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 2020

	For the six months ended 30 June		Change
	2020	2019	
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Results			
Operating revenue	1,860,759	1,708,088	8.94%
Total profit	41,746	57,618	-27.55%
Net profit attributable to the shareholders of parent company	30,873	42,305	-27.02%
Basic and diluted earnings per share (expressed in RMB per share)	0.2859	0.3917	-27.02%

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 2020, together with the comparative figures for the corresponding period in 2019.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Notes	For the six months ended 30 June 2020 RMB (Unaudited)	2019 RMB (Unaudited)
I.	**Total operating revenue**		**1,860,759,395.79**	1,708,087,754.80
	Including: operating revenue	*4*	**1,860,759,395.79**	1,708,087,754.80
II.	**Total operating cost**		**1,738,486,641.89**	1,571,371,663.46
	Including: operating cost	*4*	**1,738,486,641.89**	1,571,371,663.46
	Taxes and surcharges		**3,264,786.76**	4,384,609.47
	Selling expenses		**40,638,768.01**	36,114,716.76
	Management expenses		**16,517,905.17**	22,473,948.31
	Finance costs	*6*	**15,308,030.84**	14,455,575.89
	Including: Interest expenses		**11,798,517.59**	13,226,829.25
	Interest income		**2,096,128.80**	1,403,472.62
	Add: Other gains		**350,574.90**	228,530.25
	Investment income (“–” for loss)		**–**	–
	Impairment loss of credit (“–” for loss)		**-3,107,249.35**	586,422.52
	Impairment loss of assets (“–” for loss)		**–2,954,328.08**	–2,649,263.69
	Gains on disposal of assets (“–” for loss)		**12,944.85**	–39,889.87
III.	**Operating profit (“–” for loss)**		**40,845,205.44**	57,413,040.13
	Add: Non-operating revenue		**964,117.59**	230,976.77
	Less: Non-operating expenses		**63,693.12**	25,587.14
IV.	**Total profit (“–” for total loss)**		**41,745,629.91**	57,618,429.76
	Less: Income tax expense	*7*	**10,872,450.29**	15,313,728.44
V.	**Net profit (“–” for net loss)**		**30,873,179.62**	42,304,701.32
	(1) By continuity of operations		**30,873,179.62**	42,304,701.32
	1. Net profit from continuing operation		**30,873,179.62**	42,304,701.32
	2. Net profit from discontinued operation		**–**	–
	(2) By ownership		**30,873,179.62**	42,304,701.32
	1. Net profit attributable to the owners of parent company		**30,873,179.62**	42,304,701.32
	2. Profit or loss of minority shareholders		**–**	–
VI.	**Total comprehensive income**		**30,873,179.62**	42,304,701.32
	Total comprehensive income attributable to the shareholders of parent company		**30,873,179.62**	42,304,701.32
	Total comprehensive income attributable to minority shareholders		**–**	–
VII.	**Earnings per share**			
	Basic and diluted earnings per share	*8*	**0.2859**	0.3917

CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	**30 June 2020** ***RMB*** **(Unaudited)**	31 December 2019 *RMB* (Audited)
Current assets			
Monetary funds		**379,570,299.40**	506,308,452.64
Bills receivables	*10*	**36,643,736.08**	22,252,167.66
Trade receivables	*11*	**687,102,829.22**	712,261,600.46
Prepayments		**245,268,817.75**	212,710,994.97
Other receivables		**12,948,560.21**	12,117,039.54
Inventories		**514,240,288.28**	515,162,428.39
Other current assets		**32,425,117.53**	37,890,955.07
Total current assets		**1,908,199,648.47**	2,018,703,638.73
Non-current assets			
Fixed assets		**184,478,476.90**	191,387,488.54
Construction in progress		**124,150,170.37**	110,584,639.14
Right-of-use assets		**13,975,653.37**	15,392,876.84
Intangible assets		**149,961,385.55**	153,080,960.03
Goodwill		**3,127,688.00**	3,127,688.00
Long-term deferred expenses		**5,133,188.04**	5,503,512.35
Deferred income tax assets		**6,282,964.37**	6,027,070.73
Total non-current assets		**487,109,526.60**	485,104,235.63
Total assets		**2,395,309,175.07**	2,503,807,874.36

