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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL SUMMARY

- In 2024, the operating revenue of the Group was RMB4,435.46 million, representing an increase of 0.72% as compared to RMB4,403.63 million in 2023.
- In 2024, the net profit of the Group amounted to RMB53.28 million, representing an increase of 3.78% as compared to RMB51.34 million in 2023.
- In 2024, the Group's net profit attributable to the shareholders of parent company was RMB53.28 million, representing an increase of 3.78% as compared to RMB51.34 million in 2023.
- In 2024, the Group's basic and diluted earnings per share was RMB0.4934 compared to RMB0.4754 in 2023.
- The Board recommends the payment of a final dividend of RMB0.45 per share (tax inclusive) for the year ended 31 December 2024.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**" or "**Year**"), together with the comparative figures for the year ended 31 December 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 year ended 31 December 2024

Item	Note	2024 *RMB*	2023 *RMB*
I. Total operating revenue		**4,435,460,674.85**	4,403,633,478.08
Incl: Operating revenue	*4*	**4,435,460,674.85**	4,403,633,478.08
II. Total operating cost		**4,358,586,508.17**	4,332,543,936.81
Incl: Operating cost	*4*	**4,110,698,122.00**	4,110,889,553.80
Taxes and surcharges		**10,330,610.01**	9,303,097.636
Selling expenses		**120,444,337.87**	122,467,089.60
Management expenses		**54,820,936.74**	47,532,938.44
Research & development expenses			
Finance costs	*6*	**62,292,501.55**	42,351,257.34
Incl: Interest expenses		**60,651,514.02**	40,790,342.89
Interest income		**3,981,988.45**	4,301,317.10
Add: Other income		**103,309.43**	11,263.47
Investment income (“-” for loss)			-100,000.00
Incl: Investment income from associates and joint ventures			
Financial assets measured at amortized cost are derecognized earnings			-100,000.00
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)		**-125,850.53**	-492,054.34
Impairment loss of assets (“-” for loss)		**-3,913,486.48**	-4,361,225.47
Gains on disposal of assets (“-” for loss)		**307,774.55**	47,339.87
III. Operating profit (“-” for loss)		**73,245,913.65**	66,194,864.80
Add: Non-operating revenue		**231,079.63**	1,322,095.37
Less: Non-operating expenses		**2,284,741.00**	97,396.20
IV. Total profit (“-” for total loss)		**71,192,252.28**	67,419,563.97
Less: Income tax expense	*7*	**17,908,160.59**	16,074,838.28
V. Net profit (“-” for net loss)		**53,284,091.69**	51,344,725.69
(I) By continuity of operations		**53,284,091.69**	51,344,725.69
1.Net profit from continuing operation (“-” for net loss)		**53,284,091.69**	51,344,725.69
2.Net profit from discontinued operation (“-” for net loss)			
(II) By ownership		**53,284,091.69**	51,344,725.69
1.Net profit attributable to the shareholders of parent company (“-” for net loss)		**53,284,091.69**	51,344,725.69
2.Profit or loss of minority shareholders (“-” for net loss)			

Item	Note	2024 *RMB*	2023 *RMB*
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 shareholders			
VII. Total comprehensive income		**53,284,091.69**	51,344,725.69
Total comprehensive income attributable to the shareholders of parent company		**53,284,091.69**	51,344,725.69
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	*8*	**0.4934**	0.4754
(II) Diluted earnings per share (RMB/share)	*8*	**0.4934**	0.4754

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

Item	*Note*	31 December 2024 *RMB*	31 December 2023 *RMB*
Current assets:			
Monetary funds		**563,150,403.45**	634,197,229.09
Trading financial assets			
Derivative financial assets			
Bills receivables	*10*	**5,570,435.00**	3,633,001.16
Trade receivables	*11*	**1,163,237,552.39**	961,718,850.06
Account receivable financing	*12*	**57,615,292.39**	
Prepayments		**527,344,501.01**	382,948,695.69
Other receivables		**12,297,041.51**	12,075,916.66
Incl: Interest receivable			
Dividends receivable			
Buying back the sale of financial assets			
Inventories		**655,911,091.04**	775,841,635.16
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		**44,866,517.92**	41,584,593.72
Total current assets		**3,029,992,834.71**	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		**278,271,752.17**	294,721,220.12
Construction in progress			
Right-of-use assets		**39,330,027.02**	33,826,415.92
Intangible assets		**72,492,702.02**	76,722,809.78
Development expenditure			
Goodwill		**5,997,776.04**	6,024,104.16
Long-term expenses to be amortized		**22,913,989.34**	16,978,756.37
Deferred income tax assets		**7,644,601.03**	7,382,648.71
Other non-current assets			
Total non-current assets		**426,650,847.62**	435,655,955.06
Total assets		**3,456,643,682.33**	3,247,655,876.60

Item	Note	31 December 2024 *RMB*	31 December 2023 *RMB*
Current liabilities:			
Short-term borrowings		**811,574,543.09**	587,994,113.46
Trading financial liabilities			
Derivative financial liabilities			
Bills payables	*13*	**826,507,576.48**	936,487,754.65
Trade payables	*14*	**387,825,713.54**	659,073,566.35
Advance receipts			
Contract liabilities		**2,102,373.45**	19,490,768.05
Salaries payable to employees		**6,402,420.60**	9,688,286.53
Tax payables		**62,374,954.14**	55,950,428.80
Other payables		**681,544,720.76**	341,051,900.01
Incl: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		**9,997,389.09**	6,587,383.36
Other current liabilities		**273,329.94**	2,533,799.78
Total current liabilities		**2,788,603,021.09**	2,618,858,000.99
Non-current liabilities:			
Long-term borrowings		**13,800,000.00**	
Bonds payable			
Incl: preferred stock			
perpetual note			
Lease liabilities		**35,171,818.27**	30,390,117.80
Long-term payables			
Long-term payroll payable			
Accruals and provisions			
Deferred income			
Deferred income tax liabilities		**377,894.98**	600,901.51
Other non-current liabilities			
Total non-current liabilities		**49,349,713.25**	30,991,019.31
Total liabilities		**2,837,952,734.34**	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		**31,143,182.74**	29,661,138.05
General Risk Preparation			
Unallocated profits		**200,556,936.21**	181,154,889.21
Total equity attributable to the shareholders of parent company		**618,690,947.99**	597,806,856.30
Minority interests			
Total shareholders' interests		**618,690,947.99**	597,806,856.30
Total liabilities and shareholders' interests		**3,456,643,682.33**	3,247,655,876.60

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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**") 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 pharmaceutical distribution and provision of related services.

