創美·CH'MEI

CHARMACY PHARMACEUTICAL CO., LTD.
創美藥業股份有限公司

(a joint stock limited liability company established in the People's Republic of China)

(Stock Code: 2289)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For the six months ended 30 June		Change
	2021	2020	
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Results			
Operating revenue	**1,993,014**	1,860,759	7.11%
Total profit	**34,530**	41,746	-17.28%
Net profit attributable to the shareholders of parent company	**25,961**	30,873	-15.91%
Basic and diluted earnings per share (expressed in RMB per share)	**0.2404**	0.2859	-15.91%

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

Items	*Notes*	For the six months ended 30 June **2021** ***RMB*** **(Unaudited)**	 2020 *RMB* (Unaudited)
I.Total operating revenue		**1,993,014,120.59**	1,860,759,395.79
Including: Operating revenue	*4*	**1,993,014,120.59**	1,860,759,395.79
II.Total operating cost		**1,857,967,782.94**	1,738,486,641.89
Including: Operating cost	*4*	**1,857,967,782.94**	1,738,486,641.89
Taxes and surcharges		**4,386,843.07**	3,264,786.76
Selling expenses		**52,284,908.17**	40,638,768.01
Management expenses		**18,988,949.29**	16,517,905.17
Finance costs	*6*	**21,796,096.41**	15,308,030.84
Including: Interest expenses		**20,300,388.76**	14,509,595.87
Interest income		**1,921,670.20**	2,096,766.33
Add: Other gains		**295,184.84**	350,574.90
Investment income (“–” for loss)		-	-
Impairment loss of credit (“–” for loss)		**-247,245.69**	-3,107,249.35
Impairment loss of assets (“–” for loss)		**-3,136,215.98**	-2,954,328.08
Gains on disposal of assets (“–” for loss)		**-11,149.73**	12,944.85
III.Operating profit (“–” for loss)		**34,490,114.15**	40,845,205.44
Add: Non-operating revenue		**69,392.04**	964,117.59
Less: Non-operating expenses		**29,037.34**	63,693.12
IV.Total profit (“–” for total loss)		**34,530,468.85**	41,745,629.91
Less: Income tax expense	*7*	**8,569,088.80**	10,872,450.29
V.Net profit (“–” for net loss)		**25,961,380.05**	30,873,179.62
(1) By continuity of operations		**25,961,380.05**	30,873,179.62
1.Net profit from continuing operation (“–” for net loss)		**25,961,380.05**	30,873,179.62
2.Net profit from discontinued operation (“–” for net loss)		-	-
(2) By ownership		**25,961,380.05**	30,873,179.62
1.Net profit attributable to the owners of parent company (“–” for net loss)		**25,961,380.05**	30,873,179.62
2.Profit of loss of minority shareholders (“–” for net loss)		-	-
VI.Total comprehensive income		**25,961,380.05**	30,873,179.62
Total comprehensive income attributable to the shareholders of parent company		**25,961,380.05**	30,873,179.62
Total comprehensive income attributable to minority shareholders		-	-
VII.Earnings per share			
Basic and diluted earnings per share	*8*	**0.2404**	0.2859

CONSOLIDATED BALANCE SHEET

As at 30 June 2021

Items	*Notes*	**30 June 2021** *RMB* **(Unaudited)**	31 December 2020 *RMB* (Audited)
Current assets			
Monetary funds		**435,875,043.20**	590,322,268.07
Bills receivables	*10*	**12,064,910.00**	20,639,970.00
Trade receivables	*11*	**750,918,136.32**	717,554,454.07
Account receivable financing	*12*	**7,874,680.55**	25,799,692.96
Prepayments		**370,690,068.98**	253,766,373.02
Other receivables		**12,343,872.32**	12,839,764.71
Inventories		**590,337,957.71**	585,008,876.72
Other current assets		**41,384,267.03**	45,377,379.28
Total current assets		**2,221,488,936.11**	2,251,308,778.83
Non-current assets			
Fixed assets		**345,442,686.42**	354,551,660.22
Construction in progress		**1,537,623.76**	1,496,742.97
Right-of-use assets		**14,981,412.30**	16,451,641.00
Intangible assets		**146,278,588.24**	152,191,599.87
Goodwill		**6,024,104.16**	6,024,104.16
Long-term expenses to be amortised		**7,877,324.47**	8,085,530.37
Deferred income tax assets		**10,089,973.89**	9,292,634.77
Total non-current assets		**532,231,713.24**	548,093,913.36
Total assets		**2,753,720,649.35**	2,799,402,692.19

Items	Notes	**30 June 2021** ***RMB*** **(Unaudited)**	31 December 2020 *RMB* (Audited)
Current liabilities			
Short-term borrowings		**538,653,425.45**	535,919,072.17
Bills payables	*13*	**828,285,576.43**	938,611,254.96
Trade payables	*14*	**639,357,234.40**	569,826,535.10
Receipts in advance		**-**	-
Contract liabilities		**1,883,441.20**	5,013,052.93
Salaries payable to employees		**4,648,773.70**	5,788,619.82
Tax payables		**58,521,633.32**	58,549,342.70
Other payables		**23,647,809.53**	13,765,328.93
Including: Interests payable		**-**	-
Non-current liabilities due within one year		**34,538,611.62**	34,520,568.55
Total current liabilities		**2,129,536,505.65**	2,161,993,775.16
Non-current liabilities			
Long-term borrowings		**102,661,492.74**	118,455,570.44
Lease liabilities		**14,066,223.93**	15,331,202.41
Deferred income		**533,237.24**	761,767.49
Deferred income tax liabilities		**12,890.18**	311,457.13
Total non-current liabilities		**117,273,844.09**	134,859,997.47
Total liabilities		**2,246,810,349.74**	2,296,853,772.63
Shareholders' equity			
Share capital		**108,000,000.00**	108,000,000.00
Capital reserve		**278,990,829.04**	278,990,829.04
Surplus reserve		**18,439,830.70**	18,439,830.70
Unallocated profits		**101,479,639.87**	97,118,259.82
Total equity attributable to the shareholders of parent company		**506,910,299.61**	502,548,919.56
Minority interests		-	-
Total shareholders' interests		**506,910,299.61**	502,548,919.56
Total liabilities and shareholders' interests		**2,753,720,649.35**	2,799,402,692.19

