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創美·CH'MEI

Charmacy Pharmaceutical Co., Ltd.

創美藥業股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 2289)

ANNOUNCEMENT OF INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For the six months ended 30 June		Year-on-year change
	2024	2023	
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Results			
Operating revenue	**2,347,185**	2,269,074	3.44%
Total profit	**38,928**	35,157	10.72%
Net profit attributable to the shareholders of parent company	**26,747**	26,353	1.50%
Basic and diluted earnings per share (expressed in RMB per share)	**0.2477**	0.2440	1.50%

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**") 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 2024 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2023.

In this announcement, certain amounts and percentage figures have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any tables, chats or elsewhere between total and sums of amounts listed therein are due to rounding.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

Item	*Notes*	**For the six months ended 30 June**	
		2024	2023
		RMB	*RMB*
		(Unaudited)	(Unaudited)
I. Total operating revenue		**2,347,184,933.33**	2,269,073,989.64
Incl: Revenue	*4*	**2,347,184,933.33**	2,269,073,989.64
II. Total operating cost		**2,303,414,061.34**	2,231,021,432.51
Incl: Operating cost	*4*	**2,178,000,003.01**	2,126,723,737.82
Taxes and surcharges		**5,100,228.91**	4,620,057.41
Selling expenses		**62,878,744.46**	62,940,763.21
Management expenses		**23,332,387.57**	18,950,898.38
Research & development expenses			
Finance costs	*6*	**34,102,697.39**	17,785,975.69
Incl: Interest expenses		**33,101,117.52**	16,790,181.85
Interest income		**2,882,746.74**	2,374,764.20
Add: Other income		**103,309.43**	11,263.47
Investment income (“–” for loss)			
Incl: Investment income from associates and joint ventures			
Financial assets measured at amortized cost are derecognized earnings			
Exchange gains(“–” for loss)			
Frequent exposure to hedge gains (“–” for loss)			
Gain on change in fair value (“–” for loss)			
Impairment loss of credit (“–” for loss)		**-708,853.67**	-448,629.35
Impairment loss of assets (“–” for loss)		**-4,219,949.10**	-3,636,965.88
Gains on disposal of assets (“–” for loss)		**395,944.96**	4,654.23
III. Operating profit (“–” for loss)		**39,341,323.61**	33,982,879.60
Add: Non-operating revenue		**83,411.56**	1,227,686.54
Less: Non-operating expenses		**496,791.49**	53,116.12
IV. Total profit (“–” for total loss)		**38,927,943.68**	35,157,450.02
Less: Income tax expense	*7*	**12,180,708.15**	8,804,904.87
V. Net profit (“–” for net loss)		**26,747,235.53**	26,352,545.15
(I) By continuity of operations		**26,747,235.53**	26,352,545.15
1.Net profit from continuing operation(“–” for net loss)		**26,747,235.53**	26,352,545.15
2.Net profit from discontinued operation(“–” for net loss)			
(II) By ownership		**26,747,235.53**	26,352,545.15
1.Net profit attributable to the shareholders of parent company (“–” for net loss)		**26,747,235.53**	26,352,545.15
2.Profit of loss of minority interests (“–” for net loss)			

Item	*Notes*	For the six months ended 30 June **2024** **RMB** **(Unaudited)**	 2023 RMB (Unaudited)
VI. Net of tax of other comprehensive income			
Net of tax of other comprehensive income attributable to the shareholders of parent company			
(I) Other comprehensive income not subject to reclassification to profit or loss in future			
1. Remeasure the change in the set benefit plan			
2. Other comprehensive income under the equity method that cannot be converted into profit or loss			
3. Change in fair value of other equity instrument investments			
4. Changes in the fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Other comprehensive income of convertible profit or loss under the equity method			
2. Changes in the fair value of other debt investments			
3. The amount of financial assets reclassified into other comprehensive income			
4. Other debt investment credit impairment provisions			
5. Cash flow hedging reserve (effective part of cash flow hedging profit or loss)			
6. Conversion difference of foreign currency statement			
7. Others			
Net other comprehensive income after-tax which belongs to minority interests			
VII. Total comprehensive income		**26,747,235.53**	26,352,545.15
Total comprehensive income attributable to the shareholders of parent company		**26,747,235.53**	26,352,545.15
Total comprehensive income attributable to minority interests			
VIII. Earnings per share:			
(I) Basic earnings per share	*8*	**0.2477**	0.2440
(II) Diluted earnings per share	*8*	**0.2477**	0.2440

CONSOLIDATED BALANCE SHEET

As at 30 June 2024

Item	Notes	**30 June 2024** *RMB* **(Unaudited)**	31 December 2023 *RMB* (Audited)
Current assets:			
Monetary funds		**404,288,707.41**	634,197,229.09
Trading financial assets			
Derivative financial assets			
Bills receivables	*10*	**5,940,903.27**	3,633,001.16
Trade receivables	*11*	**1,038,779,729.36**	961,718,850.06
Account receivable financing	*12*	**61,089,093.86**	
Prepayments		**455,704,689.56**	382,948,695.69
Other receivables		**14,552,965.07**	12,075,916.66
Incl: Interest receivable			
Dividends receivable			
Buying back the sale of financial assets			
Inventories		**797,815,948.51**	775,841,635.16
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		**54,545,902.90**	41,584,593.72
Total current assets		**2,832,717,939.94**	2,811,999,921.54
Non-current assets:			
Debt investment			
Other debt investment			
Long-term accounts receivable			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		**286,902,667.53**	294,721,220.12
Construction in progress			
Right-of-use assets		**44,344,581.44**	33,826,415.92
Intangible assets		**74,606,909.07**	76,722,809.78
Development expenditure			
Goodwill		**6,024,104.16**	6,024,104.16
Long-term expenses to be amortized		**18,303,061.40**	16,978,756.37
Deferred income tax assets		**7,752,263.85**	7,382,648.71
Other non-current assets			
Total non-current assets		**437,933,587.45**	435,655,955.06
Total assets		**3,270,651,527.39**	3,247,655,876.60