The 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 China Securities Regulatory Commission ("**CSRC**") 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, 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 31 December 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 31 December 2024, as well as the operating results and cash flow of 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 Gregorian calendar.

(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.

(5) Changes of significant accounting policies

1) The Group implemented the relevant provisions and guidelines of the Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2024, mainly including:

① Provisions on the Classification of Current and Non-Current Liabilities as per Interpretation No. 17 of Accounting Standards for Business Enterprises (Cai Kuai [2023] No. 21) (hereinafter referred to as "**Interpretation No. 17**")

According to the provisions of Interpretation No. 17, when classifying liabilities based on liquidity, the Group considers only whether, as of the balance sheet date, it has a substantive right to defer settlement of the liability for more than one year beyond the balance sheet date (hereinafter referred to as the "**right to defer settlement**"), without considering the subjective probability of exercising such right.

For liabilities arising from a loan arrangement, if the Group's right to defer settlement is contingent on its compliance with conditions stipulated in the loan arrangement (hereinafter referred to as "**covenant conditions**"), the Group considers only the covenant conditions that must be met on or before the balance sheet date when classifying related liabilities based on liquidity, without considering the impact of covenant conditions that should be complied with after the balance sheet date.

For liabilities that may be settled by delivering the Group's own equity instruments at the counterparty's option, if the Group classifies such option as an equity instrument and recognizes it separately as part of a compound financial instrument's equity component in accordance with the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments, it does not affect the liquidity classification of the liability. Otherwise, if such option cannot be classified as an equity instrument, it will affect the liquidity classification of the liability.

The Group adopts the retrospective adjustment method to restate the financial statement data of comparable periods accordingly.

The adoption of this provision has not had a significant impact on the Group's financial position or operating results.

② Provisions on the Accounting Treatment of Guarantee-Type Quality Assurance Not Constituting a Separate Performance Obligation as per the Interpretation No. 18 of Accounting Standards for Business Enterprises (Cai Kuai [2024] No. 24) (hereinafter referred to as "**Interpretation No. 18**")

According to the provisions of Interpretation No. 18, the Group includes the accrued guarantee-type quality assurance expenses in "main business costs" and "other business costs," instead of "selling expenses."

The Group adopts the retrospective adjustment method to restate the financial statement data of comparable periods accordingly.

The adoption of this provision has not had a significant impact on the Group's financial position or operating results.

(6) Changes of significant accounting estimates

There was no change in the Group's key accounting estimates during the Reporting Period.

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 2024, 31 December 2024, 1 January 2024 to 31 December 2024, and 1 January 2023 to 31 December 2023, respectively, while the currency unit is RMB.

4. OPERATING REVENUE AND OPERATING COST

Item	**Amount for the year**		Amount for last year	
	Revenue	**Cost**	Revenue	Cost
Principal business	**4,385,119,653.22**	**4,110,698,122.00**	4,347,522,184.54	4,110,889,553.80
Other businesses	**50,341,021.63**		56,111,293.54	
Total	**4,435,460,674.85**	**4,110,698,122.00**	4,403,633,478.08	4,110,889,553.80

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 products distribution and related service.

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 2024 and 2023.

6. FINANCE COSTS

Item	Amount for the year	Amount for last year
Interest expenses	**60,651,514.02**	40,790,342.89
Incl: bank borrowings and others	**58,839,107.09**	39,646,148.30
Interest expense on lease liabilities	**1,812,406.93**	1,144,194.59
Less: Interest income	**3,981,988.45**	4,301,317.10
Add: Foreign exchange gains and losses	**260,499.87**	362,701.11
Add: Others	**5,362,476.11**	5,499,530.44
Total	**62,292,501.55**	42,351,257.34

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	**18,393,119.44**	16,112,931.82
— Corporate income tax in Mainland China	**18,393,119.44**	16,112,931.82
— Profit tax in Hong Kong, PRC		
Deferred income tax expenses	**-484,958.85**	-38,093.54
Total	**17,908,160.59**	16,074,838.28

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
Total consolidated profit for the year	**71,192,252.28**
Income tax expenses calculated at applicable tax rate	**17,798,063.07**
The impact of different tax rates applied to subsidiaries	
Adjust the impact of income taxes for previous periods	**279,344.89**
Impact of non-taxable income	
Effect of non-deductible costs, expenses and losses	**53,014.23**
Use of deductible losses that have not been previously confirmed for deferred EIT assets	**-228,843.62**
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the year	
Other	**6,582.02**
Income tax expenses	**17,908,160.59**

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	Diluted earnings per share
Net profit attributable to the ordinary shareholders of parent company	8.80	0.4934	0.4934
Net profit attributable to the ordinary shareholders of parent company (excluding non-recurring profit and loss)	8.87	0.4971	0.4971

9. DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.45 (tax inclusive) per share for the year ended 31 December 2024 (2023: RMB0.30 (tax inclusive) per share), subject to the Company's shareholders' approval at the forthcoming annual general meeting.