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL

Charmacy Pharmaceutical Co., Ltd. (the "**Company**") was established as an enterprise owned by the whole people (全民所有制企業) in the People's Republic of China (the "**PRC**") under the name of Shantou Pharmaceutical Supplies Company* (汕頭市醫藥聯合公司物資站) on 18 February 1984. Pursuant to an approval granted by relevant PRC authorities on 28 May 2015, the Company was transformed into a joint stock company with limited liability and changed its name to Charmacy Pharmaceutical Co., Ltd. (創美藥 業股份有限公司). The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from 14 December 2015. The address of the registered office and principal place of business of the Company is No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, the PRC.

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

The 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 prepared its financial statements on the going concern basis, according to actual transactions and events as well as such disclosure requirements under the Accounting Standards for Enterprises (《企業會計準則》) and relevant provisions (collectively referred to as "**Accounting Standards for Enterprises**") issued by the Ministry of Finance of the PRC, the Companies Ordinance of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange, and based on the accounting policies and accounting estimates applicable to the Group.

(2) Going concern

The Group, having evaluated its ability to continue as a going concern for the 12 months since 30 June 2021, did not find any event or condition which may cast significant doubt on the going concern ability. Hence, the preparation of these financial statements was based on the assumption of going concern.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Declaration on compliance with Accounting Standards for Enterprises

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

(2) Accounting period

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

(3) Business cycle

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

(4) Functional currency

The Group adopts 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 2021 to 30 June 2021, the currency unit is RMB yuan.

(5) Changes of significant accounting policies and accounting estimates

There is no change in the significant accounting policies and accounting estimates of the Group for the reporting period.

4. OPERATING REVENUE AND OPERATING COST

Item	**Six months ended 30 June 2021**		Six months ended 30 June 2020	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Principal business	**1,978,105,883.41**	**1,857,967,782.94**	1,847,725,714.32	1,738,486,641.89
Other businesses	**14,908,237.18**	**-**	13,033,681.47	-
Total	**1,993,014,120.59**	**1,857,967,782.94**	1,860,759,395.79	1,738,486,641.89

5. SEGMENT INFORMATION

Information would be reported to the chief executive officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The chief executive officer of the Company considers that there is only one operating and reportable segment for the Group: 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**	
	2021	2020
	(Unaudited)	(Unaudited)
Interest expenses	**20,300,388.76**	14,509,595.87
Less: Interest income	**1,921,670.20**	2,096,766.33
Add: Foreign exchange loss	**-240,579.13**	-7,793.86
Add: Handling fees	**3,190,283.75**	2,467,089.02
Add: Interest on lease liabilities	**467,673.23**	435,906.14
Total	**21,796,096.41**	15,308,030.84

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	For the six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Current income tax calculated according to the tax law and related regulations	**9,664,994.87**	11,110,742.43
— Corporate income tax in Mainland China	**9,664,994.87**	11,110,742.43
— Profit tax in Hong Kong, PRC	-	-
Deferred income tax expenses	**-1,095,906.07**	-238,292.14
Total	**8,569,088.80**	10,872,450.29

The Group had no Hong Kong income tax, since it had no taxable income in Hong Kong for the six months ended 30 June 2020 and 2021.

(2) Reconciliation between accounting profit and income tax expenses

Item	For the six months ended 30 June 2021 (Unaudited)
Combined total profit for the period	**34,530,468.85**
Income tax expenses calculated at statutory/applicable tax rate	**9,664,994.87**
Effect of non-deductible costs, expenses and losses	-
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current period	**-1,095,906.07**
Income tax expenses	**8,569,088.80**

8. RETURN ON NET ASSETS AND EARNINGS PER SHARE

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

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	5.01	0.2391	0.2391
Net profit attributable to the shareholders of parent company (excluding non-recurring profit and loss)	4.96	0.2369	0.2369

9. DIVIDEND

The Board did not propose the payment of interim dividend after the interim period (interim dividend for 2020: Nil).

10. BILLS RECEIVABLES

(1) Classification of bills receivables

Item	Balance as at 30 June 2021 (Unaudited)	Balance as at 31 December 2020 (Audited)
Commercial drafts	**12,100,000.00**	20,700,000.00
Subtotal	**12,100,000.00**	20,700,000.00
Less: Provision for bad debt	**35,090.00**	60,030.00
Total	**12,064,910.00**	20,639,970.00

(2) Pledged bills receivable as at 30 June 2021

Item	Pledged amount as at 30 June 2021 (Unaudited)
Commercial drafts	**2,600,000.00**
Total	**2,600,000.00**

(3) Bills receivables endorsed or discounted as at 30 June 2021 but not mature at the balance sheet date

Item	Amount derecognised as at 30 June 2021 (Unaudited)	Amount not derecognised as at 30 June 2021 (Unaudited)
Commercial drafts	**-**	**9,500,000.00**
Total	**-**	**9,500,000.00**

(4) As at 30 June 2021, no bills were reclassified to trade receivables due to inability of the issuers to settle the bills.

