrease of 11.62% as compared to RMB45.43 million in 2018.
- In 2019, the Group's basic and diluted earnings per share was RMB0.37 as compared to RMB0.42 in 2018.
- The Board recommends the distribution of a final dividend of RMB0.2 per share (tax inclusive) for the year ended 31 December 2019.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

		Notes	2019 RMB	2018 RMB
I.	**Total operating revenue**		**3,492,782,912.20**	3,935,245,977.18
	Including: operating revenue	*4*	**3,492,782,912.20**	3,935,245,977.18
II.	**Total operating cost**		**3,431,518,842.44**	3,869,206,579.54
	Including: operating cost	*4*	**3,269,110,594.14**	3,697,481,989.00
	Taxes and surcharges		**7,757,682.47**	6,312,584.52
	Selling expenses		**77,398,582.55**	73,976,620.95
	Management expenses		**46,505,776.94**	59,905,246.94
	Finance costs	*6*	**30,746,206.34**	31,530,138.13
	Including: Interest expenses		**29,450,085.83**	31,093,279.95
	Interest income		**3,624,533.27**	3,177,895.88
	Add: Other gains		**457,060.50**	457,060.50
	Investment income ("–" for loss)		**99.25**	–
	Impairment loss of credit ("–" for loss)		**–4,245,401.56**	–2,044,408.31
	Impairment loss of assets ("–" for loss)		**–3,024,633.91**	–4,107,513.65
	Gains on disposal of assets ("–" for loss)		**–45,128.34**	–40,522.27
III.	**Operating profit**		**54,406,065.70**	60,304,013.91
	Add: Non-operating revenue		**706,361.40**	3,611,103.89
	Less: Non-operating expenses		**67,606.81**	259,691.95
IV.	**Total profit**		**55,044,820.29**	63,655,425.85
	Less: Income tax expense	*7*	**14,891,464.77**	18,893,432.91
V.	**Net profit**		**40,153,355.52**	44,761,992.94
	(1) By continuity of operations		**40,153,355.52**	44,761,992.94
	1. Net profit from continuing operation		**40,153,355.52**	44,761,992.94
	2. Net profit from discontinued operation		**–**	–
	(2) By ownership		**40,153,355.52**	44,761,992.94
	1. Net profit attributable to the owners of parent company		**40,153,355.52**	45,432,949.87
	2. Profit or loss of minority shareholders		**–**	–670,956.93
VI.	**Total comprehensive income**		**40,153,355.52**	44,761,992.94
	Total comprehensive income attributable to the shareholders of parent company		**40,153,355.52**	45,432,949.87
	Total comprehensive income attributable to minority shareholders		**–**	–670,956.93
VII.	**Earnings per share**			
	Basic and diluted earnings per share	*8*	**0.3718**	0.4207

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	Notes	31 December 2019 RMB	31 December 2018 RMB
Current assets			
Monetary funds		**506,308,452.64**	428,601,291.24
Bills receivables	*10*	**22,252,167.66**	35,900,330.74
Trade receivables	*11*	**712,261,600.46**	792,072,666.93
Prepayments		**212,710,994.97**	196,342,436.27
Other receivables		**12,117,039.54**	11,833,686.15
Inventories		**515,162,428.39**	472,522,915.24
Other current assets		**37,890,955.07**	24,810,498.20
Total current assets		**2,018,703,638.73**	1,962,083,824.77
Non-current assets			
Fixed assets		**191,387,488.54**	193,761,724.83
Construction in progress		**110,584,639.14**	23,788,389.90
Right-of-use assets		**15,392,876.84**	–
Intangible assets		**153,080,960.03**	159,338,325.77
Goodwill		**3,127,688.00**	3,127,688.00
Long-term deferred expenses		**5,503,512.35**	6,244,160.99
Deferred income tax assets		**6,027,070.73**	5,635,562.76
Total non-current assets		**485,104,235.63**	391,895,852.25
Total assets		**2,503,807,874.36**	2,353,979,677.02

	Notes	31 December 2019 RMB	31 December 2018 RMB
Current liabilities			
Short-term borrowings		**502,189,369.18**	387,900,000.00
Bills payables	*12*	**833,561,059.77**	778,925,488.11
Trade payables	*13*	**444,956,856.84**	564,494,731.93
Receipts in advance		**–**	–
Contract liabilities		**2,864,226.16**	1,879,275.48
Salaries payable to employees		**4,735,446.57**	5,066,954.31
Tax payables		**48,989,151.02**	37,441,066.12
Other payables		**11,798,422.22**	9,658,239.15
Including: Interests payable		**–**	921,877.61
Non-current liabilities due within one year		**29,164,198.86**	–
Other current liabilities		**–**	457,060.50
Total current liabilities		**1,878,258,730.62**	1,785,822,815.60
Non-current liabilities			
Long-term borrowings		**126,353,138.99**	90,000,000.00
Lease liabilities		**14,384,222.63**	–
Deferred income		**1,218,827.99**	1,218,827.99
Deferred income tax liabilities		**–**	200,653.30
Total non-current liabilities		**141,956,189.61**	91,419,481.29
Total liabilities		**2,020,214,920.23**	1,877,242,296.89
Shareholders' equity			
Share capital		**108,000,000.00**	108,000,000.00
Capital reserve		**278,990,829.04**	278,990,829.04
Surplus reserve		**15,732,626.03**	13,665,514.85
Unallocated profits		**80,869,499.06**	76,081,036.24
Total equity attributable to the shareholders of parent company		**483,592,954.13**	476,737,380.13
Minority shareholders' interests		**–**	–
Total shareholders' interests		**483,592,954.13**	476,737,380.13
Total liabilities and shareholders' interests		**2,503,807,874.36**	2,353,979,677.02

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Charmacy Pharmaceutical Co., Ltd. (the "**Company**") was established as an enterprise owned by the whole people (全民所有制企業) in the People's Republic of China (the "**PRC**") under the name of Shantou Pharmaceutical Supplies Company* (汕頭市醫藥聯合公司物資站) on 18 February 1984. Pursuant to an approval granted by relevant PRC authorities on 28 May 2015, the Company was transformed into a joint stock company with limited liability and changed its name to Charmacy Pharmaceutical Co., Ltd (創美藥業股份有限公司). 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 of the Company is No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the PRC.

