Credit Opinion

22 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g+
Outlook	Stable

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Jointown Pharmaceutical Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g+ to Jointown Pharmaceutical Group Co., Ltd., with stable outlook.

Summary

The BBB_g+ long-term credit rating of Jointown Pharmaceutical Group Co., Ltd. ("Jointown" or the "Company") reflects the Company's (1) leading market position in domestic pharmaceutical distribution industry; (2) strong logistics and resources network with diversified distribution channels coverage; (3) good access to capital and fundings; and (4) close ties with local community and economic development.

However, the rating is constrained by the Company's (1) earnings vulnerable to pharmaceutical price volatility and medical reform policies; (2) pressure on inventory turnover and accounts receivable recovery arising from business expansion; and (3) modest credit metrics with relatively high debt leverage and short-term debt financing pressures.

The stable outlook on Jointown's rating reflects our expectation that the Company will further consolidate and strengthen its leading market position in the comprehensive pharmaceutical distribution industry for the next 12 to 18 months. It also reflects our expectation that the advancement of real estate securitization will lead to a sustained enhancement in the Company's debt structure.

Rating Drivers

- Leading market position in domestic pharmaceutical distribution industry
- Strong logistics and resources network with diversified distribution channels coverage
- Stable revenue generation with earnings vulnerable to pharmaceutical price volatility and medical reform policies
- Pressure on inventory turnover and accounts receivable recovery arising from business expansion
- Modest credit metrics, with relatively high debt leverage and short-term debt financing pressures
- Good access to capital and fundings
- Close connections with local community and economic development

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) pharmaceutical prices rise substantially, further boosting the Company's profits; (2) the Company's market position strengthens with a material increase in profitability; and (3) the Company demonstrates improved credit metrics and liquidity profile.

What could downgrade the rating?

The rating could be downgraded if (1) pharmaceutical prices decline sharply, adversely affecting the Company's earnings; (2) the Company's business scale and profitability deteriorate significantly; or (3) the Company indicates deteriorated credit metrics and weakened liquidity profile.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	92.3	92.8	102.4	107.8
Total Equity (RMB billion)	28.7	29.5	33.6	34.5
Total Revenue (RMB billion)	140.4	150.1	151.8	81.1
Net Profit (RMB billion)	2.3	2.3	2.8	1.5
EBIT Margin (%)	2.9	2.9	3.5	2.6
Return on Assets (%)	4.5	4.7	5.5	-
Total Debt/Total Capital (%)	61.5	56.8	58.3	58.5
Total Debt/EBITDA (x)	8.7	7.5	7.6	-
EBITDA/Interest (x)	3.8	3.9	4.9	-
FFO/Total debt (%)	9.8	10.9	8.3	-

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Company data, CCXAP research

Corporate Profile

Founded in 1999, Jointown (Stock Code: 600998.SH) is a technology-driven comprehensive service provider for the whole chain pharmaceutical industry in China. In November 2010, Jointown successfully listed on the Shanghai Stock Exchange. As the largest private-owned pharmaceutical distribution enterprise in terms of total assets in China, its main business includes digital pharmaceutical distribution and supply chain, agency brand promotion, pharmaceutical manufacturing, new retailing and medical health services. As of 30 September 2025, Chuchang Investment Group Co., Ltd. ("CCIG") and its concerted parties held 42.3% of the equity interest in Jointown in total. Mr. Liu Baolin, the founder of Jointown, was the ultimate controller of the Company. As of the same date, CCIG and parties acting in concert has pledged around 49.4% of their holdings in Jointown for financing, accounting for 20.9% of the Company's total share capital. Jointown reported total assets of RMB112.3 billion and net assets of RMB35.1 billion as of 30 September 2025.

Exhibit 1. Top 10 shareholders as of 30 September 2025

Shareholder Name	Shareholding Ratio (%)
Shanghai Hongkang Industrial Investment Co., Ltd.	21.58
Shilong International Group (Hong Kong) Co., Ltd.	11.41
Chuchang Investment Group Co., Ltd.	7.19
Zhongshan Guangyin Investment Co., Ltd.	6.65
Beijing Dianjin Investment Co., Ltd.	5.48
China Cinda Asset Management Co., Ltd.	4.99
National Social Security Fund Portfolio 604	1.40
Mr. Liu Shulin	1.40
Great Wall Guotai (Zhoushan) Industrial Mergers and Acquisitions Fund Partnership (Limited Partnership)	1.36
Hong Kong Securities Clearing Company Limited	1.24
Total	62.70