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

Classification	**Balance as at 30 June 2021 (Unaudited)**				
	Book balance		**Provision for bad debt**		
	Amount	**Percentage (%)**	**Amount**	**Lifetime expected credit loss rate (%)**	**Book value**
Bad debt provision made on individual basis	-	-	-	-	-
Bad debt provision made on a collective basis	**12,100,000.00**	**100.00**	**35,090.00**	**0.29**	**12,064,910.00**
Aging portfolio	**12,100,000.00**	**100.00**	**35,090.00**	**0.29**	**12,064,910.00**
Low risk portfolio	-	-	-	-	-
Total	**12,100,000.00**	**100.00**	**35,090.00**	-	**12,064,910.00**

Classification	Balance as at 31 December 2020 (Audited)				
	Book balance		Provision for bad debt		
	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	Book value
Bad debt provision made on individual basis	-	-	-	-	-
Bad debt provision made on a collective basis	20,700,000.00	100.00	60,030.00	0.29	20,639,970.00
Aging portfolio	20,700,000.00	100.00	60,030.00	0.29	20,639,970.00
Low risk portfolio	-	-	-	-	-
Total	20,700,000.00	100.00	60,030.00	-	20,639,970.00

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

Age	**Balance as at 30 June 2021 (Unaudited)**		
	Book balance	**Provision for bad debt**	**Provision ratio (%)**
Within 1 year	**12,100,000.00**	**35,090.00**	**0.29**
Total	**12,100,000.00**	**35,090.00**	**0.29**

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 the parent company oftrade receivables.

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

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

Category	Balance as at 31 December 2020 (Audited)	Changes for the six months ended 30 June 2021 (Unaudited)			Balance as at 30 June 2021 (Unaudited)
		Accrued	Recovered or reversed	Written back or written off	
Commercial drafts	60,030.00	-	**24,940.00**	-	**35,090.00**
Total	60,030.00	-	**24,940.00**	-	**35,090.00**

11. TRADE RECEIVABLES

Name of item	Balance as at 30 June 2021 (Unaudited)	Balance as at 31 December 2020 (Audited)
Trade receivables	**780,357,309.35**	746,721,441.41
Less: Provision for bad debt	**29,439,173.03**	29,166,987.34
Net	**750,918,136.32**	717,554,454.07

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

Balance as at 30 June 2021 (Unaudited)

Classification	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	
Provision for bad debt made on individual basis	**23,094,569.76**	**2.96**	**23,010,577.26**	**99.64**	**83,992.50**
Provision for bad debt made on a collective basis	**757,262,739.59**	**97.04**	**6,428,595.77**	**0.85**	**750,834,143.82**
Aging portfolio	**757,262,739.59**	**97.04**	**6,428,595.77**	**0.85**	**757,262,738.74**
Total	**780,357,309.35**	**100.00**	**29,439,173.03**	**-**	**750,918,136.32**

Balance as at 31 December 2020 (Audited)

Classification	Book balance		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	
Provision for bad debt made on individual basis	23,094,569.76	3.09	23,010,577.26	99.64	83,992.50
Provision for bad debt made on a collective basis	723,626,871.65	96.91	6,156,410.08	0.85	717,470,461.57
Aging portfolio	723,626,871.65	96.91	6,156,410.08	0.85	717,470,461.57
Total	746,721,441.41	100.00	29,166,987.34	-	717,554,454.07

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

Age	Balance as at 30 June 2021 (Unaudited)		
	Book balance	**Provision for bad debt**	**Lifetime expected credit loss rate（%）**
Within 1 year	**727,404,032.50**	**2,511,945.13**	**0.35**
1 to 2 years	**28,639,400.03**	**3,452,547.73**	**12.06**
2 to 3 years	**1,215,661.52**	**460,457.37**	**37.88**
More than 3 years	**3,645.54**	**3,645.54**	**100.00**
Total	**757,262,739.59**	**6,428,595.77**	**-**

(2) Trade receivable by aging

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

Age	Balance as at 30 June 2021 (Unaudited)			Balance as at 31 December 2020 (Audited)		
	Book balance	**Percentage（%）**	**Provision for bad debt**	Book balance	Percentage（%）	Provision for bad debt
Within 1 year	**727,592,442.21**	**93.24**	**2,589,851.13**	695,596,183.09	93.15	2,159,815.83
1 to 2 years	**30,308,875.26**	**3.88**	**5,122,022.96**	29,112,315.62	3.90	6,821,027.12
2 to 3 years	**7,847,764.91**	**1.01**	**7,093,560.75**	7,754,342.27	1.04	5,927,543.96
More than 3 years	**14,608,226.97**	**1.87**	**14,633,738.19**	14,258,600.43	1.91	14,258,600.43
Total	**780,357,309.35**	**100.00**	**29,439,173.03**	746,721,441.41	100.00	29,166,987.34

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

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

Balance as at 31 December 2020 (Audited)	**Changes for the six months ended 30 June 2021 (Unaudited)**				**Balance as at 30 June 2021 (Unaudited)**
	Accrued	**The impact of the change in the scope of the merge**	**Recovered or reversed**	**Written back or written off**	
29,166,987.34	**272,185.69**	-	-	-	**29,439,173.03**

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

12. ACCOUNT RECEIVABLE FINANCING

Item	**Balance as at 30 June 2021 (Unaudited)**	Balance as at 31 December 2020 (Audited)
Bank acceptance bills	**7,874,680.55**	25,799,692.96
Total	**7,874,680.55**	25,799,692.96

13. BILLS PAYABLES

Classification of bills	**Balance as at 30 June 2021 (Unaudited)**	Balance as at 31 December 2020 (Audited)
Bank acceptance bills	**828,285,576.43**	938,611,254.96
Total	**828,285,576.43**	938,611,254.96

The age of the aforementioned bills payables of the Group were within 1 year.