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

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

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation basis

The Group prepared its financial statements on the going concern basis, according to actual transactions and events as well as such disclosure requirements under the Accounting Standards for Enterprises (《企業會計準則》) and relevant provisions (collectively referred to as "**Accounting Standards for Enterprises**") issued by the Ministry of Finance of the PRC, the Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No.15 – General Provisions on Financial Reporting (Revised in 2014) (《公開發行證券的公司信息披露編報規則第15號–財務報告的一般規定》(2014年修訂)) issued by China Securities Regulatory Commission, the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange, and based on the accounting policies and accounting estimates applicable to the Group.

(2) Going concern

The Group, having evaluated its ability to continue as a going concern for the 12 months since 31 December 2019, did not find any event or condition which may cast significant doubt on the going concern ability. Hence, the preparation of these financial statements was based on the assumption of going concern.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Declaration on compliance with Accounting Standards for Enterprises

The Company complied with the requirements of Accounting Standards for Enterprises in preparing its financial statements, which give a true and full view of the information such as financial position, operating results and cash flows of the Company and the Group.

(2) Accounting period

The Group's accounting period begins on 1 January and ends on 31 December of the calendar year.

(3) Business cycle

The Group treats 12 months as a business cycle and the criteria for classifying the liquidity of assets and liabilities.

(4) Functional currency

The Group adopts Renminbi as its functional currency.

Unless otherwise stated, in respect of the following data disclosed in the financial statements, “beginning of the year”, “end of the year”, “the year” and “last year” refer to 1 January 2019, 31 December 2019, 1 January 2019 to 31 December 2019, and 1 January 2018 to 31 December 2018, respectively, while the currency unit is RMB yuan.

(5) Changes in accounting policies

On 7 December 2018, the Accounting Standards for Business Enterprises No. 21 – Leases (the “**New Lease Standards**”) was amended by the Ministry of Finance, and required enterprises that are concurrently listed at home and abroad, as well as those that are listed overseas and adopt the International Financial Reporting Standards (IFRSs) or the Accounting Standards for Business Enterprises for the preparation of financial statements, to apply the New Lease Standards from 1 January 2019. On 30 April 2019, the Ministry of Finance issued the Notice on Amending and Releasing the Format of General Corporate Financial Statements for Year 2019 (《關於修訂印發2019年度一般企業財務報表格式的通知》) (Cai Kuai [2019] No. 6) (“**Notice No. 6**”), which amended the format of general corporate financial statements with respect to the Accounting Standards for Business Enterprises No. 21 – Leases to be implemented in stages from 1 January 2019 and the circumstances under the implementation of Accounting Standards for Business Enterprises. According to the assessment made by the Board of the Company, the changes in the above standards have no significant impact on the financial statements of the Group.

On 9 May 2019, the Ministry of Finance amended the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets, effective from 10 June 2019. On 16 May 2019, the Ministry of Finance amended the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring, effective from 17 June 2019. The amended standards above require that the exchange of non-monetary assets and debt restructuring that took place between 1 January 2019 and the respective effective dates shall be adjusted in accordance with the newly amended standards, and those that took place before 1 January 2019 need not to be adjusted retrospectively. Since there was no such business in the reporting period, the statements for the reporting period were not affected.

On 19 September 2019, the Ministry of Finance issued the Notice on Amending and Releasing the Format of Consolidated Financial Statements (2019 Edition) (Cai Kuai [2019] No. 16) (《關於修訂印發合併財務報表格式(2019版)的通知》(財會[2019]16號)), which amended the format of consolidated financial statements on the basis of documents such as Notice No.6 for the purpose of the New Lease Standards,.

The Group has applied the aforesaid new standards as required above.

4. OPERATING REVENUE AND OPERATING COST

Item	Amount for the year		Amount for last year	
	Revenue	**Cost**	Revenue	Cost
Principal business	**3,472,157,546.80**	**3,269,110,594.14**	3,906,599,642.74	3,697,481,989.00
Other businesses	**20,625,365.40**	**–**	28,646,334.44	–
Total	**3,492,782,912.20**	**3,269,110,594.14**	3,935,245,977.18	3,697,481,989.00

5. SEGMENT INFORMATION

Information would be 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 chief executive officer of the Company considers that there is only one operating and reportable segment for the Group: trading and promoting pharmaceutical products.

Geographical information

All the Group's operations are located in the PRC. All the Group's operating revenue from external customers is generated from the PRC and all the non-current assets of the Group are located in the PRC.

Information about major customers

No individual customer has contributed over 10% of the total operating revenue of the Group for the two years ended 31 December 2019 and 2018.

