

Credit Opinion

17 April 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g
Outlook	Stable

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Beijing Jointown Pharmaceutical Co., Ltd.

Initial credit rating report

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

Summary

The BBB_g long-term credit rating of Beijing Jointown Pharmaceutical Co., Ltd. (“Beijing Jointown” or the “Company”) reflects the Company’s (1) leading market position in the pharmaceutical distribution industry in Beijing City; and (2) strong regional logistics and resources network with diversified distribution channels coverage.

However, the rating is constrained by the Company’s (1) earnings vulnerable to regional competition and medical reform policies; (2) pressure on inventory turnover and accounts receivable recovery arising from business expansion; and (3) moderate credit metrics with increasing debt burden and short-term debt financing pressures.

The rating also reflects a high likelihood of support from its parent company in times of need, given the Company’s (1) status as the largest and the core subsidiary of Jointown Pharmaceutical Group Co., Ltd. (“Jointown”, Stock Code: 600998.SH); (2) close ties with local community and economic development; and (3) good track record of receiving ongoing parental support.

The stable outlook on Beijing Jointown’s rating reflects our expectation that the Company will further consolidate and strengthen its leading market position in the regional comprehensive pharmaceutical distribution for the next 12 to 18 months.

Rating Drivers

- Leading market position in pharmaceutical distribution industry in Beijing City
- Strong regional logistics and resources network with diversified distribution channels coverage
- Modest profitability metrics, with earnings vulnerable to regional competition and medical reform policies
- Pressure on inventory turnover and accounts receivable recovery arising from business expansion
- Moderating credit metrics, with increasing debt burden and short-term debt financing pressures
- High likelihood of receiving ongoing parental support

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	2025Q3
Total Assets (RMB billion)	6.2	7.9	8.3	9.8
Total Equity (RMB billion)	1.5	2.8	2.8	2.8
Total Revenue (RMB billion)	13.5	13.0	13.4	10.7
Net Profit (RMB million)	175.7	239.9	226.8	182.1
EBIT Margin (%)	2.2	2.9	2.7	-
Return on Assets (%)	4.6	5.4	4.5	-
Total Debt/Total Capital (%)	55.0	39.1	42.7	46.6
Total Debt/EBITDA (x)	6.0	4.2	5.4	-
EBITDA/Interest (x)	6.6	8.1	6.7	-
FFO/Total debt (%)	14.3	19.0	(3.1)	-

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

Source: Company data, CCXAP research

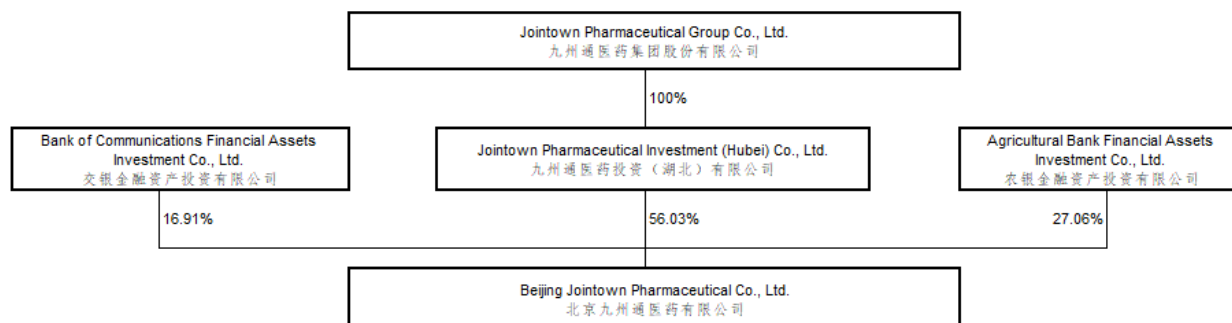
Corporate Profile

Founded in 2000, Beijing Jointown is the first subsidiary established by Jointown outside Hubei Province, and is also one of Jointown's primary pharmaceutical sales entities and regional companies in the North China. Its main business includes hospital sales, pharmaceutical distribution and retailing sales. As of 31 December 2025, the Company's registered capital and paid-in capital were both RMB1.3 billion. The indirect controlling shareholder, Jointown, held 56.03% stake in the Company through its wholly-owned subsidiary, Jointown Pharmaceutical Investment (Hubei) Co., Ltd. Mr. Liu Baolin, the founder of Jointown, was the ultimate controller

of the Company. As of 30 September 2025, Beijing Jointown reported total assets of RMB9.8 billion and net assets of RMB2.8 billion.

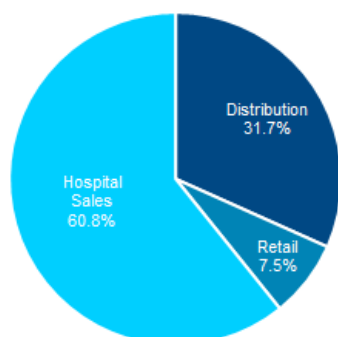
The Company's controlling shareholder, Jointown, is a comprehensive service provider for the whole chain pharmaceutical industry and the largest private-owned pharmaceutical distribution enterprise in terms of total assets in China. In November 2010, Jointown was successfully listed on the Shanghai Stock Exchange.