14. TRADE PAYABLES

(1) Trade payables

Item	**Balance as at 30 June 2021 (Unaudited)**	Balance as at 31 December 2020 (Audited)
Loans	**637,338,131.93**	550,254,913.32
Equipment costs	**2,019,102.47**	13,371,029.16
Customer resources costs	**-**	6,200,592.62
Total	**639,357,234.40**	569,826,535.10

(2) Aging analysis of trade payables

Below is an aging analysis of trade payables based on transaction date as at 30 June 2021:

Age	**Balance as at 30 June 2021 (Unaudited)**	Balance as at 31 December 2020 (Audited)
Within 1 year	**636,156,968.36**	567,810,738.30
1 to 2 years	**1,640,670.09**	890,901.02
2 to 3 years	**1,057,449.49**	757,753.60
More than 3 years	**502,146.46**	367,142.18
Total	**639,357,234.40**	569,826,535.10

MANAGEMENT DISCUSSION AND ANALYSIS INDUSTRY

OVERVIEW

Under the combined and interactive effects of new medical reform policies including the "Healthy China" initiative, "Internet+ Healthcare", increased adoption of centralised procurement, and the introduction of medical insurance payment fund, the ecology of pharmaceutical distribution industry will be reshaped and experiences high-quality development through further empowerment from new technologies and new drivers in the era of big data and "Internet+ Pharmaceutical Distribution". Meanwhile, restricted by stronger supervision and policies, national and regional pharmaceutical wholesalers expand their market coverage by means of merger and acquisition, reorganisation, and alliance between powerful enterprises, leading to an increasing market concentration in the pharmaceutical distribution industry.

Gradually improving medical insurance system and further liberalising the pharmaceutical distribution market

According to the Guideline on Establishing and Improving a General Support Mechanism for Covering Outpatient Medical Bills under the Basic Medical Insurance for Urban Employees* (《關於建立健全職工基本醫療保險門診共濟保障機制的指導意見》) (the "**Guideline**") issued by the General Office of the State Council on 22 April 2021, gradual steps shall be taken towards reimbursing the general outpatient bills for frequently occurring and common diseases through unified accounts; the pooled account for general outpatient bills shall cover all the insured people by the medical insurance for employees; the settlement and dispensing of prescriptions shall be supported in designated retail drugstores. The Guideline further allows the insured employees and their spouses, parents, and children to use the personal medical insurance accounts of insured employees for medical bills, as well as for purchasing medical devices, medicines, and medical consumables at designated retail drugstores. Thus, not only the insured employees, but also their immediate family members are insured by the medical insurance system. The employees' families are better insured under the medical insurance system, leading to a higher level of social welfare.

On 10 May 2021, the National Healthcare Security Administration and the National Health Commission issued the Guiding Opinion on Improving the Dual-channel Management Mechanism of Drugs in the National Medical Insurance Negotiations* (《關於建立完善國家醫保談判藥品「雙通道」管理機制的指導意見》). For the first time, the designated retail drugstores are nationally included in the medical insurance pharmaceutical supply guarantee scope, and are subject to the same payment policies with the same with the medical institutions. This shows that the supply guarantee of negotiated drugs is diversified and the pharmaceutical distribution market is further liberalised.

A new competitive pattern reshaped in the pharmaceutical distribution industry when the distribution service becomes increasingly important

During the COVID-19 pandemic (the "**pandemic**" or "**COVID-19 pandemic**") period, it is crucial to secure the transportation of pandemic prevention drugs and materials. Pharmaceutical distribution enterprises utilise the nationwide sales channels to maximise the integration and allocation of market resources, providing medical materials for pandemic prevention and control. By bridging pharmaceutical companies or warehouses storing anti-virus supplies and the virus-hit areas, pharmaceutical distributors have played an important part in supporting the fight against the pandemic and ensuring stability amid the COVID-19 pandemic and strengthened their role in the public health system, fully displaying the industry's value and social responsibility.

In April 2021, the Bidding and Procurement Department of the National Healthcare Security Administration held a workshop for pharmaceutical distribution enterprises, on deepening the reform for centralised and volume-based procurement of medicines and medical consumables, pharmaceutical distribution links and supply guarantee capacity. The workshop emphasised that all participants should fully understand the key role of distribution service in the reform of centralised and volume-based procurement of medicines and medical consumables, thoroughly study the development trend of distribution service in the normal promotion of centralised and volume-based procurement, and allow distribution enterprises to play a comprehensive role in the medicine supply guarantee.

Driven by the Two-Invoice System and national centralised procurement policies, the ecology of the whole industry is transforming itself at a fast speed, with a new picture in channels and distribution. As the distribution service provided by traditional pharmaceutical distribution enterprises is increasingly important, the big distribution enterprises have more powers and opportunities to obtain the right of purchase and distribution.

Business transformation of pharmaceutical companies and distributors driven by the changes in the pharmaceutical market to promote the development of non-bidding market and third-party logistics business

With the implementation of "Control on Medical Insurance Fee (醫保控費)", centralised medicine procurement directly reduces drug prices and also narrows the profit margin across the whole value chain of pharmaceutical products. The operating pressure on pharmaceutical distribution has brought about a change in the business model of the pharmaceutical industry. The change in the medication of public medical organisations has further reduced the profit of industrial enterprises in the pharmaceutical sector. Meanwhile, the advancement of the tiered diagnosis and treatment system has come with the accelerated expansion of the end market to county areas, expanding the share in the retail end market. The transformation of business model has become an inevitable result of the shift in role of distributors which focus on public hospital businesses from "distribution" to "delivery" and the need to face the competitions of new third-party logistics service providers. The products that did not award tenders in centralised procurement will turn to the pharmaceutical retail market and increase the investment and promotion in the retail market, pharmaceutical distributors with a solid retailer base will be increasingly favored by pharmaceutical companies to strengthen their advantage in market expansion.

