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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

2025 FINANCIAL SUMMARY

- the operating revenue of the Group was RMB4,384.63 million, representing a decrease of 1.15% as compared to RMB4,435.46 million in 2024.
- the Group's net profit was RMB46.27 million, representing a decrease of 13.16% as compared to RMB53.28 million in 2024.
- the Group's net profit attributable to the shareholders of parent company was RMB46.27 million, representing a decrease of 13.16% as compared to RMB53.28 million in 2024.
- the Group's basic and diluted earnings per share was RMB0.4285 compared to RMB0.4934 in 2024.
- The Board recommends the payment of a final dividend of RMB0.30 per share (tax inclusive) for the year ended 31 December 2025.

2025 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 2025 (the "**Reporting Period**" or "**Year**"), together with the comparative figures for the year ended 31 December 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 totals and sums of amounts listed therein are due to rounding.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2025

Item	Note	2025 RMB	2024 RMB
I. Total operating revenue		4,384,632,090.08	4,435,460,674.85
Incl: Operating revenue	4	4,384,632,090.08	4,435,460,674.85
II. Total operating cost		4,296,628,429.33	4,358,586,508.17
Incl: Operating cost	4	4,044,751,221.19	4,110,698,122.00
Taxes and surcharges		9,549,061.56	10,330,610.01
Selling expenses		125,069,980.75	120,444,337.87
Management expenses		56,297,309.57	54,820,936.74
Research & development expenses			
Finance costs	6	60,960,856.26	62,292,501.55
Incl: Interest expenses		56,831,810.32	60,651,514.02
Interest income		2,196,152.33	3,981,988.45
Add: Other income		105,923.85	103,309.43
Investment income (“-” for loss)			
Incl: Investment income from associates and joint ventures			
Financial assets measured at amortized cost are derecognized earnings			
Exchange gains (“-” for loss)			
Frequent exposure to hedge gains (“-” for loss)			
Gain on change in fair value (“-” for loss)			
Impairment loss of credit (“-” for loss)		-15,960,128.38	-125,850.53
Impairment loss of assets (“-” for loss)		-3,870,942.25	-3,913,486.48
Gains on disposal of assets (“-” for loss)		-178,498.42	307,774.55
III. Operating profit (“-” for loss)		68,100,015.55	73,245,913.65
Add: Non-operating revenue		23,983.45	231,079.63
Less: Non-operating expenses		3,814,603.78	2,284,741.00
IV. Total profit (“-” for total loss)		64,309,395.22	71,192,252.28
Less: Income tax expense	7	18,036,488.17	17,908,160.59
V. Net profit (“-” for net loss)		46,272,907.05	53,284,091.69
(I) By continuity of operations:			
1.Net profit from continuing operation (“-” for net loss)		46,272,907.05	53,284,091.69
2.Net profit from discontinued operation (“-” for net loss)			
(II) By ownership:			
1.Net profit attributable to the shareholders of parent company (“-” for net loss)		46,272,907.05	53,284,091.69
2.Profit or loss of minority shareholders (“-” for net loss)			

Item	Note	2025 RMB	2024 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		46,272,907.05	53,284,091.69
Total comprehensive income attributable to the shareholders of parent company		46,272,907.05	53,284,091.69
Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	8	0.4285	0.4934
(II) Diluted earnings per share (RMB/share)	8	0.4285	0.4934

CONSOLIDATED BALANCE SHEET

As at 31 December 2025

Item	Note	31 December 2025 RMB	31 December 2024 RMB
Current assets:			
Monetary funds		753,600,413.93	563,150,403.45
Trading financial assets			
Derivative financial assets			
Bills receivables	10	17,289,275.00	5,570,435.00
Trade receivables	11	1,243,087,394.70	1,163,237,552.39
Account receivable financing	12	692,811.61	57,615,292.39
Prepayments		687,007,063.29	527,344,501.01
Other receivables		13,083,638.37	12,297,041.51
Inventories		796,247,981.30	655,911,091.04
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		49,934,227.64	44,866,517.92
Total current assets		3,560,942,805.84	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		265,837,238.81	278,271,752.17
Construction in progress			
Right-of-use assets		28,734,885.00	39,330,027.02
Intangible assets		68,326,234.96	72,492,702.02
Development expenditure			
Goodwill		5,997,776.04	5,997,776.04
Long-term expenses to be amortized		18,689,209.17	22,913,989.34
Deferred income tax assets		11,480,183.50	7,644,601.03
Other non-current assets			
Total non-current assets		399,065,527.48	426,650,847.62
Total assets		3,960,008,333.32	3,456,643,682.33

Item	Note	31 December 2025 RMB	31 December 2024 RMB
Current liabilities:			
Short-term borrowings		1,119,208,450.32	811,574,543.09
Trading financial liabilities			
Derivative financial liabilities			
Bills payables	13	894,063,038.32	826,507,576.48
Trade payables	14	511,220,550.66	387,825,713.54
Advance receipts			
Contract liabilities		5,022,537.13	2,102,373.45
Salaries payable to employees		11,677,086.51	6,402,420.60
Tax payables		64,763,369.79	62,374,954.14
Other payables		661,337,494.93	681,544,720.76
Liabilities held for sale			
Non-current liabilities due within one year		13,216,670.70	9,997,389.09
Other current liabilities		642,672.53	273,329.94
Total current liabilities		3,281,151,870.89	2,788,603,021.09
Non-current liabilities:			
Long-term borrowings		38,100,000.00	13,800,000.00
Bonds payable			
Lease liabilities		24,206,604.58	35,171,818.27
Long-term payables			
Long-term payroll payable			
Accruals and provisions			
Deferred income			
Deferred income tax liabilities		186,002.81	377,894.98
Other non-current liabilities			
Total non-current liabilities		62,492,607.39	49,349,713.25
Total liabilities		3,343,644,478.28	2,837,952,734.34
Shareholders' equity:			
Share capital		108,000,000.00	108,000,000.00
Other equity instruments			
Capital reserve		278,990,829.04	278,990,829.04
Other comprehensive income			
Special reserve			
Surplus reserve		38,778,963.65	31,143,182.74
General Risk Preparation			
Unallocated profits		190,594,062.35	200,556,936.21
Total equity attributable to the shareholders of parent company		616,363,855.04	618,690,947.99
Minority interests			
Total shareholders' interests		616,363,855.04	618,690,947.99
Total liabilities and shareholders' interests		3,960,008,333.32	3,456,643,682.33

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. BASIC INFORMATION OF THE COMPANY

Charmacy Pharmaceutical Co., Ltd. (hereinafter referred to as the “**Company**”, “**our Company**” or “**Charmacy Pharmaceutical**”, and the “**Group**” when including its subsidiaries) was originally Shantou Pharmaceutical Trade Development Company (hereinafter referred to as the “**Pharmaceutical Trade Company**”), registered and established with the Administration for Industry and Commerce of Shantou in February 1984. In January 2000, the Pharmaceutical Trade Company was restructured into Shantou Charmacy Pharmaceutical Co., Ltd. (hereinafter referred to as “**Charmacy Limited**”). In May 2015, the Company was converted from Charmacy Limited into a joint stock company with limited liability by way of overall restructuring, with 31 March 2015 as the benchmark date, and is headquartered in Shantou, Guangdong Province. The Company currently holds a business license with the unified social credit code 91440500722414635C. As at 31 December 2025, the registered capital of the Company was RMB108.00 million, with a total of 108.00 million shares (with a par value of RMB1 per share), including 108.00 million unrestricted tradable H shares. The shares of the Company have been successfully listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 14 December 2015.