6. FINANCE COSTS

Item	Amount for the year	Amount for last year
Interest expenses	**29,450,085.83**	31,093,279.95
Less: Interest income	**3,624,533.27**	3,177,895.88
Add: Foreign exchange loss	**909.48**	122,685.03
Add: Handling fees	**3,945,182.92**	3,492,069.03
Add: Interest on lease liabilities	**974,561.38**	–
Total	**30,746,206.34**	31,530,138.13

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	**Amount for the year**	Amount for last year
Current income tax calculated according to the tax law and related regulations	**15,483,626.04**	19,604,923.82
– PRC	**15,483,626.04**	19,604,923.82
– Hong Kong	**–**	–
Deferred income tax expenses	**–592,161.27**	–711,490.91
Total	**14,891,464.77**	18,893,432.91

The Group had no Hong Kong income tax, since it had no taxable income in Hong Kong during the year.

(2) Reconciliation between accounting profit and income tax expenses

Item	**Amount for the year**
Combined total profit for the year	**55,044,820.29**
Income tax expenses calculated at statutory/applicable tax rate	**13,761,205.07**
Effect of non-deductible costs, expenses and losses	**1,143,122.26**
Tax effect of deductible losses and deductible temporary difference not recognized for the current period	**–12,862.56**
Other	**–**
Income tax expenses	**14,891,464.77**

8. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with the requirements of the "Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No.9 – Calculations and Disclosures for Return on Net Assets and Earnings Per Share (Revised in 2010)" (《公開發行證券的公司信息披露編報規則第9 號－淨資產收益率和每股收益的計算及披露（2010年修訂）》) issued by the China Securities Regulatory Commission, the weighted average return on net assets, basic earnings per share and diluted earnings per share of the Group for 2019 are as follows:

Profit for the reporting period	**Weighted average return on net assets** *(%)*	**Earnings per share**	
		Basic earnings per share	**Diluted earnings per share**
Net profit attributable to the shareholders of parent company	8.36	0.3718	0.3718
Net profit attributable to the shareholders of parent company (excluding non-recurring profit and loss)	8.18	0.3639	0.3639

9. DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.2 (tax inclusive) per share for the year ended 31 December 2019 (2018: RMB0.3), subject to the Company's shareholders' approval on the forthcoming annual general meeting.

10. BILLS RECEIVABLES

(1) Classification of bills receivables

Item	**Balance as at the end of the year**	Balance as at the beginning of the year
Bank acceptance bills	**6,926,740.66**	31,924,545.23
Commercial drafts	**15,370,000.00**	3,975,785.51
Subtotal	**22,296,740.66**	35,900,330.74
Less: Provision for bad debt	**44,573.00**	–
Total	**22,252,167.66**	35,900,330.74

(2) Pledged bills receivables as at the end of the year

Item	**Pledged amount as at the end of the year**
Bank acceptance bills	**–**
Commercial drafts	**6,000,000.00**
Total	**6,000,000.00**

(3) Bills receivables endorsed as at the end of the year but not mature at the balance sheet date

Item	**Amount derecognized as at the end of the year**	Amount not derecognized as at the end of the year
Bank acceptance bills	**473,650,039.65**	–
Commercial drafts	**–**	–
Total	**473,650,039.65**	–

(4) Bills receivables discounted as at the end of the year but not mature at the balance sheet date

Item	Amount derecognized as at the end of the year	Amount not derecognized as at the end of the year
Bank acceptance bills	**252,894,869.03**	–
Commercial drafts	**–**	9,370,000.00
Total	**252,894,869.03**	9,370,000.00

(5) As at the end of the year, no bills were reclassified to trade receivables due to inability of the issuers to settle the bills.

(6) Classification by the methods for making provisions for bad debt

	Balance as at the end of the year				
	Book balance		Provision for bad debt		
Classification	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	Book value
Bad debt provision made on individual basis	–	–	–	–	–
Bad debt provision made on a collective basis	22,296,740.66	100.00	44,573.00	0.20	22,252,167.66
Aging portfolio	15,370,000.00	68.93	44,573.00	0.29	15,325,427.00
Low risk portfolio	6,926,740.66	31.07	–	–	6,926,740.66
Total	**22,296,740.66**	**100.00**	**44,573.00**	**0.20**	**22,252,167.66**

	Balance as at the beginning of the year				
	Book balance		Provision for bad debt		
Classification	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	Book value
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	35,900,330.74	100.00	–	–	35,900,330.74
Low risk portfolio	35,900,330.74	100.00	–	–	35,900,330.74
Total	35,900,330.74	100.00	–	–	35,900,330.74

Note 1: For the aging portfolio comprising the amounts of the commercial drafts held as at the end of the period and the commercial drafts discounted as at the end of the year but not mature at the balance sheet date, the impairment losses of credit are provided for with reference to the expected credit loss rates for trade receivables.

Note 2: The age of the aforementioned bills receivables of the Group as at the end of the year was within 1 year.

(7) **Provisions for bad debt accrued, recovered and reversed for bills receivables in the year**

Category	Balance as at the beginning of the year	Changes in the year: Accrued	Recovered or reversed	Written back or written off	Balance as at the end of the year
Commercial drafts	–	44,573.00	–	–	44,573.00
Total	–	44,573.00	–	–	**44,573.00**

11. TRADE RECEIVABLES

Name of item	**Balance as at the end of the year**	Balance as at the beginning of the year
Trade receivables	**730,049,894.39**	805,660,132.30
Less: Provision for bad debt	**17,788,293.93**	13,587,465.37
Net	**712,261,600.46**	792,072,666.93

(1) **Aging analysis of trade receivables**

Before accepting new customers, the Group assessed the credit worthiness of potential clients and set corresponding credit limits according to the internal credit assessment policies. The Group applies different credit policies to different customers. Credit period is generally six months. As for commodity sales, the trade receivables and operating revenue are recognized and the age of the same is calculated after the main risks and rewards related to the ownership of goods have been transferred to the buyers.