In the field of pharmaceutical logistics, cloud computing, big data and Internet of Things("**IoT**") technology have been widely used as support, and the integration of "logistics, information flow and capital flow" has been promoted through the integration of resources of upstream and downstream links of the supply chain, so as to establish a diversified and collaborative pharmaceutical supply chain system. National and regional pharmaceutical distribution companies are increasingly focused on transforming into pharmaceutical supply chain solution service providers, and gradually set up a full-chain distribution system from pharmaceutical manufacturers to patients through self-operated logistics service providers or cooperation with third-party social logistics service providers. Pharmaceutical distribution enterprises will accelerate the expansion of third-party logistics business, and leverage the advantages of their logistics network to provide pharmaceutical manufacturers with nationwide and regional third-party pharmaceutical logistics services with synergic storage effect.

Total national health expenditures are on a rise, retail pharmacies are expanding their shares in the end market

Total national health expenditures are rising year after year, accounting for 7.1% of GDP in 2020. There is still big growth potential.

According to the data of MENET, in 2020, the pharmaceutical sales in the six major markets of the three major terminals amounted to RMB1,643.7 billion, representing a decrease of 8.5% compared to 2019, of which, suffering the least from the pandemic, the retail pharmacy stores recovered faster. The retail pharmacy stores terminal recorded a growth rate of 3.2% in sales revenue with a market share of 26.3%, representing an increase of 2.9 percentage points as compared to 2019.

Sales rebounded along with an increasing concentration ratio in the pharmaceutical distribution enterprises

Due to the outstanding performance of pharmaceutical distribution enterprises, the whole industry's sales growth rebounded from -8.08% in the first quarter to 2.4% in the whole year. The main business income of top 100 pharmaceutical distribution enterprises in 2020 had a year-on-year growth of 2.5%. The top 100 pharmaceutical distribution enterprises accounted for 73.7% of national pharmaceutical market and saw a year-on-year increase of 0.4 percentage point.

Internet healthcare rose rapidly, and the policy allowing online sales of prescription drugs came into effect

During the fight against the COVID-19 pandemic, Internet healthcare provided a more convenient and safer access to medical resources than the traditional route of visiting hospital, while reducing the number of people gathering in one place. The pandemic provided a good opportunity for the quick growth of the Internet healthcare sector, and also accelerated the process of the ordinary people becoming aware of online consultancy, Internet hospitals and online pharmacies. Along with the advancement of technologies including cloud computing, big data, and artificial intelligence (AI), and supported by favorable policies constantly issued by the country, the downstream pharmaceutical retailers have stronger expansion power and wider development space in the era of "Internet+ Healthcare". According to the statistics, the retail sales of drugs reached RMB 431.6 billion (including hospitals, pharmacy stores, and primary medical institutions) in 2020, increasing by RMB 24.4 billion or 6% over last year. And, the online sales of drugs arrived at RMB 159.3 billion, increasing by RMB 59.1 billion or 59% over last year. The absolute growth of online sales was about 2.4 times of that of offline sales.

In March 2021, the Fourth Session of the 13th National People's Congress approved the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development, and the Long-Range Objectives Through the Year 2035* (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) submitted by the State Council. In the section of improving national medical insurance system, the Internet healthcare services which meet the conditions should be included in the medical insurance coverage, and the settlement of hospitalisation expenses by people in places away from their hometowns should be materialised. The Opinions of the General Office of the State Council on Supporting Efforts to Ensure Stability on Six Fronts and Maintain Security in Six Areas and Further Promoting the Reform of Simplification and Decentralisation issued by the General Office of the State Council* (《關於服務「六穩」「六保」進一步做好「放管服」改革有關工作的意見》) in April 2021 makes clear that the prescription drugs not under the national special control can be sold online on the premise that the source of the electronic prescription is authentic and reliable.

The new-generation information and communication technology network has facilitated the deep connection of supply and demand sides, leading to a closed loop in the medical industry. The gradual relaxation of restrictions on Internet healthcare and prescription pharmacy outflow will significantly promote the expansion of non-bidding market and the transformation and updating of pharmaceutical distribution industry.

Whole life cycle health management model to comprehensively promote the "Healthy China"

The Healthy China 2030 Planning Outline* (《「健康中國2030」規劃綱要》) published in 2016 marked the elevation of the full life cycle health concept to the national strategic level for the first time. In 2020, China further emphasises that the concept of health management throughout the full life cycle should be implemented throughout the city planning, construction and management of every part in the whole process. This health management model will create a high quality, highly efficient and high-growth healthcare industry which meets the development needs of the society. China's 14th Five-Year Plan (2021-25) proposes to exhaustively advance the "Healthy China" initiative, put the protection of people's health in a strategic position for prioritised development, and provide people with a full range of whole cycle health services.

Proceeding from the whole set of wide-ranging and social influential factors on health, the whole life cycle health management performs continuous health management and provides relevant services at different stages of the mankind with a focus on their life cycle for the purpose of integrated governance over those factors. The increasing demand of the public for health and the gradually improved health spending awareness of the residents have come with the exploration into the whole life cycle management model of drugs. Fully leveraging on new technologies such as Internet-based medical care and big data, this endeavor causes the medical service system to provide all the people with a full package of medical solutions integrating prevention, treatment, rehabilitation and health management in a bid to advance the pharmaceutical industry's healthy development and the volume expansion of the end market.