The Company is principally engaged in the pharmaceutical distribution industry, mainly engaging in the distribution of pharmaceutical products. Its principal business scope includes wholesale of pharmaceuticals and related services, road transportation and cargo warehousing services, etc.

These financial statements were approved for issuance by the 19th meeting of the fourth session of the board of directors of the Company held on 27 March 2026.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

(1) Preparation basis

The financial statements of the Group have been prepared on a going concern basis. The financial statements have been prepared on the basis of transactions and events that actually occurred, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance, including their application guides, interpretations and other relevant provisions (collectively referred to as the “**Accounting Standards**”), as well as the disclosure requirements under the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(2) Assessment of Going Concern Ability

There were no events or circumstances that would cast significant doubt on the Group's ability to continue as a going concern within the 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important Notice: In light of the characteristics of the Group's actual production and operations, the Company has formulated specific accounting policies and accounting estimates for transactions or events including impairment of financial instruments, inventories, depreciation of property, plant and equipment, intangible assets, and revenue recognition, among others.

(1) Declaration on compliance with Accounting Standards for Enterprises

The financial statements of the Group have been prepared in compliance with the requirements of the Accounting Standards for Enterprises and truly and completely reflect the relevant information, including the Group's financial position, operating results and cash flows.

(2) Accounting period

The fiscal year of the Group is from 1 January to 31 December based on the Gregorian calendar.

(3) Business cycle

The Group uses 12 months as the criterion for classifying assets and liabilities as current or non-current.

(4) Functional currency

The Group uses RMB as its functional currency.

(5) Changes in Significant Accounting Policies and Accounting Estimates

During this reporting period, there were no changes in the Group's main policies and accounting estimates.

For the financial statement data disclosed below, unless otherwise specified, the “end of the period” refers to 31 December 2025, the “end of the last year” refers to 31 December 2024, the “beginning of the year” refers to 1 January 2025, the “current year” refers to the period from 1 January to 31 December 2025, and the “last year” refers to the period from 1 January to 31 December 2024. The currency unit is Renminbi yuan.

4. OPERATING REVENUE / OPERATING COST

Item	Amount for the year		Amount for last year	
	Revenue	Cost	Revenue	Cost
Principal business	4,329,327,974.14	4,044,751,221.19	4,385,119,653.22	4,110,698,122.00
Other businesses	55,304,115.94		50,341,021.63	
Total	<u>4,384,632,090.08</u>	<u>4,044,751,221.19</u>	<u>4,435,460,674.85</u>	<u>4,110,698,122.00</u>
Of which: revenue generated from contracts with customers	<u>4,384,632,090.08</u>	<u>4,044,751,221.19</u>	<u>4,435,460,674.85</u>	<u>4,110,698,122.00</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 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 2025 and 2024.

6. FINANCE COSTS

Item	Amount for the year	Amount for last year
Interest expenses	56,831,810.32	60,651,514.02
Incl: bank borrowings and others	55,412,953.18	58,839,107.09
Amortisation of unrecognised financing expenses	1,418,857.14	1,812,406.93
Less: Interest income	2,196,152.33	3,981,988.45
Foreign exchange gains and losses	-94,481.69	260,499.87
Other handling fees and others	6,419,679.96	5,362,476.11
Total	60,960,856.26	62,292,501.55

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	Amount for the year	Amount for last year
Current income tax expenses	22,063,962.81	18,393,119.44
Deferred income tax expenses	-4,027,474.64	-484,958.85
Total	18,036,488.17	17,908,160.59

(2) Reconciliation between accounting profit and income tax expenses

Item	Amount for the year	Amount for last year
Consolidated total profit for the year	64,309,395.22	71,192,252.28
Income tax expense calculated at the applicable tax rate Income tax expense calculated at the applicable tax rate of the parent company	16,077,348.81	17,798,063.07
Effect of different tax rates applicable to subsidiaries		
Effect of adjustments to income tax in prior periods	1,768,958.16	279,344.89
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	204,394.16	53,014.23
Effect of utilisation of deductible losses for which deferred tax assets were not recognised in prior periods	-14,212.96	-228,843.62
Effect of deductible temporary differences or deductible losses for which no deferred tax assets have been recognised for the current year		
Others		6,582.02
Income tax expense	18,036,488.17	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 (RMB per share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the ordinary shareholders of parent company	7.54	0.4285	0.4285
Net profit attributable to the ordinary shareholders of parent company (excluding non-recurring profit and loss)	5.70	0.3236	0.3236

9. DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.30 (tax inclusive) per share for the year ended 31 December 2025 (2024: RMB0.45 (tax inclusive) per share), subject to the Company's shareholders' approval at the forthcoming annual general meeting.

10. BILLS RECEIVABLES

(1) Breakdown of Details

Item	Balance as at the end of the period	Balance as at the end of the last year
Commercial drafts	17,289,275.00	5,570,435.00
Total	17,289,275.00	5,570,435.00

(2) Provision for Bad Debts

1) Breakdown by Category

Classification	Balance as at the end of the period				Book value
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Bad debt provision made on individual basis					
Bad debt provision made on a collective basis	17,350,000.00	100.00	60,725.00	0.35	17,289,275.00
Incl: Commercial drafts	17,350,000.00	100.00	60,725.00	0.35	17,289,275.00
Total	<u>17,350,000.00</u>	<u>100.00</u>	<u>60,725.00</u>	<u>0.35</u>	<u>17,289,275.00</u>

Classification	Balance as at the end of the last year				Book value
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	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
Incl: Commercial drafts	5,590,000.00	100.00	19,565.00	0.35	5,570,435.00
Total	<u>5,590,000.00</u>	<u>100.00</u>	<u>19,565.00</u>	<u>0.35</u>	<u>5,570,435.00</u>

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

Item	Balance as at the end of the period		
	Book balance	Provision for bad debt	Provision ratio (%)
Commercial drafts Portfolio	<u>17,350,000.00</u>	<u>60,725.00</u>	<u>0.35</u>
Subtotal	<u>17,350,000.00</u>	<u>60,725.00</u>	<u>0.35</u>

Note 1: For the aging portfolio comprising the amounts of the commercial drafts held as at the end of the period and the commercial drafts discounted as at the end of the 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 trade receivables.

