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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 2025**

	For the six months ended 30 June		Year-on-year change
	2025 <i>RMB'000</i> (Unaudited)	2024 <i>RMB'000</i> (Unaudited)	
Results			
Operating revenue	2,155,071	2,347,185	-8.18%
Total profit	32,629	38,928	-16.18%
Net profit attributable to the shareholders of parent company	21,739	26,747	-18.72%
Basic and diluted earnings per share (expressed in RMB per share)	0.2013	0.2477	-18.73%

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 2025 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2024.

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, charts or elsewhere between total and sums of amounts listed therein are due to rounding.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2025

Item	Notes	For the six months ended 30 June	
		2025	2024
		RMB	RMB
		(Unaudited)	(Unaudited)
I. Total operating revenue		2,155,071,479.51	2,347,184,933.33
Incl: Revenue	4	2,155,071,479.51	2,347,184,933.33
II. Total operating cost		2,115,726,066.82	2,303,414,061.34
Incl: Operating cost	4	1,994,326,096.78	2,178,000,003.01
Taxes and surcharges		4,793,532.40	5,100,228.91
Selling expenses		60,443,374.81	62,878,744.46
Management expenses		22,473,336.66	23,332,387.57
Research & development expenses			
Finance costs	6	33,689,726.17	34,102,697.39
Incl: Interest expenses		31,055,269.10	33,101,117.52
Interest income		1,147,053.30	2,882,746.74
Add: Other income		66,344.15	103,309.43
Investment income (“–” for loss)			
Incl: Investment income from associates and joint ventures			
Financial assets measured at amortised cost are derecognised 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)		-2,314,610.52	-708,853.67
Impairment loss of assets (“–” for loss)		-4,072,352.01	-4,219,949.10
Gains on disposal of assets (“–” for loss)		7,778.91	395,944.96
III. Operating profit (“–” for loss)		33,032,573.22	39,341,323.61
Add: Non-operating revenue		5,579.85	83,411.56
Less: Non-operating expenses		409,361.88	496,791.49
IV. Total profit (“–” for total loss)		32,628,791.19	38,927,943.68
Less: Income tax expense	7	10,889,767.52	12,180,708.15
V. Net profit (“–” for net loss)		21,739,023.67	26,747,235.53
(I) By continuity of operations		21,739,023.67	26,747,235.53
1.Net profit from continuing operation(“–” for net loss)		21,739,023.67	26,747,235.53
2.Net profit from discontinued operation(“–” for net loss)			
(II) By ownership		21,739,023.67	26,747,235.53
1.Net profit attributable to the shareholders of parent company (“–” for net loss)		21,739,023.67	26,747,235.53
2.Profit of loss of minority interests (“–” for net loss)			

		For the six months ended 30 June	
Item	Notes	2025	2024
		RMB	RMB
		(Unaudited)	(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		21,739,023.67	26,747,235.53
Total comprehensive income attributable to the shareholders of parent company		21,739,023.67	26,747,235.53
Total comprehensive income attributable to minority interests			
VIII. Earnings per share:			
(I) Basic earnings per share	8	0.2013	0.2477
(II) Diluted earnings per share	8	0.2013	0.2477

CONSOLIDATED BALANCE SHEET

As at 30 June 2025

Item	Notes	30 June 2025 RMB (Unaudited)	31 December 2024 RMB (Audited)
Current assets:			
Monetary funds		509,969,794.82	563,150,403.45
Trading financial assets			
Derivative financial assets			
Bills receivables	10	35,973,650.00	5,570,435.00
Trade receivables	11	1,183,817,045.00	1,163,237,552.39
Account receivable financing	12	23,573,149.39	57,615,292.39
Prepayments		543,028,576.89	527,344,501.01
Other receivables		14,104,790.99	12,297,041.51
Incl: Interest receivable			
Dividends receivable			
Buying back the sale of financial assets			
Inventories		721,871,435.74	655,911,091.04
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		46,831,320.24	44,866,517.92
Total current assets		3,079,169,763.07	3,029,992,834.71
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		272,537,778.29	278,271,752.17
Construction in progress			
Right-of-use assets		35,135,247.18	39,330,027.02
Intangible assets		70,449,394.00	72,492,702.02
Development expenditure			
Goodwill		5,997,776.04	5,997,776.04
Long-term expenses to be amortised		20,687,516.76	22,913,989.34
Deferred income tax assets		8,273,998.24	7,644,601.03
Other non-current assets			
Total non-current assets		413,081,710.51	426,650,847.62
Total assets		3,492,251,473.58	3,456,643,682.33

Item	Notes	30 June 2025 RMB (Unaudited)	31 December 2024 RMB (Audited)
Current liabilities:			
Short-term borrowings		967,683,071.97	811,574,543.09
Trading financial liabilities			
Derivative financial liabilities			
Bills payables	13	709,194,022.88	826,507,576.48
Accounts payables	14	364,786,906.42	387,825,713.54
advance receipts			
Contract liabilities		2,299,139.44	2,102,373.45
Salaries payable to employees		5,347,960.68	6,402,420.60
Tax payables		56,943,097.83	62,374,954.14
Other payables		708,362,734.67	681,544,720.76
Incl: Interest payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		10,480,075.13	9,997,389.09
Other current liabilities		1,283,469.54	273,329.94
Total current liabilities		2,826,380,478.56	2,788,603,021.09
Non-current liabilities:			
Long-term borrowings		43,200,000.00	13,800,000.00
Bonds payable			
Incl: Preferred stock			
Perpetual note			
Lease liabilities		30,659,262.55	35,171,818.27
Long-term payables			
Long-term payroll payable			
Accruals and provisions			
Deferred income			
Deferred income tax liabilities		181,760.81	377,894.98
Other non-current liabilities			
Total non-current liabilities		74,041,023.36	49,349,713.25
Total liabilities		2,900,421,501.92	2,837,952,734.34
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	31,143,182.74
General Risk Preparation			
Unallocated profits		173,695,959.88	200,556,936.21
Total equity attributable to the shareholders of parent company		591,829,971.66	618,690,947.99
Minority interests			
Total shareholders' interests		591,829,971.66	618,690,947.99
Total liabilities and shareholders' interests		3,492,251,473.58	3,456,643,682.33

