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康臣藥業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1681)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 amounted to RMB993,528,000, representing an increase of approximately 12.1% as compared with the six months ended 30 June 2021.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2022 amounted to RMB296,729,000, representing an increase of approximately 18.4% as compared with the six months ended 30 June 2021.
- Basic and diluted earnings per share for the six months ended 30 June 2022 amounted to approximately RMB0.3743 and RMB0.3733 respectively, representing an increase of approximately 19.5% and 19.8% respectively as compared with the six months ended 30 June 2021.
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022, and will consider the distribution of a final dividend based on the dividend level in previous years at the Board meeting to be held for reviewing the results for the year ending 31 December 2022.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Consun Pharmaceutical Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Interim Results**”). The audit committee of the Company (the “**Audit Committee**”) and the Group’s external auditor have reviewed the Interim Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

		For the six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Revenue	3 & 4	993,528	886,526
Cost of sales		<u>(255,437)</u>	<u>(225,286)</u>
Gross profit		738,091	661,240
Other income	5	25,451	29,758
Distribution costs		(327,422)	(276,814)
Administrative expenses		(135,299)	(102,598)
Reversals of impairment loss on trade and other receivables		<u>12,790</u>	<u>1,346</u>
Profit from operation		313,611	312,932
Finance costs	6(a)	<u>(4,094)</u>	<u>(5,241)</u>
Profit before taxation	6	309,517	307,691
Income tax	7	<u>(13,877)</u>	<u>(62,785)</u>
Profit for the period		<u>295,640</u>	<u>244,906</u>
Attributable to:			
– Equity shareholders of the Company		296,729	250,644
– Non-controlling interests		<u>(1,089)</u>	<u>(5,738)</u>
Profit for the period		<u>295,640</u>	<u>244,906</u>
Earnings per share (RMB yuan)			
– Basic	8	<u>0.3743</u>	<u>0.3132</u>
– Diluted	8	<u>0.3733</u>	<u>0.3117</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2022	2021
	<i>RMB' 000</i>	<i>RMB' 000</i>
Profit for the period	295,640	244,906
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	<u>(57)</u>	<u>(158)</u>
Total comprehensive income for the period	<u>295,583</u>	<u>244,748</u>
Attributable to:		
– Equity shareholders of the Company	296,672	250,486
– Non-controlling interests	<u>(1,089)</u>	<u>(5,738)</u>
Total comprehensive income for the period	<u>295,583</u>	<u>244,748</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 <i>RMB' 000</i>	At 31 December 2021 <i>RMB' 000</i>
Non-current assets			
Property, plant and equipment	9	739,159	724,633
Investment properties	9	15,373	15,620
Right-of-use assets	9	130,921	133,815
Intangible assets	9	326,784	341,664
Financial asset measured at fair value through profit or loss (FVPL)		6,500	–
Other prepayment		33,339	44,318
Deferred tax assets		40,748	46,859
Total non-current assets		1,292,824	1,306,909
Current assets			
Inventories	10	257,741	243,035
Trade and other receivables	11	320,596	369,567
Prepayments		24,156	14,584
Deposits with banks with original maturity date over three months		510,000	230,000
Restricted cash		–	2,320
Cash and cash equivalents	12	1,940,625	2,196,323
Total current assets		3,053,118	3,055,829
Current liabilities			
Trade and other payables	13	718,796	750,214
Loans and borrowings	14	466,424	599,302
Lease liabilities		3,401	3,124
Deferred income		2,231	2,231
Current taxation		6,086	2,536
Total current liabilities		1,196,938	1,357,407
Net current assets		1,856,180	1,698,422
Total assets less current liabilities		3,149,004	3,005,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022 – unaudited (continued)
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 <i>RMB' 000</i>	At 31 December 2021 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		8,547	8,547
Deferred income		20,085	16,700
Deferred tax liabilities		69,712	69,303
		<hr/>	<hr/>
Total non-current liabilities		98,344	94,550
		<hr/>	<hr/>
NET ASSETS		3,050,660	2,910,781
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>16(c)</i>	63,450	64,800
Reserves		2,695,223	2,552,905
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		2,758,673	2,617,705
Non-controlling interests		291,987	293,076
		<hr/>	<hr/>
TOTAL EQUITY		3,050,660	2,910,781
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NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended 30 June 2022.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of the changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Consun Pharmaceutical Segment: this segment manufactures and sells modern Chinese medicines and medical contrast medium.
- Yulin Pharmaceutical Segment: this segment manufactures and sells traditional Chinese medicines.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	701,135	614,944
Contrast medium	70,418	62,422
Orthopedics medicines	56,636	18,699
Dermatologic medicines	54,385	46,342
Hepatobiliary medicines	10,679	40,293
Gynaecology and paediatric medicines	85,977	84,867
Others	14,298	18,959
	<u>993,528</u>	<u>886,526</u>