Sources of the above information: data of National Medical Products Administration Southern Medical Economic Research Institute; MENET; National Statistical Bulletin on the Development of Health Industry in 2020 (《2020年我國衛生健康事業發展統計公報》); Annual Report on China's Pharmaceutical Distribution Industry (2020) (《中國藥品流通行業發展報告》(2020)) .

BUSINESS REVIEW

Our principal business 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, hospitals, clinics, health centres and others.

We followed the operation target set, and continued to explore Guangdong market in depth and radiating to surrounding areas, with a focus on developing the business with retail end-customers. As at 30 June 2021,our distribution network covered 10,639 customers, among which 619 were distributors, 6,634 were retail pharmacy stores and 3,386 were hospitals, clinics, health centres and others, representing an increase of 2,265 in the number of customers, including the increase of 55 distributors, the increase of 1,032 retail pharmacy stores, and the increase of 1,178 hospitals, clinics, health centres and others compared to the corresponding period of last year.

In order to meet the different needs of customers and enhance customer adhesion, we strengthened cooperation with well-known domestic and overseas manufacturers, and expanded the variety and scale of first-level distribution products; continued to optimise product structure by introducing marketable, high-quality products with high profit margin to enrich product categories. As at 30 June 2021,we had a total of 1,007 suppliers, of which 614 were pharmaceutical manufacturers and 393 were distributor suppliers, representing an increase of 35 suppliers compared to the corresponding period of last year. As at 30 June 2021, we distributed 11,841 types of products, representing an increase of 2,220 types of products compared to the corresponding period of last year.

Product Categories	**Number of products for the six months ended 30 June**	
	2021	2020
Western medicines	**4,383**	3,419
Chinese patent medicines	**4,513**	3,527
Healthcare products	**166**	149
Others	**2,779**	2,526
Total	**11,841**	9,621

Official operation of Shenzhen subsidiary will increase market share in Shenzhen

The Company’s wholly-owned subsidiary Shenzhen Charmacy Pharmaceutical Co., Ltd. (**“Shenzhen Charmacy”**) officially operated in June 2021. After its official operation, Shenzhen Charmacy will further refine the distribution network in Shenzhen and surrounding areas, and proactively look for distribution opportunities in Shenzhen to provide terminal clients in Shenzhen with better product portfolios more suitable for local market demand and with more careful and thoughtful services. In this way, our market share in Shenzhen will increase. It's advantageous for the Company in contributing to the advancement of the strategy “Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas”, and raising the Company’s revenue and elevate the Company's status in the whole market of South China.

Increasingly greater advantages of Guangdong Pharmaceutical Sorting and Distribution Center based on the Service capacity of Guangdong-Hong Kong-Macao Greater Bay Area

In the second half of 2020, Charmacy (Guangzhou) Pharmaceutical Sorting and Distribution Center (創美藥業 (廣州) 醫藥分揀配送中心) was officially launched，As a warehouse in the centre of Pearl River Delta, it has a gross floor area of 38,489m ^{2}and a storage area of 32,155m ^{2}, which greatly enhanced the Group's warehousing capacity and market competitiveness in the Guangdong-Hong Kong-Macao Greater Bay Area. The existing logistics base of the Company in Guangdong can store approximately 300,000 pieces of goods, and can fully meet the storage demand for the rapid growth of drug categories and quantity. By adopting advanced logistics solutions such as Automatic Storage and Retrieval System (AS/RS), Warehouse Control System (WCS) and Pick-to-Light (PTL) system, which, when combined with the Group’s existing SAP system, the Group has significantly improved its integrated and intelligent logistics management. Meanwhile, based on more professional and convenient third-party logistics service provided to the upstream suppliers and downstream clients, the expansion of the third-party logistics business of the Company can be promoted, and the Company's profitability be boosted.

PROSPECTS

With the mission of creating a healthy, beautiful life firmly in mind, we will uphold the business philosophy of operating honestly, creating benefits for the others and the general public and achieving win-win outcomes through cooperation, follow the development strategy of focusing on "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas", and commit ourselves to becoming the most competitive health and medical service provider in China. The Company's development strategy and long-term business objectives did not change from last period.

2021 is the starting year of the 14th Five-Year Plan in China. It will also mark a turn in the changing pharmaceutical market landscape in the PRC. The pharmaceutical distribution industry will have a new development opportunity when China accelerates the establishment of a dual circulation development pattern in which domestic and foreign markets reinforcing each other with the domestic market as the mainstay. The in-depth promotion of reform of medical care, medical insurance and pharmaceutical industry has speeded up the implementation of Healthy China Strategy. The medical reform represented by Two-Invoice System Regulation and centralised procurement in large quantities lead to cost increase, profit decrease, and product structure adjustment in distribution enterprises which cover the bidding market and bring up opportunities to the third-party logistics service under the situation of higher market concentration and greater product variety advantages. The medical reform which focuses on separation of medical care and pharmacy and hierarchical medical system squeezes the business scale of bidding market, but bring up opportunities for retail and primary diagnosis market.

In the long run, China's economy has both tenacity and growth potential, and the trend of steady progress will not change. Moreover, the non-tender market will progressively raise its share alongside the advancement of the medical reform, the government's increasing inputs into healthcare, the acceleration of aging and the enhancement of people's health awareness. This will contribute to the long-term growth of business. In such a context, we need to secure an edge in competition, positively grasp the policy opportunities and market opportunities to constantly promote market network development and service improvement, enhance fine management, achieve a high-quality growth and keep a leading place in the competition.