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

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 2025, 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 2025, as well as the operating results and cash flow of the six months ended 30 June 2025 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 2025 to 30 June 2025, the currency unit is RMB.

(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 2025		For the six months ended 30 June 2024	
	Revenue (Unaudited)	Cost (Unaudited)	Revenue (Unaudited)	Cost (Unaudited)
Principal business	2,128,769,934.11	1,992,617,151.90	2,325,459,578.61	2,177,837,790.01
Other businesses	26,301,545.40	1,708,944.88	21,725,354.72	162,213.00
Total	<u>2,155,071,479.51</u>	<u>1,994,326,096.78</u>	<u>2,347,184,933.33</u>	<u>2,178,000,003.01</u>

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	
	2025 (Unaudited)	2024 (Unaudited)
Interest expenses	31,055,269.10	33,101,117.52
Incl: Bank borrowings and others	29,621,637.63	32,244,615.80
Interest expense on lease liabilities	885,458.13	856,501.72
Less: Interest income	1,147,053.30	2,882,746.74
Add: Foreign exchange gains and losses	6,223.70	-2,856.37
Add: Others	3,775,286.67	3,887,182.98
Total	<u>33,689,726.17</u>	<u>34,102,697.39</u>

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	For the six months ended 30 June	
	2025 (Unaudited)	2024 (Unaudited)
Current income tax calculated according to the tax law and related regulations	11,519,164.74	12,309,195.72
— Corporate income tax in Mainland China	11,519,164.74	12,309,195.72
— Profit tax in Hong Kong, PRC		
Deferred income tax expenses	-629,397.22	-128,487.57
Total	<u>10,889,767.52</u>	<u>12,180,708.15</u>

The Group had no Hong Kong income tax, since it had no taxable income in Hong Kong for the six months ended 30 June 2024 and 2025.

(2) Reconciliation between accounting profit and income tax expenses

Item	For the six months ended 30
	June 2025 (Unaudited)
Combined total profit for the period	32,628,791.19
Income tax expenses calculated at statutory/applicable tax rate	11,519,164.74
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	-629,397.22
Income tax expenses	10,889,767.52

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	3.79	0.2013	0.2013
Net profit attributable to the shareholders of parent company (excluding non-recurring profit and loss)	3.84	0.2036	0.2036

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025 (interim dividend for 2024: Nil).

10. BILLS RECEIVABLES

(1) Bills receivable are listed by category

Item	Balance as at 30 June 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Bank acceptance bills		
Commercial drafts	36,100,000.00	5,590,000.00
Subtotal	36,100,000.00	5,590,000.00
Less: Provision for bad debt	126,350.00	19,565.00
Total	35,973,650.00	5,570,435.00

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

Classification	Balance as at 30 June 2025 (Unaudited)				
	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	36,100,000.00	100.00	126,350.00	0.35	35,973,650.00
Including: Ageing portfolio	36,100,000.00	100.00	126,350.00	0.35	35,973,650.00
Low risk portfolio					
Total	36,100,000.00	100.00	126,350.00	—	35,973,650.00

Classification	Balance as at 31 December 2024 (Audited)				
	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
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
Including: Ageing portfolio	5,590,000.00	100.00	19,565.00	0.35	5,570,435.00
Low risk portfolio					
Total	5,590,000.00	100.00	19,565.00	—	5,570,435.00

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

Classification	Balance as at 30 June 2025 (Unaudited)		
	Book balance	Provision for bad debt	Provision ratio (%)
Ageing portfolio	36,100,000.00	126,350.00	0.35
Total	36,100,000.00	126,350.00	—

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

Category	Balance as at 31 December 2024 (Audited)	Changes for the six months ended 30 June 2025 (Unaudited)				Balance as at 30 June 2025 (Unaudited)
		Accrued	Recovered or reversed	Written back or written off	Other	
Commercial drafts	19,565.00	106,785.00				126,350.00
Total	19,565.00	106,785.00				126,350.00

(4) Pledged bills receivable as at 30 June 2025

Item	Pledged amount as at 30 June 2025 (Unaudited)
Commercial drafts	3,600,000.00
Total	3,600,000.00

- (5) The Group had no bills receivables that had been endorsed or discounted as at 30 June 2025 and were not mature at the balance sheet date.