10. BILLS RECEIVABLES

(1) Bills receivable are listed by category

Item	Balance as at the end of the year	Balance as at the beginning of the year
Bank acceptance bills		
Commercial drafts	**5,590,000.00**	3,645,761.32
Subtotal	**5,590,000.00**	3,645,761.32
Less: Provision for bad debt	**19,565.00**	12,760.16
Total	**5,570,435.00**	3,633,001.16

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

Classification	Balance as at the end of the year				
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	**5,590,000.00**	**100.00**	**19,565.00**	**0.35**	**5,570,435.00**
Incl: Aging portfolio	**5,590,000.00**	**100.00**	**19,565.00**	**0.35**	**5,570,435.00**
Total	**5,590,000.00**	**100.00**	**19,565.00**	**—**	**5,570,435.00**

Classification	Balance as at the beginning of the year				
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	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
Incl: Aging portfolio	3,645,761.32	100.00	12,760.16	0.35	3,633,001.16
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

Name	Balance as at the end of the year		
	Book balance	Provision for bad debt	Provision ratio (%)
Aging portfolio	**5,590,000.00**	**19,565.00**	**0.35**
Total	**5,590,000.00**	**19,565.00**	**—**

Note 1: For the aging portfolio comprising the amounts of the commercial drafts held as at the end of the year 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.

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

Category	Balance as at the beginning of the year	Changes in the year				Balance as at the end of the year
		Accrued	Recovered or reversed	Written back or written off	Other	
Commercial drafts	12,760.16	**6,804.84**				**19,565.00**
Total	12,760.16	**6,804.84**				**19,565.00**

(4) Pledged bills receivable as at the end of the year

Item	Pledged amount as at the end of the year
Commercial drafts	**5,590,000.00**
Total	**5,590,000.00**

(5) The Group had no bills receivable that had been endorsed or discounted at the end of the year and were not yet mature at the balance sheet date.

(6) The Group did not have any bills receivable actually written off during the year.

11. TRADE RECEIVABLES

Name of item	Balance as at the end of the year	Balance as at the beginning of the year
Trade receivables	**1,184,455,239.82**	982,891,686.13
Less: Provision for bad debt	**21,217,687.43**	21,172,836.07
Net	**1,163,237,552.39**	961,718,850.06

(1) Trade receivable by aging

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 the end of the year	Balance as at the beginning of the year
Within 1 year	**1,156,354,646.21**	956,817,773.59
1 to 2 years	**13,018,971.27**	10,258,740.50
2 to 3 years	**629,729.86**	1,254,876.36
More than 3 years	**14,451,892.48**	14,560,295.68
Total	**1,184,455,239.82**	982,891,686.13

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

Classification	Balance as at the end of the year				
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	Book value
Provision for bad debt made on individual basis	**15,956,834.44**	**1.35**	**15,955,734.44**	**99.99**	**1,100.00**
Provision for bad debt made on a collective basis	**1,168,498,405.38**	**98.65**	**5,261,952.99**	**0.45**	**1,163,236,452.39**
Incl: Aging portfolio	**1,168,498,405.38**	**98.65**	**5,261,952.99**	**0.45**	**1,163,236,452.39**
Total	**1,184,455,239.82**	**100.00**	**21,217,687.43**	**—**	**1,163,237,552.39**

Classification	Balance as at the beginning of the year				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion （%）	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: Aging 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 the end of the year		
	Book balance	**Provision for bad debt**	**Provision ratio （%）**
Within 1 year	**1,155,853,221.18**	**4,045,486.26**	**0.35**
1 to 2 years	**12,645,184.20**	**1,216,466.73**	**9.62**
Total	**1,168,498,405.38**	**5,261,952.99**	**—**

(3) Provision for bad debts accrued, recovered or reversed in trade receivable during the year

Classification	**Balance as at the beginning of the year**	**Changes in the year**				**Balance as at the end of the year**
		Accrued	**Recovered or reversed**	**Written back or written off**	**Others**	
Provision for bad debt made on individual basis	16,915,061.23	**168,580.38**	**1,101,276.74**	**26,630.43**		**15,955,734.44**
Provision for bad debt made on a collective basis	4,257,774.84	**1,004,178.15**				**5,261,952.99**
Total	21,172,836.07	**1,172,758.53**	**1,101,276.74**	**26,630.43**		**21,217,687.43**

(4) Accounts receivable actually written off during the year

Item	Write-off amount
Accounts receivable actually written off	**26,630.43**

The accounts receivable written off this year are all small payments, and there is no significant write-off of accounts receivable.

12. ACCOUNT RECEIVABLE FINANCING

Item	Balance as at the end of the year	Balance as at the beginning of the year
Bank acceptance bills	**57,615,292.39**	
Total	**57,615,292.39**	

13. BILLS PAYABLES

Classification of bills	Balance as at the end of the year	Balance as at the beginning of the year
Bank acceptance bills	**826,507,576.48**	936,487,754.65
Total	**826,507,576.48**	936,487,754.65

Note 1: As at the end of the year, there are no bills payable that have reached maturity.

Note 2: As at the end of the year, the age of the aforementioned bills payables of the Group were within 1 year.

14. TRADE PAYABLES

（1） Presentation of trade payables

Item	**Balance as at the end of the year**	Balance as at the beginning of the year
Loans	**386,978,214.29**	656,543,625.36
Equipment costs	**847,499.25**	2,529,940.99
Total	**387,825,713.54**	659,073,566.35

（2） Trade payable that are overdue or have an aging over 1 year

Item	**Balance as at the end of the year**	**Reason for non-repayment or transfer**
Guangdong Sanzuniao Pharmaceutical Co., Ltd.	**3,281,110.55**	Not yet paid to the supplier
Guangdong Xiangxue Pharmaceutical Co., Ltd.	**3,102,143.00**	Not yet paid to the supplier
Total	**6,383,253.55**	

（3） Aging presentation of trade payables

Below is an aging analysis of trade payables based on transaction date as at 31 December 2024:

Age	**Balance as at the end of the year**	Balance as at the beginning of the year
Within 1 year	**374,742,200.33**	657,001,244.78
1 to 2 years	**11,505,873.92**	775,097.42
2 to 3 years	**727,758.26**	542,337.03
More than 3 years	**849,881.03**	754,887.12
Total	**387,825,713.54**	659,073,566.35

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China has officially entered a "moderately aging" society, shifting its healthcare focus from "treating disease as the centre" to "people's health as the centre". With a significant rise in public health awareness, the demand for pharmaceutical and healthcare services has shown a structural growth trend and the demand level has become diversified and full-cycle. Under the "dual circulation" development pattern, the domestic demand for pharmaceutical market has been further stimulated, and the deepening of the "coordinated reform of medical services, health insurance, and the pharmaceutical industry" is advancing fairness and accessibility in the pharmaceutical distribution market. Additionally, innovations in digital technology are injecting strong momentum into the upgrade and expansion of China's pharmaceutical distribution industry. Against this backdrop, pharmaceutical distributors are supporting the standardization of in-hospital drug management while actively facilitating the expansion of the out-of-hospital retail pharmacy market, thereby solidifying their strategic position within the industry chain. In parallel with accelerated industry integration and increased market concentration, the pharmaceutical distribution industry is transitioning from a traditional resource-driven competition model to one that prioritizes the capabilities in supply chain management, digital operations, and professional services.