Item	Notes	30 June 2024 *RMB* (Unaudited)	31 December 2023 *RMB* (Audited)
Current liabilities:			
Short-term borrowings		**797,200,645.30**	587,994,113.46
Trading financial liabilities			
Derivative financial liabilities			
Bills payables	*13*	**661,369,408.66**	936,487,754.65
Accounts payables	*14*	**513,250,134.88**	659,073,566.35
advance receipts			
Contract liabilities		**2,337,652.16**	19,490,768.05
Salaries payable to employees		**5,324,590.29**	9,688,286.53
Tax payables		**52,468,544.30**	55,950,428.80
Other payables		**596,965,238.71**	341,051,900.01
Incl: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		**8,778,579.57**	6,587,383.36
Other current liabilities		**303,894.79**	2,533,799.78
Total current liabilities		**2,637,998,688.66**	2,618,858,000.99
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Incl: Preferred stock			
Perpetual note			
Lease liabilities		**39,656,717.82**	30,390,117.80
Long-term payables			
Long-term payroll payable			
Accruals and provisions			
Deferred income			
Deferred income tax liabilities		**842,029.08**	600,901.51
Other non-current liabilities			
Total non-current liabilities		**40,498,746.90**	30,991,019.31
Total liabilities		**2,678,497,435.56**	2,649,849,020.30
Shareholders' equity:			
Share capital		**108,000,000.00**	108,000,000.00
Other equity instruments			
Incl: Preferred stock			
Perpetual note			
Capital reserve		**278,990,829.04**	278,990,829.04
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		**29,661,138.05**	29,661,138.05
General Risk Preparation			
Unallocated profits		**175,502,124.74**	181,154,889.21
Total equity attributable to the shareholders of parent company		**592,154,091.83**	597,806,856.30
Minority interests			
Total shareholders' interests		**592,154,091.83**	597,806,856.30
Total liabilities and shareholders' interests		**3,270,651,527.39**	3,247,655,876.60

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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**" or "**China**") 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**") since 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 pharmaceutical distribution and provision of related services.

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

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation basis

The Group's financial statements are based on the actual transactions and events that have occurred, in accordance with the Accounting Standards for Enterprises (《企業會計準則》) and their application guidelines, interpretations and other relevant provisions issued by the Ministry of Finance of the PRC (collectively referred to as "**Accounting Standards for Enterprises**"), the Rules for the Preparation of Information Disclosure of Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2023) and related regulations issued by China Securities Regulatory Commission ("**CSRC**"), as well as the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") of the relevant provisions of the disclosure.

(2) Going concern

The Group, having evaluated its ability to continue as a going concern for the 12 months since 30 June 2024, did not find any event or condition which may cast significant doubt on the going concern ability. The financial statements are presented on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Declaration on compliance with Accounting Standards for Enterprises

The financial statements comply with the requirements of the Accounting Standards for Enterprises, and reflect the financial position of the Company and the Group as at 30 June 2024, as well as the operating results and cash flow of the six months ended 30 June 2024 in a true, accurate and complete manner.

(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 RMB as its functional currency.

Unless otherwise stated in respect of the following data disclosed in the financial statements, "the period" refers to 1 January 2024 to 30 June 2024, the currency unit is RMB yuan.

(5) Changes of significant accounting policies and accounting estimates

There is no change in the significant accounting policies and accounting estimates of the Group for the Reporting Period.

4. OPERATING REVENUE AND OPERATING COST

Item	**For the six months ended 30 June 2024**		For the six months ended 30 June 2023	
	Revenue (Unaudited)	**Cost (Unaudited)**	Revenue (Unaudited)	Cost (Unaudited)
Principal business	**2,325,459,578.61**	**2,177,837,790.01**	2,241,970,940.81	2,126,723,737.82
Other businesses	**21,725,354.72**	**162,213.00**	27,103,048.83	
Total	**2,347,184,933.33**	**2,178,000,003.01**	2,269,073,989.64	2,126,723,737.82

5. SEGMENT INFORMATION

Information would be reported to the chief executive officer of the Company, 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: pharmaceutical distribution and provision of related services.

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.

6. FINANCE COSTS

Item	For the six months ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Interest expenses	**33,101,117.52**	16,790,181.85
Incl: Bank borrowings and others	**32,244,615.80**	16,289,065.70
Interest expense on lease liabilities	**856,501.72**	501,116.15
Less: Interest income	**2,882,746.74**	2,374,764.20
Add: Foreign exchange gains and losses	**-2,856.37**	-12,702.30
Add: Others	**3,887,182.98**	3,383,260.34
Total	**34,102,697.39**	17,785,975.69

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	For the six months ended 30 June 2024 (Unaudited)	2023 (Unaudited)
Current income tax calculated according to the tax law and related regulations	**12,309,195.72**	9,003,352.57
— Corporate income tax in Mainland China	**12,309,195.72**	9,003,352.57
— Profit tax in Hong Kong, PRC		
Deferred income tax expenses	**-128,487.57**	-198,447.70
Total	**12,180,708.15**	8,804,904.87

The Group had no Hong Kong income tax, since it had no taxable income in Hong Kong for the six months ended 30 June 2023 and 2024.

(2) Reconciliation between accounting profit and income tax expenses

Item	For the six months ended 30 June 2024 (Unaudited)
Combined total profit for the period	**38,927,943.68**
Income tax expenses calculated at statutory/applicable tax rate	**12,309,195.72**
The impact of different tax rates applied to subsidiaries	
Adjust the impact of income taxes for previous periods	
Impact of non-taxable income	
Effect of non-deductible costs, expenses and losses	
Use of deductible losses that have not been previously confirmed for deferred EIT assets	
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current period	**-128,487.57**
Income tax expenses	**12,180,708.15**

8. RETURN ON NET ASSETS AND EARNINGS PER SHARE

Profit for the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share (Unaudited)	Diluted earnings per share (Unaudited)
Net profit attributable to the shareholders of parent company	**4.42**	**0.2477**	**0.2477**
Net profit attributable to the shareholders of parent company (excluding non-recurring profit and loss)	**4.40**	**0.2471**	**0.2471**

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (interim dividend for 2023: Nil).