	Notes	30 June 2020 *RMB* (Unaudited)	31 December 2019 *RMB* (Audited)
Current liabilities			
Short-term borrowings		**593,419,286.13**	502,189,369.18
Bills payables	*12*	**628,198,646.69**	833,561,059.77
Trade payables	*13*	**412,287,426.57**	444,956,856.84
Receipts in advance		**–**	–
Contract liabilities		**1,626,179.79**	2,864,226.16
Salaries payable to employees		**4,153,829.38**	4,735,446.57
Tax payables		**59,151,947.66**	48,989,151.02
Other payables		**21,106,858.85**	11,798,422.22
Non-current liabilities due within one year		**33,537,012.78**	29,164,198.86
Other current liabilities		**–**	–
Total current liabilities		**1,753,481,187.85**	1,878,258,730.62
Non-current liabilities			
Long-term borrowings		**134,249,648.86**	126,353,138.99
Lease liabilities		**13,721,906.87**	14,384,222.63
Deferred income		**990,297.74**	1,218,827.99
Deferred income tax liabilities		**–**	–
Total non-current liabilities		**148,961,853.47**	141,956,189.61
Total liabilities		**1,902,443,041.32**	2,020,214,920.23
Shareholders' equity			
Share capital		**108,000,000.00**	108,000,000.00
Capital reserve		**278,990,829.04**	278,990,829.04
Surplus reserve		**15,732,626.03**	15,732,626.03
Unallocated profits		**90,142,678.68**	80,869,499.06
Total equity attributable to the shareholders of parent company		**492,866,133.75**	483,592,954.13
Minority shareholders' interests		**–**	–
Total shareholders' interests		**492,866,133.75**	483,592,954.13
Total liabilities and shareholders' interests		**2,395,309,175.07**	2,503,807,874.36

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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**") with effect 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 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 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 Preparation Rules for Information Disclosures by Companies Offering Shares to the Public No.15 – General Provisions on Financial Reporting (Revised in 2014) (《公開發行證券的公司信息披露編報規則第15號–財務報告的一般規定》(2014年修訂)) issued by China Securities Regulatory Commission, 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 2020, 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 Renminbi as its functional currency.

Unless otherwise stated in respect of the following data disclosed in the financial statements, the currency unit is RMB yuan.

4. OPERATING REVENUE AND OPERATING COST

	Six months ended 30 June 2020		Six months ended 30 June 2019	
Item	**Revenue (Unaudited)**	**Cost (Unaudited)**	Revenue (Unaudited)	Cost (Unaudited)
Principal business	**1,847,725,714.32**	**1,738,486,641.89**	1,698,410,396.06	1,571,371,663.46
Other businesses	**13,033,681.47**	**–**	9,677,358.74	–
Total	**1,860,759,395.79**	**1,738,486,641.89**	1,708,087,754.80	1,571,371,663.46

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: trading and promoting pharmaceutical products.

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

	For the six months ended 30 June	
Item	**2020 (Unaudited)**	2019 (Unaudited)
Interest expenses	**14,509,595.87**	13,226,829.25
Less: Interest income	**2,096,766.33**	1,403,839.44
Add: Foreign exchange loss	**–7,793.86**	–1,521.91
Add: Handling fees	**2,467,089.02**	2,128,361.27
Add: Interest on lease liabilities	**435,906.14**	505,746.72
Total	**15,308,030.84**	14,455,575.89

7. INCOME TAX EXPENSES

(1) Income tax expenses

Item	For the six months ended 30 June **2020** **(Unaudited)**	 2019 (Unaudited)
Current income tax calculated according to the tax law and related regulations	**11,110,742.43**	15,765,620.82
– PRC	**11,110,742.43**	15,765,620.82
– Hong Kong	**–**	–
Deferred income tax expenses	**–238,292.14**	–451,892.38
Total	**10,872,450.29**	15,313,728.44

The Group had no Hong Kong income tax, since it had no taxable income in Hong Kong for the six months ended 30 June 2019 and 2020.

(2) Reconciliation between accounting profit and income tax expenses

Item	For the six months ended 30 June 2020 (Unaudited)
Combined total profit for the period	**41,745,629.91**
Income tax expenses calculated at statutory/applicable tax rate	**11,110,742.43**
Effect of non-deductible costs, expenses and losses	**–**
Tax effect of deductible losses and deductible temporary difference not recognized for the current period	**-238,292.14**
Other	**–**
Income tax expenses	**10,872,450.29**

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	6.24%	0.2859	0.2859
Net profit attributable to the shareholders of parent company (excluding non-recurring profit and loss)	6.05%	0.2771	0.2771

9. DIVIDEND

The Board did not propose the payment of interim dividend after the interim period (interim dividend for 2019: Nil).