Stable growth in the pharmaceutical distribution market with increasing industry concentration

According to data from the Ministry of Commerce of the People's Republic of China ("**MOFCOM**"), the total sales of the seven major categories of pharmaceutical products nationwide reached RMB2,930.4 billion (including tax) in 2023, representing a year-on-year increase of 7.5% after eliminating non-comparable factors. The top 100 pharmaceutical wholesalers by income from main business accounted for 76% of the country's pharmaceutical market, reflecting a year-on-year increase of 0.8 percentage point. 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%.

Overall, China's pharmaceutical distribution market continues to expand, demonstrating stable growth and a high-quality development trend. Industry concentration is becoming increasingly prominent, driving the market toward greater standardization, professionalization, and refinement. With technological innovation serving as the key driver and supply chain collaboration as the critical enabler, it is rapidly shaping a modernized industrial ecosystem, the industry is steadily progressing toward the stage of high-quality development.

Healthcare reform-driven rise of the out-of-hospital market, favoring distributors with strong terminal foundations

Under the policy principle of deepening supply-side structural reforms, the pharmaceutical distribution industry is embracing a more open and diversified market environment. Domestic healthcare reforms are being advanced, with multiple policies introduced to eliminate the system of "covering hospital expenses with pharmaceutical sales" (e.g., the regularized advancement of "bulk purchase of pharmaceuticals", the increasing improvement of "hierarchical diagnosis and treatment" system, the comprehensive spread of the "dual-channel" mechanism, and the extensive implementation of the policy for "including pharmacies in the scope of payment of medical insurance pooling of outpatient services"). These initiatives have systematically reshaped the pharmaceutical market, which was previously dominated by in-hospital market.

In October 2024, the National Healthcare Security Administration ("**NHSA**") issued the "Notice on Regulating the Out-of-Hospital Dispensing of Medical Insurance Prescriptions", which further regulates out-of-hospital prescriptions for medical insurance drugs by standardizing the out-of-hospital dispensing of prescriptions from designated medical institutions, strengthening oversight of such out-of-hospital prescriptions at designated retail pharmacies, enhancing the management of circulation of prescriptions for medical insurance drugs, accelerating the establishment of electronic prescription centres, and launching special governance for the use of out-of-hospital prescriptions for medical insurance drugs. A series of policies have accelerated the transformation of the pharmaceutical market, allowing the out-of-hospital market to capitalize on out-of-hospital prescription dispensing and unleash its development potential. According to the data from www.menet.com.cn ("**MENET**"), the retail pharmacy terminal market (including physical and online pharmacies) recorded pharmaceutical sales of RMB574 billion in 2024, representing a year-on-year increase of 3.7%. The market share of retail pharmacy terminals has been growing annually, accounted for 30.8% in 2024, increasing of 1.5 percentage points year-on-year, with the out-of-hospital market share continuing to rise. MENET forecasts that 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.

In response to the deep structural adjustments in distribution channels and the increasingly intense market competition, pharmaceutical distributors are focusing on service capability enhancement, accelerating expansion into high-value-added sectors, and continuously exploring innovative service concepts and service models. By leveraging emerging technologies such as big data, cloud computing, and artificial intelligence ("**AI**"), they are improving precision marketing and differentiated value-added services to meet the continuously evolving market demands. Pharmaceutical distributors with solid retail terminal foundations not only gain competitive advantages in the market but also help pharmaceutical manufacturers reach into a broader market for win-win outcomes.

Walking onto a fast track of diversified and digital-intelligent transformation

With the accelerated advancement of the digital-intelligent era, the widespread adoption of cutting-edge technologies such as AI, big data, cloud computing, and the Internet of Things ("**IoT**") is continuously driving the deep integration of "Internet + pharmaceutical distribution", propelling the pharmaceutical distribution industry onto a fast track of digital-intelligent transformation and diversified growth. In this context, pharmaceutical distributors face increasingly complex and fragmented market demands. Meanwhile, the rise of the out-of-hospital market imposes higher requirements on their refined service capabilities. To address this challenge, both regional and national pharmaceutical distributors are accelerating their transformation into supply chain solution providers. By leveraging integrated platforms to synchronize "logistics, information flow, and capital flow", they are continuously improving diversified and collaborative pharmaceutical supply chain systems, enhancing customer experience and resource allocation efficiency, and delivering differentiated products and services. This enables them to provide pharmaceutical companies with efficient pharmaceutical logistics services across regional and national warehouses, further driving the industry's high-quality development.

Standardized online pharmaceutical sales with instant retail emerging as a key growth driver

In January 2024, the National Medical Products Administration issued the "Guidelines for the Inspection of Third-Party Platforms for Online Pharmaceutical Transactions (Trial)" (the "**Guidelines**"), aimed at further regulating online pharmaceutical transactions to ensure safety and compliance. The Guidelines outline 40 key points for inspection and their specific items, clearly defining the scope of responsibilities for third-party platforms and providing clear, actionable guidance to facilitate the healthy and sustainable development of online pharmaceutical transactions. Under this standardized regulatory framework, instant retail has emerged as a key growth driver for pharmaceutical distribution. According to the latest forecast data from MENET, instant retail sales (including both pharmaceutical and non-pharmaceutical products) by pharmacies are expected to reach RMB48.7 billion in 2024, representing a year-on-year growth of 31.3%. As online medical insurance payment channels continue to expand and the outflow of hospital prescriptions become more liberalized, physical pharmacies are expanding their online channels, and the online pharmacy market is stepping into a phase of rapid expansion.