10. BILLS RECEIVABLES

(1) Bills receivable are listed by category

Item	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Bank acceptance bills		
Commercial drafts	**5,961,769.46**	3,645,761.32
Subtotal	**5,961,769.46**	3,645,761.32
Less: Provision for bad debt	**20,866.19**	12,760.16
Total	**5,940,903.27**	3,633,001.16

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

Classification	**Balance as at 30 June 2024 (Unaudited)**				
	Book balance		**Provision for bad debt**		
	Amount	**Percentage (%)**	**Amount**	**Provision ratio (%)**	**Book value**
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	**5,961,769.46**	**100.00**	**20,866.19**	**0.35**	**5,940,903.27**
Including: Ageing portfolio	**5,961,769.46**	**100.00**	**20,866.19**	**0.35**	**5,940,903.27**
Low risk portfolio					
Total	**5,961,769.46**	**100.00**	**20,866.19**	**—**	**5,940,903.27**

Classification	Balance as at 31 December 2023 (Audited)				
	Book balance		Provision for bad debt		
	Amount	Percentage (%)	Amount	Provision ratio (%)	Book value
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	3,645,761.32	100.00	12,760.16	0.35	3,633,001.16
Including: Ageing portfolio	3,645,761.32	100.00	12,760.16	0.35	3,633,001.16
Low risk portfolio					
Total	3,645,761.32	100.00	12,760.16	—	3,633,001.16

1) Bad debt provision for bills receivables made on a collective basis

	Balance as at 30 June 2024 (Unaudited)		
Classification	**Book balance**	**Provision for bad debt**	**Provision ratio (%)**
Ageing portfolio	**5,961,769.46**	**20,866.19**	**0.35**
Total	**5,961,769.46**	**20,866.19**	—

Note 1: For the ageing 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 period 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 the parent company of trade receivables.

Note 2: The age of the aforementioned bills receivables of the Group as at the end of the period were within one year.

(3) Provisions for bad debt accrued, recovered and reversed for bills receivables during the period

	Balance as at 31 December 2023	**Changes for the six months ended 30 June 2024 (Unaudited)**			**Balance as at 30 June 2024**
Category	**(Audited)**	**Accrued**	**Recovered or reversed**	**Written back or written off**	**(Unaudited)**
Commercial drafts	12,760.16	**8,106.03**			**20,866.19**
Total	12,760.16	**8,106.03**			**20,866.19**

(4) Pledged bills receivable as at 30 June 2024

Item	**Pledged amount as at 30 June 2024 (Unaudited)**
Commercial drafts	**3,161,769.46**
Total	**3,161,769.46**

(5) The Group had no bills receivables that had been endorsed or discounted as at 30 June 2024 and were not mature at the balance sheet date.

(6) As at 30 June 2024, the Group did not have any bills which were reclassified to trade receivables due to inability of the issuers to settle the bills.

11. TRADE RECEIVABLES

Name of item	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Trade receivables	**1,060,624,565.58**	982,891,686.13
Less: Provision for bad debt	**21,844,836.22**	21,172,836.07
Net	**1,038,779,729.36**	961,718,850.06

(1) Trade receivable by ageing

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 recognised and the age of the same is calculated after the control right has been transferred to the buyers.

Age	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Within 1 year	**1,027,297,366.77**	956,817,773.59
1 to 2 years	**17,386,023.87**	10,258,740.50
2 to 3 years	**1,764,050.93**	1,254,876.36
More than 3 years	**14,177,124.01**	14,560,295.68
Total	**1,060,624,565.58**	982,891,686.13

(2) Trade receivable by the method of provisioning for bad debt

Classification	**Balance as at 30 June 2024 (Unaudited)**				
	Book balance		**Provision for bad debt**		
	Amount	**Percentage (%)**	**Amount**	**Provision Ratio (%)**	**Book value**
Provision for bad debt made on individual basis	**16,806,951.94**	**2.00**	**16,485,094.25**	**98.08**	**321,857.69**
Provision for bad debt made on a collective basis	**1,043,817,613.64**	**98.00**	**5,359,741.97**	**0.51**	**1,038,457,871.67**
Incl: Ageing portfolio	**1,043,817,613.64**	**98.00**	**5,359,741.97**	**0.51**	**1,038,457,871.67**
Total	**1,060,624,565.58**	**100.00**	**21,844,836.22**	**—**	**1,038,779,729.36**

Classification	Balance as at 31 December 2023 (Audited)				
	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Provision ratio（%）	
Provision for bad debt made on individual basis	17,125,410.33	1.74	16,915,061.23	98.77	210,349.10
Provision for bad debt made on a collective basis	965,766,275.80	98.26	4,257,774.84	0.44	961,508,500.96
Incl: Ageing portfolio	965,766,275.80	98.26	4,257,774.84	0.44	961,508,500.96
Total	982,891,686.13	100.00	21,172,836.07	—	961,718,850.06

1) Bad debt provision for trade receivables made on a collective basis

Age	**Balance as at 30 June 2024 (Unaudited)**		
	Book balance	**Provision for bad debt**	**Provision ratio（%）**
Within 1 year	**1,026,665,473.88**	**3,784,839.97**	**0.37**
1 to 2 years	**17,152,139.76**	**1,574,902.00**	**9.18**
2 to 3 years			
More than 3 years			
Total	**1,043,817,613.64**	**5,359,741.97**	—

(3) Provisions for bad debts accrued and reversed (or recovered) in the period

Item	**Balance as at 31 December 2023 (Audited)**	**Changes for the six months ended 30 June 2024 (Unaudited)**				**Balance as at 30 June 2024 (Unaudited)**
		Accrued	**Recovered or reversed**	**Written back or written off**	**Others**	
Individual basis	16,915,061.23		**401,219.49**	**28,747.49**		**16,485,094.25**
Collective basis	4,257,774.84	**1,101,967.13**				**5,359,741.97**
Total	21,172,836.07	**1,101,967.13**	**401,219.49**	**28,747.49**		**21,844,836.22**

The amount of bad debt provision recovered or reversed during the period is all small amounts, and there is no significant recovery or reversal.

(4) Accounts receivable actually written off during the period

Item	**Write-off amount**
Accounts receivable actually written off	**28,747.49**

The written-off accounts receivable during the period are small-amount payment for goods, and there is no write-off of significant accounts receivable.

12. ACCOUNT RECEIVABLE FINANCING

Item	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Bank acceptance bills	**61,089,093.86**	
Total	**61,089,093.86**	

13. BILLS PAYABLES

Classification of bills	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Bank acceptance bills	**661,369,408.66**	936,487,754.65
Total	**661,369,408.66**	936,487,754.65

The age of the aforementioned bills payables of the Group as at the end of the period were within 1 year.

14. ACCOUNTS PAYABLES

(1) Accounts payables

Item	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Trade payables	**513,019,893.09**	656,543,625.36
Equipment costs	**230,241.79**	2,529,940.99
Total	**513,250,134.88**	659,073,566.35

(2) There were no significant accounts payable that were more than one year old during the period.