	Balance as at the end of the year			Balance as at the beginning of the year		
Age	Book balance	Percentage (%)	Provision for bad debt	Book balance	Percentage (%)	Provision for bad debt
Within 1 year	**688,345,188.22**	**94.29**	**2,117,508.29**	773,997,564.44	96.07	2,428,056.64
1 to 2 years	**27,446,105.54**	**3.76**	**4,448,569.09**	23,317,010.64	2.90	2,918,001.63
2 to 3 years	**6,229,802.28**	**0.85**	**3,193,418.20**	5,836,096.71	0.72	5,731,946.59
More than 3 years	**8,028,798.35**	**1.10**	**8,028,798.35**	2,509,460.51	0.31	2,509,460.51
Total	**730,049,894.39**	**100.00**	**17,788,293.93**	805,660,132.30	100.00	13,587,465.37

(2) Classification of trade receivables

Balance as at the end of the year

Classification	**Book balance – Amount**	**Book balance – Percentage (%)**	**Provision for bad debt – Amount**	**Provision for bad debt – Lifetime expected credit loss rate (%)**	**Book value**
Provision for bad debt made on individual basis	**18,542,550.87**	**2.54**	**12,918,423.63**	**69.67**	**5,624,127.24**
Provision for bad debt made on a collective basis	**711,507,343.52**	**97.46**	**4,869,870.30**	**0.68**	**706,637,473.22**
Aging portfolio	**711,507,343.52**	**97.46**	**4,869,870.30**	**0.68**	**706,637,473.22**
Total	**730,049,894.39**	**100**	**17,788,293.93**	**–**	**712,261,600.46**

Balance as at the beginning of the year

Classification	Book balance – Amount	Book balance – Percentage (%)	Provision for bad debt – Amount	Provision for bad debt – Lifetime expected credit loss rate (%)	Book value
Provision for bad debt made on individual basis	8,468,876.90	1.05	8,468,876.90	100.00	–
Provision for bad debt made on a collective basis	797,191,255.40	98.95	5,118,588.47	0.64	792,072,666.93
Aging portfolio	797,191,255.40	98.95	5,118,588.47	0.64	792,072,666.93
Total	805,660,132.30	100.00	13,587,465.37	–	792,072,666.93

(3) No amounts were past due but not impaired as at the balance sheet date.

(4) Provisions for bad debts accrued and reversed (or recovered) in the year

Balance as at the beginning of the year	**Changes in the year – Accrued**	**Changes in the year – Recovered or reversed**	**Changes in the year – Written back or written off**	**Balance as at the end of the year**
13,587,465.37	4,291,561.03	90,732.47	–	**17,788,293.93**

(5) No trade receivables were written off in the year.

12. BILLS PAYABLES

Classification of bills	**Balance as at the end of the year**	Balance as at the beginning of the year
Bank acceptance bills	**829,061,059.77**	778,925,488.11
Commercial drafts	**4,500,000.00**	–
Total	**833,561,059.77**	778,925,488.11

As at the end of the year, the age of the aforementioned bills payables of the Group was within 1 year.

13. TRADE PAYABLES

(1) Trade payables

Item	**Balance as at the end of the year**	Balance as at the beginning of the year
Loans	**432,594,542.27**	563,275,976.07
Equipment costs	**12,132,400.27**	–
Project maintenance costs	**229,914.30**	1,218,755.86
Total	**444,956,856.84**	564,494,731.93

(2) Aging analysis of trade payables

Below is an aging analysis of trade payables based on transaction date as at 31 December 2019:

Age	**Balance as at the end of the year**	Balance as at the beginning of the year
Within 1 year	**438,811,912.47**	563,551,065.72
1 to 2 years	**5,763,433.44**	507,200.82
2 to 3 years	**55,427.76**	270,210.38
More than 3 years	**326,083.17**	166,255.01
Total	**444,956,856.84**	564,494,731.93

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The "13th Five-Year Plan" period is an important stage for building a well-off society in an all-round way and accomplishing the strategic goal of "Healthy China". The government coordinates and resolves major and long-term health problems from the strategic macro perspective, and implemented the reform of "Three Medical Linkage* (三醫聯動)", which promotes the development of medicine, medical treatment and medical insurance. The comprehensive roll-out of the "Two-Invoice System* (兩票制)" and the "Zero Mark-up for Medicine* (藥品零加成)" policies has resulted in profound changes to the relationship among the structure, distribution channel and supply chain of the drug distribution market. The utilisation efficiency of the medical insurance funds will be further enhanced through centering on the "Control on Medical Insurance Fees* (醫保控費)" to explore policies such as "Purchase in Quantity* (帶量採購)" and "Diagnosis-Related Groups (DRGs) Payment* (疾病診斷相關分組(DRGs)付費)", and consistently implementing the "National Catalogue of Essential Drugs (2018 Version)* (《國家基本藥物目錄》（2018年版）)". The advancement of the policies on "Social Hospitals* (社會辦醫)", "Establishment of Medical and Health Community* (醫療衛生共同體建設)" and "Establishment of Urban Medical Consortium* (城市醫療聯合體建設)" has further promoted the advancement of the "Hierarchical Diagnosis and Treatment* (分級診療)" policy.

Industry and market scale maintained stable growth against the backdrop of economic downturn

The growth rate of gross domestic product ("**GDP**") has been decreasing year by year. According to the preliminary estimate of the National Bureau of Statistics, the year-on-year growth rate of GDP in 2019 is approximately 6.1%, representing a decrease of approximately 0.5 percentage point from the same period of the previous year.