Comprehensive enhancement of drug traceability code supervision, driving industry-wide digital transformation

Complementing the Guidelines, laws and regulations regarding drug traceability have gradually improved in recent years. The government has introduced multiple policies requiring pharmaceutical distributors to establish traceability systems to ensure their drugs can be tracked and traced throughout the entire production-to-sales process. In April 2024, the NHSA issued the "2024 Special Rectification Plan for Violations of the Medical Insurance Fund", which placed particular emphasis on strengthening the application of drug traceability codes. In July 2024, NHSA released the "Proposal on Strengthening the Application of Drug Traceability Codes in the Drug Procurement Process (Draft for Public Comment"), reaffirming the significance of traceability codes.

NHSA had clearly stated that it had comprehensively promoted strict supervision of drug traceability codes starting from 1 January 2025, forcing pharmaceutical distributors to achieve comprehensive traceability coverage across all product categories and distribution channels. By leveraging their well-established traceability systems and quality control capabilities, industry-leading distributors are ensuring compliant drug market access and public medication safety. They are also expected to take up more distribution tasks of drugs centrally procured and optimize inventory management in a data-driven way. As of February 2025, over 20 billion drug traceability codes have been collected nationwide, covering 880,000 medical institutions across 31 provinces, laying a robust data foundation for the digital transformation of distributors. Under the combined influence of regulatory constraints and medical insurance policies, pharmaceutical distributors are further deepening their digital transformation.

Data sources: MOFCOM, MENET, China Pharmaceutical Distribution Industry Development Report (2023), China Pharmaceutical Distribution Journal, Guangdong Medical Products Administration, and 2023 Operational Statistical

Analysis Report of Pharmaceutical Distribution Industry.

BUSINESS REVIEW

The Group's principal business is distributing pharmaceuticals in China, and the majority of its business revenue comes from pharmaceutical distribution. We procure pharmaceuticals from pharmaceutical producers and distribution suppliers, and provide sales services for distributors, retail pharmacies, as well as private hospitals, clinics, health stations and other types of customers.

During the Reporting Period, we followed our established operation targets, and continued to expand our operation in Guangdong and its surrounding markets, with a focus on developing our retail terminal network. As at 31 December 2024, our distribution network covered 14,429 customers, among which 685 were distributors, 9,533 were retail pharmacy stores, and 4,211 were hospitals, clinics, health centres and others, representing an increase of 593 in the number of customers, including the increase of 22 distributors, the increase of 410 retail pharmacy stores, and 161 hospitals, clinics, health centres and others compared to last year.

In order to meet the various 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. We also continued to optimise our product mix by introducing marketable, high-quality products with high profit margin to enrich our product categories. As at 31 December 2024, we had distributed 12,810 product specifications, and we had a total of 1,206 suppliers, of which 623 were pharmaceutical manufacturers and 583 were distributor suppliers, representing an increase of 60 suppliers compared to last year.

Product Category	Product specifications for the year ended 31 December	
	2024	2023
Chinese patent medicines	**4,759**	4,582
Western medicines	**4,664**	4,518
Others	**3,387**	3,112
Total	**12,810**	12,212

Building a high-quality pharmaceutical marketing ecosystem and achieving win-win cooperation with upstream and downstream partners

By leveraging the advantages of its three-dimensional marketing network, the Group collaborated with brand pharmaceutical manufacturers and downstream clients to build a complete industry chain and commercial ecosystem. By leveraging the core advantages of aggregating product resources, optimizing purchasing and sales channels, facilitating transactions, utilizing digitalized logistics, we effectively addressed the pain point of imbalance in supply and demand, significantly reducing channel expansion difficulties for upstream manufacturers and realizing the true value and benefits of their brands. Currently, China Resources Sanjiu, Haleon, Guangzhou Baiyunshan Pharmaceutical, Buchang Pharmacy, China Resources Jiangzhong, Yangtze River Pharmaceutical, MEDI' CARE, Zhongsheng Pharmaceutical, Lingrui Pharmaceutical, Lotus Peak and other well-known brands in the pharmaceutical industry have benefited a lot from our three-dimensional marketing network.

On this basis, we continued to deepen our product layout and actively implemented the policy of "tens of millions" brand clients, and were committed to cultivating core partners with market influence. Through focused resource allocation, targeted support, and customized services, we have successfully developed multiple strategic cooperation brands with sales exceeding RMB10 million, creating continuous market value growth for our clients. Meanwhile, we adopted innovative and multi-dimensional marketing strategies such as joint brand marketing, event-driven promotions, differentiated sales campaigns, and new product appreciation sessions to strengthen resource integration and sharing and opened up innovative cooperation channels. These initiatives not only helped clients deepen their understanding of the products but also effectively promoted efficient product distribution and market conversion. By continuously optimizing the three-dimensional marketing network and reshaping the resource matrix, we enhanced clients' market competitiveness while achieving rapid and efficient product distribution and conversion.

Continuing to explore the AI applications to drive digital-intelligent transformation and end-to-end closed loop building

We have leveraged digital office platforms as the entry point for AI applications, successfully achieved automation upgrades in financial management, process optimization, data processing, and product monitoring, and initially established an intelligent workflow engine, significantly enhancing operational efficiency. In the logistics sector, we have piloted AI tools in specific areas such as inventory management and route optimization, utilizing machine learning algorithms and real-time data analysis to optimize resource allocation and decision-making efficiency. Moving forward, we plan to progressively advance full-process digital integration to establish an end-to-end intelligent business ecosystem. Based on business needs and technological evolution, we will continuously iterate AI models, enhance deep learning and predictive analytics capabilities, and explore new application scenarios in a bid to further improve overall operational efficiency, strengthen core competitiveness, and drive a deeper digital-intelligent transformation.