(3) Ageing presentation of accounts payables

Below is an ageing analysis of accounts payables based on transaction date as at 30 June 2024:

Age	**Balance as at 30 June 2024 (Unaudited)**	Balance as at 31 December 2023 (Audited)
Within 1 year	**507,134,332.30**	657,001,244.78
1 to 2 years	**3,700,935.13**	775,097.42
2 to 3 years	**1,210,977.91**	542,337.03
More than 3 years	**1,203,889.54**	754,887.12
Total	**513,250,134.88**	659,073,566.35

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Under the guidance of the "14th Five-Year Plan", China's economy has entered a stage of high-quality development. With the accelerating population aging, the economic growth and the rising public health awareness, China is actively building a super unified market, and the healthcare sector is transforming from a "treating disease as the centre" approach to a "people's health as the centre" in order to satisfy the people's growing demand for pharmaceutical and healthcare services. Within the new "dual-circulation" development pattern, the domestic demand for pharmaceuticals has become more vibrant. Various tasks of China's healthcare reforms are implemented and deepened at an accelerating pace, and forming a strong synergy with the development of digital technology in driving the pharmaceutical distribution industry towards higher-quality development. In addition, policies for stricter regulation and guidance are being applied to the in-hospital pharmaceutical market, encouraging the expansion of the pharmaceutical market into the more open and diversified out-of-hospital market. This has elevated the role of pharmaceutical distributors in the industry chain. This role change has accelerated the pace of integration of the pharmaceutical distribution market. As a result, the market concentration is increasing, and the industry competition is changing from resources-based competition to capabilities-based competition.

The overall size of the pharmaceutical distribution market remains stable, and the market concentration continues to rise

According to the statistics of the Ministry of Commerce of the People's Republic of China (the "**Ministry of Commerce**"), in 2022, the top 100 pharmaceutical distribution enterprises accounted for more than 75.2% of China's total pharmaceutical market size, with a year-on-year growth rate of 0.7%, and they accounted for 96.1% of China's total pharmaceutical wholesale market size. Forward Industry Research Institute predicted that the market size of China's pharmaceutical distribution industry will exceed RMB4 trillion by 2028 when calculated with a compound growth rate of 7%.

In October 2021, the Ministry of Commerce issued the "Guidance on Promoting the High-Quality Development of the Pharmaceutical Distribution Industry during the "14th Five-Year Plan" Period" (the **"Guidance**"), proposing that by 2025, the pharmaceutical distribution industry should adapt to the people's health needs in China's new development stage, and the modern pharmaceutical distribution system should be more innovative, technology-enabled, covering both urban and rural areas, balanced in layout, and collaboratively developed, and safe and convenient. By 2025, there will be one to three and five to ten large digitalised and comprehensive pharmaceutical distribution enterprises with a scale of over RMB500 billion and over RMB100 billion, respectively, being cultivated, and the top 100 pharmaceutical distribution enterprises will account for more than 98% of the total China's pharmaceutical market size in the same period. The Guidance points out clearly the development direction of the pharmaceutical distribution industry in the next five years, providing important guidelines for the industry to achieve high-quality development.

In June 2024, the State Council of the PRC issued the "Key Tasks for Deepening Healthcare Reform in 2024", proposing the formation of a modern pharmaceutical distribution system to enhance pharmaceutical supply security capabilities and improve the mechanism for guaranteeing the supply and stabilising the prices of pharmaceuticals in short supply. Policies aim to ensure the stability and safety of pharmaceutical supply and meet the people's basic pharmaceutical needs. This also sets higher requirements for the pharmaceutical distribution sector, highlighting the importance of digital transformation, supply chain optimisation and pharmaceutical quality monitoring.

In recent years, with the introduction of a series of policies and measures such as "prescription outflow" and "online sales of pharmaceuticals", the focus of pharmaceutical sales is gradually shifting from traditional hospitals, outpatient clinics and other medical institutions to retail pharmacies; retail pharmacies are gradually becoming more and more prominent in the market, bringing a considerable increment to the terminal sales of prescription pharmaceuticals. Statistics from MENET show that the sales by retail pharmacies terminal (physical pharmacies + online pharmacies) exceeded RMB900 billion in 2023, representing a year-on-year growth of 6.5%, and the market share of retail pharmacies terminal increased year by year, accounting for 29.3% in 2023, representing an increase of 0.3 percentage points year-on-year, and the market share of out-of-hospital pharmaceutical distribution gradually increased. In addition, according to the data from Guangdong Provincial Medical Products Administration, there were 70,009 pharmacies in Guangdong Province in 2023, including a total of 32,885 retail chain headquarters and retail chain stores which account for 47.0% of the total number of pharmacies, with the continuous increase in the proportion of chain pharmaceutical institutions.

Overall, the nationwide pharmaceutical distribution market size has been growing steadily, and the retail market size has continued to expand. The overall industry shows a good trend of rising industry concentration, deepening of professional services, and increasing standardisation of online sales management. To sum up, the pharmaceutical distribution industry as a whole is steadily moving towards the stage of high-quality development.

Against the backdrop of healthcare reform, pharmaceutical manufacturers are focusing more on out-of-hospital markets, and pharmaceutical distributors with a solid foundation for retail terminals are gaining favor

In recent years, China has been further promoting its healthcare reform, and has successively launched a number of policies aiming to eliminate the system of "covering hospital expenses with pharmaceutical sales" (e.g. the regularised advancement of "bulk purchase of pharmaceuticals", the improvement of "hierarchical diagnosis and treatment" system, the comprehensive spread of the "dual-channel" mechanism, and the extensive implementation of the policy for "incorporating pharmacies into outpatient coordination"), leading to an accelerated transformation of the pharmaceutical market. As a result, the structure that was originally dominated by the in-hospital market gradually titled towards the out-of-hospital pharmaceutical market, and its development potential has been further released. According to the forecast data from MENET, by 2029, the out-of-hospital market is expected to reach a total of RMB1.6 trillion, on par with or even exceeding the in-hospital market.