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

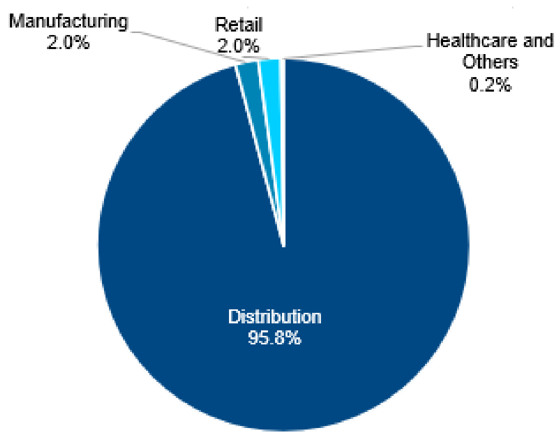
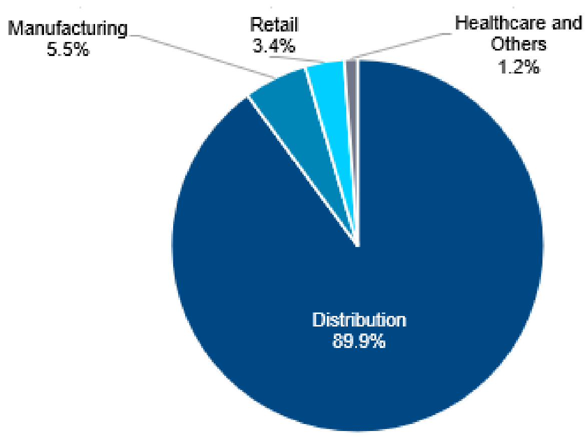


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Leading market position in domestic pharmaceutical distribution industry

Jointown is primarily engaged in pharmaceutical distribution and supply chain business, mainly involving the whole chain pharmaceutical products distribution, agency brand promotion, pharmaceutical manufacturing, new retailing, medical health, digital logistics technology and supply chain solutions. The Company has demonstrated a leading market position and strong market competitiveness in pharmaceutical distribution industry, as well as logistic industry. Jointown ranked 165th in Fortune China 500 list and 55th in China Private Enterprise 500 in 2024. Meanwhile, the Company is the largest private-owned pharmaceutical distribution enterprise operating nationwide, ranking 4th among top 10 pharmaceutical distribution enterprises in China in terms of asset scale.

In recent years, driven by heightened public health awareness and accelerated population ageing, the pharmaceutical distribution market has continued to expand. From 2019 to 2023, total sales of seven major categories of pharmaceutical products nationwide rose from RMB2,358.3 billion to RMB2,930.4 billion, representing a compound annual growth rate of 5.6%. The pharmaceutical distribution sector has transitioned from an early phase of expansion through mergers and acquisitions to a period of stable development. Leading enterprises continue to consolidate premium industry resources, extend supply chain arrangements, and enhance profitability. Concurrently, they are advancing digital transformation through the application of artificial intelligence and big data. In the long term, the pharmaceutical distribution industry retains considerable resilience and potential for growth.

Strong logistics and resources network with diversified distribution channels coverage

As an intermediary distributor within the pharmaceutical industry, Jointown's leading position is underpinned by its diverse channel strengths and outstanding logistics systems. The Company has established an omnichannel distribution network covering over 96% of administrative regions, 31 provincial-level administrative regions and 110 prefecture-level cities in China. As the first 5A-grade logistics enterprise in the pharmaceutical industry and a model base for intelligent pharmaceutical warehousing, the Company has established a vast, nationwide pharmaceutical supply chain service platform. Its core infrastructure comprises 137 warehouses (excluding REITs and Pre-REITs warehousing and logistics centers), with a total constructed area exceeding 4.0 million square meters.

Moreover, Jointown has consistently maintained close and long-term cooperative relationships with upstream and downstream partners across the industry chain, amassing a substantial portfolio of supplier and client resources. In 2024, the procurement from top five suppliers accounted for 9.5% of the Company's total procurement expenditure, and sales revenue from the top five clients represented 2.2% of total sales revenue, indicating a diversified supplier and customer base and manageable concentration risks within the supply chain. Its downstream client base encompasses municipal and county-level public hospitals, chain and independent pharmacies, primary care and private medical institutions, internet platforms, and downstream pharmaceutical distributors. As of 30 June 2025, the Company's omnichannel B2B client base had grown to 628,600 enterprises, spanning diverse end markets and providing specialized distribution services to upstream pharmaceutical manufacturers.