Upgrading terminal systems in the Greater Bay Area by establishing Shenzhen Pharmaceutical Logistics Centre

During the Reporting Period, the Group established a large pharmaceutical sorting and distribution centre in Shenzhen (**"Shenzhen Pharmaceutical Logistics Centre"**). As an economic hub in southern China, Shenzhen has significant advantages in location, industry clustering, and policy support. It can continue to benefit from the Greater Bay Area's integration, enhance its influence in the Greater Bay Area's pharmaceutical terminal market, and promote the coordinated upgrading of the regional pharmaceutical industry chain. It is of great strategic significance to the Group's logistics network layout in the Pearl River Delta and eastern Guangdong regions of Guangdong Province. The 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. 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.

Leveraging logistical advantages to elevate third-party logistics business to new heights

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. These centres are equipped with a comprehensive logistics network and information system, adhering strictly to unified Good Supply Practice (GSP) management standards to ensure the standardization of storage conditions. Additionally, they feature advanced cold chains and refrigerated transport vehicles, as well as intelligent warehousing equipment, to meet the diverse distribution needs of pharmaceutical products. We use Charmacy Pharmaceutical (Guangzhou) Medicine Sorting and Distribution Centre as the core warehouse to build a leading regional logistics hub, supporting and strengthening the multi-warehouse coordination model. By achieving multi-warehouse coordination with logistics centres in other regions, we share inventory and distribution network advantages. This not only meets the warehousing needs of our rapidly growing pharmaceutical distribution business but also integrates warehousing space and logistics distribution capabilities, maximizes the provision of additional warehousing or transportation value-added services for upstream and downstream clients, and enhance the Group's profitability.

During the Reporting Period, we comprehensively enhanced service standards, such as seamless connection with carrier systems, real-time terminal monitoring, optimization of review processes, and improvement of goods receipt verification functions. Additionally, we continuously expanded diversified services such as integrated warehousing and distribution, entrusted transportation, and drop shipping in order to provide clients with more efficient, transparent, and reliable logistics services. With our professional logistics solutions, excellent service quality, and strong brand reputation, we have earned the trust and recognition of many clients. During the Reporting Period, we established partnerships with leading pharmaceutical brands such as Dong-E E-Jiao, Fosun Pharma, and Hainan Kangzhi to provide them with third-party pharmaceutical logistics outsourcing services under an integrated warehousing and distribution model. This marks a significant milestone in the development of our third-party logistics business. As of 31 December 2024, the Group has built third-party pharmaceutical logistics entrustment business and other value-added services such as warehousing or transportation with multiple clients, such as manufacturers, commercial distributors and chain pharmacies, with the number of corresponding clients and corresponding revenue increasing by 30% and 55% year-on-year, respectively.

During the Reporting Period, the Group established Guangdong Charmacy Pharmaceutical Logistics Co., Ltd., which mainly operates as a domestic freight forwarding agent and provides logistics and distribution services for third parties. Leveraging the Group's mature logistics and distribution system and professional transportation teams, we promoted the transformation of the Group's third-party logistics business towards scale, standardization, specialization and intelligent, provided more efficient and professional logistics and distribution services for the supply chains, bringing new profit growth points for the Group and enhancing the Group's market competitiveness.

During the Reporting Period, the Group was recognized as an Excellent Pharmaceutical Logistics and Distribution Enterprise in 2023–2024 (for four consecutive years), a Modern Pharmaceutical Logistics Technology Test Base (Centre) in 2023–2024 (for three consecutive years), and the Best Pharmaceutical Cold Chain Logistics Centre (Base) in 2023–2024 (for six consecutive years), a Recommended Enterprise for Pharmaceutical Cold Chain Logistics Services in 2023–2024 (for five consecutive years), a Top 50 Enterprise in Modern Third-Party Pharmaceutical Logistics Services in 2023–2024 (for two consecutive years), a Pilot Base for Pharmaceutical Supply Chain Innovation in 2023–2024, and the Best Supply Chain Service Provider for Pharmaceuticals and Medical Devices in 2023–2024 by the Yaolianquan Certification Centre. It was also awarded the China Logistics Industry "Golden Ant" Innovation Award in 2023–2024 by the Organizing Committee of China (Guangzhou) International Logistics Equipment and Technology Exhibition (for seven consecutive years), the Group was also named a Pilot Unit for Modern Pharmaceutical Logistics Storage and Transportation Management Standards by the China Medical Pharmaceutical Material Association Pharmaceutical Commercial Branch, and an Advanced Unit in Pharmaceutical Distribution Information Statistics by the China Association of Pharmaceutical Commerce, the Group was awarded a Standing Council Member Unit by the Guangdong Credit Association (for 7 consecutive years), granted the 2024 AAA-level Enterprise Credit Rating by the China Enterprise Confederation and the China Entrepreneur Directors Association, and listed among the 2024 Top 500 Enterprises in Guangdong province, granted the Top 100 Pharmaceutical Commercial Enterprises in term of Revenue in 2024 from the organizing committee of Mount Tai Pharmaceutical Forum.

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 sector is being shifted from "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 growing needs for a healthy living. Over a longer term, the pharmaceutical industry will accelerate the changes in quality and efficiency, 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 digital and intelligent transformation of the pharmaceutical industry and encouraging pharmaceutical distributors to improve 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 through the application of advanced technologies such as big data and AI across the whole pharmaceutical chain. Meanwhile, pharmaceutical distributors will utilize digital technology to continuously empower business development and help reduce the costs and increase the cost effectiveness of brand manufacturers in pharmaceutical marketing and promotion, warehousing and transportation management, brand marketing and other aspects.

With the gradual deepening of reforms such as "Separation of prescribing and dispensing", "hierarchical diagnosis and treatment" and "prescription outflow", the out-of-hospital market will shape a trillion-yuan incremental market, and China's online pharmacy terminal drug market has seen rapid expansion, with sales exceeding RMB60 billion in 2023, reflecting a year-on-year increase of 28.46%. Furthermore, instant retail has emerged as a preferred channel for online medical insurance drug purchases, presenting unprecedented opportunities for development.