Amidst the increasingly fierce market competition, pharmaceutical distribution companies are accelerating the transformation and upgrading of their business models, and constantly exploring innovative service concepts and service models to achieve precise marketing and differentiated value-added services through big data, cloud computing and other emerging technologies, thereby meeting customers' increasingly diversified needs. Meanwhile, pharmaceutical manufacturers increase their investments and promotion in the pharmaceutical retail market, and pharmaceutical distribution enterprises with a solid foundation for retail terminals will gain more favour from manufacturers and consolidate their competitive advantages in market development.

The pharmaceutical logistics sector is undergoing diverse and digital transformation at a faster pace

The era of digitalisation has arrived, and highlights of cutting-edge technologies are emerging frequently. The in-depth integration of artificial intelligence, big data, cloud computing, the Internet of Things and other emerging technologies with the pharmaceutical distribution industry has accelerated the digitalisation and diversification of the pharmaceutical distribution industry, and promoting the deeper integration of "Internet ＋ pharmaceutical distribution". As a result, terminal orders are becoming more fragmented, requiring finer-grained service capabilities from distributors. To meet this challenge, the transformation of national and regional pharmaceutical distributors to solution providers in the pharmaceutical supply chain has become a more apparent trend. They facilitate the integration of "logistics, information flow, and capital flow", build and continue to improve a diversified and collaborative pharmaceutical supply chain system, deliver differentiated products/services, and provide efficient third-party pharmaceutical logistics services from multiple linked warehouses on national and regional scales by fully leveraging their own advantages of logistics network, strengthening their ability to provide on-demand customised services on a large scale, and integrating upstream and downstream resources throughout the supply chain.

NMPA issued the guidelines for inspection of online pharmaceutical sales, providing feasibility guidance for online pharmaceutical transactions

In January 2024, the National Medical Products Administration released the "Guidelines for Inspections of Third-Party Platforms for Online Pharmaceutical Transactions (Trial)" (the "**Guidelines**"), aiming to further standardise online pharmaceutical transactions and ensure the safety and compliance of online pharmaceutical transactions. The Guidelines detail 40 inspection points and their corresponding inspection contents, clarifying the scope of responsibilities of third-party platforms and providing clear and feasible guidance for online pharmaceutical transactions. The Guidelines align with the development trend of "Internet + Healthcare" and promote the healthy development of online pharmaceutical transactions.

The above data and data sources are from: Ministry of Commerce of the People's Republic of China; MENET; China Pharmaceutical Distribution Industry Development Report (2023); China Pharmaceutical Commerce; Guangdong Medical Products Administration; and 2022 Operational Statistical Analysis Report of Pharmaceutical Distribution Industry.

BUSINESS REVIEW

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

We followed the operation target set, and continued to explore Guangdong market in depth and radiate to surrounding areas, and actively developed the business with retail terminal network. As at 30 June 2024, our distribution network covered 12,794 customers, among which 611 were distributors, 8,516 were retail pharmacy stores and 3,667 were private hospitals, clinics, health centres and others customers, representing an increase of 532 in the number of customers, an increase of 27 distributors, an increase of 452 retail pharmacy stores, and an increase of 53 private hospitals, clinics, health centres and other customers compared to the same period 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; and continued to optimise product structure by introducing marketable, high-quality products with high profit margin to enrich product categories. As at 30 June 2024, we distributed 11,596 types of products, representing an increase of 838 products compared to the same period last year. We had a total of 1,052 suppliers, of which 581 were pharmaceutical manufacturers and 471 were distributor suppliers, representing an increase of 44 suppliers compared to the same period last year.

Product Categories	**Number of products for the six months ended 30 June**	
	2024	2023
	(Unaudited)	(Unaudited)
Chinese patent medicines	**4,445**	4,158
Western medicines	**4,316**	4,067
Others	**2,835**	2,533
Total	**11,596**	10,758

The Group builds a high-quality pharmaceutical marketing ecosystem and achieves win-win cooperation with the upstream and downstream along the industry chain

With its spatial marketing network, the Group collaborates with brand pharmaceutical manufacturers and downstream customers to build a complete industry and commercial chain. By aggregating product resources, building purchasing and sales channels, facilitating transactions, utilising digitalised logistics and leveraging other advantages, we effectively address the pain point of unbalancing in supply and demand, significantly reducing channel expansion difficulties for upstream manufacturers and realising the true value and benefits of their brands. Our efforts have been highly recognised by many brand pharmaceutical manufacturers. China Resources Sanjiu, Guangzhou Baiyunshan Pharmaceutical, Nanjing Tongrentang, China Resources Jiangzhong, MEDI' CARE, Haleon, Zhongsheng Pharmaceutical, Xiangxue Pharmaceutical, Lotus Peak and other well-known brands in the pharmaceutical industry have benefited from our spatial marketing network.

On this foundation, we continue to deepen our product portfolio, enrich our product lines and innovatively adopt multi-dimensional marketing strategies, such as joint brand marketing, event-driven marketing, differentiated promotions, and new product appreciation sessions. We strengthen resource integration and sharing, and expand diverse cooperation channels to enhance customers' knowledge of our products and promote efficient distribution of our products. By optimising the spatial marketing network and reshaping the resource matrix, we not only deepen customers' knowledge of our products in the fierce market competition but also greatly facilitate the rapid distribution and efficient conversion of our products. In this process, our terminal partners not only realised growth in both turnover and gross profit, but also accomplished significant improvements in cost management and other key operational indicators, truly realising the goal of creating new performance growth with our customers.

The Group newly established Shenzhen Pharmaceutical Logistics Centre to further drive the terminals in the

Greater Bay Area

This year, the Group established a large pharmaceutical sorting and distribution centre in Shenzhen ("**Shenzhen Pharmaceutical Logistics Centre**"). As Shenzhen is an economic hub in the southern China, the completion of the Shenzhen Pharmaceutical Logistics Centre will inject new momentum into the upgrading and development of the pharmaceutical market as the Greater Bay Area is further integrated. The operation of the Shenzhen Pharmaceutical Logistics Centre will deepen the Group's influence in the pharmaceutical terminal market in the cities in the Greater Bay Area. It is of strategic importance to the Group's logistics network deployment in the Pearl River Delta and eastern Guangdong, because it not only consolidates our market leadership in the region, but also serves as a forward-looking deployment for the future market demand. The establishment of the Shenzhen Pharmaceutical Logistics Centre plays a crucial role in integrating pharmaceutical warehousing and transportation resources, developing multi-warehouse coordination and cross-regional delivery, reducing logistics costs, and ensuring the quality and safety of pharmaceuticals along the distribution chain. It is also conducive to the expansion of the Group's third-party pharmaceutical logistics business, laying a solid foundation for long-term sustainable development.