- (6) As at 30 June 2025, 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 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Trade receivables	1,205,335,300.45	1,184,455,239.82
Less: Provision for bad debt	21,518,255.45	21,217,687.43
Net	<u>1,183,817,045.00</u>	<u>1,163,237,552.39</u>

(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 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Within 1 year	1,166,135,680.72	1,156,354,646.21
1 to 2 years	24,808,526.12	13,018,971.27
2 to 3 years	221,671.72	629,729.86
More than 3 years	14,169,421.89	14,451,892.48
Total	<u>1,205,335,300.45</u>	<u>1,184,455,239.82</u>

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

Classification	Balance as at 30 June 2025 (Unaudited)				
	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Provision Ratio (%)	
Provision for bad debt made on individual basis	14,903,180.28	1.00	14,902,390.83	99.99	789.45
Provision for bad debt made on a collective basis	1,190,432,120.17	99.00	6,615,864.62	0.56	1,183,816,255.55
Incl: Ageing portfolio	1,190,432,120.17	99.00	6,615,864.62	0.56	1,183,816,255.55
Total	<u>1,205,335,300.45</u>	<u>100.00</u>	<u>21,518,255.45</u>	<u>—</u>	<u>1,183,817,045.00</u>

Classification	Balance as at 31 December 2024 (Audited)				
	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Provision ratio (%)	
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: Ageing portfolio	1,168,498,405.38	98.65	5,261,952.99	0.45	1,163,236,452.39
Total	<u>1,184,455,239.82</u>	<u>100.00</u>	<u>21,217,687.43</u>	<u>—</u>	<u>1,163,237,552.39</u>

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

Age	Balance as at 30 June 2025 (Unaudited)		
	Book balance	Provision for bad debt	Provision ratio (%)
Within 1 year	1,165,974,699.12	4,263,060.71	0.37
1 to 2 years	24,457,421.05	2,352,803.91	9.62
2 to 3 years			
More than 3 years			
Total	<u>1,190,432,120.17</u>	<u>6,615,864.62</u>	<u>—</u>

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

Item	Balance as at 31 December 2024 (Audited)	Changes for the six months ended 30 June 2025 (Unaudited)				Balance as at 30 June 2025 (Unaudited)
		Accrued	Recovered or reversed	Written back or written off	Others	
Individual basis	15,955,734.44		1,053,343.61			14,902,390.83
Collective basis	5,261,952.99	1,353,911.63				6,615,864.62
Total	<u>21,217,687.43</u>	<u>1,353,911.63</u>	<u>1,053,343.61</u>			<u>21,518,255.45</u>

(4) No trade receivable was written off during the period.

12. ACCOUNT RECEIVABLE FINANCING

Item	Balance as at 30 June 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Bank acceptance bills	23,573,149.39	57,615,292.39
Total	23,573,149.39	57,615,292.39

13. BILLS PAYABLES

Classification of bills	Balance as at 30 June 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Bank acceptance bills	709,194,022.88	826,507,576.48
Total	709,194,022.88	826,507,576.48

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 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Trade payables	363,780,496.38	386,978,214.29
Equipment costs	1,006,410.04	847,499.25
Total	364,786,906.42	387,825,713.54

(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 2025:

Age	Balance as at 30 June 2025 (Unaudited)	Balance as at 31 December 2024 (Audited)
Within 1 year	340,650,702.60	374,742,200.33
1 to 2 years	22,025,835.02	11,505,873.92
2 to 3 years	557,882.63	727,758.26
More than 3 years	1,552,486.17	849,881.03
Total	364,786,906.42	387,825,713.54

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China has officially entered a stage of moderate population ageing. In response, the healthcare sector is gradually shifting from “treating disease as the centre” to “people’s health as the centre”. With a significant rise in public health awareness, demand for pharmaceutical and healthcare services is steadily increasing, characterised by greater diversity and coverage across the entire life cycle. The new “dual circulation” development pattern is further stimulating domestic demand in the pharmaceutical market. At the same time, healthcare reforms driven by the integration of medical services, health insurance, and the pharmaceutical industry are accelerating the dismantling of barriers between these three areas. This is propelling the transformation of China’s pharmaceutical distribution model from one traditionally focused on direct hospital sales to a broader network that includes community-based medical institutions and retail pharmacies. As a result, the pharmaceutical distribution sector is evolving toward a value-based service model that spans the full healthcare and pharmaceutical chains. Innovations in digital technology are continuously injecting momentum into the sector’s high-quality development, supporting its ongoing upgrade and expansion. Meanwhile, industry consolidation is accelerating, with market concentration steadily increasing. The pharmaceutical distribution sector is rapidly transitioning from the traditional competitive model of being resource-driven to an integrated services model that is centered on supply chain management, digital operations, and specialised service capabilities.

Market concentration in pharmaceutical distribution is increasing, with sustained growth in the retail segment

According to data from MENET, China’s retail pharmacies, including online channels, continued to expand their market share in 2024, with a year-on-year increase of 1.5 percentage points. Specifically, there is a year-on-year increase of 14.4 % in pharmaceutical sales by online pharmacies, while sales at public hospitals and community-based public health facilities declined. Instant retail sales through pharmacies, including both pharmaceutical and non-pharmaceutical products, reached RMB48.7 billion in 2024, representing a year-on-year growth of 31.3%. As online medical insurance payment channels become more accessible and hospital prescriptions increasingly flow to external outlets, brick-and-mortar pharmacies are strengthening their deployment and integration with online channels. This trend is fueling the continued rapid growth of the online pharmacy sector.