We will strengthen risk management, improve business quality, seize the opportunities arising from the expansion of the primary medical market, adhere to the market strategy of "Intensive Engagement in Guangdong Province and Extensive Coverage across Surrounding Areas", and build a pharmaceutical retail terminal network with full coverage on Guangdong Province and surrounding areas. We will further construct the regional pharmaceutical distribution centers and constantly expand and develop the distribution networks in all areas to fully achieve a dense coverage of sales, service, and logistics network in Guangdong and surrounding areas.

We will grasp the opportunity that the regulations including Internet+ Healthcare and hierarchical medical system are gradually implemented in the expansion of primary medical market, to positively develop the feasible promotion measures for Internet + Healthcare and constantly upgrade and develop the functions and applications of e-commerce platform. Combining with multi-dimensional and comprehensive marketing and operation, we will speed up the product transfer in supply chain with a higher efficiency and benefit more clients with excellent services and suitable tools. We will positively promote standardised, streamlined, and intelligent pharmaceutical distribution and delivery service and constantly improve our service ability to efficiently achieve operation result with a low cost.

We will search for long-term strategic cooperation with pharmaceutical producers and focus on strengthening our cooperation with major prescription drug manufacturers to capture more growth opportunities in non-tendering market products, diversify our product portfolios and cement the strength of our products. What's more, using the pharmaceutical retail terminal network resources and data of the Group, we will provide upstream suppliers with across-the-board brand promotions and product launch programs.

In alignment with the trends of simplified supply chains and fragmented order needs of end users, we will utilise the Company's automated, intelligent and IoT technologies to actively raise the efficiency of dismounting and sorting. We will continue to strengthen the building of modern and professional pharmaceutical logistics capabilities, actively explore the application of intelligent logistics technologies, integrate transportation resources to ramp up delivery service capabilities, optimise the multi-warehouse network layout adopting integrated operation in Guangdong Province, and implement refined management of logistics costs. We will leverage on its strong logistic and warehousing capabilities, the Group's warehousing and sorting scale will be expanded, and multi-warehouse collaboration by integrating pharmaceutical warehousing and transportation resources will be attained, A more reasonable pharmaceutical logistics network arrangement in which information of the whole the warehousing and transportation process is traceable guarantees the more secure, efficient, and convenient distribution, to further unleash our advantages in customers, products, management and services and better expand the terminal distribution network. At the same time, we will actively expand the third-party pharmaceutical logistics business to enhance storage utilisation rate, increase transportation efficiency, leverage on our own logistics network advantages to provide upstream suppliers and downstream customers with warehousing and third-party logistics services, so as to enhance the Group's market competitiveness and profitability.

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

FINANCIAL REVIEW

Operating revenue

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Principal business	**1,978,106**	1,847,726
Other businesses	**14,908**	13,034
Operating revenue	**1,993,014**	1,860,759

The operating revenue of the Group for the six months ended 30 June 2021 was RMB1,993.01 million, representing an increase of 7.11% over the corresponding period of last year.

	For the six months ended 30 June	
	2021	2020
Customer type	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)
Distributors	**908,768**	887,648
Retail pharmacy stores	**997,840**	906,740
Hospitals, clinics, health centres and others	**71,498**	53,338
Revenue from principal business	**1,978,106**	1,847,726

During the six months ended 30 June 2021, 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 six months ended 30 June 2021, over 96% of our revenue from principal business was derived from distributor customers and retail pharmacy stores.

Our operating revenue increased by 7.11%, mainly because of the Group's strategy of introducing new products contributed an aggregate of RMB148.05 million to the Company's revenue base.

Operating cost, gross profit and gross profit margin

The operating cost of the Group increased by 6.87% to RMB1,857.97 million for the six months ended 30 June 2021 from RMB1,738.49 million for the six months ended 30 June 2020. The growth of operating costs was at par with that of revenue.

The gross profit of the Group increased by 10.45% to RMB135.05 million for the six months ended 30 June 2021 from RMB122.27 million for the six months ended 30 June 2020. The gross profit margin of the Group increased to 6.78% for the six months ended 30 June 2021 from 6.57% for the six months ended 30 June 2020. The main reason lies in the Company's active adjustment of product mix by replacing part of products with low gross profit margin with those with high gross profit margin.

Selling expenses

The selling expenses of the Group increased by 28.66% to RMB52.28 million for the six months ended 30 June 2021 from RMB40.64 million for the six months ended 30 June 2020. Main reasons include: (i) corresponding depreciation of fixed assets increased by RMB3.88 million following the completion of the construction of Guangzhou Drug Sorting and Delivery Centre and the use of supportive logistics equipment; (ii) payroll of marketing personnel and logistics personnel increased by RMB2.33 million because of the growth of those personnel and their performance; (iii) freight rose by RMB1.92 million as the number of customers in the end markets in Huizhou and Dongguan increased in the first half year of 2021 and the company did not enjoy the policy of highway tolls exemption amid the pandemic outbreak in the first half year of 2020; and (iv) social insurance payment increased by RMB1.51 million because the preferential policy that the payment of social insurance for employees by large enterprises was halved, and that by small enterprises was exempted expired this period and the headcount increased.

Management expenses

The management expenses of the Group increased by 14.96% to RMB18.99 million for the six months ended 30 June 2021 from RMB16.52 million for the six months ended 30 June 2020. This is mainly owing to the increase of headcount of Huizhou Charmacy Pharmaceutical Co., Ltd. and Shenzhen Charmacy, and the increase of payroll by RMB1.84 million following the expiration of the preferential policy that the payment of social insurance for employees by large enterprises was halved, and that by small enterprises was exempted this period.