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 opportunities, grasp market opportunities, and continuously promote the expansion of market network and service improvement. By strengthening refined management and digital and intelligent-driven, we will promote 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. AI-driven digital-intelligent transformation for broader digital boundaries

The Company will continue to deepen its "Internet + Pharmaceutical" strategy, fully integrating digitalization and AI technology to create an intelligent supply chain ecosystem, and strive to achieve intelligent management of the entire process and improve efficiency. By deploying robotic process automation (RPA) and advanced AI tools, we will systematically optimize business processes, shifting a large number tasks with logical rules and high repetitive from manual operations to automation. This will enable employees to focus on more innovative and strategically valuable tasks, maximizing work efficiency while further enhancing the Company’s intrinsic motivation and core competitiveness.

In terms of business enablement, we will fully leverage intelligent technologies to accelerate supply chain responsiveness, providing upstream and downstream clients with more efficient and precise service experience, thus achieving end-to-end value delivery. Additionally, by utilizing industry data assets accumulated over the past 24 years, we will adopt AI-driven deep data analysis and machine learning models to conduct in-depth data analysis and mining. This will enable us to build a more scientific and forward-looking decision-making mechanisms, ensuring precise decisions and agile responses in a complex market environment.

Furthermore, we will continue to leverage our strong supply chain resources to drive digital transformation, with the B2B e-commerce platforms as the core foundation. By combining digital marketing with intelligent operational methods, we aim to fully unlock the potential of the "Internet+" model. Through efficient technology empowerment and precise channel optimization, we will enhance the dynamic matching of supply and demand, optimize transaction scenarios, and improve overall operational efficiency and flexibility in a constantly changing market environment, and become a strategic enabler and long-term value creator for our upstream and downstream partners in the fierce market competition.

III. Deepening and expanding 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, cement the strength of our products and reach into more markets with high growth potential. Fully utilising the Group’s pharmaceutical retail terminal network resources and taking its advantages, we will provide upstream suppliers with comprehensive, diverse brand promotion and product launch design and support services and help brand manufacturers increase their market share.

IV. Enhancing pharmaceutical logistics capabilities and upgrading third-party logistics business

We will integrate existing 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. By leveraging a coordinated operating model of multi-warehouse connectivity and intelligent scheduling, we strive to optimize delivery efficiency and cost control from production sources to end distribution, maximizing economies of scale and resource utilization. We will continue to capitalize on our refined management and digital-intelligent empowerment, optimizing and upgrading our terminal distribution network to create a more rational and efficient pharmaceutical logistics system. At the same time, we will actively expand our third-party pharmaceutical logistics business, leveraging our logistics network advantages to provide upstream suppliers and downstream clients with professional and convenient warehousing, logistics, transportation and other value-added services. This will further enhance the Group's market competitiveness and profitability.

V. Actively expanding domestic and international industrial cooperation to support the Group’s healthy and high-quality development

With the abundant resources and advantages of our state-owned shareholders, we will actively seek high-quality products and projects at home and abroad, optimize the Group's product supply chain and expand more profitable new business to continuously optimize our business structure and profit models. With a focus on extending and upgrading the pharmaceutical industry chain, we will introduce new technologies and concepts, driving deep integration of emerging technologies with core competencies. This will solidify our leadership position in the non-tender 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

	For the year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Principal business	**4,385,120**	4,347,522
Other businesses	**50,341**	56,111
Operating revenue	**4,435,461**	4,403,633

	For the year ended 31 December	
Customer type	**2024**	2023
	RMB'000	*RMB'000*
Distributors	**2,074,863**	2,057,929
Retail pharmacy stores	**2,166,832**	2,110,773
Hospitals, clinics, health centres and others	**143,425**	178,821
Revenue from principal business	**4,385,120**	4,347,522

During the Reporting Period, 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 the Reporting Period, 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 year ended 31 December 2024 was RMB4,435.46 million, representing an increase of 0.72% from RMB4,403.63 million for the year ended 31 December 2023. This is mainly due to (1) focusing on the non-tendering market and intensifying the brand cooperation: we always adhere to our business positioning in the non-tendering market, and continuously implement the market strategy of " Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas", which not only enhances our recognition among brand owners, but also wins more distribution rights and project cooperation opportunities for high-quality products, laying a solid foundation for revenue growth; and (2) strengthening the supply chain advantages and enhancing the customer satisfaction: we continuously improve our product supply satisfaction rate and constantly optimize our supply chain service system, which has been widely recognized by our customers. The efficient and stable supply chain services not only enhance customers' satisfaction, but also further strengthen our brand influence, providing strong support for the steady growth of our principal business.

Operating cost, gross profit and gross profit margin

The operating cost of the Group decreased by RMB0.19 million from RMB4,110.89 million for the year ended 31 December 2023 to RMB4,110.70 million for the year ended 31 December 2024, flatted as compared with the same period last year.

The gross profit of the Group increased by 10.94% from RMB292.74 million for the year ended 31 December 2023 to RMB324.76 million for the year ended 31 December 2024. The gross profit margin of the Group increased from 6.65% for the year ended 31 December 2023 to 7.32% for the year ended 31 December 2024. The increase in gross profit margin of the Group is mainly due to the following facts: (1) we have continuously adjusted our product structure, introduced some varieties with higher gross profit margins, and actively eliminated some varieties with lower gross profit margins; (2) the value-added third-party logistics business relying on our logistics system has seen significant growth compared to last year; and (3) we have continuously optimized our payment structure and improved our payment efficiency, resulting in more sales discounts from our suppliers.

Selling expenses

The selling expenses of the Group decreased by 1.65% from RMB122.47 million for the year ended 31 December 2023 to RMB120.44 million for the year ended 31 December 2024, basically flat as compared with the same period last year.

Management expenses

The management expenses of the Group increased by 15.33% from RMB47.53 million for the year ended 31 December 2023 to RMB54.82 million for the year ended 31 December 2024, mainly due to the growth in employee compensation expenses of RMB4.19 million, driven by additional headcount to support business expansion, adjustments to the salary structure, and increased investment in training for medium and senior level personnel.