The Ministry of Commerce of the People’s Republic of China (“**MOFCOM**”) published the “Guiding Opinions on Promoting High-Quality Development of the Pharmaceutical Distribution Sector During the 14th Five-Year Plan Period”, which clearly set the targets: by 2025, China aims to cultivate 5 to 10 specialised and diversified pharmacy retail chain enterprises with annual sales exceeding RMB50 billion, and the top 100 pharmacy retailers are expected to contribute over 65% of total retail pharmacy sales, with the retail chain penetration rate approaching 70%. According to MOFCOM’s data, in 2023, the top 100 pharmaceutical wholesalers ranked by main business revenue accounted for 76% of the national pharmaceutical market, representing an increase of 0.8 percentage points year-on-year. This reflects a continued increasing trend toward market concentration in the pharmaceutical distribution sector. Under the combined influence of policies and market dynamics, the sector is accelerating its shift toward larger scale and higher efficiency. Forecasts from the Forward Industry Research Institute estimated that, assuming a compound annual growth rate of 7%, China’s pharmaceutical distribution market size is predicted to exceed RMB4 trillion by 2028.

Healthcare reforms unlock benefits from out-of-hospital market, as distributors with strong retail foundations build competitive moats

China's pharmaceutical distribution sector is accelerating in structural transformation, evolving toward a more open and diversified market ecosystem. Comprehensive healthcare reforms are being implemented nationwide, with a series of policies introduced to dismantle the model of "covering hospital expenses with pharmaceutical sales" (e.g., the regularised advancement of "bulk purchase of pharmaceuticals", the increasing improvement of "hierarchical diagnosis and treatment" system, the full rollout of the "dual-channel" drug supply mechanism, and the widespread implementation of the policy on "including pharmacies in the scope of payment of medical insurance pooling of outpatient services"). Collectively, these initiatives are accelerating the restructuring of a pharmaceutical market traditionally dominated by in-hospital sales.

In October 2024, the National Healthcare Security Administration ("NHSA") issued the "Notice on Regulating Out-of-Hospital Dispensing of Prescriptions Covered by Medical Insurance", mandating that from 1 January 2025, all designated retail pharmacies dispensing dual-channel-listed medicines must process prescriptions exclusively through the unified national electronic prescription platform, fully replacing paper prescriptions. This platform has achieved full coverage and interoperability across all 31 provinces (including autonomous regions and municipalities) and the Xinjiang Production and Construction Corps, effectively eliminating physical and informational barriers between in-hospital and out-of-hospital pharmacies. This marks the establishment of a new, paperless prescription processing model for medical insurance drug services, enabling full-chain traceability and end-to-end regulatory oversight. It thus lays a solid foundation for building a unified national medical insurance market and service system, while advancing supply-side reform in pharmaceutical services. With multiple synergistic policies in play, the pharmaceutical market is transforming more quickly, and the out-of-hospital segment is emerging as a key beneficiary of prescription outflow, unlocking greater growth potential. According to MENET, the out-of-hospital market is expected to reach RMB1.6 trillion by 2029, potentially rivaling or even surpassing the in-hospital market.

Amid deep structural adjustments and intensifying competition across distribution channels, pharmaceutical distributors are increasingly prioritising service capability enhancement as a core strategy. They are expanding into high-value-added segments and actively exploring innovative service models and concepts. By leveraging emerging technologies such as big data, cloud computing, and artificial intelligence ("AI"), these companies are enhancing precision marketing and differentiated value-added services to better align with evolving market demands. Distributors with strong retail terminal foundations are demonstrating superior coordination capabilities. This not only helps them build stronger competitive moats, but also enables them to support pharmaceutical manufacturers in penetrating deeper and more diverse market segments, so as to achieve fostering synergistic and win-win growth.

National drug pricing systems are integrating faster, price transparency fuels terminal market expansion

In May 2025, Guangdong Province, one of China's leading pharmaceutical regions, released the "Draft Rules for Drug Listing on the Guangdong Pharmaceutical Procurement Platform" for public consultation. This marked a significant step toward the nationwide unification of drug listing rules. Drug prices across provincial procurement platforms, designated retail pharmacies, and online e-commerce channels are expected to gradually converge. In the longer term, greater price transparency and lower out-of-pocket costs are likely to increase the frequency of medicine purchases by end consumers, thereby boosting footfall and sales at retail terminals.

Full code scanning for medical insurance settlement to drive digital upgrades of the pharmaceutical sector

In March 2025, the NHTA, together with three other government authorities, issued the “Notice on Strengthening the Collection and Application of Drug Traceability Codes in the Medical Insurance and Work Injury Insurance Sectors”. The notice calls for the active promotion of full traceability across the entire lifecycle of all medicines, covering production, distribution, and use, and mandates the whole-process, large-scale, and scenario-wide collection and application of drug traceability codes in the medical insurance and work injury insurance sectors. It also aims for the gradual achievement of full traceability code coverage and utilisation across all medical institutions. From 1 July 2025, designated medical institutions are required to scan traceability codes at the point of sale in order to settle payments through the medical insurance fund. Medicines procured prior to this date that do not carry a traceability code shall be managed under a “non-code inventory” and temporarily remain eligible for reimbursement. From 1 January 2026 onwards, all medical institutions must achieve full traceability code collection and upload for all dispensed medicines. The widespread implementation of traceability codes is expected to accelerate the pharmaceutical industry’s upgrade and shift towards digitalisation and greater transparency, significantly improving overall operational efficiency and competitiveness.