Exhibit 1. Shareholding chart as of 31 December 2025



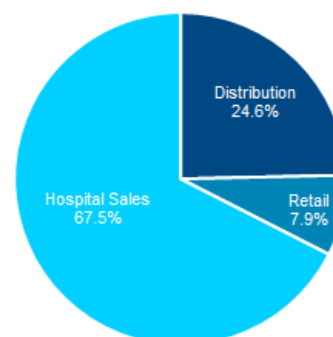
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Business Profile

Leading market position in pharmaceutical distribution industry in Beijing City

Beijing Jointown is primarily engaged in pharmaceutical distribution and supply chain business, mainly involving the pharmaceutical products distribution, retailing, and hospital sales. As a key entity responsible for Beijing City's pharmaceutical reserves and emergency supply, the Company has demonstrated a leading market position and strong market competitiveness in pharmaceutical distribution industry within the business area. It is the largest pharmaceutical distribution subsidiary and one of the major regional subsidiaries of Jointown. Jointown 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 regional logistics and resources network with diversified distribution channels coverage

As an intermediary distributor within the pharmaceutical industry, Beijing Jointown's leading position is underpinned by its diverse channel strengths and outstanding logistics systems. The Company has established an omnichannel distribution network covering medical institutions at all levels in Beijing City (including large hospitals, community health centers, etc.), retail pharmacies (both chain and independent), and primary healthcare facilities.

In terms of hospital sales, the Company has possessed abundant resources in downstream pharmaceutical distribution channels, essentially realizing full coverage of public hospitals in Beijing City. As of 30 September 2025, the Company had a total of 186 public hospital clients in Beijing City. However, with the implementation of centralized procurement policies and amid pressure on local government debts and medical insurance payments, some public hospitals have extended payment terms with an average payment cycle of approximately six months. Lengthy payment cycles may occupy certain operational cash flow. Primary healthcare institutions primarily include community health service centers, township health centers, private-owned hospitals, and certain medical aesthetics clients. Currently, the Company's account opening rate with Beijing City's community health service centers has reached 99%, resulting in extremely high coverage of primary healthcare institutions in the region.

The Company leverages the Jointown's supplier network for centralized purchasing while meeting localized and specific needs through regional procurement. As Jointown's core hub in North China, the Company boasts strong channel coverage and secures competitive procurement prices with relatively strong bargaining power with upstream suppliers. In 2024, the procurement from Jointown's top five suppliers accounted for around 12% of the Company's total procurement expenditure, indicating a diversified supplier base and manageable concentration risks within the supply chain.

Additionally, Beijing Jointown has established a distribution network covering the entire city, ensuring robust logistics support and order fulfillment capabilities within the region. As of 30 September 2025, the Company operates two self-built logistics centers in Beijing City, with a total warehouse area of 97,000 square meters. These two logistics centers provide the Company with comprehensive automated conveying and sorting capabilities, as well as an integrated logistics management system, enabling it to serve the Beijing-Tianjin-Hebei region. In terms of transportation capacity, Beijing Jointown currently operates a fleet of over 270 vehicles, comprising both self-owned and third-party vehicles, ensuring strong channel support and reliable delivery timelines.

Supplementary income and profit from pharmaceutical services segment

While focusing on regional hospital pharmaceutical distribution, the Company has been actively expanding businesses into relevant pharmaceutical services businesses including pharmaceutical distribution and retailing. 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 leverages its omnichannel resources to undertake exclusive agency brand promotion and distribution services from upstream retail chains and commercial clients. Currently, the Company's distribution business covers the entire Beijing market, serving 230 clients with a total of 2,194 stores. In 2024, sales revenue from the distribution business reached RMB4.2 billion, representing a year-on-year ("YoY") increase of 0.7%.

Beijing Jointown's retailing business primarily involves providing one-stop procurement, professional field sales, and supply chain finance to clients such as clinics, small and medium-sized chain stores, and pharmacies. Its key product categories include medications for colds, gastrointestinal issues, skin care, and joint pain. Leveraging Jointown's B2B online pharmaceutical trading platform for retailing customers, the Company provides one-stop marketing and value-added services to upstream and downstream clients. In 2024, the revenue generated by retailing business is modest at RMB1.0 billion, and its contribution to the Company's performance is limited.

Financial Profile

Modest profitability metrics with earnings vulnerable to regional competition and medical reform policies

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.

Beijing Jointown's total revenue has fluctuated slightly over the past three years. Due to intensifying market competition, coupled with industry policy and demand adjustments, the Company's total revenue declined from RMB13.5 billion in 2022 to RMB13.0 billion in 2023. In 2024, its total revenue rebounded to RMB13.4 billion, driven by growth in new businesses such as supply processing and distribution projects, medical aesthetics, and innovative medicines. In terms of the business segment, hospital sale is the main contributor, accounting for 60.8% of total revenue in 2024, followed by distribution (31.7%) and retailing (7.5%). In the first nine months of 2025, the Company's total revenue amounted to RMB10.7 billion.