10. BILLS RECEIVABLES

(1) Classification of bills receivables

Items	**Balance as at 30 June 2020 (Unaudited)**	Balance as at 31 December 2019 (Audited)
Bank acceptance bills	**15,762,342.08**	6,926,740.66
Commercial drafts	**20,980,000.00**	15,370,000.00
Sub-total	**36,742,342.08**	22,296,740.66
Less: Provision for bad debt	**98,606.00**	44,573.00
Total	**36,643,736.08**	22,252,167.66

(2) Pledged bills receivable as at 30 June 2020

Items	**Pledged amount as at 30 June 2020 (Unaudited)**
Bank acceptance bills	**14,691,725.12**
Commercial drafts	**6,000,000.00**
Total	**20,691,725.12**

(3) Bills receivables endorsed but not mature at the balance sheet date, as at 30 June 2020

Items	**Amount derecognised as at 30 June 2020 (Unaudited)**	**Amount not derecognised as at 30 June 2020 (Unaudited)**
Bank acceptance bills	**518,834,618.47**	**–**
Commercial drafts	**–**	**–**
Total	**518,834,618.47**	**–**

(4) Bills receivables discounted but not mature at the balance sheet date, as at 30 June 2020

Items	Amount derecognised as at 30 June 2020 (Unaudited)	Amount not derecognised as at 30 June 2020 (Unaudited)
Bank acceptance bills	**204,787,167.17**	**–**
Commercial drafts	**–**	**14,980,000.00**
Total	**204,787,167.17**	**14,980,000.00**

(5) As at 30 June 2020, no bills were reclassified to trade receivables due to inability of the issuers to settle the bills

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

	Balance as at 30 June 2020 (Unaudited)				
	Book balance		Provision for bad debt		
Classification	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	36,742,342.08	100.00	98,606.00	0.27	36,643,736.08
Aging portfolio	20,980,000.00	57.10	98,606.00	0.47	20,881,394.00
Low risk portfolio	15,762,342.08	42.90	–	–	–
Total	**36,742,342.08**	**100.00**	**98,606.00**	**–**	**36,643,736.08**

	Balance as at 31 December 2019 (Audited)				
	Book balance		Provision for bad debt		
Classification	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	22,296,740.66	100.00	44,573.00	0.20	22,252,167.66
Aging portfolio	15,370,000.00	68.93	44,573.00	0.29	15,325,427.00
Low risk portfolio	6,926,740.66	31.07	–	–	6,926,740.66
Total	22,296,740.66	100.00	44,573.00	–	22,252,167.66

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

	As at 30 June 2020 (Unaudited)		
Item	Book balance	Provision for bad debt	Provision ratio (%)
Within 1 year	20,980,000.00	98,606.00	0.47

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 year but not mature at the balance sheet date, the impairment losses of credit are provided for with reference to the expected credit loss rates for trade receivables.

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

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

Category	Balance as at 31 December 2019 (Audited)	Changes for the six months ended 30 June 2020 (Unaudited) Accrued	Recovered or reversed	Written back or written off	Balance as at 30 June 2020 (Unaudited)
Commercial drafts	44,573.00	98,606.00	44,573.00	–	98,606.00
Total	44,573.00	98,606.00	44,573.00	–	**98,606.00**

11. TRADE RECEIVABLES

Items	**Balance as at 30 June 2020 (Unaudited)**	Balance as at 31 December 2019 (Audited)
Trade receivables	**707,944,339.50**	730,049,894.39
Less: Provision for bad debt	**20,841,510.28**	17,788,293.93
Net	**687,102,829.22**	712,261,600.46

(1) Aging analysis of trade receivables

Before accepting new customers, the Group assesses 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 recognized and the age of the same is calculated after the main risks and rewards related to the ownership of goods have been transferred to the buyers.

Age	**Balance as at 30 June 2020 (Unaudited)** Book balance	**Percentage (%)**	**Provision for bad debt**	Balance as at 31 December 2019 (Audited) Book balance	Percentage (%)	Provision for bad debt
Within 1 year	**665,681,280.68**	**94.03**	**3,427,216.96**	688,345,188.22	94.29	2,117,508.29
1 to 2 years	**26,527,327.67**	**3.75**	**2,695,349.34**	27,446,105.54	3.76	4,448,569.09
2 to 3 years	**7,745,034.97**	**1.09**	**6,728,247.80**	6,229,802.28	0.85	3,193,418.20
More than 3 years	**7,990,696.18**	**1.13**	**7,990,696.18**	8,028,798.35	1.10	8,028,798.35
Total	**707,944,339.50**	**100.00**	**20,841,510.28**	730,049,894.39	100.00	17,788,293.93