According to the data of MENET, the pharmaceutical sales in the six major markets of the three major terminals amounted to RMB1,795.5 billion, representing a year-on-year increase of 4.8%, of which, the retail pharmacy store terminal recorded a growth rate of 7.1% in sales revenue with a market share of 23.40%, representing an increase of 0.5 percentage point as compared to last year; and the public primary healthcare terminal recorded a growth rate of 8.2% in sales revenue with a market share of 10.00%, representing an increase of 0.3 percentage point as compared to last year.

According to the Annual Report on the Development of China's Pharmaceutical Distribution Industry (2019) (《中國藥品流通行業發展報告》(2019)) (the "**Report**"), the sales of retail pharmacy stores have maintained a growth rate of approximately 10% since 2009, with its contribution to the pharmaceutical expenses on the three major terminals (which include public hospitals, primary medical and health institutions and retail pharmacy stores) rose from 18.59% to 57.83%. Under the influence of "Internet +" related policies, the retail drug market is transforming into innovative models such as DTP (Direct to Patient) specialised pharmacies, distribution specialised pharmacies, chronic disease management pharmacies and smart pharmacies.

Pharmaceutical e-commerce has been developing steadily and dominated by B2B mode

According to the Report, the penetration rate of the pharmaceutical e-commerce in the pharmaceutical distribution market in China has been steadily increasing, and reached 4.53% in 2018, representing an increase of 1.66 percentage points as compared to that of 2015. The sales of pharmaceutical e-commerce companies in China ("**Total Pharmaceutical E-commerce Sales**") have been increasing year by year, so as the percentage of the sales under B2B mode. The Total Pharmaceutical E-commerce Sales in 2018 amounted to RMB97.8 billion, with the sales under B2B mode accounting for 95.19%.

Increase in demand for medical health due to acceleration of aging population

According to the statistics of the National Bureau of Statistics, by the end of 2019, there were 176.03 million people who aged 65 and above, accounting for 12.6% of the total population, and representing an increase of 9.45 million in population who aged 65 and above and a growth of 0.7% in the percentage of people who aged 65 and above to the total population, as compared to the end of 2018.

According to the National Statistical Bulletin on the Development of Health Industry in 2018 (《2018年我國衛生健康事業發展統計公報》), the average number of residents' visits to healthcare institutions increased from 5.4 times in 2013 to 6.0 times in 2018. Total health expense per capita was RMB4,148.1, and the total health expense accounted for 6.4% of the GDP, representing an increase of 0.03 percentage points as compared with the previous year.

Tightening regulation will result in a higher concentration of drug distribution industry

In 2016, the China Food and Drug Administration issued the New Edition of Good Supply Practice for Pharmaceutical Products* (《新版藥品經營品質管制規範》) which emphasised the effective control of the whole pharmaceutical industry chain.

On 26 August 2019, the twelfth meeting of the Standing Committee of the Thirteenth National People's Congress passed the second revision of the Drug Administration Law (《藥品管理法》), which was implemented on 1 December 2019. The Drug Administration Law mainly revised the definition and classification of drugs, clarified the drug marketing authorisation holder (MAH) system, redefined the scope of "counterfeit and inferior drugs" (假藥劣藥), enhanced the penalties for drug violations, and cancelled drug GMP and GSP certifications. The revised Drug Administration Law was enacted in accordance with the "four strictest" (四個最嚴) as principle, and to guarantee the safety of public medications with the strictest standards, the strictest supervision, the strictest punishment and the strictest accountability.

According to the Report, the aggregate income of the top 100 pharmaceutical wholesale enterprises from main businesses in 2018 accounted for 71.95% of the total sales of the national pharmaceutical market, representing an increase of 8.62 percentage points as compared to 63.33% in 2011. In the tightened regulatory environment, the concentration of the drug distribution industry will further intensify, and small and medium-sized drug distribution enterprises will still need to face the dual challenges of tightening regulation and more stringent supply chain standards.

Xi Jinping made important instructions on the work in relation to traditional Chinese medicine, and new opportunities arise for the development of traditional Chinese medicine

In October 2019, Xi Jinping, the General Secretary of the CPC Central Committee, the President of the PRC and the Chairman of the Central Military Commission, gave important instructions on the work in relation to Chinese medicine, emphasising inheritance of essences and innovation, and contributing to the construction of a healthy China. On 25 October 2019, the Opinions of the State Council under the Central Committee of the Communist Party of China on Promoting the Inheritance and Innovative Development of Traditional Chinese Medicine (《中共中央國務院關於促進中醫藥傳承創新發展的意見》) was released, which pointed out that it is necessary to improve the traditional Chinese medicine service system, give play to the unique role of traditional Chinese medicine in maintaining and promoting people's health, vigorously promote the improvement of the quality of traditional Chinese medicine and the high-quality development of the industry, and strengthen the building of the talent team for traditional Chinese medicine. The traditional Chinese medicine industry will usher in new development opportunities and bring new growth points to the primary medical market.

Sources of the above information: MENET (Note: The three terminal markets do not include private medical institutions), Annual Report on China's Pharmaceutical Distribution Industry (2019) (《中國藥品流通行業發展報告》(2019)) and the National Statistical Bulletin on the Development of Health Industry in 2018 (《2018年我國衛生健康事業發展統計公報》)

BUSINESS REVIEW

Our principal business is pharmaceutical products distribution in the PRC, with most of our operating revenue derived from pharmaceutical products distribution. We procure pharmaceutical products from pharmaceutical manufacturers and distributor suppliers and sell the products to distributor customers, retail pharmacy stores, and hospitals, clinics, health centres and others.