The pharmaceutical sector moves toward diversified, digital-intelligent, and high-quality development

Both the Report to the 20th National Congress of the Communist Party of China and the “Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People’s Republic of China” support and encourage companies to enhance their market competitiveness through digital transformation. In April 2025, the Ministry of Industry and Information Technology, together with six other government authorities, issued the “Notice on the Implementation Plan for the Digital-Intelligent Transformation of the Pharmaceutical Sector (2025–2030)” (the “**Notice**”), providing critical support for the implementation of the “Healthy China” initiative. The Notice highlights the application of digital and intelligent technologies in classical transformation scenarios, including pharmaceutical distribution and traceability, pharmaceutical logistics monitoring and optimisation, adverse drug reaction surveillance, and medical equipment management. These efforts aim to enable end-to-end traceability throughout the entire pharmaceutical product lifecycle, ensuring quality and safety of the products. Under the guidance of high-quality development goals, pharmaceutical distributors are aligning their growth with principles of intelligence, smart operations, and low-carbon to strengthen vertical and horizontal collaboration across supply chain stakeholders and ecosystem partners.

With the deepening application of cutting-edge technologies such as AI, big data, cloud computing, digital twin, the Internet of Things (IoT), and blockchain, the deep integration of the “Internet of Intelligences (IoI) + Pharmaceutical Distribution” continues to gather momentum, steering the sector toward digital-intelligent, diversified, and platform-based development models. The rise of the out-of-hospital market is also raising expectations for refined service capabilities and timely responsiveness among pharmaceutical distributors. In response, national and regional pharmaceutical distributors are accelerating their transformation into supply chain solution providers. By leveraging integrated platforms to coordinate logistics, information flows, and capital flows, they are building and refining collaborative and intelligent pharmaceutical supply chain systems. This not only enhances resource allocation and client experience but also enables the delivery of differentiated products and services. Such capabilities allow pharmaceutical companies to benefit from efficient, multi-warehouse logistics services at both national and regional levels, thereby empowering the sector’s high-quality development.

Data sources: MOFCOM, MENET, China Pharmaceutical Distribution Industry Development Report (2024), China Pharmaceutical Distribution Journal, Guangdong Medical Products Administration, and 2023 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 our established operation targets, 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 2025, our distribution network covered 12,170 customers, among which 575 were distributors, 7,965 were retail pharmacy stores and 3,630 were private hospitals, clinics, health centres and others customers. The number of customers decreased by 624 compared with 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 2025, we distributed 11,164 types of products, representing a decrease of 432 types of products compared to the same period last year. We had a total of 1,046 suppliers, of which 565 were pharmaceutical manufacturers and 481 were distributor suppliers.

Product Categories	Number of products for the six months ended 30 June	
	2025 (Unaudited)	2024 (Unaudited)
Chinese patent medicines	4,067	4,445
Western medicines	4,184	4,316
Others	2,913	2,835
Total	11,164	11,596

Building a high-quality pharmaceutical marketing ecosystem and empowering the entire industrial chain with innovative models

Leveraging the multi-tiered marketing network, the Group works closely with branded pharmaceutical manufacturers and downstream clients to shape a complete industrial chain and commercial ecosystem. Through core capabilities such as product portfolio integration, purchase and sales channel optimisation, transaction facilitation, and digital-intelligent logistics, we effectively address supply and demand imbalances across the supply chain. This enables upstream manufacturers to reduce the complexity of channel expansion while enhancing brand value and market performance. Leading industry brands, including China Resources Sanjiu, Haeon, Guangzhou Baiyunshan Pharmaceutical, Buchang Pharmacy, China Resources Jiangzhong, Yangtze River Pharmaceutical, MEDI'CARE, Zhongsheng Pharmaceutical, Lingrui Pharmaceutical, and Lotus Peak, have all benefited a lot from our multi-tiered marketing network.

On this basis, we continue to advance our product layout by actively promoting the “Ten-Million-Level Brand Client” initiative, with the goal of cultivating core partners that possess strong market influence. Through focused resource allocation, targeted support, and customised services, we have successfully developed multiple strategic partnership brands with sales exceeding RMB10 million, generating sustained market value growth for our clients. At the same time, we have creatively built a multi-dimensional marketing system that integrates joint brand campaigns, event marketing, and differentiated sales strategies to unlock upstream and downstream synergies. By leveraging innovative channels such as our flagship “Sparks of Growth – Hundred-Million Brand Order Fair Series” and new product showcases, we enable precise matchmaking between upstream manufacturers and key retail terminals, establishing an efficient platform for production and sales alignment. Driven by real clients’ needs, we empower downstream clients through three core value dimensions: cognitive empowerment, which deepens the end market’s

understanding of product value; distribution empowerment, which streamlines supply chains and enhances turnover efficiency; and conversion empowerment, which boosts sales through precision marketing. Through continuous optimisation of our resource matrix, we not only help partners enhance their market competitiveness, but also build a fully integrated value chain that transforms product awareness into purchasing action, ultimately shaping a new market dynamic that delivers win-win situation for both manufacturers and terminals.

Seizing opportunities from the rise of the silver economy to co-expand the elderly healthcare market with partners

According to the “2024 National Bulletin on the Development of Ageing Services” released by the Ministry of Civil Affairs and the National Working Commission on Ageing, China’s population aged 60 and above surpassed 310 million by the end of 2024, accounting for 22.0% of the total population. As the population aging process continues to deepen, the silver economy is revealing vast market potential, with rapidly increasing demand among elderly for disease prevention, treatment, and rehabilitation.