As a leading service provider in the modern pharmaceutical supply chain in South China, the Group has established medium and large modern pharmaceutical distribution centres in Guangzhou, Shantou, Shenzhen and Zhuhai, where cold chain, refrigerated vehicles and intelligent warehousing equipment such as AS/RS systems, temperature and humidity monitoring systems, as well as intelligent temperature control systems are provided to ensure the quality and safety of pharmaceuticals during warehousing and distribution processes, which greatly reduce logistics costs such as labour costs and wear and tear, and meet the demand for different pharmaceutical services to the greatest extent possible. Meanwhile, the Group has introduced a supporting information management system which applies advanced automation technology to schedule various logistics equipment in the system. It also provides visual equipment monitoring, real-time task monitoring and implementation feedback to detect and locate difficult problems in real time, thereby ensuring smooth warehousing and distribution work.

Fully leveraged our advantages in the logistics field, elevating our third-party logistics business to a new level

The Group owns complete logistics network and information system and provides consistent warehousing conditions under the GSP management standards. With Charmacy Pharmaceutical (Guangzhou) Medicine Sorting and Distribution Centre as the core warehouse, the Group has built a leading regional logistics hub and collaborates with logistics centres in other regions to share inventory and distribution network advantages. This not only fully meets the warehousing demand of the Company's fast-growing pharmaceutical distribution business, but also integrates and utilises the warehousing spaces and the logistics distribution capability to provide other value-added services such as warehousing or transportation for the upstream and downstream customers, which can generate additional revenue and enhance the profitability of the Group in all respects. As at 30 June 2024, the Group has built third-party pharmaceutical logistics commissioning business and other value-added services such as warehousing or transportation with multiple customers including manufacturers, commercial distributors and chain pharmacies, with the number of corresponding customers and corresponding revenue increasing by over 22% and 58% year-on-year, respectively.

In the first half of this year, the Group established Guangdong Charmacy Pharmaceutical Logistics Co., Ltd. (廣東創美醫藥物流有限公司), which mainly operates as a domestic freight forwarding agent and can provide logistics and distribution services for third parties. Leveraging the Group's mature logistics and distribution system, professional transportation team and efficient logistics service capabilities, Guangdong Charmacy Pharmaceutical Logistics Co., Ltd. aims to make the Group's third-party logistics business more extensive, more standardised, more professional and more intelligent, promote the Group's rapid development of third-party logistics, and provide more efficient and professional logistics and distribution services for the supply chain, bringing new profit growth points for the Group and enhancing the Group's market competitiveness.

In the first half of this year, the Group was recognised as an Excellent Pharmaceutical Logistics and Distribution Enterprise in 2023 – 2024 by the Yaolianquan Certification Centre (for 4 consecutive years), a Modern Pharmaceutical Logistics Technology Test Base (Centre) in 2023 – 2024 (for 3 consecutive years), and the Best Pharmaceutical Cold Chain Logistics Centre (Base) in 2023 – 2024 (for 6 consecutive years), a Recommended Enterprise for Pharmaceutical Cold Chain Logistics Services in 2023 – 2024 (for 5 consecutive years), and awarded the China Logistics Industry "Golden Ant"

Innovation Award in 2023 – 2024 by the Organising Committee of China (Guangzhou) International Logistics Equipment and Technology Exhibition (for 7 consecutive years).

PROSPECTS

With the mission of "Creating Healthy and Beautiful Life" in mind and belief in the business philosophy of "Integrity, Altruism and Win-win Cooperation", we are committed to becoming the most competitive service provider in China's medical and healthcare industry by adhering to the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas".

Currently, China has entered a stage of high-quality development, and the comprehensive deployment at the 20th CPC National Congress on the continuous deepening of healthcare reform has achieved remarkable results. Under the dual impetus of population aging and the Healthy China initiative, China's health and wellness undertakings have shifted from on "treating diseases as the centre" to "people's health as the centre". With the upgrading of residents' health consumption, the pharmaceutical industry has accelerated its pace in the supply-side structural reform to better meet the people's demand for a better life. Meanwhile, the pharmaceutical and health sector will also accelerate the changes in quality, efficiency and power, supporting the formation of a new development pattern whereby domestic and foreign markets can boost each other, with the domestic market as the mainstay.

To adapt to the development trend of new quality productive forces, China is actively promoting the digitalisation and intelligent transformation of the pharmaceutical industry, improving the efficiency and quality of the entire pharmaceutical chain (pharmaceutical R&D, production, distribution, service, etc.) through the application of advanced technologies such as big data and artificial intelligence. The supply chain and logistics services in China's pharmaceutical distribution will become more complete. On one hand, pharmaceutical distribution enterprises will strive to optimise the network structure and service functions, accelerate the integrated development through "channel sinking and urban-rural coordination", and improve the service capabilities in the "last mile" of pharmaceutical supply. On the other hand, pharmaceutical distribution enterprises will utilise digital technology to continuously empower themselves and give full play to their channel advantages, and help brand manufacturers in pharmaceutical marketing and promotion, warehousing and transportation management, brand marketing and other aspects.

"Separation of prescribing and dispensing" has always been one of the main focuses of healthcare reform. With the gradual deepening of reforms such as "hierarchical diagnosis and treatment" and "prescription outflow", the out-of-hospital market will inevitably receive more outflow driven by the reform of public hospitals, forming a trillion-level incremental market, and the out-of-hospital pharmaceutical distribution industry will experience a golden period of development. In the long run, with increasing prescription outflow and the continuous empowerment by the Internet-based medical technology, brick-and-mortar pharmacies and pharmaceutical e-commerce will advance side by side and in an integrated manner as the two key channels connecting patients and pharmaceuticals.

Faced with these industry development opportunities, we maintain a proactive, flexible and positive attitude, respond to national policy guidance, and strive to implement the relevant policies of the pharmaceutical industry in practice. We also seize policy and market opportunities, continuously promote the expansion of market network and service improvement, strengthen refined management, boost high-quality development, and ensure continuous improvement in competitiveness on the basis of consolidating our existing advantages.