In 2019, we followed the operation target set, and continued to explore Guangdong market in depth and expand our coverage on surrounding areas, with a focus on developing the business with retail end-customers. We maintain close and good communication with customers, and provide customers with the most thoughtful services. As of 31 December 2019, our distribution network covered 8,301 customers, among which 645 were distributors, 5,582 were retail pharmacy stores and 2,704 were hospitals, clinics, health centres and others, representing an increase of 525 in the number of customers, including the decrease of 87 distributors, the increase of 387 retail pharmacy stores, and the increase of 225 hospitals, clinics, health centres and others compared to last year.

In order to meet the different needs of customers and enhance customer adhesion, we strengthened cooperation with well-known domestic and overseas manufacturers, and expanded the variety and scale of first-level distribution products; continued to optimise product structure by introducing marketable, high-quality products with high profit margin to enrich product categories. As of 31 December 2019, we had a total of 1,090 suppliers, of which 658 were pharmaceutical manufacturers and 432 were distributor suppliers, representing an increase of 15 suppliers compared to last year. As of 31 December 2019, we distributed 11,640 types of products, representing an increase of 147 types of products compared to last year.

	Number of products for the year ended 31 December	
	2019	2018
Products Category		
Western medicines	**3,850**	3,871
Chinese patent medicines	**4,328**	3,871
Healthcare products	**214**	206
Others	**3,248**	3,545
Total	**11,640**	11,493

We actively promoted the diversion of terminal retail customers from offline to online, where they can place orders and make inquiries and payments through our own B2B e-commerce platform "Charmacy e-Medicine" ("e-commerce platform") (http://www.cmyynet.com/). We increased online promotion activities and continued to optimise and improve the user experience on PC terminal, WAP mobile terminal, and WeChat mini program. For the year ended 31 December 2019, our e-commerce platform had 6,249 active trading clients in total, who are principally end customers such as retail pharmacy stores, clinics and health centres, representing an increase of 611 compared to last year. In 2019, the operating revenue from our B2B e-commerce platform was approximately RMB239.48 million in total, representing an increase of RMB21.68 million compared to last year.

The operating revenue of the Group in 2019 was RMB3,492.78 million, representing a decrease of 11.24% as compared to last year. The gross profit margin was 6.40%, representing an increase of approximately 0.36 percentage point as compared to last year. The total expense ratio was 4.43%, representing an increase of 0.22 percentage point as compared to last year. Net profit amounted to RMB40.15 million, which represented a decrease of 10.30% as compared to last year. Our net profit margin was 1.15%, representing an increase of 0.01 percentage point as compared to last year.

Guangzhou Pharmaceutical Sorting and Distribution Center is about to be completed, breaking the warehousing bottleneck in the Pearl River Delta and contributing to the business development in the Guangdong-Hong Kong-Macau Greater Bay Area

On 19 April 2019, the Group entered into a business contract with Beijing Vstrong Intelligent Technology Co., Ltd.* (北京伍強智能科技有限公司) to carry out the development of logistics system integration by adopting advanced logistics solutions such as Automatic Storage and Retrieval System ("**AS/RS**"), Warehouse Control System ("**WCS**") and Pick-to-Light ("**PTL**") system, which, when combined with the Group's existing SAP system, can realise visual management of warehouse distribution, and hence will establish an integrated logistics network operation mode which enables the realisation of linking the operation of each of logistics centers of the Group. The construction of the main body of the Pharmaceutical Sorting and Distribution Center has currently been completed, while the installation and commissioning of the supporting facilities and the logistics system facilities and equipment have been delayed due to the outbreak of COVID-19, and is expected to be completed in June this year and will be quickly put into operation.

PROSPECTS

The outbreak of COVID-19 in late January 2020 has impacted the real economy worldwide to different extent. The pandemic has been basically under control in China, and the Chinese government is implementing a series of tax and charge reduction measures and policies of providing special refinancing and free-interest fund to minimise the negative impact of the pandemic on China's real economy in every endeavour. In the long run, China's economy has both tenacity and growth potential, and the trend of steady progress will not change. Moreover, with the advancement of the reform of the medical and healthcare system, the market share of the non-tender market will gradually expand, which will be beneficial to our long-term business development.

During the battle against the pandemic, we stood firmly in the front line of pharmaceutical distribution, gave full play to our advantages of "multi-variety, small-batch, high-frequency" distribution capabilities, and intelligent and internet-based services to enable end customers to place orders and make inquiries and payments online anytime and anywhere through our own B2B e-commerce platform. The advantages of "Internet + Pharmaceutical Distribution" were fully demonstrated, and the number of our online trading customers and sales revenue increased significantly during the pandemic. Therefore, we will continue to promote the innovation and reform of "Internet + Pharmaceutical Distribution", continuously upgrade and develop the functions and applications of the e-commerce platform, improve users' transaction experience, promote the better development of e-commerce business, and actively promote standardised, process-based and intelligent pharmaceutical distribution and delivery services, to achieve the operating results at low cost and high efficiency.

We will strengthen risk management, improve business quality, seize the opportunities arising from the expansion of the primary medical market, adhere to the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas", and build a pharmaceutical retail terminal network with full coverage on Guangdong Province and surrounding areas. After the Charmacy (Guangzhou) Pharmaceutical Sorting and Distribution Centre is put into operation after completion, the Group's warehousing and sorting scale will be expanded, and multi-warehouse collaboration by integrating pharmaceutical warehousing and transportation resources will be attained, to give further play to our advantages in customers, products, management and services and better expand the terminal distribution network. At the same time, we will actively expand the third-party pharmaceutical logistics business to enhance the Group's market competitiveness and profitability.