(2) Classification of trade receivables

	Balance as at 30 June 2020 (Unaudited)				
	Book balance		Provision for bad debt		
Classification	**Amount**	**Percentage (%)**	**Amount**	**Lifetime expected credit loss rate (%)**	**Book value**
Provision for bad debt made on individual basis	**18,433,794.93**	**2.60**	**18,433,794.93**	**100.00**	**–**
Provision for bad debt made on a collective basis	**689,510,544.57**	**97.40**	**2,407,715.35**	**0.35**	**687,102,829.22**
Aging portfolio	**689,510,544.57**	**97.40**	**2,407,715.35**	**0.35**	**687,102,829.22**
Total	**707,944,339.50**	**100.00**	**20,841,510.28**	**–**	**687,102,829.22**

	Balance as at 31 December 2019 (Audited)				
	Book balance		Provision for bad debt		
Classification	Amount	Percentage (%)	Amount	Lifetime expected credit loss rate (%)	Book value
Provision for bad debt made on individual basis	18,542,550.87	2.54	12,918,423.63	69.67	5,624,127.24
Provision for bad debt made on a collective basis	711,507,343.52	97.46	4,869,870.30	0.68	706,637,473.22
Aging portfolio	711,507,343.52	97.46	4,869,870.30	0.68	706,637,473.22
Total	730,049,894.39	100.00	17,788,293.93	–	712,261,600.46

(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

	Changes for the six months ended 30 June 2020 (Unaudited)			
Balance as at 31 December 2019 (Audited)	**Accrued**	**Recovered or reversed**	**Written back or written off**	**Balance as at 30 June 2020 (Unaudited)**
17,788,293.93	3,053,216.35	–	–	**20,841,510.28**

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

12. BILLS PAYABLES

Classification of bills	**Balance as at 30 June 2020 (Unaudited)**	Balance as at 31 December 2019 (Audited)
Bank acceptance bills	**628,198,646.69**	829,061,059.77
Commercial drafts	**–**	4,500,000.00
Total	**628,198,646.69**	833,561,059.77

As at the end of the period, the age of the aforementioned bills payables of the Group was within 1 year.

13. TRADE PAYABLES

(1) Trade payables

Item	**Balance as at 30 June 2020 (Unaudited)**	Balance as at 31 December 2019 (Audited)
Payment for goods	**412,287,426.57**	432,594,542.27
Equipment costs	**–**	12,132,400.27
Project maintenance costs	**–**	229,914.30
Total	**412,287,426.57**	444,956,856.84

(2) Aging analysis of trade payables

Below is an aging analysis of trade payables based on transaction date as at 30 June 2020:

Age	**Balance as at 30 June 2020 (Unaudited)**	Balance as at 31 December 2019 (Audited)
Within 1 year	**407,245,352.75**	438,811,912.47
1 to 2 years	**4,111,894.26**	5,763,433.44
2 to 3 years	**558,902.40**	55,427.76
More than 3 years	**371,277.16**	326,083.17
Total	**412,287,426.57**	444,956,856.84

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The "13th Five-Year Plan" period is an important stage for building a well-off prosperous society in an all-round way and accomplishing the strategic goal of "Healthy China", in which pharmaceutical supervision is upgraded and the effect of the three-medical (medical service, medical insurance and pharmaceutical service) linkage is shown. With the full implementation of policies such as the "Two-Invoice System (兩票制)" and "Zero Mark-up for Medicines* (藥品零加成)", the structure of pharmaceutical distribution market, channel layout and supply chain relationship have undergone profound changes. Focusing on the "Control on Medical Insurance Fee* (醫保控費)", the implementation of policies such as "Purchase in Quantity* (帶量採購)" and "Diagnosis Related Group ("DRG") Payment* (疾病診斷相關分組(DRGs)付費)" improves the utilisation efficiency of medical insurance funds, reduces the burden of patients and accelerates the changes in structure of clinical drugs. Driven by new technologies and new momentum, the "Internet +" policy will reshape the ecological landscape of the pharmaceutical distribution industry and achieve high-quality development.

Impact of COVID-19 on the pharmaceutical industry

During the COVID-19 pandemic period, the National Health Commission issued and continued to update the "Treatment Plans of Pneumonia caused by the Novel Coronavirus Infection" (《新型冠狀病毒感染的肺炎診療方案》), which provided clear guidance on both Chinese and Western medical treatments and medicines during each stage of the illness. As such, the use of relevant anti-virus drugs and Chinese medicines has driven the growth of the sales revenue from the manufacture of chemical drugs and the production of Chinese medicines. 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. The pharmaceutical OTC enterprises represented by retail pharmacies played an important role in the prevention and control of the epidemic and enhanced their role in the public health system.

