創美藥業股份有限公司

CHARMACY PHARMACEUTICAL CO., LTD.

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

Stock Code: 2289

INTERIM REPORT 2016

CONTENTS

FINANCIAL HIGHLIGHTS

Results	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)	Change (%)
Turnover	**1,777,949**	1,635,397	8.72
Profit before taxation	**49,229**	33,715	46.02
Profit attributable to the owners of the Company	**36,762**	25,234	45.68
Basic and diluted earnings per share (expressed in RMB cents per share)	**34.04**	31.54	7.93
Dividend per share (expressed in RMB cents per share)	**20**	Nil	–

Financial Position	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)	Change (%)
Total assets	**2,076,755**	2,062,970	0.67
Total liabilities	**1,625,737**	1,648,714	-1.39
Total equity	**451,018**	414,256	8.87
Net assets per share (expressed in RMB per share)	**4.18**	3.84	8.85
Net debt to equity ratio	**0.31**	0.33	-0.02

CORPORATE INFORMATION

Board of Directors

Executive Directors

Yao Chuanglong (姚創龍)
Zheng Yuyan (鄭玉燕)
Fan Jianbo (范劍波)
Lin Zhixiong (林志雄)

Non-Executive Director

You Zeyan (游澤燕)

Independent Non-Executive Directors

Wan Chi Wai Anthony (尹智偉)
Zhou Tao (周濤)
Guan Jian (關鍵)
(also known as Guan Suzhe (關蘇哲))

Supervisors

Zhang Ling (張玲)
Zheng Xiyue (鄭禧玥)
Zhang Hanzi (張寒孜)

Joint Company Secretaries

Lin Zhixiong (林志雄)
Ng Wing Shan (吳詠珊)

Audit Committee

Wan Chi Wai Anthony (尹智偉) *(Chairman)*
Zhou Tao (周濤)
Guan Jian (關鍵)
(also known as Guan Suzhe (關蘇哲))

Nomination Committee

Yao Chuanglong (姚創龍) *(Chairman)*
Zhou Tao (周濤)
Guan Jian (關鍵)
(also known as Guan Suzhe (關蘇哲))

Remuneration Committee

Zhou Tao (周濤) *(Chairman)*
Wan Chi Wai Anthony (尹智偉)
You Zeyan (游澤燕)

Risk Management Committee

Yao Chuanglong (姚創龍) *(Chairman)*
Lin Zhixiong (林志雄)
Wan Chi Wai Anthony (尹智偉)

Authorised Representatives

Zheng Yuyan (鄭玉燕)
Ng Wing Shan (吳詠珊)

Auditor

SHINEWING (HK) CPA Limited

Legal Advisers

Li & Partners (as to Hong Kong law)
Xinge Law Firm (as to PRC law)

Compliance Adviser

Guotai Junan Capital Limited

Registered Office And Headquarters

No. 235, Song Shan North Road,
Longhu District, Shantou City,
Guangdong Province, PRC

Principal Place of Business in Hong Kong

18/F, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

Principal Bankers

China Guangfa Bank Co., Ltd. (Shantou Branch)
Industrial and Commercial Bank of
China Limited (Shantou Branch)

H Share Registrar

Computershare Hong Kong
Investor Services Limited

Company's Website

www.chmyy.com

Stock Code

HK.2289

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Since the first half of 2016, following the continuous deepening of pharmaceutical reform, the policies in respect of medical treatment, pharmaceutical products, medical devices and pharmaceutical distribution in China were frequently introduced. With more stringent standards on the corporate management and the quality control of pharmaceutical products, the overall development of the pharmaceutical industry will be affected.

In April 2016, the General Office of the State Council of the PRC promulgated the "2016 Key Work Tasks of In-Depth Reform on Pharmaceutical and Healthcare Structure" (《深化醫藥衛生體制改革2016年重點工作任務》), requiring the implementation of the "Two-vote system" (「兩票制」) to optimize the order of buying and selling pharmaceuticals and cut down circulation procedures; the improvement of the policies and systems regarding the specification on production quality control of pharmaceutical products and the specification on operation quality management of pharmaceutical products with strict supervision; and promotion of the separation of prescription and pharmacies. Such work tasks will actively facilitate the complementary effects in combination of medical treatment, medical insurance and medicine, and capitalize on the key segments of pharmaceutical products production, procurement, distribution, delivery and usage, so as to enhance the mechanism of maintaining pharmaceutical products supply, optimize the healthy development of the pharmaceutical industry and expedite the concentration of pharmaceutical distribution industry.

According to the statistics from the Report of Statistical Analysis on the Operation of Pharmaceutical Distribution Industry of 2015 (《2015年藥品流通行業運行統計分析報告》) published by Department of Market Supervision of Ministry of Commerce of the PRC (中國商務部市場秩序司) on 3 June 2016, the size of the pharmaceutical distribution market was on a steady growth in 2015, with a further slowdown in the growth rate.

(I) Slowdown in growth of total sales in the pharmaceutical distribution industry

In 2015, the total sales in the pharmaceutical distribution industry of the PRC amounted to RMB1,661.3 billion, representing a growth of 10.2% as compared with last year. The average annual growth during the "12th Five-year" period was 16.6%, which was lower than the average annual growth rate during the "12th Five-year" period by approximately 6.4 percentage points as shown in the growth rate statistics of 2015.