I. Adhere to the strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas"

We 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 in Guangdong Province and its surrounding areas. We will strengthen risk management, improve operation quality, seize the opportunities arising from the expansion of the primary medical market, further construct the regional pharmaceutical distribution centres and constantly expand and develop the distribution networks in all areas by continuously expanding and refining the distribution networks that permeate into each region, optimising the network layout, and expanding the pharmaceutical delivery coverages of pharmaceutical retail terminals such as retail pharmacies and various grassroots medical and health service institutions to fully achieve a dense coverage of sales, service, and logistics network in Guangdong and its surrounding areas.

II. Continue to empower ourselves with technologies and expanding the enterprise’s digital boundaries

We will vigorously explore "Internet + Pharmaceuticals", digitisation and artificial intelligence collaboration, build an intelligent supply chain management system, and enhance the automated management of the entire process. Empowering people with value, we will automate logical and repetitive tasks, unleashing human efficiency so that employees can focus on more innovative and competitive work, stimulating endogenous power within the enterprise. Empowering business with speed, we will provide upstream and downstream customers with higher-quality and more efficient service experiences. Empowering data with insights, we will conduct in-depth analysis of the accumulated industry data and experience over the past 24 years, providing strong support for decision-making.

We will continue to leverage our powerful supply chain advantages, use B2B e-commerce platforms as carriers, use marketing and operations as drivers, and combine innovative technologies and tools to fully unleash the potential of “Internet +” to meet the iterative needs of transaction scenarios, achieving effective integration of resources, optimal allocation of channels, and precise matching of supply and demand. We will empower upstream and downstream enterprises, becoming strategic partners and reliable supporters for our clients in the fierce market competition.

III. Vertically deepen and expand the strategic cooperation with brand manufacturers

We will further deepen our cooperation with brand pharmaceutical manufacturers to capture more growth opportunities in non-tendering market products, diversify our product portfolios and cement the strength of our products. Fully using the Group’s pharmaceutical retail terminal network resources and advantages, we will provide upstream suppliers with comprehensive, diverse brand promotion and product launch design and support services.

IV. Continue to strengthen the capacity building for pharmaceutical logistics and actively expand third-party logistics business

We will integrate transportation resources in an all-round way, strengthen the formation of smart logistics capabilities, further enhance the distribution service capabilities, and promote the coordinated development of regional integrated logistics to improve the overall operational efficiency. We will fully leverage our strong logistics and storage capabilities, integrating pharmaceutical warehousing and transportation resources to achieve multi-warehouse collaboration. We will further leverage the Group’s strengths in fine-grained management and services, expanding terminal distribution networks to build a more rational and efficient pharmaceutical logistics network. At the same time, we will actively expand the third-party pharmaceutical logistics business by using our own logistics network advantages to provide upstream suppliers and downstream customers with professional and convenient warehousing, logistics and cargo transportation, so as to enhance the Group’s market competitiveness and profitability.

V. Proactively seek opportunities for industry cooperation both domestically and internationally to promote high-quality development of the Group

With the abundant resources and advantages of our state-owned shareholders, we will actively seek high-quality products and projects at home and abroad, optimise the Group’s product supply chain and expand more profitable new business to continuously optimise our business structure. We will also introduce new technologies and concepts to further strengthen the Group’s soft power and competitiveness, consolidate our leading position in the non-tendering pharmaceutical market in South China, and contribute to the innovation and development of the pharmaceutical distribution industry.

Looking forward, we will continue to seize the future growth potential of the pharmaceutical non-tendering market, accelerate the duplication of the mature non-tendering pharmaceutical market operation model, redouble our efforts on digitisation and business innovation, strive to elevate the operation efficiency of our pharmaceutical supply chain, optimise the portfolio of pharmaceutical products and customer service experience, and reduce the cost of pharmaceutical distribution, endeavouring to become the most competitive service provider in the medical and healthcare industry in China.

FINANCIAL REVIEW

Operating revenue

Item	For the six months ended 30 June **2024** ***RMB'000*** **(Unaudited)**	 2023 *RMB'000* (Unaudited)
Principal business	**2,325,460**	2,241,971
Other businesses	**21,725**	27,103
Operating revenue	**2,347,185**	2,269,074

Customer type	For the six months ended 30 June **2024** ***RMB'000*** **(Unaudited)**	 2023 *RMB'000* (Unaudited)
Distributors	**1,093,126**	1,076,993
Retail pharmacy stores	**1,151,208**	1,085,417
Private hospitals, clinics, health centres and others	**81,126**	79,561
Revenue from principal business	**2,325,460**	2,241,971

During the six months ended 30 June 2024, our revenue from principal business was derived from product sales to (i) distributor customers; (ii) retail pharmacy stores; and (iii) private hospitals, clinics, health centres and others. During the six months ended 30 June 2024, over 96% of our revenue from principal business was derived from distributor customers and retail pharmacy stores.

The operating revenue of the Group for the six months ended 30 June 2024 was RMB2,347.18 million, representing an increase of 3.44% from RMB2,269.07 million for the six months ended 30 June 2023, mainly attributable to our adherence to the non-tendering market and the continuous implementation of the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas". This has not only enhanced our recognition among brand manufacturers but also brought us extensive advantageous product distribution rights and project cooperation opportunities. In addition, our product supply satisfaction rate and supply chain service advantages have been widely recognised by customers, further promoting brand awareness and providing strong support for the steady growth of our principal business.

Operating cost, gross profit and gross profit margin

The Group's operating costs increased by 2.41% from RMB2,126.72 million for the six months ended 30 June 2023 to RMB2,178.00 million for the six months ended 30 June 2024. The magnitude of the change is basically flat with the change in operating revenue.

The Group's gross profit increased by 18.85% from RMB142.35 million for the six months ended 30 June 2023 to RMB169.18 million for the six months ended 30 June 2024. The Group's gross profit margin increased from 6.27% for the six months ended 30 June 2023 to 7.21% for the six months ended 30 June 2024, mainly due to the year-on-year increase in third-party logistics revenue of 58.49%, and the Company's active adjustment of product mix by replacing products with lower gross profit margin with those with higher gross profit margin.

Selling expenses

The Group's selling expenses decreased by 0.10% from RMB62.94 million for the six months ended 30 June 2023 to RMB62.88 million for the six months ended 30 June 2024, which was flat compared with the same period last year.

Management expenses

The Group's management expenses increased by 23.12% from RMB18.95 million for the six months ended 30 June 2023 to RMB23.33 million for the six months ended 30 June 2024, mainly due to the increase in depreciation, renovation and property management cost of the Foshan real estate by RMB0.74 million, and the increase in employee remuneration, bonus and training cost of RMB2.42 million during the Reporting Period.