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

(3) Change in Provision for Bad Debts

Category	Balance as at the beginning of the year	Changes in the period				Balance as at the end of the year
		Accrued	Recovered or reversed	Written off	Other	
Bad debt provision made on a collective basis	19,565.00	41,160.00				60,725.00
Total	19,565.00	41,160.00				60,725.00

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

Item	Pledged amount as at the end of the period
Commercial drafts	2,350,000.00
Total	2,350,000.00

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

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

11. TRADE RECEIVABLES

(1) Breakdown of Details

1) Breakdown by Category

Classification	Balance as at the end of the period				Book value
	Book balance		Provision for bad debt		
	Amount	Percent (%)	Amount	Provision ratio (%)	
Bad debt provision made on individual basis	19,616,976.72	1.54	19,616,976.72	100.00	
Bad debt provision made on a collective basis	1,257,819,177.42	98.46	14,731,782.72	1.17	1,243,087,394.70
Total	1,277,436,154.14	100.00	34,348,759.44	2.69	1,243,087,394.70

Classification	Balance as at the end of the last year				Book value
	Book balance		Provision for bad debt		
	Amount	Percent (%)	Amount	Provision ratio (%)	
Bad debt provision made on individual basis	15,956,834.44	1.35	15,955,734.44	99.99	1,100.00
Bad debt provision made on a collective basis	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	1.79	1,163,237,552.39

2) Accounts receivable with significant bad debt provision made on an individual basis

Company Name	Balance as at the end of the last year		Balance as at the end of the period			Basis for Provision
	Book balance	Provision for bad debt	Book balance	Provision for bad debt	Provision ratio (%)	
Huizhou Dachuan Pharmaceutical Co., Ltd. *(惠州市大川藥業有限公司)	6,436,891.56	6,436,891.56	6,436,891.56	6,436,891.56	100.00	The payment owed by this customer is overdue and unrecoverable, and its expected recoverability is low.
Shenzhen Yuanxin Pharmaceutical Co., Ltd. *(深圳市源鑫藥業有限公司)	3,007,101.83	3,007,101.83	3,007,101.83	3,007,101.83	100.00	The payment owed by this customer is overdue and unrecoverable, and its expected recoverability is low.
Guaxiaoduo Pharmaceutical (Guangdong) Co., Ltd. *(瓜小多藥業(廣東)有限公司)			4,120,236.71	4,120,236.71	100.00	The payment owed by this customer is overdue and unrecoverable, and its expected recoverability is low.
Subtotal	9,443,993.39	9,443,993.39	13,564,230.10	13,564,230.10	100.00	

3) Accounts receivable for which bad debt provision is made using ageing portfolio

Age	Balance as at the end of the period		
	Book balance	Provision for bad debt	Provision ratio (%)
Within 1 year	1,157,163,374.36	4,050,071.80	0.35
1 - 2 years	99,164,876.42	9,539,661.12	9.62
2 - 3 years	1,490,926.64	1,142,049.80	76.60
Total	1,257,819,177.42	14,731,782.72	1.17

(2) Ageing Analysis

Age	Balance as at the end of the period			Balance as at the end of the last year		
	Book balance	Provision for bad debt	Provision ratio (%)	Book balance	Provision for bad debt	Provision ratio (%)
Within 1 year	1,157,329,775.69	4,216,473.13	0.36	1,156,354,646.21	4,045,486.26	0.35
1 - 2 years	105,101,784.60	15,476,569.29	14.73	13,018,971.27	2,091,158.47	16.06
2 - 3 years	1,586,193.30	1,237,316.47	78.01	629,729.86	629,729.86	100.00
Over 3 years	13,418,400.55	13,418,400.55	100.00	14,451,892.48	14,451,312.84	100.00
Total	1,277,436,154.14	34,348,759.44	2.69	1,184,455,239.82	21,217,687.43	1.79

Prior to accepting new customers, the Group applies internal credit evaluation policies to assess the credit quality of potential customers and establish credit limits. The Group adopts differentiated credit policies for different customers, with a general credit period of six months. Overdue receivables are reviewed regularly by management. For sales of goods, the Group recognizes accounts receivable and operating revenue when control is transferred to the purchaser, at which point the ageing of receivables commences. Amounts arising earlier are settled on a priority basis during cash flow operations.

(3) Change in Provision for Bad Debts

1) Breakdown of Details

Item	Balance as at the beginning of the year	Changes in the period				Balance as at the end of the period
		Accrued	Recovered or reversed	Written off	Other	
Bad debt provision made on individual basis	15,955,734.44	5,932,783.84	1,875,287.39	396,254.17		19,616,976.72
Bad debt provision made on a collective basis	5,261,952.99	9,495,462.95		25,633.22		14,731,782.72
Total	21,217,687.43	15,428,246.79	1,875,287.39	421,887.39		34,348,759.44

2) There were no significant recoveries or reversals of bad debt provisions during the period.

(4) Details of accounts receivable actually written off during the period

1) Details of accounts receivable written off

Item	Amount Written Off
Accounts receivable actually written off	<u>421,887.39</u>

2) Details of significant accounts receivable written off during the period

All accounts receivable written off during the year are in small amounts, and there are no significant write-offs of accounts receivable.

(5) Details of the top five customers in accounts receivable

The aggregate balance of accounts receivable from the top five customers as at the end of the period was RMB531,837,758.78, accounting for 41.63% of the total year-end accounts receivable balance. The corresponding aggregate provision for bad debts on these receivables amounted to RMB9,029,627.93.

12. Account receivable financing

(1) Breakdown of Details

Item	Balance as at the end of the period	Balance as at the end of the last year
Bank Acceptance Bills	692,811.61	57,615,292.39
Total	<u>692,811.61</u>	<u>57,615,292.39</u>

(2) As at the end of the reporting period, the Group had no pledged account receivable financing.

(3) Details of account receivable financing endorsed or discounted by the Group as at the end of the reporting period but not yet matured on the balance sheet date

Item	Amount derecognised at period end
Bank Acceptance Bills	2,450,496,946.74
Subtotal	<u>2,450,496,946.74</u>

The acceptors of bank acceptance bills are commercial banks or large-scale finance companies. Given the high credit standing of commercial banks and large finance companies, the risk of non-payment upon maturity of bank acceptance bills is low. Accordingly, the Group derecognizes bank acceptance bills that have been endorsed or discounted. However, in the event that such bills are not honoured at maturity, the Company will remain jointly and severally liable to the holders in accordance with the Negotiable Instruments Law.

13. Bills payable

(1) Breakdown of Details

Item	Balance as at the end of the period	Balance as at the end of the last year
Bank acceptance bills	894,063,038.32	826,507,576.48
Total	894,063,038.32	826,507,576.48

(2) The Group had no matured but unpaid notes payable as at the end of the reporting period.