In response to this demographic shift, we are focusing on the silver economy by leveraging Charmacy’s channel strengths to identify and cultivate high-potential products tailored to the health needs of the elderly. Through close collaboration with trusted partners such as KPC Pharmaceuticals, Inc., we are jointly improving the elderly healthcare ecosystem. Our shared commitment is to deliver more comprehensive and targeted health products for senior populations and thereby create higher social and commercial value.

Deepening AI empowerment to drive end-to-end digital-intelligent transformation and closed-loop value development

We have leveraged digital office platforms as the entry point for AI applications, successfully achieved automation upgrades in financial management, optimisation of intelligent process engines, efficient governance of pharmaceutical data, intelligent monitoring of products, and intelligent verification and compliance management of drug traceability codes, which are significantly improving operational efficiency and compliance management level. In parallel, we have launched pilot applications of AI tools in key logistics links such as intelligent warehouse management and optimised delivery routing to enhance resource allocation and decision-making effectiveness. Going ahead, we will progressively advance full-process digital-intelligent integration to establish an end-to-end intelligent business loop. Guided by evolving business needs and technological advancements, we will continue to iteratively develop adaptive AI models, with a focus on strengthening our capabilities in accurate forecasting, dynamic optimisation, and risk insights. We will also expand AI applications into new scenarios such as intelligent client service, precision engagement, supplier collaboration, and policy compliance analysis. Aimed at further elevating overall operational performance, reinforcing our core competitiveness, and driving deeper breakthroughs in our digital-intelligent transformation journey.

Building up core strengths in logistics to expand third-party pharmaceutical logistics services

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 boast a comprehensive logistics network and information system, adhering strictly to unified Good Supply Practice (GSP) management standards to ensure the compliance of storage conditions with high standards. 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. The establishment of a cross-region, multi-warehouse collaborative system enables us to share the resources in stock and further optimise the distribution networks. This not only meets the warehousing demands of our own distribution business, but also puts us in a position to provide upstream and downstream clients with diverse warehousing, delivery, and value-added services by fully integrating the resources in stock and transport capacity. These efforts have dramatically enhanced the Group’s profitability and market competitiveness.

During the Reporting Period, we raised our service standards by enabling seamless integration with carrier systems, strengthening real-time monitoring of last-mile deliveries, optimising review procedures and improving receiving and acceptance efficiency, as well as continuing to expand a diversified portfolio of services, including integrated warehousing and distribution, contract logistics (Third-Party Logistics or 3PL), and one-piece B2B/B2C direct shipping, with the aim of providing clients with efficient, transparent, and reliable end-to-end logistics solutions. Leveraging our professional logistics solutions, outstanding service quality, and strong brand reputation, we have earned the trust and recognition of many clients. During the Reporting Period, we entered into partnerships with leading clients including DEEJ, Fosun Pharma, and Guangdong LBX Pharmacy, providing them with commissioned third-party pharmaceutical logistics services featuring integrated warehousing and distribution capabilities. As of 30 June 2025, the number of clients engaging with the Group for commissioned third-party pharmaceutical logistics services and other value-added services such as warehousing and transportation increased by 15.23% year-on-year, with corresponding revenue increased by 21.52% compared to the same period last year.

During the Reporting Period, the Group continued to strengthen technological capabilities and service excellence in pharmaceutical logistics. The Group was awarded the “Best Logistics Center for Pharmaceutical Cold Chain” (for seven consecutive years), the “Recommended Enterprise for Pharmaceutical Cold Chain Logistics Services” (for six consecutive years), the “Outstanding Enterprise in Pharmaceutical Logistics Distribution” (for five consecutive years), and the “Modern Pharmaceutical Logistics Technology Testing Base” (for four consecutive years) from the Yaolianquan Certification Center for 2024–2025. We also received the “Golden Ant Innovation Award in China’s Logistics Industry” for 2024–2025 from the Organising Committee of the LET-a CeMAT ASIA event (for eight consecutive year). Furthermore, in response to the “Enterprise Standards Forerunner” initiative jointly launched by the State Administration for Market Regulation and seven other government departments, and following a rigorous assessment by the China Federation of Logistics & Purchasing, we were honored with the “Forerunner” title for 2024.

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”. China’s pharmaceutical sector is undergoing a phase marked by deepening reform, diversified development, and accelerated innovation. The pharmaceutical distribution sector, in particular, is at a pivotal moment of opportunities for transformation, playing a role in supporting the formation of a new development paradigm whereby domestic and foreign markets can boost each other, with the domestic market as the mainstay. The long-term trajectory of China’s pharmaceutical sector remains positive and resilient. Looking ahead, regulatory compliance, specialisation, scale, and digital capabilities will define a company’s core competitiveness.

To adapt to the development trend of new-quality productive forces, China is actively promoting the digital and intelligent transformation of its pharmaceutical sector and encouraging pharmaceutical distributors to improve the network structure and service functions through the application of technologies such as big data and AI across the whole pharmaceutical chain. By utilising digital technology, pharmaceutical distributors are continuously empowering business development and helping brand manufacturers increase the cost effectiveness in pharmaceutical promotion, warehousing and transportation, as well as brand marketing. Meanwhile, they are accelerating integrated development through deeper channel penetration and urban–rural coordination, enhancing “last-mile” delivery capabilities for pharmaceutical supply.

Amid the deepening of reforms such as the “separation of prescribing and dispensing”, “hierarchical diagnosis and treatment” and “prescription outflow,” the out-of-hospital market is experiencing an incremental growth of trillion level of RMB. Online retail pharmacy market in the PRC is experiencing robust growth, with sales reaching RMB72.8 billion in 2024, increased by 14.4% year-on-year. Instant retail, as a preferred channel for online purchases of medical insurance-covered drugs, is embracing unprecedented development opportunities.