In terms of product portfolio, Jointown is one of the enterprises in the industry with the widest range of pharmaceutical products. As of 30 June 2025, the Company offered around 864,200 pharmaceutical products, encompassing western medicines, proprietary Chinese medicines, Chinese herbal materials, medical devices, biological products, health supplements, and cosmetics, which enables the fulfilment of 'one-stop' procurement requirements for diverse downstream customers. Furthermore, the Company actively participates in local government-led pharmaceutical procurement tenders. As of 30 June 2025, it had secured distribution rights for 3,320 government-led pharmaceutical procurement contracts, including 369 exclusive procurement contracts (comprising 181 provincial-level exclusives). The Company's extensive channel coverage and diverse product portfolio have sustained rapid revenue growth across tiered hospitals, e-commerce platforms, primary care facilities, and private medical institutions. However, amid trends towards hospital centralized procurement and e-commerce platform expansion, revenue from traditional retail pharmacies and supermarket channels has shown a declining trend.

Exhibit 4. Revenue breakdown of pharmaceutical distribution channels from 2022 to 2024

	2022		2023		2024	
	Revenue (RMB bn)	**YoY Growth (%)**	**Revenue (RMB bn)**	**YoY Growth (%)**	**Revenue (RMB bn)**	**YoY Growth (%)**
Public hospitals	35.4	11.8	38.8	9.4	41.4	6.8
Pharmacies	24.4	7.8	26.2	7.5	24.7	-5.6
Healthcare centers	13.2	16.0	15.4	16.4	16.4	6.5
E-commerce platforms	17.1	18.2	17.3	1.3	17.7	2.1
Commercial distribution	43.0	18.5	45.2	5.1	44.9	-0.7
Supermarkets and other channels	4.6	14.5	4.3	-7.5	3.6	-15.1
Retail	2.5	37.9	2.8	11.0	3.0	5.4
Total	**140.3**	**14.7**	**150.0**	**6.9**	**151.7**	**1.1**

Source: Company information, CCXAP research

Benefited from its long operating track record, the Company has a strong logistics and resources network advantage. In addition, to meet the demands of ongoing business development, the Company continues to develop industrial parks and research and development centers, aggregating extensive logistics resources to deliver robust support for supply chain operations. The Company had 11 major supply chain industrial park projects under construction as of end-2024, with a total planned investment amount of RMB3.3 billion and an outstanding investment amount of RMB1.3 billion. We believe these projects will further consolidate and strengthen its leading market position in the comprehensive supply chain management industry.

Supplementary income and profit from pharmaceutical services segment

While focusing on domestic pharmaceutical distribution, the Company has been actively expanding businesses into relevant pharmaceutical services businesses including pharmaceutical retail, general agency and distribution promotion, as well as the pharmaceutical manufacturing. Although some businesses remain limited in scale, the pharmaceutical services segment can diversify the Company's business portfolio and provide supplementary revenue and profit.

The Company conducted its pharmaceutical retail business through a proprietary brand franchise model, experiencing a period of rapid expansion over the past few years. As of 30 June 2025, the Company's directly operated and franchised pharmacies had reached 31,535 outlets, covering 293 prefecture-level cities and 1,621 districts and counties nationwide. In 2024, the Company's franchised pharmacies experienced rapid sales growth, achieving revenue of RMB5.4 billion, representing a year-on-year ("YoY") increase of 54.9%. In the first half of 2025, sales of franchised pharmacies amounted to RMB3.4 billion, representing a YoY increase of 41.3%. However, amid the rapid expansion of online e-commerce platforms and their impact on physical pharmacies, the aggressive expansion of the franchise may carry certain operational risks.

The Company leverages its omnichannel sales resources to undertake exclusive agency brand promotion services from upstream manufacturers. As of 30 June 2025, its pharmaceutical portfolio comprised 755 product specifications under exclusive agency agreements with brands including Oseltamivir Phosphate and Compound (with 32 specifications exceeding RMB100 million in sales). During the same period, in the medical device sector, the Company held exclusive distribution rights for brands including Johnson & Johnson and Abbott Laboratories, totaling 1,310 product specifications (with 20 specifications exceeding RMB100 million in sales). In 2024, sales revenue from exclusive agency brand promotion services (encompassing pharmaceuticals and medical devices) increased to RMB19.3 billion from RMB13.4 billion in 2022, maintaining a robust contribution to the Company's performance. In the first half of 2025, the business generated sales revenue of RMB9.6 billion.