(II) Further increase in the concentration of the pharmaceutical wholesale enterprises

With regard to the market share, the income from principal activities of the top one hundred pharmaceutical wholesale enterprises in 2015 accounted for 68.9% of the total size of the pharmaceutical market within the PRC for the same period, representing an increase of 3.0 percentage points as compared with 2014. The concentration of the pharmaceutical wholesale enterprises was further increased.

BUSINESS REVIEW

The principal business of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**" or "**us**", together with its subsidiaries (collectively, the "**Group**")) is distribution of pharmaceutical products in the PRC, and substantially all of our turnover was contributed by distribution of pharmaceutical products. We also derive our services income by providing consultancy services on marketing strategies and related information services to our suppliers.

As at 30 June 2016, our distribution network covered 4,626 customers, among which 657 were distributors, 2,816 were retail pharmacy stores and 1,153 were hospitals, clinics, health centres and others. As at 30 June 2015, we had a distribution network covering 4,495 customers, among which 672 were distributors, 2,807 were retail pharmacy stores, and 1,016 were hospitals, clinics, health centres and others.

As at 30 June 2016, we had 1,015 suppliers, among which 712 were pharmaceutical manufacturers and 303 were distributor suppliers. As at 30 June 2015, we had 865 suppliers, among which 638 were pharmaceutical manufacturers and 227 were distributor suppliers.

For the six months ended 30 June 2016, we distributed 5,734 products. For the six months ended 30 June 2015, we distributed 5,756 products.

The table below sets forth the major categories of our products and the number of products in each category:

	Number of Products For the six months ended 30 June	
	2016	2015
Categories of Products		
Western medicines	**2,766**	2,881
Chinese patent medicines	**2,242**	2,132
Healthcare products	**116**	121
Others	**610**	622
Total	**5,734**	5,756

For the six months ended 30 June 2016, our B2B e-commerce platform, "Charmacy e-Medicine" (創美e藥) (http://www.cmyynet.com/) had 3,667 registered customers whom are mainly retail pharmacy stores. The turnover contributed from e-transactions through our B2B e-commerce platform was approximately RMB78.97 million for the six months ended 30 June 2016. In the first half of 2016, we utilized part of the funds raised from listing for the transformation and upgrade of our existing B2B e-commerce platform to SAP Hybris e-commerce management platform. Such platform is expected to be introduced in October 2016. We will increase operating efficiency and reduce transaction costs through the e-commerce management platform.

During the six months ended 30 June 2016, the Company became the member of the first session of Guangdong Province Enterprise Credit Construction Association (廣東省企業誠信建設促進會). We were awarded the "Pilot Enterprise with National Standards of Operation Practice for Cold-chain Logistics of Pharmaceutical Products" (《藥品冷鏈物流運作規範》國家標準試點企業) by Pharmaceutical Logistics Sub-branch of China Federation of Logistics & Purchasing (中國物流與採購聯合醫藥物流分會) and Cold Chain Logistics Professional Committee of China Federation of Logistics & Purchasing (中國物流與採購聯合會冷鏈物流專業委員會). We received the "12th Five-Year' Best Services Innovation Award" (「十二五」最佳服務創新獎) and the "12th Five-Year' Best Management Innovation Award" (「十二五」最佳管理創新獎) in respect of the PRC pharmaceutical distribution industry from the China Association of Pharmaceutical Commerce (中國醫藥商業協會). We were also awarded the "Model Enterprise of Trustworthiness in Guangdong Province" (廣東省誠信示範企業) for five consecutive years from 2011 to 2015 by Guangdong Association of Enterprises (廣東省企業聯合會) and Guangdong Entrepreneurs Association (廣東省企業家協會).

Purchase of refrigerated transportation vehicles for expanding the distribution coverage

During the six months ended 30 June 2016, the Group had purchased a total of 15 refrigerated transportation vehicles for the two logistic centers. The refrigerated transportation vehicles can ensure better product quality as compared to the existing transportation vehicles. This can optimize the logistic quality, expand the distribution coverage, increase the supply of products to customers and provide better transportation services.

Reform on the information system and cooperation with IBM to build SAP system

The Group officially commenced the information construction project on 20 March 2016. By leveraging on the brand new business suite, SAP S/4HANA, we integrated into Hybris e-commerce platform and various solutions including SAP CRM, mobile application and SAP BO. The IBMPOWER8 server assisted the Group for arranging the solution of SAP HANA on Power, so as to build an integrated information service platform with an omni-channel covering purchasing, logistics, storage, sales and management of customer relationship.

PROSPECTS

The Group will continue to upgrade B2B e-commerce management platform and accelerate the transformation of the information system

The Group plans to achieve the following three major targets through development of the information system: (i) to fully build an integrated information platform with SAP ERP/Hybris being the core for gradually realizing the effective connection with other professional applications; (ii) to refine management and to achieve an integrated management system for business and finance based on the business features of the Company; and (iii) to build a future facing B2B e-commerce platform that adapts to various business modes with all around business structure that can rapidly replicate, clearly identify and effectively synergize on the basis of information unity and integration of business and finance. The Group is committed to realizing intelligent and internet-based operation and management in order to provide more convenient and fast as well as efficient service experience to customers, increase the overall operation efficiency and reduce the operation cost.

The Group will continue to propel the progress of acquisition work

The Group plans to acquire an established pharmaceutical distribution company based in Southern China including Shenzhen (with) consideration of various factors including geographical location, product mix, turnover and customer base, so as to facilitate the construction of the Group's new logistic center, expansion of distribution network, enhancement of pharmaceutical distribution capabilities and scale, increasing service efficiency and the formation of a more competitive pharmaceutical delivery network.