14. Trade payables

(1) Breakdown of Details

Item	Balance as at the end of the period	Balance as at the end of the last year
Purchase Payment	510,895,099.98	386,978,214.29
Equipment Payment	325,450.68	847,499.25
Total	511,220,550.66	387,825,713.54

(2) Ageing Analysis

Age	Balance as at the end of the period	Balance as at the end of the last year
Within 1 year	500,755,472.53	374,742,200.33
1 - 2 years	4,596,997.19	11,505,873.92
2 - 3 years	5,412,783.06	727,758.26
Over 3 years	455,297.88	849,881.03
Total	511,220,550.66	387,825,713.54

(3) Significant trade payables with ageing over 1 year

Item	Balance as at the end of the period	Reason for Unsettled or Carried Forward Balances
Guangzhou Dashenlin Pharmaceutical Co., Ltd. * (廣東三足鳥藥業有限公司)	3,281,110.55	Not yet paid to suppliers
Subtotal	3,281,110.55	

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2025, China's pharmaceutical distribution sector entered uncharted waters for high-quality development. As the country formally transitions into a "moderately ageing" society, the health sector is shifting its focus from "curing diseases" to "people's health-centred", driving pharmaceutical and healthcare demand which exhibits diversified and full-cycle growth characteristics. Under the new "dual circulation" development pattern, reforms of the healthcare system centred on the "coordinated reform of medical services, health insurance, and the pharmaceutical industry" have continued to deepen. These reforms have accelerated the removal of barriers among the medical service, insurance and pharmaceutical sectors, while promoting the transformation of the pharmaceutical distribution market from the traditional hospital-centred direct sales model to a broader network across primary healthcare institutions and retail pharmacy terminals, thereby further releasing market vitality. At the same time, the competitive dynamics of the pharmaceutical distribution sector are undergoing rapid transformation, shifting from scale-driven expansion towards quality-driven development, with competition increasingly focused on integrated value creation underpinned by intelligent supply chain management, digital technology innovation and professional service capabilities.

From the perspective of policy implementation, the key missions for the pharmaceutical distribution sector under the 14th Five-Year Plan have been effectively achieved. Distribution functions have continued to improve, with wholesale and retail channels further extending into primary healthcare networks, enabling broad-based service coverage across the population. Meanwhile, the application of digital and intelligent technologies has injected strong momentum into the sector, steadily enhancing the operational capacity of distribution networks and the level of digitalisation. Pharmaceutical e-commerce has entered a period of high-speed growth, while emerging technologies such as artificial intelligence (AI) and big data are accelerating the sector's digital transformation. The pharmaceutical distributors are increasingly evolving into integrated supply chain service providers across the healthcare ecosystem, continuing to introduce new business models and operating formats. In terms of market structure, the sector has recorded steady scale-up and increased market concentration. Pharmaceutical logistics and supply chain support networks have become more robust. In addition, the progressive introduction of standards and regulatory guidelines across different business models has further strengthened the sector's standardisation framework, providing institutional support for its high-quality development.

Unchanged concentration trend of leading pharmaceutical distributors, with retail terminal sales growing significantly

According to the data from MENET (a pharmaceutical and health information platform), total pharmaceutical sales across China's three major terminals in six key markets are estimated to be approximately RMB1,853.8 billion in 2025, representing a year-on-year decline of around 1%. Retail pharmacies, including online drugstores, are projected to achieve sales of RMB587.8 billion, up 2.4% year-on-year, whereas sales by public hospitals are expected to decline by 2.1% and those by public primary healthcare institutions by 4.9%. Online pharmacy sales have sustained rapid growth, with a year-on-year increase surpassing 30% in the first three quarters of 2025. With the integration of online medical insurance payment channels and continued prescription outflow from hospitals, brick-and-mortar pharmacies are accelerating their online presence and integration, maintaining high growth in online retail.

According to the China Association of Pharmaceutical Commerce, by the end of 2024, there was one pharmaceutical distributor with annual sales exceeding RMB500 billion, four exceeding RMB100 billion, and two exceeding RMB50 billion, as well as six retail pharmacy chains with annual sales exceeding RMB10 billion in China. The Pharmaceutical Logistics and Supply Chain Branch of the China Federation of Logistics & Purchasing reported that the total market size of the pharmaceutical distribution sector in 2025 is expected to reach approximately RMB2.99 trillion, up 1.5% year-on-year. According to the *2024 Operational Statistical Analysis Report of Pharmaceutical Distribution Industry of the Ministry of Commerce of the PRC* (the "MOFCOM"), the top 100 pharmaceutical wholesalers accounted for 75.7% of total wholesale sales, while the top 100 retailers accounted for 38.0% of total retail sales, indicating further potential for concentration at the retail end relative to the targets of the ministry's 14th Five-Year Plan. The Forward Industry Research Institute predicted that the market size of China's pharmaceutical distribution sector will exceed RMB4 trillion by 2028

based on a compound growth rate of 7%.

Healthcare reform–driven expansion of the out-of-hospital market with terminal networks reinforcing competitive barriers

Amid accelerated structural transformation, the pharmaceutical distribution sector is embracing a more open and diversified market ecosystem. With the comprehensive implementation of healthcare reform policies, the regularised advancement of “bulk purchase of pharmaceuticals”, the increasing improvement of “hierarchical diagnosis and treatment” system, the gradual release of prescription outflow, the comprehensive spread of the “dual-channel” mechanism, and the extensive implementation of the policy for “including pharmacies in risk pooling of outpatient services” are reshaping the traditional pharmaceutical market, which was previously dominated by in-hospital sales. MENET forecasts that by 2029, the scale of 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.

Adjustments in channel structures and intensifying competition are prompting distributors to prioritise the upgrading of service capabilities as a core strategic focus, expanding into higher value-added areas while leveraging technologies such as big data, cloud computing and AI to strengthen precision marketing and differentiated value-added services, thereby improving the efficiency of supply–demand matching. Pharmaceutical distributors with solid retail terminal foundations enjoy notable advantages in coordination capabilities and resource integration. While reinforcing their competitive barriers, they are also better positioned to collaborate with pharmaceutical manufacturers to further penetrate lower-tier markets and achieve mutually beneficial development across the industry chain. With logistics demand from retail pharmacies, pharmaceutical e-commerce platforms and primary healthcare institutions rising rapidly, prescription medicine outflow policies are driving the out-of-hospital market to emerge as a new engine of growth.

Harmonisation of pharmaceutical procurement platform rules driving integration of the national drug pricing system

In May 2025, Guangdong Province released *Rules for Listing Pharmaceuticals on the Pharmaceutical Procurement Platform (Draft for Comments)*, marking an accelerated push towards the harmonisation of drug listing rules across China. The core of these rules focuses on price governance, using lower online prices as benchmarks to drive down offline prices and promote a more balanced and rational pricing structure across hospitals, pharmacies and e-commerce channels. Over the longer term, improved price transparency and lower out-of-pocket costs are expected to increase the frequency of medicine purchases by end consumers and drive growth in retail pharmacy footfall.

Full implementation of scan-based medical insurance settlement accelerating industry digitalisation and transparency

Starting from 1 July 2025, designated medical and pharmaceutical institutions are required to complete scanning of traceability codes during drug sales before settling with medical insurance funds. Drugs that were procured but not coded prior to this implementation will be included in a special management category called “uncoded drug library,” temporarily retaining eligibility for medical insurance settlement. From 1 January 2026, all medical and pharmaceutical institutions must achieve full collection and upload of drug traceability codes. The comprehensive implementation of traceability codes will facilitate real-time synchronisation of sales and settlement and is expected to accelerate the industry’s digital and transparent transformation while enhancing overall operational efficiency and competitiveness.