Building upon Jointown's existing advantages in product variety, branding, and distribution channels, the Company is actively expanding its business in the pharmaceutical manufacturing of western medicines, traditional Chinese medicines, and medical devices, alongside Original Equipment Manufacturer ("OEM") operations. Within the Western pharmaceuticals segment, the Company's current product portfolio primarily comprises diabetes management and cardiovascular/cerebrovascular series. Regarding traditional Chinese medicine, the Company maintains 250,000 mu of standardized medicinal herb cultivation bases and has established 13 modernized herbal processing enterprises. For OEM products, the Company currently manages 235 distinct medical device specifications, holding 16 MAH Class-II product registration certificates and 28 Class-I product filing certificates. In 2024, the pharmaceutical manufacturing and OEM businesses generated revenue of RMB3.0 billion, increasing from RMB2.4 billion in 2022. However, the overall scale remains modest and exerts limited influence on the Company's operations. During the first half of 2025, sales revenue of the business reached RMB1.6 billion, reflecting a YoY growth of 10.8%.

Stable revenue generation with earnings vulnerable to medical reform policies and pharmaceutical price volatility

In recent years, China's pharmaceutical distribution market has continued to expand. However, under the influence of policy factors such as medical insurance negotiations, the normalization of centralized procurement, and pharmaceutical price comparison policies, pharmaceutical and medical device prices face downward pressure, leading to narrowed profit margins in pharmaceutical distribution and retail industry. Meanwhile, against the backdrop of tight local government finances and healthcare payment systems, the industry continues to grapple with an extended trend in accounts receivable collection periods and certain short-term debt repayment pressures.

As a leading pharmaceutical distributor in China, the Company's revenue scale is relatively large and stable, increasing from RMB140.4 billion in 2022 to RMB151.8 billion in 2024. In terms of the business segment, pharmaceutical distribution is the main contributor, accounting for 95.8% of total revenue in 2024, followed by manufacturing (2.0%) and retailing (2.0%). In 2025H1, the Company's total revenue amounted to RMB81.1 billion, with YoY increase of 5.1%. Jointown's key profitability metrics persisted at moderate levels. Contributed by investment income from Pre-REITs, the Company's return on total assets increased from 4.5% in 2022 to 5.5% in 2024, while the EBIT margin also increased from 2.9% to 3.5% over the same period. However, both the gross profit margin of the Company's operating businesses and the net profit attributable to shareholders after deducting non-recurring gains and losses declined in 2024. The Company's weakened profitability primarily stems from downward pressure on pharmaceutical and medical device prices, alongside impairment losses arising from receivables and the disposal of non-current assets.

Modest credit metrics, with relatively high debt leverage and short-term debt financing pressures

The Company's debt leverage is at a relatively high level, with increasing debt burden. From end-2022 to mid-2025, the Company's total debt (including preference shares) increased from RMB42.3 billion to RMB46.1 billion. The total capitalization ratio, calculated by total debt to total capital, was relatively high at 58.5% at mid-2025. Due to the business nature of pharmaceutical distribution, the Company has a large reliance on short-term financing. As of 30 June 2025, the Company's short-term debt accounted for more than 90% of its total debt, with a cash to short-term debt ratio at 0.4x, indicating high short-term debt repayment pressure.

The Company's debt-serving metrics are relatively weak given its large debt burden. The Company's three-year average EBITDA coverage ratio (EBITDA/interest expense) was relatively low at around 4.2x, and the three-year average total debt/EBITDA ratio was around 7.9x, indicating relatively weak debt serving ability. Moreover, the Company's FFO/total debt ratio decreased to 8.3% in 2024 from 9.8% in 2022. Considering the future investment in industrial park construction, its debt scale may further increase in the future.