The Group will continue to expand our product offerings and enhance our product mix

The Group's plan is to introduce 800 more products, including healthcare products, cosmetic products, medical devices and Chinese medicine decoction pieces by the end of 2016. At the same time, the Group will phase out some of the products with lower gross profit margin and turnover rate. In the second half of 2016, the Group will continue to put efforts on seeking and introducing new and good quality products to enrich our product mix for broadening the customer base, and to increase profitability of the Group so as to strengthen our competitive position.

FINANCIAL REVIEW

Turnover

The following table sets forth the breakdown of turnover by sales of goods and services income:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of goods	**1,765,243**	1,626,237
Services income	**12,706**	9,160
Total turnover	**1,777,949**	1,635,397

The Group's turnover for the six months ended 30 June 2016 was approximately RMB1,777.95 million, representing an increase of 8.72% over the corresponding period of last year.

The following table sets forth the breakdown of turnover from sales of goods by customer types:

	Six months ended 30 June	
	2016	2015
Customer Type	**RMB'000**	RMB'000
Distributors	**1,248,742**	1,165,757
Retail pharmacy stores	**482,468**	419,657
Hospitals, clinics, health centres and others	**34,033**	40,823
Total sales of goods	**1,765,243**	1,626,237

For the six months ended 30 June 2016, we generated substantially all of our turnover from sales of goods to (i) distributor customers, (ii) retail pharmacy stores, and (iii) hospitals, clinics, health centres and others. For the six months ended 30 June 2016, over 98% of our turnover from sales of goods was derived from distributor customers and retail pharmacy stores customers.

Our turnover from sales of goods increased for the six months ended 30 June 2016 primarily attributable to the increase in sales to distributor customers and retail pharmacy stores customers.

Our turnover from sales to distributor customers increased for the six months ended 30 June 2016 mainly due to the increase in sales volume as a result of the increase in the number of products which we acted as the primary distributor from 3,491 products for the six months ended 30 June 2015 to 4,147 products as at 30 June 2016.

Our turnover from sales to retail pharmacy stores increased for the six months ended 30 June 2016 mainly due to our continued marketing efforts on the expansion of retail pharmacy stores network to prepare for our expansion of B2B e-commerce business, which increased the sales of products to retail pharmacy stores customers and distributor customers.

Cost of sales, gross profit and gross profit margin

For the six months ended 30 June 2016, the cost of sales of the Group was RMB1,679.03 million, representing an increase of 8.20% as compared to RMB1,551.78 million for the six months ended 30 June 2015. The increase in cost of sales was in line with the increase in turnover from sales of goods.

For the six months ended 30 June 2016, the gross profit of the Group was RMB98.92 million, representing an increase of 18.30% as compared to RMB83.61 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the gross profit margin of the Group was 5.56%, increased by 0.45 percentage point as compared to 5.11% for the six months ended 30 June 2015. This was mainly due to (i) the increase in proportion of sales to retail pharmacy stores which generally have higher gross profit margin as the retail pharmacy stores usually sell the pharmaceutical products directly to consumers; and (ii) the increase in purchase discount from our manufacturer suppliers primarily attributable to the increase in procurement of products which we acted as primary distributor from 3,491 products for the six months ended 30 June 2015 to 4,147 products for the six months ended 30 June 2016.

Other income

For the six months ended 30 June 2016, other income was RMB4.56 million, representing an increase of 61.75% as compared to RMB2.82 million for the six months ended 30 June 2015 mainly due to (i) the receipt of tax refund of RMB0.85 million; and (ii) exchange gains of RMB1.74 million arising from the funds raised from listing held in HK$.

Selling and distribution expenses

For the six months ended 30 June 2016, the selling and distribution expenses were RMB21.93 million, representing an increase of 18.51% as compared to RMB18.50 million for the six months ended 30 June 2015. This was mainly due to (i) the corresponding increase in the promotional expenses as a result of the increase in our sales of products; and (ii) the increase in salaries, welfare and benefits of the sales personnel.

Administrative expenses

For the six months ended 30 June 2016, the administrative expenses were RMB23.56 million, representing a slight increase of 3.92% as compared to RMB22.67 million for the six months ended 30 June 2015 mainly due to (i) the increase in expenses for professional advisers engaged upon the listing of the Group; (ii) the increase in expenses related to the upgrade of information system; and (iii) the increase in staff salaries and other allowances, contribution to retirement benefits plan.

Finance cost

For the six months ended 30 June 2016, the finance costs were RMB8.75 million, representing a decrease of 24.14% as compared to RMB11.54 million for the six months ended 30 June 2015. This was mainly due to the decrease in the interest expenses on borrowings and bill charges on discounted bills resulted from the decrease in the borrowing interest rate of RMB.

Income tax expense

For the six months ended 30 June 2016, the income tax expense of the Group was RMB12.47 million, increased by 47.00% as compared with that of RMB8.48 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the effective tax rate (income tax divided by profit before taxation) was 25.32%, representing an increase of 0.17 percentage point as compared to 25.15% for the six months ended 30 June 2015.

Profit attributable to the owners of the Company

The Group recorded a profit attributable to the owners of the Company of RMB36.76 million for the six months ended 30 June 2016 compared to RMB25.23 million for the six months ended 30 June 2015, representing an increase of 45.68%. The increase of profit attributable to the owners of the Company was mainly due to (i) the increase in turnover as compared to the corresponding period in 2015; (ii) the increase in the overall gross profit margin; and (iii) the decrease in finance costs as compared to the corresponding period in 2015.