As a leading pharmaceutical distributor in Beijing City, the Company's profitability metrics have generally remained at a stable level. Contributed by ongoing optimization of the product mix and collaboration with Jointown to reduce procurement costs, the Company's return on total assets has remained at a relatively good level of around 4.5% in 2024, while the EBIT margin also increased from 2.2% to 2.7% from 2022 to 2024. 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 slightly in 2024. The Company's volatile earnings primarily stem from downward pressure on pharmaceutical and medical device prices, alongside intense regional competition. Beijing Jointown is enhancing its regional competitiveness by consolidating distribution channels, improving cost control, and expanding into new business areas such as innovative pharmaceuticals.

Moderating credit metrics, with increasing debt burden and short-term debt financing pressures

The Company's debt leverage stays at moderate level, with increasing debt burden. From end-2022 to end-2025Q3, the Company's total debt increased from RMB1.9 billion to RMB2.5 billion. The total capitalization ratio,

calculated by total debt to total capital, was relatively high at 55.0% at end-2022. Since 2023, the Company has increased its paid-in capital and capital reserve by bringing in new shareholders, resulting in a decline in the capitalization ratio to a moderate level of 46.6% at 2025Q3. Due to the business nature of pharmaceutical distribution, the Company relies heavily on short-term financing. As of 30 September 2025, the Company's short-term debt accounted for more than 95.0% of its total debt, with a cash to short-term debt ratio at 0.2x, indicating high short-term debt repayment pressure.

The Company's debt-serving metrics are modest given its increasing short-term debt burden. The Company's three-year average EBITDA coverage ratio (EBITDA/interest expense) was moderate at around 7.1x, and the three-year average total debt/EBITDA ratio was around 5.2x, indicating relatively weak debt serving ability. Moreover, due to extended payment terms from downstream counterparties, the net cash inflows from operating activities have shown a downward trend over the past three years. Consequently, the Company's FFO/total debt ratio decreased to a negative range in 2024 from 14.3% in 2022. Considering the future investment in fixed assets such as equipment upgrades, 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 September 2025, the Company's inventories (14.0% of total assets) were mainly pharmaceutical products held in reserve for business purposes. On top of that, Beijing Jointown's accounts receivables accounted for 28.5% of its total assets as of the same date. Due to business expansion, 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. Beijing Jointown has established a long-term internal credit mechanism to ensure that monthly payments are collected on time. The Company's other receivables consist primarily of internal transactions with its controlling shareholder, accounting for 43.1% of total assets. Moreover, some assets of the Company, primarily real estates, are pledged to meet borrowing requirements for the expansion of its parent company's pharmaceutical wholesale operations, which could reduce the Company's financial flexibility.

High reliance on bank borrowing

Beijing Jointown's modest liquidity profile and weak credit metrics can be partially mitigated by its access to bank funding. Bank loans are the Company's primary financing channel. It has maintained good relationships with major domestic financial institutions, such as large state-owned banks and joint-stock commercial banks. As of 30 September 2025, the Company has ample liquidity support from banks, with a total credit facility of RMB2.9 billion and an unutilized amount of RMB1.1 billion. In addition, in accordance with Jointown's arrangements and the operational needs, Beijing Jointown is able to obtain borrowing support from its controlling shareholder.

External Support

High likelihood of receiving ongoing parental support

We expect a high likelihood of parental support from Jointown in times of need. Our expectation incorporates the considerations of the Company's (1) status as one of the largest and the core subsidiaries of Jointown; (2) close ties with local community and economic development; and (3) good track record of receiving ongoing parental support.

Jointown is one of the major listed companies in Hubei Province and the largest private-owned pharmaceutical distribution enterprise in China, which plays a key role in local livelihoods and economic development. Jointown, as well as Beijing Jointown, has fulfilled their social responsibilities, making positive contributions to local employment and tax revenue. As the largest pharmaceutical wholesaler and one of the key regional subsidiaries of Jointown, the Company has received continuous support from Jointown in terms of business development, distribution channels, institutional policies, capital, and client resources.

As the Company's indirect controlling shareholder, Jointown maintains a high degree of control over the operations of Beijing Jointown, including the formulation of business strategies and the appointment of the key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to Jointown. As of 30 September 2025, its consolidated assets and revenue amounted to RMB9.8 billion and RMB10.7 billion, accounting for 8.7% and 8.8% of Jointown's total assets and total revenue, respectively. In addition, the Company also obtained funding support from the controlling shareholder in terms of bank loans, as Jointown provided guarantees on the vast majority of the Company's total debt. In addition, Jointown is responsible for project construction to support the business development needs of its subsidiaries. Given its important business position, we anticipate a relatively high likelihood of support from the controlling shareholder when necessary.

Apart from that, 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 and its subsidiaries 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. Beijing Jointown assumes environmental risks for its construction projects and pharmaceutical distribution business. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

Beijing Jointown is also exposed to social risks. As one of the largest privately-owned pharmaceutical distribution enterprises in Beijing City, Beijing Jointown entails social responsibilities—including product safety, data privacy, and community well-being. 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 one of the largest and the core subsidiaries of Jointown. Aligning with Jointown's 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.

Rating Methodology

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

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