Pressure on inventory turnover and accounts receivable recovery arising from business expansion

The Company's asset liquidity is moderate, facing certain pressure on inventory turnover and accounts receivable collection arising from business expansion. As of 30 June 2025, the Company's inventories (21.1% of total assets) were mainly pharmaceutical products held in reserve for business purposes. On top of that, Jointown's accounts receivables accounted for 34.1% of its total assets as of the same date. Due to business adjustments and the temporary extension of credit facilities to strategic clients, the Company's accounts receivable has increased rapidly since 2024, while the cash conversion cycle has lengthened. The Company's downstream customers are predominantly public hospitals, whose payment cycles are lengthy, thereby occupying certain operational cash flow. Although the overall risk of non-recovery remains manageable, attention should be paid to subsequent accounts receivable collection and inventory turnover. Moreover, some assets of the Company, primarily cash and cash equivalents, are restricted to meet borrowing requirements for the expansion of its pharmaceutical wholesale operations, which could reduce the Company's financial flexibility. As of 30 June 2025, the Company had restricted assets with a total amount of RMB12.1 billion, accounting for 11.2% of its total assets. These restricted assets primarily comprised acceptance and letter of credit deposits, as well as funds held in regulatory accounts.

Good access to capital and fundings

Jointown's modest liquidity profile and weak credit metrics can be partially mitigated by its good access to capital and different funding channels. It has maintained good relationships with major domestic financial institutions, such as large state-owned banks and joint-stock commercial banks. As of 31 March 2025, the Company has ample liquidity support from banks, with a total credit facility of RMB65.0 billion and an unutilized amount of RMB21.5 billion. In addition, the Company had access to onshore bond market. From March 2024 to November 2025, the Company had issued Asset-Backed Notes, raising totally RMB3.0 billion with coupon rate from 2.5% to 3.5%. Meanwhile, as an A share-listed company, Jointown also has access to the equity financing channel.

In addition, Jointown's public REITs project for pharmaceutical warehousing and logistics infrastructure successfully listed on the Shanghai Stock Exchange in February 2025, raising RMB1.2 billion. Meanwhile, to ensure a stable pipeline of new projects for the REITs platform, the Company initiated a Pre-REITs project which has been successfully issued, raising RMB1.6 billion. We believe the successful issuance and listing of the public REITs, alongside the issuance of Pre-REITs, will facilitate the activation of certain pharmaceutical warehousing and logistics assets and supporting facilities. As the Company continues to advance the securitization of its pharmaceutical warehousing and logistics assets, it is expected to further alleviate the funding pressure and lead to a sustained enhancement in the Company's debt structure.

Close connections with local community and economic development

Jointown has maintained close connections with local community and economic development, given its (1) important role in the local economic and social development; (2) track record of contributing to local employment and tax revenue; and (3) status as the largest private-owned pharmaceutical distribution enterprise in China.

Jointown is one of the major listed companies in Hubei Province and the largest privately-owned pharmaceutical distribution enterprise in China, which plays a key role in the local livelihoods and economic development. The Company has fulfilled its social responsibilities, making positive contributions to local employment and tax revenue. As of end-2024, the Company had employed over 30,000 staff members. From 2022 to 2024, its tax contributions amounted to RMB2.6 billion, RMB3.1 billion, and RMB2.9 billion, respectively. Concurrently, the Company actively participates in public welfare initiatives including emergency disaster relief and support for vulnerable groups. In 2024, Jointown allocated RMB18.2 million towards external donations and charitable contributions.

In addition, in recent years, China's supportive policies for the private sector have been progressively strengthened. In February 2025, a symposium for private-owned enterprises was convened in Beijing, with Jointown attending as a representative of Hubei-based and the pharmaceutical industry enterprises. Meanwhile, the *Private Sector Promotion Law of the People's Republic of China* (《中华人民共和国民营经济促进法》) came into force in May 2025, signaling the government's commitment to improve the business environment for private enterprises. The continuous refinement of legal frameworks will assist Jointown in advancing the resolution of accounts receivable arrears.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. Jointown assumes environmental risks for its construction projects and pharmaceutical manufacturing business. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

Jointown is also exposed to social risks. As one of the largest privately-owned pharmaceutical distribution enterprises in China, Jointown entails strong social responsibilities—including product safety, data privacy, and community well-being. The Company also participated in external donations and charitable initiatives. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. Shifting consumer preferences, demographic changes, and public health trends directly affect both demand and public perception.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to its shareholders, reflecting its status as a listed company. Aligning with operational priorities and strategic direction, the Company has refined its blueprint encompassing new products, new retailing, new healthcare initiatives, digital transformation, and real estate securitization. Through the issuance of a publicly offered REIT for pharmaceutical logistics warehousing facilities, Jointown has become the first enterprise in the pharmaceutical sector to establish dual-listed platforms for both equity and assets, further enhancing shareholder value appreciation.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (April 2019).

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