Property, plant and equipment

The net carrying amount of the Group's property, plant and equipment as at 30 June 2016 was RMB125.15 million, representing an increase of RMB7.48 million from that as of 31 December 2015. This was mainly due to (i) the new purchase of 15 refrigerated transportation vehicles; (ii) the purchase of software, facilities and auxiliary hardware equipment relating to the information construction project.

Liquidity and financial resources

As at 30 June 2016, the cash and bank balances of the Group was RMB130.97 million, while the cash and bank balances was RMB155.63 million as at 31 December 2015.

At as 30 June 2016 and 31 December 2015, the Group recorded net current assets of RMB229.96 million and RMB199.40 million respectively. As at 30 June 2016, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.14, while the current ratio was 1.12 as at 31 December 2015. The bank borrowings of the Group as at 30 June 2016 were RMB269.15 million (31 December 2015: RMB290.65 million).

All of the bank borrowings were provided by the banks within the PRC. Except the bank loan of RMB80.27 million which was subject to floating interest rates, the remaining borrowing bore interest at fixed rates. The unit of the carrying amount of the bank borrowings is RMB, which is approximate to the fair value. The Group did not use any financial instruments for hedging purposes or any existing borrowings and/or other hedging instruments for hedging net foreign currency investments.

Trade and other receivables

The trade and other receivables of the Group mainly include trade receivables, bills receivables, prepayment and other receivables. As at 30 June 2016, the amount of the trade and other receivables was RMB1,055.25 million, increased by RMB29.38 million as compared to the amount of the trade and other receivables as at 31 December 2015, mainly due to the increase in the prepayment to pharmaceutical manufacturers by RMB35.75 million as compared with 31 December 2015 as a result of the increase in procurement of products, representing growth of 72.68%.

Trade and other payables

The trade and other payables of the Group mainly include trade payables, bills payables, receipt in advance, other tax payables, accrued expenses and other payables. As at 30 June 2016, the amount of the trade and other payables was RMB1,352.36 million, decreased by RMB3.27 million as compared to the amount of the trade and other payables as at 31 December 2015, mainly due to the decrease in value-added tax payable as compared with 31 December 2015.

Financial ratios

	Six months ended 30 June	
	2016	2015
Net profit margin	**2.07%**	1.54%

	As at 30 June 2016	As at 31 December 2015
Gearing ratio	**0.60**	0.70
Net debt to equity ratio	**0.31**	0.33

The net profit margin of the Group (based on the calculation of net profit divided by turnover) for the six months ended 30 June 2016 was 2.07% as compared to 1.54% the last corresponding period.

The gearing ratio of the Group as at 30 June 2016 (based on the calculation of bank borrowings divided by total equity) was approximately 0.60 as compared to 0.70 as at 31 December 2015.

The net debt to equity ratio of the Group as at 30 June 2016 (based on the calculation of total debts net of cash and cash equivalents divided by total equity) was approximately 0.31 as compared to 0.33 as at 31 December 2015.

Treasury policies

The Group adopts a prudent financial management strategy in implanting the 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 minimize the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

Foreign exchange risks

The transactions of the Group are mainly denominated in RMB. Except for part of the unused funds raised from listing which are denominated in HK$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong, most of the assets and all liabilities are denominated in RMB. The Group's deposits which are denominated in HK$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong are subject to exchange risks. During the six months ended 30 June 2016, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risks

For the six months period ended 30 June 2016, the Group had bank borrowings amount of RMB80.27 million which bears a floating interest rate.

Capital structure

The shares of the Company were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 December 2015. There has been no change in the capital structure of the Company since that date. The capital structure of the Company comprises bank borrowings, secured bank deposits, bank balances and cash as well as equity attributable to the owners of the Company (including issued share capital and reserves).

Capital commitments

As at 30 June 2016, the Group did not have any significant capital commitments (2015: nil).

Employees' information

As at 30 June 2016, the Group had 604 employees (2015: 604), including the executive directors of the Company. Total staff costs (including emoluments of the Company's directors (the "**Directors**") and supervisors (the "**Supervisors**")) were approximately RMB18.71 million, as compared to approximately RMB14.86 million for the six months ended 30 June 2015. 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 performances 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 under "Labour Law", "Employment Contract Law", "Social Insurance Law" of the PRC and the rules and regulations of current related 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.

Material investments, acquisitions and disposals being held

Save as its investments in the subsidiaries, during the six months ended 30 June 2016, the Group did not hold any material investments, acquisitions and disposals in the equity interests of any other companies.

Future plans for material investments and capital assets

Save as disclosed in the Company's prospectus dated 2 December 2015 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals related to the subsidiaries and affiliated companies

During the six months ended 30 June 2016, the Group did not have any material acquisitions and disposals related to the subsidiaries and affiliated companies.

Pledge of assets

As at 30 June 2016, the Group was granted a credit limit of RMB706.94 million by various banks while the Group's utilized banking facilities in a total amount of RMB698.36 million, which were secured by:

(i) property, plant and equipment held by the Group with carrying amount of RMB55.07 million as of 30 June 2016 (31 December 2015: RMB55.72 million).

(ii) land use rights held by the Group with carrying amount of RMB70.14 million as of 30 June 2016 (31 December 2015: RMB71.25 million).

(iii) inventories with carrying amount of RMB349.11 million as of 30 June 2016. (31 December 2015: RMB250.00 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2016 (2015: Nil).

EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, the Group has no significant events after the reporting period required to be disclosed.

USE OF PROCEEDS

The Company's H shares were listed on the Stock Exchange on 14 December 2015. The net proceeds from the Global Offering after deduction of underwriting commissions, fees and listing related expenses payables amounted to approximately RMB158.91 million. As at the date of this report, the Directors did not aware of any material changes in the use of proceeds as set out in the Prospectus.

According to the use of proceeds disclosed in the Prospectus by the Company, the details of the actual usage as of 30 June 2016 are as follows:

Planned Use	**Budget Amount** RMB	**Actual usage amount** RMB
To strengthen, expand and integrate our existing distribution network and capabilities	Approximately 55.62 million	Approximately 11.17 million
To enhance and promote our B2B e-commerce platform	Approximately 15.89 million	Approximately 6.14 million
To repay bank borrowings	Approximately 47.67 million	Approximately 47.67 million
To acquire pharmaceutical distribution business in Southern China region	Approximately 23.84 million	Nil
For working capital and general corporate purposes	Approximately 15.89 million	Approximately 15.89 million
Total	**Approximately 158.91 million**	**Approximately 80.87 million**

INTERIM DIVIDEND

The board of Directors (the "**Board**") proposed the payment of an interim dividend of RMB0.2 (tax inclusive) per share for the six months ended 30 June 2016 subject to approval by the shareholders of the Company at the extraordinary general meeting of the Company to be convened and, if approved, will be payable on or before 15 December 2016. Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The Company will issue a circular regarding the date of the extraordinary general meeting, the record date for the payment of H share dividends and the dates of closure of H share register of members of the Company in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Turnover	4	**1,777,949**	1,635,397
Cost of sales		**(1,679,033)**	(1,551,784)
Gross profit		**98,916**	83,613
Other income		**4,558**	2,818
Selling and distribution expenses		**(21,930)**	(18,504)
Administrative expenses		**(23,562)**	(22,674)
Finance costs	5	**(8,753)**	(11,538)
Profit before taxation		**49,229**	33,715
Income tax expense	6	**(12,467)**	(8,481)
Profit for the period attributable to the owners of the Company	7	**36,762**	25,234
Earnings per share			
Basic and diluted (RMB cents)	8	**34.04**	31.54

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	125,149	117,667
Prepaid land use right	11	94,961	96,350
Deferred taxation		945	840
		221,055	214,857
Current assets			
Inventories		349,114	318,465
Prepaid land use right	11	2,778	2,778
Trade and other receivables	12	1,055,253	1,025,871
Pledged bank deposits		317,586	345,370
Bank balances and cash		130,969	155,629
		1,855,700	1,848,113
Current liabilities			
Trade and other payables	13	1,352,363	1,355,631
Bank borrowings		269,150	290,650
Income tax payables		4,224	2,433
		1,625,737	1,648,714
Net current assets		229,963	199,399
Total assets less current liabilities		451,018	414,256
Capital and reserves			
Share capital		108,000	108,000
Reserves		343,018	306,256
		451,018	414,256

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 24 (a))	Statutory reserve RMB'000 (Note 24 (b))	Retained profits RMB'000	Total RMB'000
At 1 January 2015 (Audited)	80,000	–	57,120	11,481	96,964	245,565
Profit and total comprehensive income for the year	–	–	–	–	25,234	25,234
Share reform	–	–	82,530	(11,257)	(71,273)	–
Dividends paid	–	–	–	–	(30,000)	(30,000)
At 30 June 2015 (Audited)	80,000	–	139,650	224	20,925	240,799
At 1 January 2016 (Audited)	108,000	160,332	139,650	4,937	1,337	414,256
Profit and total comprehensive income for the period	–	–	–	–	36,762	36,762
Appropriation	–	–	–	3,676	(3,676)	–
At 30 June 2016 (Unaudited)	108,000	160,332	139,650	8,613	34,423	451,018

Note:

(a) It represents the effect of the shares reform of the Company. The retained profits and statutory reserve as of 31 March 2015 are transferred to capital reserve.

(b) In connection with the Company's global offering (the "**Global Offering**"), the Company issued 28,000,000 ordinary shares at a price of HK$8.6 each for a total consideration (before expenses) of RMB200,662,000. Trading of the Company's shares on the Main Board of The Stock Exchange commenced on 14 December 2015.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
CASH FLOW FROM OPERATING ACTIVITIES		
Cash (used in) generated from operations	**(1,589)**	144,485
PRC Enterprise Income Tax paid	**(10,781)**	(10,106)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(12,370)**	134,379
INVESTING ACTIVITIES		
Placement of pledged bank deposit	**(950,061)**	(705,042)
Purchase of property, plant and equipment	**(11,902)**	(497)
Withdrawal of pledged bank deposits	**977,845**	635,415
Interest received	**1,971**	2,259
Sales proceeds from disposal of property, plant and equipment	**110**	30
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**17,963**	(67,835)
FINANCING ACTIVITIES		
New bank borrowings raised	**71,800**	83,400
Repayment of bank loans	**(93,300)**	(106,000)
Dividend paid	**–**	(30,000)
Interest paid	**(8,753)**	(11,538)
NET CASH USED IN FINANCING ACTIVITIES	**(30,253)**	(64,138)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(24,660)**	2,406
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**155,629**	22,296
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**130,969**	24,702

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL

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

With effect from 5 July 2016, the name of the Company was changed from "Chuangmei Pharmaceutical Co., Ltd*." to "Charmacy Pharmaceutical Co., Ltd.". Details were disclosed in the announcement published on 8 July 2016, the special resolution regarding the change of the name of the Company was passed by the shareholders at the annual general meeting held on 3 June 2016.