In order to support the fight against the pandemic and meet the growing demand for pandemic prevention drugs and medical supplies, the PRC government has issued a series of preferential tax policies with loose monetary environment and targeted financing support in an urgent manner to reduce the tax pressure of pharmaceutical enterprises, ensure the financing needs of pharmaceutical enterprises for pandemic prevention and control while reducing their financing costs, and maximise the support for pharmaceutical enterprises to resume work and production so as to produce pandemic-related drugs and supplies.

Full Life Cycle Health Management Model

In 2016, the full life cycle health was promoted to the national strategic level for the first time. In the same year, it is clearly proposed in the "Healthy China 2030 Planning Outline" (《「健康中國2030」規劃綱要》) published by the Central Committee of the Communist Party of China and the State Council to focus on the whole population and the whole life cycle to provide fair and accessible, systematic and continuous health services to achieve a higher level of national health. This year, the State 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 parts 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.

Higher market share of public primary healthcare terminal and retail pharmacy terminal

According to the data of MENET, in 2019, the pharmaceutical sales in the six major markets of the three major terminals amounted to RMB1,795.5 billion, representing an increase of 4.8% compared to 2018, of which, the retail pharmacy stores terminal recorded a growth rate of 7.1% in sales revenue with a market share of 23.40%, representing an increase of 0.5 percentage point as compared to 2018; and the public primary healthcare terminal recorded a growth rate of 8.2% in sales revenue with a market share of 10.00%, representing an increase of 0.3 percentage point as compared to 2018.

Challenges of stricter regulations and new opportunities for market expansion of the primary healthcare market

The Drug Administration Law (《藥品管理法》), which was amended for the second time and has been implemented in the PRC since 1 December 2019, regulates and guides the industry to ensure the safety of public medication. The supervision of drug quality and distribution will undergo profound changes, and will continue to guide the pharmaceutical distribution industry to accelerate the pace of refined management and high-quality development.

With the reform of the three-medical (medical service, medical insurance and pharmaceutical service) linkage in connection with the "Control on Medical Insurance Fee (醫保控費)", the drug utilisation pattern in public medical institutions has changed, and the profit of "industrial enterprises" of pharmaceutical industrial enterprises has been further reduced. Under the background of the introduction of primary drug catalogue and the full implementation of hierarchical diagnosis and treatment system, industrial enterprises will step up their efforts to expand the pharmaceutical retail market and non-tender market will have bigger development opportunities.

Transformation of business model of pharmaceutical distribution industry and expansion of third-party pharmaceutical logistics

The most direct impact of centralised procurement is the reduction of drug prices, resulting in sales revenue of generic drug products that previously relied on sales by public hospitals decreased to a certain extent. The cost of marketing of manufacturers has been reduced, and the price of the entire drug value chain has been lowered, such pricing pressure of the drug distributors has led to the change of their business model. 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 distribution enterprises with solid foundation of retail terminals will obtain more growth opportunities.

In the field of pharmaceutical logistics, cloud computing, big data and Internet of Things 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.

Source of the above data and information: Menet (Note: the three end-markets do not include private medical institutions), China Pharmaceutical Distribution Industry Development Report (《中國藥品流通行業發展報告》(2020)

BUSINESS REVIEW

Our principal business is pharmaceutical products distribution in the PRC, with most of our operating revenue derived from pharmaceutical products distribution. We procure pharmaceutical products from pharmaceutical manufacturers and distributor suppliers and sell the products to distributor customers, retail pharmacy stores, and hospitals, clinics, health centres and others.

We followed the operation target set, and continued to explore Guangdong market in depth and expand our coverage to surrounding areas, with a focus on developing the business with retail end-customers. We maintain close and good communication with customers, and provide customers with the most thoughtful services. As at 30 June 2020, our distribution network covered 8,374 customers, among which 564 were distributors, 5,602 were retail pharmacy stores and 2,208 were hospitals, clinics, health centres and others, representing an increase of 1,274 in the number of customers, including the decrease of 13 distributors, the increase of 841 retail pharmacy stores, and the increase of 446 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 of 30 June 2020, we had a total of 972 suppliers, of which 611 were pharmaceutical manufacturers and 361 were distributor suppliers, representing an increase of 24 suppliers compared to last year. For the six months ended 30 June 2020, we distributed 9,621 types of products, representing a decrease of 710 types of products compared to the corresponding period of last year.