Diversified and digital-intelligent high-quality development of the industry

The *Report on the 20th National Congress of the Communist Party of China* and the *Outline for the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives Through the Year 2035* have laid the policy foundation for pharmaceutical enterprises to enhance competitiveness through digital transformation. In April 2025, seven government agencies, including the Ministry of Industry and Information Technology, jointly issued the *Implementation Plan for the Digital and Intelligent Transformation of the Pharmaceutical Industry (2025–2030)*, proposing the application of digital and intelligent technologies in areas such as drug traceability, logistics monitoring and optimisation, adverse reaction monitoring and medical device management, with the aim of promoting end-to-end traceability and strengthening quality and safety assurance. Under the requirements of high-quality development, distributors will focus on shifting to smart and

intelligent operations and low-carbon, green development, strengthening coordination across upstream and downstream supply chain participants and enhancing ecosystem collaboration, thereby building a green and digital foundation capable of adapting to future competition.

The deeper application of technologies such as AI, big data, cloud computing, digital twins, the Internet of Things and blockchain is driving the evolution of the “Internet of Intelligences plus pharmaceutical distribution” model towards greater digitalisation, diversification and a platform-based approach. The rise of the out-of-hospital market has placed higher demands on refined services and responsiveness, prompting both national and regional distributors to accelerate their transformation into supply chain solution providers. By building integrated platforms to enhance coordination across logistics, information and capital flows, pharmaceutical distributors are leveraging efficient multi-warehouse logistics networks at national and regional levels to optimise resource allocation. This enables differentiated delivery while significantly strengthening the sector’s endogenous momentum for high-quality development.

Revision of the *Regulations for the Implementation of the Drug Administration Law* strengthening corporate accountability and compliance requirements

In December 2025, the State Council approved the *Regulations for the Implementation of the Drug Administration Law of the People’s Republic of China*, which will take effect on 15 May 2026. The revised regulations, by specifying responsibilities in greater detail, are shifting corporate accountability from a “passive response to regulatory requirements” to the “proactive establishment of governance systems”, requiring distributors to actively identify risks throughout their operations and implement control measures. For pharmaceutical distributors, compliance systems and quality management are increasingly becoming integral components of core competitiveness. With the enhanced legal framework, the sector is expected to contribute to a modern market order underpinned by integrity and transparency.

Implementation of policies optimising the allocation of primary healthcare resources to unlock stable incremental market demand

In April 2025, 13 government departments, including the National Health Commission, jointly issued the *Guiding Opinions on Optimising the Layout and Development of Primary Healthcare Facilities*. By 2027, township- and subdistrict-level primary healthcare facilities are expected to achieve full coverage, and basic healthcare services will be broadly accessible in administrative villages and communities, with the goal of enabling residents to reach the nearest medical service point within 15 minutes. By 2030, the distribution of primary healthcare facilities is expected to be more balanced, with telemedicine and smart health services widely available. By 2035, the layout of primary healthcare services should be aligned with the country’s urbanisation and rural vitalisation efforts. The optimised allocation of primary healthcare resources is expected to generate stable incremental market demand, with large-scale and centralised supply capabilities becoming an increasingly critical competitive advantage for distributors.

Optimisation of market access policies reducing institutional transaction costs

In April 2025, the National Development and Reform Commission, MOFCOM and the State Administration for Market Regulation co-issued the *Negative List for Market Access (2025)*, removing administrative approvals for the establishment of pharmaceutical wholesalers and retailers and standardising access for online pharmaceutical sales. Under the “broad entry, strict regulation” framework, enterprises can apply directly for pharmaceutical business licences, significantly lowering institutional transaction costs and shortening the market entry cycle for new enterprises, thereby greatly stimulating micro-level market vitality. Mid- to large-scale distributors with well-established compliance systems and quality management capabilities are able to leverage brand reputation and scale advantages to translate compliance benefits into market competitiveness during the next industry reshuffle. In addition, the negative list and the detailed responsibilities assigned to third-party platforms further help to regulate the order of online pharmaceutical sales.

Data sources: MOFCOM, MENET, China Pharmaceutical Distribution Industry Development Report (2025), China Pharmaceutical Commerce, Guangdong Medical Products Administration, Report by the Pharmaceutical Logistics and Supply Chain Branch of the China Federation of Logistics & Purchasing, and 2024 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 2025, our distribution network covered 14,241 customers, among which 673 were distributors, 9,161 were retail pharmacy stores, and 4,407 were hospitals, clinics, health centres and others.

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 2025, we had distributed 12,923 product specifications, representing an increase of 113 compared to last year. We had a total of 1,276 suppliers, of which 651 were pharmaceutical manufacturers and 625 were distributor suppliers, representing an increase of 70 suppliers compared to last year.

Product Category	Product specifications for the year ended 31 December	
	2025	2024
Chinese patent medicines	4,504	4,759
Western medicines	4,685	4,664
Others	3,734	3,387
Total	<u>12,923</u>	<u>12,810</u>

Enhancing the pharmaceutical marketing ecosystem and activating industry chain efficiency through innovative models

With its three-dimensional marketing network, the Group works with brand pharmaceutical manufacturers and downstream clients to build an efficient and collaborative ecosystem of the pharmaceutical industry. By aggregating product resources, optimising purchasing and sales channels, facilitating transactions, utilizing digitalised and intelligent logistics and leveraging other core competencies, we effectively address imbalances in supply and demand along the industry chain, helping to reduce channel expansion difficulties for upstream manufacturers and realise the true value and benefits of their brands.

Under a model of being driven by resources and technology, the Group's three-dimensional marketing network demonstrates strong ecosystem attraction and channel commercialisation capabilities. During the reporting period, building on deepened strategic partnerships with leading industry brands such as China Resources Sanjiu, Haleon, Guangzhou Baiyunshan Pharmaceutical, Buchang Pharma, China Resources Jiangzhong, China Traditional Chinese Medicine Holdings, and Yangtze River Pharmaceutical, we successfully introduced the internationally renowned originator drug company Menarini, further enriching our prescription drug and consumer healthcare product portfolio and consolidating the Group's marketing service capabilities in the high-value pharmaceutical segment.

On this basis, we have continued to promote the "100 million-level" brand customer policy to establish partnerships with core players with market influence. Through focused resource allocation, targeted support, and customised services, we have successfully developed multiple strategic cooperation brands with sales exceeding RMB10 million, creating continuous market value growth for our clients. In addition, with an eye on growth momentum for 2026, we

have reached cooperation intentions with companies such as Hutchison Whampoa and Tong Ren Tang. Through cross-cycle planning and market groundwork, we are laying a solid foundation for business expansion in the coming year.

In terms of downstream enablement, we have innovatively developed a multi-dimensional marketing system, leveraging joint brand marketing, event-driven promotions, and differentiated discount campaigns to integrate upstream and downstream resources. By utilising innovative channels such as the “Hundred–Million: Spark to Blaze” series of ordering meetings and new product appreciation sessions, we achieve precise alignment between upstream brands and key terminal outlets, thereby establishing an efficient production–sales coordination platform.