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

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

2. BASIS OF PREPARATION

The condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange.

* *English name for identification purpose only*

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed interim consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation ("**new HKFRSs**") issued by the HKICPA which are effective for the Group's financial period beginning 1 January 2016.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or on the disclosures set out in these condensed interim consolidated financial statements.

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligations located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contains a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The application of Amendments to HKAS 1 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Classification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

As the Group uses straight-line method for depreciation of property, plant and equipment, the application of Amendments to HKAS 16 and HKAS 38 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define bearer plants. Biological assets that meet the definition of bearer plants are no longer accounted for under HKAS 41, but under HKAS 16 instead. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

As the Group does not have any biological assets, the application of Amendments to HKAS 16 and HKAS 41 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

As the Company does not have any investment in associates or joint ventures, the application of Amendments to HKAS 27 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments clarify the requirements when accounting for investment entities as well as provide relief in particular circumstances, which will reduce the costs of applying the Standards. Specifically, a parent entity that is a subsidiary of an investment entity is exempted from preparing consolidated financial statements. A parent entity which is also a subsidiary of an investment entity and hold interests in associates and joint ventures is exempted from applying equity method if it meets all the conditions stated in paragraph 4(a) of HKFRS 10.

Besides, the amendments clarify if an investment entity has a subsidiary that is not itself an investment entity and whose main purpose and activities are providing investment-related services that relate to the investment entity's investment activities to the entity or other parties, it should consolidate that subsidiary. If the subsidiary that provides the investment-related services or activities is itself an investment entity, the investment entity parent should measure that subsidiary at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when apply the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Furthermore, if a parent that is an investment entity and has measured all of its subsidiaries at fair value through profit or loss, that investment entity should present the disclosures relating to investment entities required by HKFRS 12 in its financial statements. If an investment entity has consolidated its subsidiary in which the subsidiary itself is not an investment entity and whose main purpose and activities are providing services that relate to the investment activities of its investment entity parent, the disclosure requirements in HKFRS 12 apply to financial statements in which the investment entity consolidates that subsidiary.

As the Company does not have any investment in investment entities, the application of Amendments to HKFRS 10, HKFRS 12 and HKAS 28 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operations
The amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in HKFRS 3 Business Combination. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

As the Company does not have any investment in joint operations, the application of Amendments to HKFRS 11 has had no material impact on the disclosures or on the amounts recognised in the Group's condensed consolidated financial statements.

4. TURNOVER AND SEGMENT INFORMATION

Information 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 directors of the Company consider that there is only one operating and reportable segment for the Group: trading and promoting pharmaceutical products.

Turnover represents the amounts received and receivable for goods sold and provision of services in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's turnover for the period is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Sales of goods	**1,765,243**	1,626,237
Services income	**12,706**	9,160
	1,777,949	1,635,397

5. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest expenses on bank borrowings	**6,959**	9,204
Interest expenses on discounted bills	**1,794**	2,334
	8,753	11,538

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current income tax		
– PRC Enterprise Income Tax	**12,362**	8,076
Deferred taxation	**105**	405
Total income tax expenses for the period	**12,467**	8,481

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiary is 25% for the both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	**1,678,507**	1,552,579
Allowance (reversal of provision) on inventories (included in cost of sales)	**526**	(795)
Loss on disposal of property, plant and equipment	**12**	80
Depreciation of property, plant and equipment	**4,298**	4,411
Amortisation of prepaid lease payments	**1,389**	1,108
Foreign exchange gain	**1,740**	–
Auditor's remuneration	**200**	94

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Audited)
Earnings		
Earnings for the purpose of basic and dilutive earnings per share (RMB'000)	**36,762**	25,234
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and dilutive earnings per share ('000 shares)	**108,000**	80,000

The weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2015 represented 108,000,000 and 80,000,000 ordinary shares respectively.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2016 and 2015.

9. DIVIDEND

The board proposed the payment of an interim dividend of RMB0.2 (2015: Nil) per share totaling RMB21,600,000 (2015: Nil) after the interim period subject to approval by the shareholders. The interim dividend has not been recognized as liability at the end of the reporting period.

A special dividend of RMB30,000,000 was declared and paid by the Company in March 2015 (2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB11,902,000 (six months ended 30 June 2015: RMB497,000) on additions of property, plant and equipment.

During the current interim period, the Group received cash proceeds of approximately RMB110,000 (six months ended 30 June 2015: RMB30,000) on disposal of property, plant and equipment with carrying values of approximately RMB122,000 (six months ended 30 June 2015: RMB555,000).

11. PREPAID LAND USE RIGHT

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepaid land use right held in the PRC under medium-term lease and are analysed for reporting purposes as follows:		
Current asset	**2,778**	2,778
Non-current asset	**94,961**	96,350
	97,739	99,128

12. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	871,522	882,858
Less: Impairment	(2,286)	(2,286)
	869,236	880,572
Bills receivables (Note)	94,940	94,486
	964,176	975,058
Prepayment	84,935	49,185
Other receivables	6,142	1,628
	1,055,253	1,025,871

The Group generally allows an average credit period of 0–180 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the date of delivery of goods at the end of the reporting period, which approximated the respective revenue recognition dates.