Finance costs

The Group's financial costs increased by 91.74% from RMB17.79 million for the six months ended 30 June 2023 to RMB34.10 million for the six months ended 30 June 2024, mainly due to the increase in short-term borrowing of RMB212.08 million compared to the same period last year, which led to the corresponding increase in interest expense of RMB2.97 million, and the increase in discount interest of RMB12.99 million compared with the same period last year.

Income tax expenses

The Group's income tax expense increased by 38.34% from RMB8.80 million for the six months ended 30 June 2023 to RMB12.18 million for the six months ended 30 June 2024. The current income tax expenses were recognised and the deferred income tax assets and liabilities were adjusted according to the accounting standards.

Net profit

The Group's net profit increased by 1.50% from RMB26.35 million for the six months ended 30 June 2023 to RMB26.75 million for the six months ended 30 June 2024. Net profit attributable to shareholders of the parent company increased by 1.50% from RMB26.35 million for the six months ended 30 June 2023 to RMB26.75 million for the six months ended 30 June 2024, mainly due to the steady growth of the principal business.

Liquidity and financial resources

As at 30 June 2024, the cash and bank deposits of the Group amounted to RMB130.58 million, while the cash and bank deposits amounted to RMB112.93 million as at 31 December 2023.

As at 30 June 2024 and 31 December 2023, the Group recorded net current assets of RMB194.72 million and RMB193.14 million, respectively. As at 30 June 2024, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.07 (31 December 2023: 1.07).

The bank borrowings of the Group as at 30 June 2024 were RMB797.20 million (all are short-term borrowings), and RMB587.99 million as at 31 December 2023 (all are short-term borrowings). All the bank borrowings 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.

Bills receivables, trade receivables and account receivable financing

As at 30 June 2024, the Group's bills receivables, trade receivables and account receivable financing amounted to RMB1,105.81 million, representing an increase of RMB140.46 million compared to RMB965.35 million as at 31 December 2023. This was mainly due to the increase in operating revenue during the Reporting Period, which reflected the growth achieved by the Group in the market. The Group will continue to strengthen the management of accounts receivable, dynamically assess risks, and achieve efficient use of funds and liquidity management.

Bills payables and accounts payables

As at 30 June 2024, the Group's bills payables and accounts payables amounted to RMB1,174.62 million, representing a decrease of RMB420.94 million compared to RMB1,595.56 million as at 31 December 2023, which was mainly due to procurement based on product supply and demand and effective fund use.

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 Reporting Period. The Group continues to assess its customers' credit and financial positions so as to minimise credit risks. In order to control liquidity risks, the Directors 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. For the six months ended 30 June 2024, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

As at 30 June 2024, the Group had no bank borrowings which bear interest at a floating rate (31 December 2023: Nil).

Gearing Ratio

Set out below is the Group's gearing ratios as at 30 June 2024 and 31 December 2023, respectively:

	30 June 2024	31 December 2023
Gearing Ratio	**52.96%**	44.28%

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 30 June 2024, the Group did not have any capital commitment. (31 December 2023: Nil).

Employees' information

As at 30 June 2024, the Group had a total of 834 employees (including executive Directors), representing an increase of 23 employees compared with the number of employees as at 30 June 2023. The total staff cost (including emoluments of directors and supervisors) was RMB45.83 million, as compared to RMB43.84 million for the six months ended 30 June 2023. The emoluments were determined with reference to market practice and the performance, qualification and experience of individual employees.

The employees are entitled to bonuses 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.

The Group focuses on the career development of its employees. We provide the employees with internal training and the opportunity of external training on a regular basis to support and encourage them to continuously study and improve their own integrated qualities and business capability.

Significant investments held

The Group had no significant investment during the six months ended 30 June 2024.

Future plans related to significant investments and capital assets

As at the date of this announcement, the Group has no future plans related to significant investments and capital assets.

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

During the six months ended 30 June 2024, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 30 June 2024, the Group was granted a credit limit of RMB1,527.00 million by various banks, while the Group's utilised banking facilities amounted to RMB1,168.33 million, which were secured by (i) property, plant and equipment held by the Group with a carrying amount of RMB215.70 million as at 30 June 2024; and (ii) land use rights held by the Group with a carrying amount of RMB67.93 million as at 30 June 2024.

Assets subject to restrictions on ownership or use

As at 30 June 2024, the Group's restricted monetary funds amounted to RMB273.71 million, which served as deposit for bank acceptance bills and borrowings. The Group's restricted bills receivable amounted to RMB3.16 million, which were restricted for being pledged to banks. The Group also pledged certain other assets in the amount of RMB283.63 million as guarantee for the Group's borrowings. Assets subject to restrictions on ownership or use amounted to RMB560.50 million in total.

Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

Significant event after the Reporting Period

As at the date of this announcement, the Group had no significant event after the Reporting Period that is required to be disclosed.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (interim dividend of 2023: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2024.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

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 C3 to the Listing Rules as the code of conduct in dealings with the Company's securities for the Directors and supervisors of the Company (the "**Supervisor(s)**"). Having made enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the required standard as set out in the Model Code for the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2024, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company (including sale of treasury shares (as defined under the Listing Rules)). As at 30 June 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW ON THE INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three members including two independent non-executive Directors and one non-executive Director, namely Mr. Wan Chi Wai Anthony (Chairman), Mr. Xu Fei and Mr. Guan Jian. The Audit Committee reports to the Board and holds 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 oversee internal control of the Company.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 and is of the view that the interim results for the six months ended 30 June 2024 has been prepared in accordance with the applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Company (www.chmyy.com) and the Stock Exchange (www.hkexnews.hk), and the interim report of the Company for the six months ended 30 June 2024 will be sent to shareholders of the Company and published on the above websites in due course.

By order of the Board

Charmacy Pharmaceutical Co., Ltd.

Yan Jingbin

Chairman

Shantou, the PRC, 28 August 2024

As at the date of this announcement, the executive Directors are Mr. Yao Chuanglong, Ms. Zheng Yuyan and Ms. Zhang Hanzi; the non-executive Directors are Mr. Yan Jingbin, Ms. Fu Zheng and Mr. Xu Fei; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Li Hanguo and Mr. Guan Jian (also known as Guan Suzhe).

** For identification purpose only*