	Number of products for the six months ended 30 June	
	2020	2019
Product Categories		
Western medicines	**3,419**	3,395
Chinese patent medicines	**3,527**	3,690
Healthcare products	**149**	169
Others	**2,526**	3,077
Total	**9,621**	10,331

We actively promoted the diversion of terminal retail customers from offline to online, where they can place orders and make inquiries and payments through our own B2B e-commerce platform "Charmacy e-Medicine" ("e-commerce platform") (http://www.cmyynet.com/). We increased online promotion activities and continued to optimise and improve the user experience on PC terminal, WAP mobile terminal, and WeChat mini program. For the six months ended 30 June 2020, our e-commerce platform had 6,121 active trading clients in total, who are principally end customers such as retail pharmacy stores, clinics and health centres, representing an increase of 944 compared to the corresponding period of last year. For the six months ended 30 June 2020, the operating revenue from our B2B e-commerce platform was approximately RMB144.35 million in total, representing an increase of RMB7.5 million compared to the corresponding period of last year.

Help frontline epidemic prevention and control, guarantee drug supply with all efforts

During the reporting period, there was an outbreak of the novel coronavirus disease (COVID-19) across the country. During the Spring Festival holiday, the Group arranged our employees to return to work in the front line of drug distribution before the end of the holiday, and expedited the distribution of pandemic prevention drugs and materials. As we have achieved comprehensive self-distribution in Guangdong Province, during the pandemic, we effectively ensured the normal supply of pandemic prevention drugs and materials in the pharmaceutical retail terminal market in Guangdong, and ensured the supply of pandemic prevention drugs and materials in the pandemic prevention and control front line. We strictly control the prices of pharmaceutical products supplied to ensure that the prices of epidemic prevention devices are stable as far as possible. We took practical actions to fulfill our social responsibility as a pharmaceutical company, and putting into practice the Group's corporate mission and responsibility of "Creating Healthy and Beautiful Life". During the reporting period, the Group supplied a total of approximately 17.5 million boxes of anti-viral products and related anti-influenza epidemic medicines, approximately 2 million bottles of disinfectant products and approximately 300,000 pieces of thermometers of various types to the pharmaceutical retail market in Guangdong.

Open up a new battlefield for "Internet+" to cater to market development trends

In order to actively seize new opportunities and cater to the market development trend, in the afternoon of 3 June 2020, we and Wang Lao Ji Pharmaceutical jointly held a pharmaceutical e-commerce live streaming activity with the theme of "Good Deals and Happy Purchase* (聚惠歡樂購)", and conducted the first e-commerce live streaming, which triggered an enthusiastic response from customers. Such e-commerce live streaming was a beneficial attempt of us to adapt to the market situation and carry out transformation and upgrading of our operation model. By integrating customer resources, leveraging the advantages of pharmaceutical supply chain channels and e-commerce channels, we seek new breakthroughs in pharmaceutical marketing and promote the diversified business development with major manufacturers.

Guangzhou Pharmaceutical Sorting and Distribution Center officially commenced operation, upgrading the warehousing capability

On 29 June 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. Such sorting and distribution center has a gross floor area of 23,195.33 m^2 and a storage area of 22,840 m^2, which greatly increased the storage capacity of Charmacy's logistics base in Guangdong. The existing logistics base in Guangdong can store approximately 300,000 pieces of goods, supporting the sales scale of nearly RMB6 billion, 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, we are able to realise visual management of warehouse distribution, establish an integrated logistics network operation mode, build an all-round, intelligent and digital pharmaceutical intelligent warehouse, and realise the synergic operation of each logistics center of the Group. Meanwhile, the expansion of the third-party logistics business of Charmacy Pharmaceutical can be promoted.

PROSPECTS

During the reporting period, the outbreak of COVID-19 had affected the real economic activities worldwide to different extent. In view of the current pandemic prevention progress, China has basically re-opened, while relatively strict control measures are still in place. Public awareness of pandemic prevention is also at a relatively high level. The state is also implementing a series of tax and charge reduction measures and policies of providing special refinancing and free-interest fund to minimise the negative impact of the pandemic on China's real economy in every endeavour. As such, major factories have begun to resume production in an orderly manner, and the economic activities in China have been normalised and recovered. In the long run, China's economy has both tenacity and growth potential, and the trend of steady progress will not change. In light of the acceleration of aging population and increasing demand for medical and healthcare, along with the advancement of the reform of the medical and healthcare system, the market share of the non-tender market will gradually expand, which will be beneficial to our long-term business development.