Based on the real needs of terminal clients, we empower the downstream through three core value dimensions: (i) cognitive enablement, enhancing the market’s understanding of product value; (ii) distribution enablement, optimising supply chain tiers for greater turnover efficiency; and (iii) conversion enablement, applying precision marketing techniques to facilitate sales execution. Through in-depth optimisation and dynamic allocation of our resource matrix, we not only help partners strengthen their market competitiveness, but also build a full-value-chain loop from product awareness to purchase conversion, ultimately fostering a market landscape of win-win outcomes for both manufacturers and terminal outlets.

Seizing opportunities in the silver economy and expanding the elderly healthcare market with partners

According to the *Statistical Communiqué of the People’s Republic of China on the 2025 National Economic and Social Development* released by the National Bureau of Statistics, by the end of 2025, the population aged 60 and above in China had exceeded 320 million, representing 23.0% of the total population, while per capita household healthcare expenditure had risen to RMB2,573. As population ageing continues, the silver economy is demonstrating enormous market potential, with the elderly exhibiting rapidly growing demand for disease prevention, treatment, and rehabilitation services.

In response to this demographic shift, we are focusing on the silver economy by leveraging our 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.

Strengthening AI-driven efficiency to accelerate end-to-end digital-intelligent transformation

With our digital office platform as the central hub, we continue to deepen the vertical integration of AI technologies with our core business operations. So far, we have leveraged the “AI plus RPA” model to advance from automation towards intelligentisation in key business areas such as financial management, optimisation of intelligent workflow engines, efficient governance of pharmaceutical data, intelligent product monitoring, smart verification of drug traceability codes and compliance management, significantly enhancing operational efficiency and compliance management. Meanwhile, AI technologies have been deeply integrated into and piloted across critical logistics processes, including intelligent warehouse management and delivery route optimisation, to optimise resource allocation and improve decision-making efficiency.

In terms of AI capability building, we organised dedicated training programmes and internal competitions on AI knowledge and practical applications of AI agents, with more than 100 participants. Through exploration of real business scenarios, more than 20 high-frequency AI agents that enhance operational efficiency have been developed. Meanwhile, AI technologies have been deeply embedded throughout the full-lifecycle workflow of system development, covering key stages such as requirements analysis, front-end and back-end development, system testing, and operations and maintenance deployment. As a result, development efficiency has increased by more than 50%, achieving a significant improvement in R&D productivity. In building our automation foundation, we have empowered all employees through low-code platforms and robotic process automation (RPA) technologies. As at the

end of the Reporting Period, employees had independently developed and deployed more than 5,000 RPA workflows, with an adoption rate reaching 99.62%. The total runtime during the year amounted to 16,900 hours, improving productivity by the equivalent of 42.3 working days and fostering a digital and intelligent ecosystem in which “everyone is a developer.”

Sharpening core competitiveness in logistics and accelerating the expansion of third-party logistics business

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, forming an agile logistics network that covers the Guangdong–Hong Kong–Macao Greater Bay Area and extends deeply to surrounding regions. We strictly align with the national Good Supply Practice (GSP) compliance system and, with the Charmacy Pharmaceutical (Guangzhou) Medicine Sorting and Distribution Centre as our core warehouse, have developed a leading regional logistics hub. This has enabled the full implementation of a “cross-regional multi-warehouse collaboration” model, facilitating dynamic sharing of inventory resources and the optimisation of delivery routes. Leveraging this cross-regional multi-warehouse system, we not only meet the warehousing needs of our own distribution business, but also efficiently integrate transportation capacity to provide upstream and downstream clients with diversified warehousing, distribution and value-added services, thereby continuously enhancing 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 at 31 December 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 19.90% year-on-year, with corresponding revenue increased by 20.56% compared to the same period last year.

During the Reporting Period, the Group received a number of recognitions from the Pharmaceutical Chain Circle (yaolianquan.com) Certification Centre, including an Excellent Pharmaceutical Logistics and Distribution Enterprise (for five consecutive years), a Modern Pharmaceutical Logistics Technology Test Base (Centre) (for four consecutive years), the Best Pharmaceutical Cold Chain Logistics Centre (Base) (for seven consecutive years), a Recommended Enterprise for Pharmaceutical Cold Chain Logistics Services (for six consecutive years), a Pilot Base for Pharmaceutical Supply Chain Innovation (for two consecutive years), the Best Supply Chain Service Provider for Pharmaceuticals and Medical Devices (for two consecutive years), and an Recommended Brand for Digital-Intelligent Pharmaceutical Logistics Technology Services. In addition to being awarded the China Logistics Industry “Golden Ant” Innovation Award by the Organizing Committee of China (Guangzhou) International Logistics Equipment and Technology Exhibition (for eight consecutive years), the Group was named a Pilot Unit for Modern Pharmaceutical Logistics Storage and Transportation Management Standards by the Pharmaceutical Commerce Branch of the China Medical Pharmaceutical Material Association, a Standing Council Member by the Guangdong Credit Association (for eight consecutive years), and among the “Top 500 Enterprises of Guangdong Province 2024” jointly awarded by the Guangdong Provincial Enterprise Confederation and the Guangdong Provincial Association of Entrepreneurs.

PROSPECTS

With the mission of "Creating a Healthy and Beautiful Life" in mind, we uphold the business philosophy of "Integrity in Operation, Altruism and Benefiting the Public, Win-win Cooperation", and adhere to the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas", committing to becoming the most market-competitive service provider in China's medical and healthcare industry.

Currently, China's economy has entered a stage of high-quality development. Driven by the dual forces of the intensifying population aging and the construction of the "Healthy China" initiative, China's health sector is shifting from a focus on "treating diseases" to "centering on people's health". As the goals of the 14th Five-Year Plan are gradually implemented, the pharmaceutical distribution industry is moving from a period of transformation and reform to a critical phase of "consolidation and upgrading", providing support for fostering a new development paradigm where domestic circulation is the mainstay and domestic and international circulations reinforce each other. The 2025 Government Work Report clearly proposes to continue advancing the "AI +" initiative, and logistics has been listed as a key application scenario in conjunction with the supporting documents issued by the State Council. In the practice of the pharmaceutical logistics industry, the Internet of Things, big data, artificial intelligence, and automated equipment are deeply integrated into the entire pharmaceutical logistics process, driving the industry's transformation from labor-intensive to technology-intensive. The pharmaceutical distribution industry must keep pace with the times, further advance digital transformation, and drive innovation and transformation across the entire industry. Against this backdrop, capabilities in regulatory compliance, specialisation, scale operation, and digitalisation will become the core competitiveness of enterprises.