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 60 days	630,635	656,964
61 to 180 days	119,201	208,880
181 to 365 days	117,666	12,138
Over 365 days	1,734	2,590
	869,236	880,572

Note: All bills receivables are with ageing within 180 days.

13. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	**525,941**	514,955
Bills payables (Note)	**792,776**	777,108
	1,318,717	1,292,063
Accrued expenses	**2,776**	4,239
Receipt in advance	**8,032**	11,511
Other payables	**22,838**	47,818
	1,352,363	1,355,631

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
0 to 30 days	**323,307**	393,912
31 to 60 days	**120,541**	69,164
61 to 180 days	**69,225**	40,139
181 to 365 days	**7,987**	7,441
Over 365 days	**4,881**	4,299
	525,941	514,955

Note: All bills payables are with ageing within 180 days.

14. BANK BORROWINGS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Secured	**114,000**	136,000
Unsecured	**123,350**	123,350
Bills discounted with recourse	**31,800**	31,300
	269,150	290,650
Carrying amount of bank borrowings that are repayable on demand or within one year	**269,150**	290,650

Notes:

(i) During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB71,800,000 (six months ended 30 June 2015: RMB83,400,000) and repayment of borrowings amounting to approximately RMB93,300,000 (six months ended 30 June 2015: RMB106,000,000).

(ii) The group has both fixed-rate and variable-rate bank borrowings. For the six months ended 30 June 2016, the ranges of effective interest rates on the Group's fixed-rate and variable-rate bank borrowings are 4.76% – 5.66% (at 31 December 2015: 4.79% – 7.2%) and 5.2% (at 31 December 2015: 6.00% – 6.15%) respectively.

15. SHARE CAPITAL

	Paid-up capital RMB'000	Number of shares in issue '000	Par value per share RMB	Issued capital RMB'000	Share capital RMB'000
As at 1 January 2015 (Audited)	80,000	–	N/A	–	80,000
Shares reform (Note (a))	(80,000)	80,000	1	80,000	–
Issue of shares (Note (b))	–	28,000	1	28,000	28,000
As at 31 December 2015 (Audited) and 30 June 2016 (Unaudited)	–	108,000	1	108,000	108,000

Note:

(a) It represents the effect of the shares reform of the Company and transformed into a joint stock company with limited liability.

(b) On 11 December 2015, the Company issued a total of 28,000,000 shares of RMB1.00 each at a price of HKD$8.60 per share as a result of the completion of a global offering. Of the total gross proceeds, approximately of RMB200,662,000, RMB28,000,000 representing the par value was credited to the Company's share capital and RMB172,662,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued shares was increased to 108,000,000 shares upon completion of the global offering.

16. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Condensed Consolidated Financial Statements, the Group has entered into the following significant transactions with related parties during the period.

Compensation of key management personnel

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Short-term benefits	616	376
Retirement benefit contributions	59	46
	675	422

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company confirms that, other than the deviation from Code Provision A.2.1, the Company has complied with all 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**") throughout the six months ended 30 June 2016.

Pursuant to code provision A.2.1, the responsibilities between the chairman and the chief executive officer should be segregated 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 for 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 of the Company at a time 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 for securities transactions for the Directors and Supervisors. Having made enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have compiled with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2016, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the listed securities of the Company.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES, AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company, and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

Name of Directors	Capacity/ Nature of interest	Class and number of shares[8]	Approximate shareholding percentage in the relevant class of shares[1]	Approximate percentage of the total issued share capital of the Company[2]
Mr. Yao Chuanglong	Beneficial owner	70,000,000 Domestic shares (L)	87.50%	64.81%
	Interest of spouse	1,000,000 Domestic shares (L)[3]	1.25%	0.93%
Ms. You Zeyan	Interest of spouse	70,000,000 Domestic shares (L)[4]	87.50%	64.81%
	Interest of a controlled corporation	1,000,000 Domestic shares (L)[5]	1.25%	0.93%
Ms. Zheng Yuyan	Interest of a controlled corporation	1,000,000 Domestic shares (L)[6]	1.25%	0.93%
Mr. Lin Zhixiong	Interest of a controlled corporation	1,500,000 Domestic shares (L)[7]	1.88%	1.39%

Notes:

(1) The calculation is based on the total number of 80,000,000 domestic shares in issue of the Company as at 30 June 2016.

(2) The calculation is based on the total number of 108,000,000 shares in issue of the Company as at 30 June 2016.

(3) Mr.Yao Chuanglong is the spouse of Ms.You Zeyan, our non-executive Director, and is deemed to be interested in these shares of the Company under the SFO.

(4) Ms. You Zeyan is the spouse of Mr. Yao Chuanglong, our Chairman and executive Director, and is deemed to be interested in these shares of the Company under the SFO.

(5) These shares are held by Shantou Zhichuang Investment Management Limited Partnership (汕頭市智創投資管理合夥企業(有限合夥)) ("**Zhichuang Investment**"). Zhichuang Investment is a limited partnership established in the PRC and is held by Ms. You Zeyan as to 53.90%. As Ms. You Zeyan is the general partner of Zhichuang Investment, she is deemed to be interested in the shares of the Company held by Zhichuang Investment under the SFO.

(6) These shares are held by Shantou Youran Investment Management Limited Partnership (汕頭市悠然投資管理合夥企業(有限合夥)) ("**Youran Investment**"). Youran Investment is a limited partnership established in the PRC and is held by Ms. Zheng Yuyan as to 37.70%. Therefore, Ms. Zheng Yuyan is deemed to be interested in the shares of the Company held by Youran Investment under the SFO.