The advantages of Internet healthcare have been highlighted under the background of COVID-19, and the development of "Internet +" has been accelerated. We will seize the opportunities arising from the gradual implementation of the "Internet + Healthcare" and hierarchical diagnosis and treatment system, and the expansion of the primary healthcare market, continue to promote the innovation and reform of "Internet + Pharmaceutical Distribution", continuously upgrade and develop the functional application of the e-commerce platform, improve user transaction experience, promote the better development of e-commerce business, and actively promote the standardisation, streamlining and intelligentisation of pharmaceutical distribution and delivery services to achieve low-cost and high-efficiency operation results. At the same time, the Group will continue to explore in the live streaming field, draw on its excellent live streaming experience, explore new and more customer-oriented marketing models through the combination of online and offline traffic, and build a new platform for communication with customers, so that customers can directly understand the enterprise and products in a more convenient way, allowing customers to benefit from high-quality services.

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 focus on strengthening our cooperation with major prescription drug manufacturers to capture more growth opportunities in OTC market products. We will continue to strengthen the building of modern and professional pharmaceutical logistics capabilities, such as actively exploring the application of intelligent logistics technologies, promotion of integration of warehousing and operation, integration of transportation resources to improve the delivery service capabilities, and implementation of refined management of logistics costs. As Charmacy (Guangzhou) Pharmaceutical Sorting and Distribution Centre has commenced operation leveraging 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, to give further play to 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 utilization rate, increase transportation efficiency, leverage on its own logistics network advantages to provide upstream suppliers and downstream customers with 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Principal business	**1,847,726**	1,698,410
Other business	**13,034**	9,677
Operating revenue	**1,860,759**	1,708,088

The operating revenue of the Group for the six months ended 30 June 2020 was RMB1,860.76 million, representing an increase of 8.94% over the corresponding period of last year.

	For the six months ended 30 June	
	2020	2019
Customer Type	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)
Distributors	**887,648**	870,868
Retail pharmacy stores	**906,740**	762,666
Hospitals, clinics, health centers and others	**53,338**	64,876
Revenue from principal business	**1,847,726**	1,698,410

For the six months ended 30 June 2020, 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. For the six months ended 30 June 2020, over 97% of our revenue from principal business was derived from distributor customers and retail pharmacy stores.

Our operating revenue increased by 8.94% as compared to the corresponding period in 2019, mainly due to the increase in the sales volume of various types of pandemic prevention products resulting from the outbreak of COVID-19 pandemic.

Operating cost, gross profit and gross profit margin

The operating cost of the Group increased by 10.63% to RMB1,738.49 million for the six months ended 30 June 2020 from RMB1,571.37 million for the six months ended 30 June 2019. The increase in operating cost was more significant than the increase in operating revenue.

The gross profit of the Group decreased by 10.56% to RMB122.27 million for the six months ended 30 June 2020 from RMB136.72 million for the six months ended 30 June 2019. The gross profit margin of the Group decreased to 6.57% for the six months ended 30 June 2020 from 8.00% for the six months ended 30 June 2019. The decrease was mainly due to the surge in manufacturer's price of pandemic prevention products, while the Group responded to the national call to maintain the price stability of the epidemic drugs and materials, and the gross profit margin of the epidemic-related drugs and materials decreased.

Selling expenses

The selling expenses of the Group increased by 12.53% to RMB40.64 million for the six months ended 30 June 2020 from RMB36.11 million for the six months ended 30 June 2019, which was mainly because the Group refined its management and changed the usage of the warehouses in Foshan and Guangzhou from leasing to subsidiaries to self-use, so as to implement intra-group storage synergic management of warehouses and expand third-party logistics services. The depreciation and amortisation expenses of properties and land in Foshan, properties and land use in Guangzhou for warehousing, which were originally included in administrative expenses, were transferred to selling expenses, resulting in a significant increase in selling expenses.

Management expenses

The management expenses of the Group decreased by 26.50% to RMB16.52 million for the six months ended 30 June 2020 from RMB22.47 million for the six months ended 30 June 2019, which was mainly due to (i) the enhancement in costs management by saving office expenses; and (ii) the decrease in depreciation and amortisation expenses as the Group transferred parts of the depreciation and amortisation expenses of the properties and land use in Foshan and Guangzhou for warehousing purpose, which were originally included in administrative expenses, to selling expenses.

Finance costs

The finance costs of the Group increased by 5.90% to RMB15.31 million for the six months ended 30 June 2020 from RMB14.46 million for the six months ended 30 June 2019, which was mainly due to the loans granted by the State with a purpose to support the resumption of work and production of enterprises. As a result, our short-term borrowings increased by RMB153.88 million as compared to RMB439.54 million for the six months ended 30 June 2019, leading to an increase in interest expenses.