In response to these opportunities, we maintain a proactive and agile approach, accelerate our journey toward high-quality, sustainable development by closely aligning with national policy directions, and continue to expand the market network and improve services. With refined management and digital-intelligent transformation, we are boosting high-quality development and sharpening our competitive edge while reinforcing 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-enabled digital-intelligent transformation to expand the boundaries of enterprise digitalisation

We will continue to deepen our “IoI+Pharmaceuticals” strategy, advancing the in-depth integration of digitalisation and AI technologies to build a new intelligent supply chain ecosystem, with the goal of achieving end-to-end intelligent management and efficiency enhancement. Through the systematic deployment of large-scale pre-trained models and AI agents, we will optimise business processes by shifting a large volume of rule-based, high-frequency, and repetitive tasks from manual operations to automated intelligent processing. This will enable employees to focus on work with greater innovation and strategic value, significantly improving organisational efficiency and further strengthening the enterprise’s intrinsic growth drivers and core competitiveness.

On the business enablement front, we will fully leverage intelligent technologies to drive agile supply chain responses, delivering more efficient and precise services to upstream and downstream clients and achieving collaborative value creation across the entire value chain. Building on the extensive pharmaceutical distribution data assets accumulated over the past 25 years, we will develop an AI-powered deep data analytics platform to generate multidimensional data insights and unlock data value. This platform will serve as a robust engine for building a scientific and forward-looking decision-support system, empowering the enterprise to achieve accurate decision-making and dynamic risk management in a complex market environment.

In addition, we will continue to capitalise on our strong supply chain resources to reinforce the development of digital infrastructure, with our B2B e-commerce platform as the core hub. By combining intelligent digital marketing tools with refined operational strategies, we aim to fully unleash the potential of “IoI+ Pharmaceuticals”. Through efficient technology enablement and data-driven channel insights, we will dynamically sense market trends, accurately match supply and demand, and continuously optimise transaction scenarios and service experiences. This will comprehensively enhance our operational efficiency and market adaptability, positioning us as a trusted strategic enabler and long-term value co-creator for our upstream and downstream partners in an increasingly competitive market landscape.

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. Strengthening core capabilities in pharmaceutical logistics to drive upgrades of third-party logistics services

We will comprehensively integrate our existing transportation resources to sharpen smart logistics capabilities, further enhancing delivery performance and amplifying the synergies of regional integrated logistics. By adopting a collaborative operational model featuring multi-warehouse coordination and intelligent dispatching, we aim to optimise both timeliness and cost control from the point of production to final delivery, thus maximising economies of scale and improving resource utilisation. Leveraging the Group's strengths in refined management and digital-intelligent enablement, we will continue to upgrade and optimise our terminal delivery network, ensuring a more rational and efficient layout of our pharmaceutical logistics network. At the same time, we will actively expand our third-party pharmaceutical logistics business, capitalising on our logistics network advantages to offer upstream suppliers and downstream clients a broader range of value-added services, including professional, convenient warehousing, logistics, and freight transportation. These endeavors 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 domestically and abroad, optimise the Group's product supply chain and expand more profitable new business to continuously optimise 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 potential growth 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	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Principal business	2,128,770	2,325,460
Other businesses	26,302	21,725
Operating revenue	<u>2,155,071</u>	<u>2,347,185</u>

Customer type	For the six months ended 30 June	
	2025	2024
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Distributors	1,030,348	1,093,126
Retail pharmacy stores	1,040,097	1,151,208
Private hospitals, clinics, health centres and others	58,325	81,126
Revenue from principal business	<u>2,128,770</u>	<u>2,325,460</u>

During the six months ended 30 June 2025, 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 2025, over 97% of our revenue from principal business was derived from distributor customers and retail pharmacy stores.

The Group's operating revenue decreased by 8.18% from RMB2,347.18 million for the six months ended 30 June 2024 to RMB2,155.07 million for the six months ended 30 June 2025. This was mainly due to: (1) a slowdown in macroeconomic growth, which exerted pressure on the business performance of both upstream and downstream industries, coupled with a relatively high base in the first quarter of 2024. As a result, revenue for the first quarter of 2025 decreased by 20.52% year-on-year, representing a temporary decline in operating income. In response to market challenges, we promptly adjusted our business strategies, leading to a restorative growth in core business revenue from the second quarter onwards, with a year-on-year increase of 6.48% for the second quarter of 2025; and (2) the deepening implementation of centralised drug procurement policies has led to a reduction in the end prices of certain pharmaceuticals, resulting in a contraction in the volume of some drug-related operations.

Operating cost, gross profit and gross profit margin

The Group's operating costs decreased by 8.43% from RMB2,178.00 million for the six months ended 30 June 2024 to RMB1,994.33 million for the six months ended 30 June 2025. The decline in operating costs was slightly higher than that of operating income.

The Group's gross profit decreased by 4.99% from RMB169.18 million for the six months ended 30 June 2024 to RMB160.75 million for the six months ended 30 June 2025. The Group's gross profit margin increased by 0.25 percentage points from 7.21% for the six months ended 30 June 2024 to 7.46% for the six months ended 30 June 2025. This was mainly due to: (1) the effective leveraging of channel advantages to reduce procurement costs, such as continuously

optimising payment structures and improving payment efficiency, thereby obtaining more sales discount from suppliers; (2) ongoing adjustments to the product structure, including the introduction of higher-margin varieties and the proactive reduction of lower-margin ones; and (3) the year-on-year increase in revenue by RMB1.99 million or 21.52% from the Company's third-party logistics business.