(7) These shares are held by Shantou Meizhi Investment Management Limited Partnership (汕頭市美智投資管理合夥企業(有限合夥)) ("**Meizhi Investment**"). Meizhi Investment is a limited partnership established in the PRC and is held by Mr. Lin Zhixiong as to 28.47%. As Mr. Lin Zhixiong is the general partner of Meizhi Investment, he is deemed to be interested in the shares of the Company held by Meizhi Investment under the SFO.

(8) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the share of the Company.

Save as disclosed above, as at 30 June 2016, none of the Directors, Supervisors and the chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Shares, Underlying Shares, and Debentures", at no time during the first half of 2016, the Company, any of its subsidiaries or fellow subsidiaries was a party to any arrangement to enable the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, or any Directors, Supervisors or their spouses or children under 18 years of age was granted any right to subscribe for shares or debentures of the Company or any other body corporate or exercised any such right.

INTERESTS AND/OR SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARE AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2016, so far as was known to the Directors, the following persons/entities (not being the Directors, Supervisors or chief executives of the Company) had, or deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Class and number of shares[7]	Approximate shareholding percentage in the relevant class of shares[1]	Approximate percentage of the total issued share capital of the Company[2]
Madam Yao Xizhen (姚惜真)	Beneficial owner	6,500,000 Domestic shares (L)	8.13%	6.02%
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited (廣藥白雲山香港有限公司)	Beneficial owner	7,906,500 H shares (L)[3]	28.24%	7.32%
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (廣州白雲山醫藥集團股份有限公司)	Interest of a controlled corporation	7,906,500 H shares (L)[3]	28.24%	7.32%
Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司)	Interest of a controlled corporation	7,906,500 H shares (L)[3]	28.24%	7.32%
Xiangxue Group (Hong Kong) Company Limited (香雪(集團)香港有限公司)	Beneficial owner	3,488,000 H shares (L)[4]	12.46%	3.23%
Xiangxue Pharmaceutical Co., Ltd. (廣州市香雪制藥股份有限公司)	Interest of a controlled corporation	3,488,000 H shares (L)[4]	12.46%	3.23%

Name of shareholder	Capacity/ Nature of interest	Class and number of shares[7]	Approximate shareholding percentage in the relevant class of shares[1]	Approximate percentage of the total issued share capital of the Company[2]
Kingworld Medicines Health Management Limited	Beneficial owner	2,302,000 (L) H shares (L)[5]	8.22%	2.13%
Kingworld Medicines Group Limited	Interest of a controlled corporation	2,302,000 (L) H shares (L)[5]	8.22%	2.13%
Citigroup Inc.	Interest of a controlled corporation	392,000 H shares (L)[6]	1.40%	0.36%
	Security interest in shares	1,326,500 H shares (L)[6]	4.74%	1.23%

Notes:

(1) The calculation is based on the total number of 80,000,000 domestic shares in issue and the total number of 28,000,000 H shares in issue of the Company as at 30 June 2016.

(2) The calculation is based on the total number of 108,000,000 shares in issue of the Company as at 30 June 2016.

(3) These shares are held by Xiangxue Group (Hong Kong) Company Limited. As Xiangxue Group (Hong Kong) Company Limited is a wholly-owned subsidiary of Xiangxue Pharmaceutical Factory Co., Ltd. Xiangxue Pharmaceutical Co., Ltd. is deemed to be interested in the shares of the Company held by Xiangxue Group (Hong Kong) Company Limited.

(4) These shares are held by Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited. As Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited is a wholly-owned subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, which in turn is held by Guangzhou Pharmaceutical Holdings Limited as to 45.23%. Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited and Guangzhou Pharmaceutical Holdings Limited are deemed to be interested in the shares of the Company held by Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited.

(5) These shares are held by Kingworld Medicines Health Management Limited. As Kingworld Medicines Health Management Limited is a wholly-owned subsidiary of Kingworld Medicines Group Limited. Kingworld Medicines Group Limited is deemed to be interested in the shares of the Company held by Kingworld Medicines Health Management Limited.

(6) According to the Corporate Substantial Shareholder Notice filed by Citigroup Inc. on 21 June 2016 as shown on the website of the Stock Exchange, Citigroup Inc. interested in 392,000 H shares of the Company 1,326,500 H shares of the Company in the capacity of having security interest and interest of controlled corporations, respectively.

(7) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the shares of the Company.

Save as disclosed herein, the Directors are not aware of any person who will, as at 30 June 2016, have an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Save as disclosed above, as at 30 June 2016, none of the Directors was aware that any other persons/entities (other than any Directors, Supervisors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company, its members of the Group or associated corporations which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

AUDIT COMMITTEE AND REVIEW ON THE INTERIM RESULTS

The Company established an audit committee pursuant to a resolution of the Directors passed on 26 November 2015 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the audit committee was adopted in compliance with the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The audit committee consists of three independent non-executive Directors, namely Mr. Wan Chi Wai Anthony (Chairman), Mr. Zhou Tao and Mr. Guan Jian.

The interim report and the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee and the audit committee was of the view that the interim report for the six months ended 30 June 2016 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

DISCLOSURE OF INFORMATION

The interim report of the Company for the six months ended 30 June 2016 will also be published on the websites of both the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chmyy.com) and shall be dispatched to the shareholders timely and properly.

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

Hong Kong, 22 August 2016