To adapt to the development trend of new-quality productive forces, China is actively promoting the digital and intelligent transformation of the pharmaceutical industry. Through the application of big data, AI and other technologies across the entire pharmaceutical industry chain, pharmaceutical distribution enterprises are encouraged to optimise their network structure and service functions. By leveraging digital technologies to continuously empower business development, pharmaceutical distribution enterprises help brand manufacturers reduce costs and increase efficiency in demand forecasting, full-chain marketing, supply chain optimisation and infrastructure sharing. Meanwhile, they are accelerating the integrated development of "channel sinking and urban-rural linkage", and enhancing the service capacity of the "last mile" in 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 seeing a trillion-yuan incremental growth space. With the full implementation of the electronic prescription circulation mechanism and the popularisation of the "dual-channel" policy, the role of retail pharmacies in undertaking hospital prescriptions has been significantly strengthened. The market scale of pharmaceutical products in online pharmacy terminals in China is growing at a high speed, and instant retail, as the preferred channel for online medical insurance-based drug purchases, is embracing unprecedented development opportunities.

Faced with industry development opportunities, we maintain a proactive and flexible attitude, respond to national policy guidance, take compliance as the cornerstone, and accelerate our journey towards steady and high-quality development. We will continuously advance the expansion of market networks and the improvement of services, and accurately align with industry trends. At the same time, through strengthening refined management and digital-intelligent driven development, we will deeply optimise operational efficiency, and continuously enhance our competitiveness while consolidating existing advantages.

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

We will stick to the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas" and build a comprehensive pharmaceutical retail terminal network covering Guangdong Province and its surrounding areas. On the basis of strengthening risk management and improving operational quality, we will actively seize the opportunities brought by the expansion of the primary medical market, and continuously expand and refine the distribution networks in the penetrated regions. By further optimising the network layout, expanding the pharmaceutical

delivery coverage of terminals such as retail pharmacies and various grassroots medical and health service institutions, we will fully achieve the intensive coverage of sales, service and logistics networks in the Guangdong market and its surrounding areas.

II. AI-driven digital and intelligent transformation to enhance the Group's digital competitiveness

We will continue to deepen our “Intelligent Connectivity plus Pharmaceuticals” strategy by advancing the integration of digitalisation and AI technology, with a view to building a new intelligent supply chain ecosystem and achieving end-to-end intelligent management alongside enhanced operational efficiency. Through the system-level integration of AI, we will reconfigure our business processes under a new technological architecture, continuously reduce reliance on high-frequency repetitive manual tasks, and drive the transition from automation to intelligent operations. This will enable our employees to focus on more innovative and strategically valuable activities, thereby steadily enhancing organisational efficiency and strengthening our intrinsic growth momentum and core competitiveness.

We will progressively advance the digital and intelligent integration across the entire business process in order to establish an end-to-end intelligent closed-loop operating model. Guided by evolving business needs and technological advancements, we will continuously optimise and upgrade AI applications, with a particular focus on enhancing capabilities in precision forecasting, dynamic optimisation and risk insight. At the same time, we will expand the application of AI into new scenarios, including intelligent customer service, targeted customer engagement, upstream and downstream collaboration, and policy and regulatory analysis. These initiatives will further enhance overall operational efficiency, strengthen core competitiveness, and deepen the application of digital and intelligent transformation in vertical domains.

At the business enablement level, we will leverage intelligent technologies to enhance the agility and responsiveness of our supply chain, delivering more efficient and precise service experiences to upstream and downstream customers, and fostering coordinated value creation across the entire value chain. Meanwhile, building on the extensive data assets accumulated over the past 26 years in pharmaceutical distribution, we will establish an AI-driven advanced data analytics platform to generate multi-dimensional insights and unlock data value. These initiatives will provide robust support for the development of a scientific and forward-looking decision-making supportive system, empowering the Group to achieve precise decision-making and dynamic risk management in a complex and evolving market environment.

In addition, we will continue to leverage our strong supply chain resource advantages by further strengthening the development of digital infrastructure centred on our B2B e-commerce platform. Combined with intelligent digital marketing tools and refined operational strategies, we will fully unlock the potential of the “Intelligent Connectivity plus Pharmaceuticals” model. Through effective technological enablement and data-driven channel insights, we will become more attuned to market dynamics, accurately match supply with demand, continuously optimise transaction scenarios and service experiences, and comprehensively enhance operational efficiency and market adaptability. In doing so, we aim to become a trusted strategic enabler and long-term value co-creator for our upstream and downstream partners.

III. Further advance in-depth strategic cooperation with brand manufacturers

We will further deepen cooperation with various brand manufacturers, seize more growth opportunities for products shifting to the non-tendering market, enrich our product portfolio, consolidate product advantages, and expand into more markets with high growth potential. At the same time, we will fully leverage the Group's resource advantages in the pharmaceutical retail terminal network, build a dynamic and innovative marketing ecosystem, and provide upstream suppliers with comprehensive support including brand promotion, product launch solution design and supporting service guarantee, helping brand manufacturers increase their market share.

IV. Consolidate core capabilities in pharmaceutical logistics to drive value enhancement of third-party logistics business

We will fully integrate transportation resources, promote the construction of smart logistics capabilities, enhance delivery service capacity, and strengthen the synergy effect of regional integrated logistics. Relying on the collaborative operation model of multi-warehouse coordination and intelligent dispatching, we strive to optimise the timeliness and cost control from the source to terminal delivery to the optimal level, fully unleashing the economies of scale and improving resource utilisation efficiency.

By further leveraging the Group's strengths in refined management and digital-intelligent enablement, we will continuously optimise and upgrade the terminal delivery network, making the layout of the pharmaceutical logistics network more rational and efficient. At the same time, we will actively expand the third-party pharmaceutical logistics business, leverage our logistics network advantages to provide professional and convenient value-added services such as warehousing, logistics and freight transportation for upstream suppliers and downstream customers, and continuously enhance the Group's market competitiveness and profitability.

V. Deepen domestic and international industrial collaborative cooperation to boost the Group's healthy and high-quality development

Relying on the abundant resources and advantages of our state-owned shareholders, we will actively explore high-quality products and strategic cooperation at home and abroad, expand more profitable new businesses while continuously improving the product supply chain, and optimise the business structure and profit model. Focusing on the extension and upgrading of the pharmaceutical industry chain, we will introduce new technologies and concepts, drive the in-depth integration of emerging technologies with core competitiveness, consolidate our leading position in the non-tendering pharmaceutical market in South China, and contribute to the innovation and development of the pharmaceutical distribution industry.

Looking ahead, we will continue to seize the future growth potential of the pharmaceutical non-tendering market, accelerate the replication of the mature operation model of the pharmaceutical non-tendering market, continuously increase investment in digital construction and business innovation, strive to improve the operational efficiency of the pharmaceutical supply chain, optimise the portfolio of pharmaceutical products and customer service experience, reduce the cost of pharmaceutical distribution, and endeavour to become the most market-competitive service provider in China's medical and healthcare industry.

FINANCIAL REVIEW

Operating revenue

For the year ended 31 December

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Principal business	4,329,328	4,385,120
Other businesses	55,304	50,341
Operating revenue	<u>4,384,632</u>	<u>4,435,461</u>

For the year ended 31 December

Customer type	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Distributors	2,238,698	2,074,863
Retail pharmacy stores	1,971,720	2,166,832
Hospitals, clinics, health centres and others	118,911	143,425
Revenue from principal business	<u>4,329,328</u>	<u>4,385,120</u>

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 97% 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 2025 was RMB4,384.63 million, representing a decrease of 1.15% from RMB4,435.46 million for the year ended 31 December 2024. Amid intensifying competition in the non-tendering market and increasingly fragmented end-user demand, the Company has continued to enhance its presence in the non-tendering segment, maintaining a solid foundation in its core non-tendering business.