Finance costs

The finance costs of the Group increased by 42.38% to RMB21.80 million for the six months ended 30 June 2021 from RMB15.31 million for the six months ended 30 June 2020.The main reasons include: (i) capitalisation of the interest on the loan granted to the Guangzhou Drug Sorting and Delivery Centre project stopped following the completion of the project construction, and the Company had to make interest payment, leading to an increase of interest expense by RMB3.86 million; and (ii) discount interest increased by RMB1.83 million.

Non-operating revenue

For the six months ended 30 June 2021, non-operating revenue amounted to RMB0.07 million, representing a decrease of 92.80% as compared with the non-operating revenue of RMB0.96 million for the six months ended 30 June 2020. The big decline is mainly due to a one-off subsidy of RMB0.55 million received by Guangdong Charmacy Pharmaceutical Co., Ltd. for work and production resumption after the suspension of business amid the COVID-19 pandemic.

Income tax expenses

The income tax expenses of the Group decreased by 21.19% to RMB8.57 million for the six months ended 30 June 2021 from RMB10.87 million for the six months ended 30 June 2020.

Net profit

The net profit of the Group decreased by 15.91% to RMB25.96 million for the six months ended 30 June 2021 from RMB30.87 million for the six months ended 30 June 2020. In particular, the net profit attributable to the shareholders of parent company decreased by 15.91% to RMB25.96 million for the six months ended 30 June 2021 from RMB30.87 million for the six months ended 30 June 2020. The increase of depreciation expenses after

Guangzhou Drug Sorting and Delivery Centre became a fixed asset and the growth of financial expenses following the stop of capitalisation of interest on the project loan caused the increase of total expenses to exceed that of gross profit.

Liquidity and financial resources

As at 30 June 2021, the cash and bank deposits of the Group amounted to RMB35.41 million, while the cash and bank deposits amounted to RMB113.77 million as at 31 December 2020.

As at 30 June 2021 and 31 December 2020, the Group recorded net current assets of RMB91.95 million and RMB89.32 million, respectively. As at 30 June 2021, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.04 (2020: 1.04).

The bank borrowings of the Group as at 30 June 2021 were RMB673.10 million (short-term borrowings: RMB538.65 million, long-term borrowings: RMB134.45 million, including long-term borrowings due within one year: RMB31.79 million). All the bank borrowings were provided by the banks within the PRC, which bear fixed interest rates. The carrying amount of the bank borrowings is presented in RMB, and is approximate to the fair value. The Group did not use any financial instruments for hedging purposes or did not have any existing borrowings and/or other hedging instruments for hedging net foreign currency investments.

Bill receivables and trade receivables

As at 30 June 2021, the Group's bills receivables and trade receivables amounted to RMB762.98 million, representing an increase of RMB24.79 million compared to those as at 31 December 2020. This was mainly due to an increase in operating income of RMB132.25 million over last period.

Bills payables and trade payables

As at 30 June 2021, the Group's bill payables and trade payables amounted to RMB1,467.64 million, representing a decrease of RMB40.79 million compared to those as at 31 December 2020. This was mainly due to a decrease in the settlement of loans paid using bank acceptance bills.

Treasury policy

The Group adopts a prudent financial management strategy in executing its treasury policy. Thus, a sound liquidity position was able to be maintained throughout the period under review. The Group continues to assess its customers' credit and financial positions so as to 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 2021, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

For the six months ended 30 June 2021, the Group had no bank borrowings which bear interest at floating rate.

Capital management

Set out below is the Group's gearing ratios as at 30 June 2021 and 31 December 2020, respectively:

	30 June 2021	31 December 2020
Gearing ratio	**55.71%**	53.25%

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 2021, the Group's capital commitment amounted to RMB0 million (31 December 2020: RMB0 million).

Employees' information

As at 30 June 2021, the Group had a total of 842 employees (including executive Directors), representing an increase of 52 employees compared with the number of employees as at 30 June 2020. The total staff cost (including emoluments of directors and supervisors) was RMB37.67 million, as compared to RMB31.96 million for the six months ended 30 June 2020. 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.

Material investments held, acquisitions and disposals held

The Group had no material investment, acquisition or disposal during the six months ended 30 June 2021.

Future plans related to material investments and capital assets

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

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

During the six months ended 30 June 2021, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

Pledge of assets

As at 30 June 2021, the Group was granted a credit limit of RMB1,428.07 million by various banks, while the Group's utilised banking facilities totaled RMB1,114.02 million, which were secured by (i) property, plant and equipment held by the Group with a carrying amount of RMB278.40 million as at 30 June 2021; (ii) land use rights held by the Group with a carrying amount of RMB133.31 million as at 30 June 2021; and (iii) the Group's inventories with a carrying amount of RMB350.00 million as at 30 June 2021.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (2020: Nil).

Significant event after the reporting period

As at the date of this announcement, the Group had no significant events after the reporting period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (interim dividend of 2020: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company had been complying with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the six months ended 30 June 2021, save for the deviation as stated below:

Pursuant to Code Provision A.2.1, the responsibilities between the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Yao Chuanglong is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the pharmaceutical distribution industry. Our Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. The Company considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Company will continue to review and consider splitting the roles of chairman of the Board and chief executive officer when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct in dealings with the Company's securities for the Directors and supervisors of the Company. Having made enquiries with all Directors and supervisors of the Company, the Company confirmed that all Directors and supervisors have complied with the required standard as set out in the Model Code for the six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2021, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

AUDIT COMMITTEE AND REVIEW ON THE INTERIM RESULTS

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

The Audit Committee of the Company has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 and is of the view that the interim report for the six months ended 30 June 2021 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 WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chmyy.com) and the Stock Exchange (www.hkexnews.hk), and the interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and published on the above websites in due course.

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

Shantou, the PRC, 20 August 2021

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

* *For identification purpose only*