We will make good use of our advantages in modernised pharmaceutical logistics, continue to tap into the growth potential of the pharmaceutical non-tender market, accelerate the duplication of the mature non-tender pharmaceutical market operation model, strive to elevate the operating efficiency of our pharmaceutical supply chain, optimise the portfolio of pharmaceutical products and customer service experience, and reduce the cost of pharmaceutical distribution, striving to become the most competitive service provider in the medical and healthcare industry in China.

FINANCIAL REVIEW

Operating revenue

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Principal business	**3,472,158**	3,906,600
Other business	**20,625**	28,646
Operating revenue	**3,492,783**	3,935,246

The operating revenue of the Group in 2019 was RMB3,492.78 million, representing a decrease of 11.24% as compared to last year.

	For the year ended 31 December	
	2019	2018
Customer Type	***RMB'000***	*RMB'000*
Distributors	**1,775,333**	2,674,316
Retail pharmacy stores	**1,582,398**	1,133,835
Hospitals, clinics, health centers and others	**114,426**	98,449
Revenue from principal business	**3,472,158**	3,906,600

During 2019, our revenue from principal business was derived from product sales to (i) distributor customers; (ii) retail pharmacy stores; and (iii) hospitals, clinics, health centres and others. During 2019, over 97% of our revenue from principal business was derived from distributor customers and retail pharmacy stores.

Our revenue from principal business decreased in 2019, primarily because in response to the economic environment, our Group adopted a relatively conservative marketing strategy to improve our quality of operations, and in order to ensure receiving payment for our sales, we adopted appropriate control measures for some distributors, which resulted in the decline in our operating revenue.

Operating cost, gross profit and gross profit margin

The operating cost of the Group decreased by 11.59% to RMB3,269.11 million for the year ended 31 December 2019 from RMB3,697.48 million for the year ended 31 December 2018. Such change was in line with the change in operating revenue from sales of products.

The gross profit of the Group decreased by 5.93% to RMB223.67 million for the year ended 31 December 2019 from RMB237.76 million for the year ended 31 December 2018. The gross profit margin of the Group increased to 6.40% for the year ended 31 December 2019 from 6.04% for the year ended 31 December 2018. The increase in the gross profit margin of the Group was mainly due to the decrease in value-added tax rate from 16% to 13%.

Selling expenses

The selling expenses of the Group increased by 4.63% to RMB77.40 million for the year ended 31 December 2019 from RMB73.98 million for the year ended 31 December 2018, which was mainly due to (i) the increase of RMB1.61 million in staff remuneration; and (ii) the inclusion of leased assets in the right-of-use assets and the monthly depreciation of the right-of-use assets according to the New Lease Standards, resulting in an increase of RMB1.98 million in depreciation and amortization.

Management expenses

The management expenses of the Group decreased by 22.37% to RMB46.51 million for the year ended 31 December 2019 from RMB59.91 million for the year ended 31 December 2018, which was mainly due to (i) the fact that the original expenses for engaging intermediaries which amounted to RMB5.74 million were recorded one-off for 2018 after the Group's voluntary termination of the application for the listing of A shares in 2018 but no such expenses were incurred in 2019 and therefore the fees for engaging intermediaries reduced by RMB5.74 million compared to last year; (ii) the decrease of RMB3.43 million in office expenses; and (iii) the decrease of RMB2.98 million in employee compensation and benefits which mainly resulted from the streamlining of management staff.

Finance costs

The finance costs of the Group decreased by 2.49% to RMB30.75 million for the year ended 31 December 2019 from RMB31.53 million for the year ended 31 December 2018, which was mainly due to the decrease of RMB0.84 million in discounted interest caused by the decline in discount rates in the market in 2019.

Income tax expense

The income tax expenses of the Group decreased by 21.18% to RMB14.89 million for the year ended 31 December 2019 from RMB18.89 million for the year ended 31 December 2018, which was mainly due to the decrease in total assessable profit.

Net profit

The net profit of the Group decreased by 10.30% to RMB40.15 million for the year ended 31 December 2019 from RMB44.76 million for the year ended 31 December 2018. In particular, the net profit attributable to the shareholders of parent company decreased by 11.62% to RMB40.15 million for the year ended 31 December 2019 from RMB45.43 million for the year ended 31 December 2018. This was mainly due to the decrease of RMB14.09 million in gross profit caused by the decrease in revenue. The total expenses only reduced by RMB10.76 million and profit before tax decreased which resulted in the decrease in net profit.

Liquidity and financial resources

As at 31 December 2019, the cash and bank deposits of the Group amounted to RMB40.15 million, while the cash and bank deposits amounted to RMB55.74 million as at 31 December 2018.

As at 31 December 2019 and 31 December 2018, the Group recorded net current assets of RMB140.44 million and RMB176.26 million, respectively. As at 31 December 2019, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.07 (2018: 1.10).

The bank borrowings of the Group as at 31 December 2019 were RMB655.40 million (short-term borrowings: RMB502.19 million, long-term borrowings: RMB153.21 million, including the long-term borrowings due within one year: RMB 26.85 million). All the bank borrowings were provided by the banks within the PRC, which bear fixed interest rates. The carrying amount of the bank borrowings is presented in RMB, and is approximate to the fair value. The Group did not use any financial instruments for hedging purposes or did not have any existing borrowings and/or other hedging instruments for hedging net foreign currency investments.