Operating cost, gross profit and gross profit margin

The operating cost of the Group decreased by 1.60% from RMB4,110.70 million for the year ended 31 December 2024 to RMB4,044.75 million for the year ended 31 December 2025, broadly consistent with the change in operating revenue.

The gross profit of the Group increased by 4.66% from RMB324.76 million for the year ended 31 December 2024 to RMB339.88 million for the year ended 31 December 2025. The gross profit margin of the Group increased by 0.43 percentage points from 7.32% for the year ended 31 December 2024 to 7.75% for the year ended 31 December 2025. Primarily due to (i) the Company's continuous adjustment of its product mix, introducing varieties with higher gross profit margins and proactively eliminating varieties with lower gross profit margins; (ii) a 20.56% year-on-year increase in third-party logistics business revenue, contributing an incremental revenue of RMB4.53 million, which drove the growth in gross profit.

Selling expenses

The selling expenses of the Group increased by 3.84% from RMB120.44 million for the year ended 31 December 2024 to RMB125.07 million for the year ended 31 December 2025, mainly due to an increase of RMB7.61 million in staff costs compared with the last year.

Management expenses

The management expenses of the Group increased by 2.69% from RMB54.82 million for the year ended 31 December 2024 to RMB56.30 million for the year ended 31 December 2025. This was primarily attributable to adjustments made to our remuneration policies in line with actual business conditions, talent incentive policies, and our commitment to growing together with our employees, resulting in a year-on-year increase in staff costs of RMB2.67 million.

Finance costs

The finance costs of the Group decreased by 2.14% from RMB62.29 million for the year ended 31 December 2024 to RMB60.96 million for the year ended 31 December 2025. This was primarily attributable to (i) a decrease in bank lending rates during this period, and (ii) the Company's enhanced capital turnover efficiency through measures such as draft endorsement and discounting, resulting in a year-on-year decrease in overall interest expenses of RMB3.82 million.

Income tax expenses

The income tax expenses of the Group increased by 0.72% from RMB17.91 million for the year ended 31 December 2024 to RMB18.04 million for the year ended 31 December 2025. 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 decreased by 13.16% from RMB53.28 million for the year ended 31 December 2024 to RMB46.27 million for the year ended 31 December 2025. This was primarily attributable to the Company's proactive provisioning for impairment on certain receivables, which was aimed at releasing risks in advance and strengthening asset quality, thus resulting in a year-on-year increase in credit impairment losses of RMB15.83 million.

Liquidity and financial resources

As at 31 December 2025, the Group's cash and bank deposits amounted to RMB221.54 million, compared with RMB171.79 million as at 31 December 2024.

As at 31 December 2025 and 2024, the Group recorded net current assets of RMB279.79 million and RMB241.39 million, respectively. As at 31 December 2025, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.09 (2024: 1.09).

As at 31 December 2025, the Group's bank borrowings amounted to RMB1,161.56 million (short-term borrowings: RMB1,119.21 million; long-term borrowings: RMB38.10 million; long-term borrowings due within one year: RMB4.25 million). All the bank borrowings bear fixed interest rates, which are determined with reference to market 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 2025, the Group's bill receivables, trade receivables and receivables financing amounted to RMB1,261.07 million, representing an increase of 2.82% year-on-year, from RMB1,226.42 million as at 31 December 2024, with a relatively stable growth rate. The Group will continue to strengthen the management of trade receivables, dynamically assess risks, and achieve efficient utilization of funds and liquidity management.

Bills payables and trade payables

As at 31 December 2025, the Group's bills payables and trade payables amounted to RMB1,405.28 million, representing an increase of 15.72% year-on-year, from RMB1,214.33 million as at 31 December 2024. Through measures such as centralized procurement and long-term strategic partnerships, the Company has deepened its collaboration with key suppliers. While ensuring timely settlement of payments to and maintaining strong cooperative relationships with suppliers, The Company has reasonably extended accounts payable terms and optimized the settlement structure of notes payable, optimizing the efficiency of fund utilization. This approach has effectively offset the working capital pressure arising from the growth of accounts receivable and achieved a coordinated optimization of supply chain financing.

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 minimize credit risks. In order to control liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure that its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

Foreign currency exchange risk

The transactions of the Group are denominated in RMB, and most of the assets and all liabilities 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 2025, the Group had no bank borrowings which bear interest at floating rate. (2024: Nil)

Capital management

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

	31 December 2025	31 December 2024
Gearing Ratio	60.40%	51.37%

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 commitments

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

Employees' information

As at 31 December 2025, the Group had a total of 847 employees (including executive Directors) (2024: 847 employees), which remained unchanged as compared with the number of employees as at 31 December 2024. The total staff cost (including emoluments of directors and supervisors) was RMB101.43 million, representing an increase of 11.27%, as compared to RMB91.15 million for the year ended 31 December 2024. 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 2025.

Future plans related to material investments and capital assets

During the year ended 31 December 2025 and up to the date of this announcement, 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 2025, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of assets

As at 31 December 2025, the Group was granted a credit limit of RMB1,862.00 million by various banks, while the Group's utilized banking facilities totaled RMB1,538.77 million, which were secured by (i) property and plant held by the Group with a carrying amount of RMB202.82 million as at 31 December 2025; and (ii) land use rights held by the Group

with a carrying amount of RMB65.33 million as at 31 December 2025.

Contingent liabilities

As at 31 December 2025, the Group had no material contingent liabilities (2024: Nil).

Significant events after the Reporting Period

After the Reporting Period and up to the date of this announcement, the Group has no significant events requiring disclosure.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.30 per share (tax inclusive) for the year ended 31 December 2025, 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 2026 (Friday) (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 People’s Bank of China during the five (5) business days preceding the date of approval of the final dividend at the AGM. The final dividend is expected to be paid on 25 June 2026. The Company will announce the details in relation to the record date for the dividend payment and the relevant dates for the closure of the register of members of the Company in due course.

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, will not be entitled to receive dividend or distribution.

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 2026 (Tuesday) to 22 May 2026 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 pm on 18 May 2026 (Monday). The record date for determining the eligibility of Shareholders to attend and vote at the AGM is 22 May 2026 (Friday).

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2025, the Company has complied with all applicable 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. The Company abolished the supervisory committee and the position of supervisors with effect from 12 December 2025. The Company confirms that, having made enquiries of all the Directors and supervisors who served during the Reporting Period, all Directors and supervisors who served during the Reporting Period have complied with the required standards set out in the Model Code during the year ended 31 December 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 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 at 31 December 2025, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL FINANCIAL STATEMENTS

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 internal control of the Group.

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 2025.

PUBLICATION OF THE 2025 ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

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 2025 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, 27 March 2026

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*