Finance costs

The finance costs of the Group increased by 47.09% from RMB42.35 million for the year ended 31 December 2023 to RMB62.29 million for the year ended 31 December 2024, mainly due to the following facts: (1) the long-term and short-term loans obtained from banks increased by RMB237.38 million year-on-year, and the corresponding interest expenses increased by RMB5.09 million; and (2) the discount interest on bills increased by RMB14.11 million.

Income tax expenses

The income tax expenses of the Group increased by 11.40% from RMB16.07 million for the year ended 31 December 2023 to RMB17.91 million for the year ended 31 December 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 net profit of the Group increased by 3.78% from RMB51.34 million for the year ended 31 December 2023 to RMB53.28 million for the year ended 31 December 2024. Among them, the net profit attributable to the shareholders of parent company increased by 3.78% from RMB51.34 million for the year ended 31 December 2023 to RMB53.28 million for the year ended 31 December 2024, mainly due to the steady growth of our principal business.

Liquidity and financial resources

As at 31 December 2024, the cash and bank deposits of the Group amounted to RMB171.79 million, while the cash and bank deposits amounted to RMB112.93 million as at 31 December 2023.

As at 31 December 2024 and 31 December 2023, the Group recorded net current assets of RMB241.39 million and RMB193.14 million, respectively. As at 31 December 2024, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.09 (2023: 1.07).

The bank borrowings of the Group as at 31 December 2024 amounted to RMB825.37 million (short-term borrowings: RMB811.57 million, long-term borrowings: RMB13.80 million, of which long-term borrowings due within one year: RMB1.22 million). 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.

Bill receivables, trade receivables and receivables financing

As at 31 December 2024, the Group's bill receivables, trade receivables and receivables financing amounted to RMB1,226.42 million, representing an increase of RMB261.07 million and 27.04%year-on-year, from RMB965.35 million as at 31 December 2023. This was mainly due to the increase in operating revenue as well as the positive progress and business expansion achieved in the market in the Reporting Period. The Group has continuously strengthened the management on accounts receivable, dynamically assessed risks, and achieved efficient fund utilization and liquidity management.

Bills payables and trade payables

As at 31 December 2024, the Group's bills payables and trade payables amounted to RMB1,214.33 million, representing a decrease of RMB381.23 million and 23.89% year-on-year, from RMB1,595.56 million as at 31 December 2023, mainly due to the Group more rationally arranging procurement based on the market supply and demand of products and more effectively allocating the use of funds.

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 under review. The Group continues to assess its customers' credit and financial positions so as to minimise 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 of the Group are denominated in RMB. The foreign exchange risk that the Group has to bear is extremely low. During the Reporting Period, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

For the year ended 31 December 2024, the Group had no bank borrowings which bear interest at floating rate. (2023: Nil)

Capital management

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

	31 DECEMBER 2024	**31 DECEMBER 2023**
GEARING RATIO	**51.37%**	44.28%

Note: Gearing ratio is equal to net liabilities divided by aggregate capital as at the end of the year. 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 2024, the Group did not have any capital commitment. (2023: Nil).

Employees' information

As at 31 December 2024, the Group had a total of 847 employees (including executive Directors) (2023: 831 employees), representing an increase of 16 employees compared with the number of employees as at 31 December 2023. The total staff cost (including emoluments of directors and supervisors) was RMB91.15 million, representing an increase of 1.20%, as compared to RMB90.07 million for the year ended 31 December 2023. 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.

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 to improve their own integrated qualities and business capability.

Significant investments held

Apart from investments in subsidiaries, the Group did not hold any significant investment during the year ended 31 December 2024.

Future plans related to material investments and capital assets

The Group has no other future plans related to material investments and capital assets.

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

During the year ended 31 December 2024, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2024, the Group was granted a credit limit of RMB1,717.00 million by various banks, while the Group's utilised banking facilities totaled RMB1,275.88 million, which were secured by (i) property and plant held by the Group with a carrying amount of RMB211.40 million as at 31 December 2024; and (ii) land use rights held by the Group with a carrying amount of RMB66.88 million as at 31 December 2024.

Assets subject to restrictions on ownership or use

As at 31 December 2024, the Group's restricted monetary funds amounted to RMB391.36 million, which served as deposit for bank acceptance bills; the Group's restricted bills receivable amounted to RMB5.57 million, which were restricted for being pledged to banks; the Group also pledged certain other assets totalling RMB278.28 million as guarantee for the Group's borrowings. Assets subject to restrictions on ownership or use totalled RMB675.21 million.

Contingent liabilities

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

Significant events after the Reporting Period

After the Reporting Period and as of the date of this announcement, there are no significant events that the Group is required to disclose.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.45 per share (tax inclusive) for the year ended 31 December 2024, which is subject to the approval by the shareholders of the Company (the "**Shareholder(s)**") at the annual general meeting to be convened on 22 May 2025 (the "**AGM**"), final dividend for full circulation H shareholders of the Company will be paid in RMB, and the final dividend for other H shareholders of the Company will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of RMB to Hong Kong dollars as announced by the PBOC during the 5 business days preceding the date of approval of the final dividend at the AGM. The final dividend is expected to be paid on 11 July 2025. The Company will announce the details in relation to the record date of dividend payment and the relevant dates when the registration of the Company will be closed, when appropriate.

The Company does not hold any treasury shares (including any treasury shares held or deposited with Central Clearing and Settlement System) and holders of treasury shares, if any, would not receive the dividends or distributions.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend the AGM, the register of members of the Company will be closed from 19 May 2025 to 22 May 2025 (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 16 May 2025.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2024, the Company had complied with the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. 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 of the Company.

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. Having made enquiries with all Directors and supervisors of the Company, the Company confirmed that all Directors and supervisors of the Company had complied with the required standard as set out in the Model Code for the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 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 at 31 December 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three members, including two independent non-executive Directors, Mr. Wan Chi Wai Anthony (Chairman) and Mr. Guan Jian, and a non-executive Director, Mr. Xu Fei. 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, re-appointment 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, 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 the audited consolidated financial statements for the year ended 31 December 2024.

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 2024 will be dispatched to the Shareholders 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 March 2025

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*