Non-operating income

For the six months ended 30 June 2020, non-operating income amounted to RMB0.96 million, representing an increase of 317.41% as compared with the non-operating income of RMB0.23 million for the six months ended 30 June 2019. The increase was mainly due to the subsidy of RMB0.55 million received by Guangdong Charmacy Pharmaceutical Co., Ltd. for resumption of work and production after the outbreak of COVID-19 pandemic.

Income tax expenses

The income tax expenses of the Group decreased by 29.00% to RMB10.87 million for the six months ended 30 June 2020 from RMB15.31 million for the six months ended 30 June 2019, which was mainly due to the decrease in total taxable profit.

Net profit

The net profit of the Group decreased by 27.02% to RMB30.87 million for the six months ended 30 June 2020 from RMB42.30 million for the six months ended 30 June 2019. In particular, the net profit attributable to the shareholders of parent company decreased by 27.02% to RMB30.87 million for the six months ended 30 June 2020 from RMB42.30 million for the six months ended 30 June 2019. This was mainly because the increase in the costs of relevant drugs and materials during the pandemic period was more significant than the increase in revenue, resulting in the corresponding decrease in gross profit.

Liquidity and financial resources

As at 30 June 2020, the cash and bank deposits of the Group amounted to RMB61.15 million, while the cash and bank deposits amounted to RMB40.15 million as at 31 December 2019.

As at 30 June 2020 and 31 December 2019, the Group recorded net current assets of RMB154.72 million and RMB140.44 million, respectively. As at 30 June 2020, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.09 (2019: 1.07).

The bank borrowings of the Group as at 30 June 2020 were RMB727.67 million (short-term borrowings: RMB593.42 million, long-term borrowings: RMB165.84 million, including long-term borrowings due within one year: RMB31.59 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 2020, the Group's bills receivables and trade receivables amounted to RMB723.75 million, representing a decrease of RMB10.77 million compared to those as at 31 December 2019. Such decrease was mainly due to our strengthened management for bills receivables and trade receivables, the strict implementation of customer credit management system and the enhancement of our effort to recover the receivables.

Bills payables and trade payables

As at 30 June 2020, the Group's bill payables and trade payables amounted to RMB1,040.49 million, representing a decrease of RMB238.03 million compared to those as at 31 December 2019. Such decrease was mainly due to the epidemic, the Group obtained a special pandemic designate low-interest bank loan for the payment of the purchase of the epidemic products, thus the bills payables decreased significantly by RMB205.36 million.

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

Foreign currency exchange risk

The transactions of the Group are denominated in RMB, and most of the assets and all liabilities are denominated in RMB. The foreign exchange risk that the Group has to bear is extremely low. For the six months ended 30 June 2020, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

For the six months ended 30 June 2020, 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 2020 and 31 December 2019, respectively:

	30 June 2020	31 December 2019
Gearing ratio	**58.62%**	55.99%

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 2020, the Group's capital commitment amounted to RMB12.80 million (31 December 2019: RMB32.52 million).

Employees' information

As at 30 June 2020, the Group had a total of 790 employees (including executive Directors), representing an increase of 28 employees compared with the number of employees as at 30 June 2019. The total staff cost (including emoluments of directors and supervisors) was RMB31.96 million, as compared to RMB32.91 million for the six months ended 30 June 2019. 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, acquisitions and disposals held

Apart from investments in subsidiaries, the Group held no material investment, acquisition or disposal in the equity interests of any other company for the six months ended 30 June 2020.

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 2020, the Group had no material acquisitions and disposals related to subsidiaries, associates and joint ventures.

Pledge of assets

As at 30 June 2020, the Group was granted a credit limit of RMB1,427.80 million by various banks, while the Group's utilized banking facilities totaled RMB1,097.27 million, which were secured by (i) property, plant and equipment held by the Group with a carrying amount of RMB147.71 million as at 30 June 2020; (ii) construction in progress held by the Group with a carrying amount of RMB121.31 million as at 30 June 2020; (iii) land use rights held by the Group with a carrying amount of RMB137.63 million as at 30 June 2020; and (iv) the Group's inventories with a carrying amount of RMB350.00 million as at 30 June 2020.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities (2019: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (interim dividend of 2019: 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 2020, 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2020, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

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 2020 and is of the view that the interim report for the six months ended 30 June 2020 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 2020 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, 21 August 2020

As at the date of this announcement, the executive Directors of the Company 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*