Bill receivables and trade receivables

As at 31 December 2019, the Group's bills receivables and trade receivables amounted to RMB734.51 million, representing a decrease of RMB93.46 million compared to those as at 31 December 2018. Such decrease was mainly due to our strengthened management for bills receivables and trade receivables, the strict implementation of customer credit management system and the enhancement of our effort to recover the receivables.

Bills payables and trade payables

As at 31 December 2019, the Group's bill payables and trade payables amounted to RMB1,278.52 million, representing a decrease of RMB64.90 million compared to those as at 31 December 2018. Such decrease was mainly due to the decrease in drug purchases in 2019 and the corresponding decrease in trade payables.

Treasury policy

The Group adopts a prudent financial management strategy in executing its 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 credit risks. In order to control liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure that its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

Foreign currency exchange risk

The transactions of the Group are denominated in RMB, and most of the assets and all liabilities are denominated in RMB. The foreign exchange risk that the Group has to bear is extremely low. During the year, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

For the year ended 31 December 2019, the Group had no bank borrowings which bear interest at floating rate. (2018: Nil).

Capital management

Set out below is the Group's gearing ratios as at 31 December 2019 and 2018, respectively:

	31 December 2019	31 December 2018
Gearing ratio	**55.99%**	46.96%

Note: Gearing ratio is equal to net liabilities divided by aggregate capital as at the end of the period. Net liabilities represent total borrowings deducted by cash and cash equivalents; and aggregate capital is the sum of net liabilities and total equity.

Capital commitment

As at 31 December 2019, the Group's capital commitment amounted to RMB32.52 million (2018: RMB60.29 million).

Employees' information

As at 31 December 2019, the Group had a total of 796 employees (including executive Directors), representing a decrease of 23 employees compared with the number of employees as at 31 December 2018. The total staff cost (including emoluments of directors and supervisors) was RMB66.96 million, as compared to RMB68.34 million for the year ended 31 December 2018, representing a decrease of 2.01%. 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 performance 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 and regulations under Labor Law, Employment Contract Law, Social Insurance Law of the PRC and the current 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 held

Apart from investments in subsidiaries, the Group held no material investment, acquisition or disposal in the equity interests of any other company for the year ended 31 December 2019.

Future plans related to the material investments and capital assets

Save as disclosed in the prospectus of the Company dated 2 December 2015, the Group has no other future plans related to the material investments and capital assets.

Material acquisitions and disposals related to subsidiaries, associates and joint ventures

During the year ended 31 December 2019, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2019, the Group was granted a credit limit of RMB1,165.09 million by various banks, while the Group's utilized banking facilities totaled RMB1,035.58 million, which were secured by (i) property, plant and equipment held by the Group with a carrying amount of RMB151.30 million as at 31 December 2019; (ii) construction in progress held by the Group with a carrying amount of RMB108.36 million as at 31 December 2019; (iii) land use rights held by the Group with a carrying amount of RMB139.79 million as at 31 December 2019; and (iv) the Group's inventories with a carrying amount of RMB350.00 million as at 31 December 2019.

Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: Nil).

DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.20 per share for the year ended 31 December 2019 (tax inclusive), which is subject to approval by the shareholders of the Company at the annual general meeting (the "**AGM**") to be convened on 25 May 2020 and, if approved, will be paid on or before 10 July 2020. The dividend of domestic shares will be paid in RMB, whereas that of H shares will be paid in HKD. The Company will publish a circular in respect of, among others, the record date of H share dividend payment and the relevant dates when the registration of the H shares of the Company will be closed, when appropriate.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members of the Company to attend the AGM to be held on 25 May 2020, the register of members of the Company will be closed from 19 May 2020 to 25 May 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 pm on 18 May 2020.

CORPORATE GOVERNANCE PRACTICES

The Company had been complying with 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**") for the year ended 31 December 2019, save for the deviation as stated below:

Pursuant to Code Provision A.2.1, the responsibilities between the chairman and chief executive officer should be separated 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 under 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 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 in dealings with the Company's securities 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 standard as set out in the Model Code for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, there was an outbreak of the novel coronavirus disease (COVID-19) across the country. During the Spring Festival holiday, the Group arranged our employees to return to work in the front line of drug distribution before the end of the holiday, and expedited the distribution of pandemic prevention drugs and materials which effectively ensured the normal supply of pandemic prevention drugs and materials in the pharmaceutical retail terminal market in Guangdong, and ensure the supply of pandemic prevention drugs and materials in the pandemic prevention and control frontline, thereby taking practical actions to fulfill its social responsibility as a pharmaceutical company, and putting into practice the Group's corporate mission and responsibility of "Creating Healthy and Beautiful Life".

After assessment, the Group is of the preliminary view that the financial position and operating results of the Group have not been materially affected subsequent to the year ended 31 December 2019 and up to the date of this announcement, and the operating revenue is expected to record a slight increase as compared to the first quarter of last year. The Group will closely monitor the development of the COVID-19 to assess the impact of the pandemic on its business and make proactive response. If COVID-19 causes any significant impact on the Group's financial condition and operating results, the Group will issue a separate announcement in due course and reflect the impact in the Group's interim and annual financial statements for 2020.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three members and three of them are independent non-executive Directors, namely Mr. Wan Chi Wai Anthony (Chairman), Mr. Zhou Tao and Mr. Guan Jian. The Audit Committee reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting process and internal controls. Other than that, the primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and overseas internal control of the Company.

The Audit Committee of the Company, together with the management of the Company and the external auditor, had conducted review on the accounting principles and policies adopted by the Group and audited consolidated financial statements for the year ended 31 December 2019.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chmyy.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders of the Company and published on the above websites in due course.

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

Shantou, the PRC, 30 March 2020

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

* *For identification purpose only*