Selling expenses

The Group's selling expenses decreased by 3.87% from RMB62.88 million for the six months ended 30 June 2024 to RMB60.44 million for the six months ended 30 June 2025, primarily attributable to the Group's efficient allocation of marketing resources and the streamlining of inefficient marketing channels.

Management expenses

The Group's management expenses decreased by 3.68% from RMB23.33 million for the six months ended 30 June 2024 to RMB22.47 million for the six months ended 30 June 2025, primarily due to the decrease in office and travel expenses by RMB0.51 million and decrease in employee remuneration by RMB0.46 million year-on-year, resulting from the Group's promotion of digital office practices in order to achieve cost reduction and increasing efficiency.

Finance costs

The Group's finance costs decreased by 1.21% from RMB34.10 million for the six months ended 30 June 2024 to RMB33.69 million for the six months ended 30 June 2025, mainly due to decrease in loan interest expenses of RMB2.05 million year-on-year, resulting from a decline in interest rates.

Income tax expenses

The Group's income tax expense decreased by 10.60% from RMB12.18 million for the six months ended 30 June 2024 to RMB10.89 million for the six months ended 30 June 2025. Income tax expenses were recognised, while deferred income tax assets and liabilities were adjusted in accordance with accounting standards.

Net profit

The Group's net profit decreased by 18.72% from RMB26.75 million for the six months ended 30 June 2024 to RMB21.74 million for the six months ended 30 June 2025, mainly due to: (1) the phased decline in operating revenue which was attributable to the combined impact of a slowdown in macroeconomic growth, subdued business sentiment across upstream and downstream industries, and a high base of revenue in the first quarter of 2024. Concurrently, despite cost structure rigidity, the expense optimisation measures implemented in the first half of 2025 were insufficient to fully offset the pressure from narrowed gross margins; and (2) in accordance with the prudence principle under accounting standards, the Company has recognised sufficient impairment provisions for certain trade receivables, resulting in a significant year-on-year increase in credit impairment losses compared with the same period last year.

Liquidity and financial resources

As at 30 June 2025, the cash and bank deposits of the Group amounted to RMB212.24 million, while the cash and bank deposits amounted to RMB171.79 million as at 31 December 2024.

As at 30 June 2025 and 31 December 2024, the Group recorded net current assets of RMB252.79 million and RMB241.39 million, respectively. As at 30 June 2025, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.09 (31 December 2024: 1.09).

The bank borrowings of the Group as at 30 June 2025 were RMB1,010.88 million (short-term borrowings: RMB967.68 million, long-term borrowings: RMB43.20 million, of which long-term borrowings due within one year: RMB1.24 million), and RMB825.37 million as at 31 December 2024 (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.

Bills receivables, trade receivables and account receivable financing

As at 30 June 2025, the Group's bills receivables, trade receivables and account receivable financing amounted to RMB1,243.36 million, increased by 1.38% compared to RMB1,226.42 million as at 31 December 2024, remaining flat.

Bills payables and accounts payables

As at 30 June 2025, the Group's bills payables and accounts payables amounted to RMB1,073.98 million, decreased by 11.56% compared to RMB1,214.33 million as at 31 December 2024, which was mainly due to procurement based on product supply and demand and effective allocation of fund utilised.

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 2025, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

As at 30 June 2025, the Group had no bank borrowings which bear interest at a floating rate (31 December 2024: Nil).

Gearing Ratio

Set out below is the Group's gearing ratios as at 30 June 2025 and 31 December 2024, respectively:

	30 June 2025	31 December 2024
Gearing Ratio	57.44%	51.37%

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 2025, the Group did not have any capital commitment. (31 December 2024: Nil).

Employees' information

As at 30 June 2025, the Group had a total of 849 employees (including executive Directors), representing an increase of 15 employees compared with the number of employees as at 30 June 2024. The total staff cost (including emoluments of directors and supervisors) for the six months ended 30 June 2025 was RMB47.57 million, as compared to RMB45.83 million for the six months ended 30 June 2024. 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 2025.

Future plans related to significant investments and capital assets

During the Reporting Period and 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 2025, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 30 June 2025, the Group was granted a credit limit of RMB1,657.00 million by various banks, while the Group's utilised banking facilities amounted to RMB1,455.82 million, which were secured by (i) property and plant held by the Group with a carrying amount of RMB207.11 million as at 30 June 2025; and (ii) land use rights held by the Group with a carrying amount of RMB65.82 million as at 30 June 2025.

Assets subject to restrictions on ownership or use

As at 30 June 2025, the Group's restricted monetary funds amounted to RMB297.73 million, which served as deposit for bank acceptance bills and borrowings. The Group's restricted bills receivable amounted to RMB3.60 million, which were restricted for being pledged to banks. The Group also pledged certain other assets in the amount of RMB272.93 million as guarantee for the Group's borrowings. Assets subject to restrictions on ownership or use amounted to RMB574.26 million in total.

Contingent liabilities

As at 30 June 2025, the Group had no material contingent liabilities (31 December 2024: 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 2025 (interim dividend of 2024: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2025.

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 its 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 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2025, 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 2025, 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 2025 and is of the view that the interim results for the six months ended 30 June 2025 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 2025 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 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*