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2021: 99%) of the revenue are generated from the PRC market.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

(b) Information about profit or loss, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include trade creditors, accruals, bills payable, deferred income and lease liabilities attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments with the exception of current taxation and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is gross profit. The Group's senior executive management is provided with segment information concerning segment revenue and gross profit.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended 30 June	Consun Pharmaceutical Segment		Yulin Pharmaceutical Segment		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Disaggregated by timing of revenue recognition						
Point in time	<u>862,136</u>	<u>768,176</u>	<u>131,392</u>	<u>118,350</u>	<u>993,528</u>	<u>886,526</u>
Reportable segment revenue						
Revenue from external customers	<u>862,136</u>	<u>768,176</u>	<u>131,392</u>	<u>118,350</u>	<u>993,528</u>	<u>886,526</u>
Reportable segment profit						
Gross profit	<u>677,714</u>	<u>611,584</u>	<u>60,377</u>	<u>49,656</u>	<u>738,091</u>	<u>661,240</u>
As at 30 June/31 December						
Reportable segment assets	<u>2,860,236</u>	<u>2,848,311</u>	<u>1,486,828</u>	<u>1,504,335</u>	<u>4,347,064</u>	<u>4,352,646</u>
Reportable segment liabilities	<u>854,264</u>	<u>1,000,841</u>	<u>407,090</u>	<u>416,044</u>	<u>1,261,354</u>	<u>1,416,885</u>

(c) **Reconciliations of reportable segment profit**

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	738,091	661,240
Other income	25,451	29,758
Distribution costs	(327,422)	(276,814)
Administrative expenses	(135,299)	(102,598)
Reversals of impairment loss on trade and other receivables	12,790	1,346
Finance costs	(4,094)	(5,241)
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Consolidated profit before taxation	309,517	307,691
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4 SEASONALITY OF OPERATIONS

The Group generally experiences on average over 50% higher revenue in the fourth quarter as compared with other quarters in the year, because more sales of pharmaceutical products are made to distributors in the fourth quarter of the year prior to the new year holiday. The Group satisfies this higher demand by increasing its production so as to build up inventories during the second half of the year.

For the twelve months ended 30 June 2022, the Group reported revenue of RMB2,151,662,000 (twelve months ended 30 June 2021: RMB1,873,500,000), and gross profit of RMB1,604,187,000 (twelve months ended 30 June 2021: RMB1,411,321,000).

5 OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants		
– Unconditional subsidies	8,461	1,735
– Conditional subsidies	1,115	1,123
Net rental income from investment properties	385	241
Interest income	23,576	20,652
Loss on disposal of property, plant and equipment	(1,028)	(109)
Net exchange (losses)/gains	(6,405)	5,495
Others	(653)	621
	<hr/>	<hr/>
	25,451	29,758
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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest on bank loans	3,804	3,167
Interest expenses on discounted bills	13	2,074
Interest on lease liabilities	277	–
	<u>4,094</u>	<u>5,241</u>

(b) Staff costs:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Salaries, wages, bonuses and benefits	186,173	158,774
Contribution to defined contribution retirement schemes	7,774	6,610
Equity settled share-based payments: Share Option Scheme	(1,784)	15,984
	<u>192,163</u>	<u>181,368</u>

(c) Other items:

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation and amortisation charge		
– investment properties	247	255
– property, plant and equipment	21,372	19,404
– right-of-use assets	2,894	1,567
– intangible assets	14,880	14,880
Reversals of impairment loss on trade and other receivables	(12,790)	(1,346)
Leases charges	1,765	2,342
Research and development costs (i)	49,084	34,377
Inventory write-down	7,444	14,484
	<u>7,444</u>	<u>14,484</u>

- (i) During the six months ended 30 June 2022, research and development costs included RMB11,027,000 (six months ended 30 June 2021: RMB15,623,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the note 6(b) for each of these types of expenses.

7 INCOME TAX

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax	7,357	35,967
PRC dividend withholding tax	–	22,522
Deferred tax		
Origination and reversal of temporary differences	6,520	26,818
Effect on distribution of dividends	–	(22,522)
	13,877	62,785
	13,877	62,785

- (i) Consun Pharmaceutical (Inner Mongolia) Co., Ltd. and Guangzhou Consun Pharmaceutical Company Limited (“**Guangzhou Consun**”) were qualified as an “High and New Technology Enterprises”. They were entitled to the preferential income tax rate of 15% from 2021 to 2023 and 2020 to 2022, respectively.

Guangxi Yulin Pharmaceutical Group Co., Ltd. and Guangxi Yulin Pharmaceutical Capsule Co., Limited were qualified as encouraged industry that operates in western China. They were entitled to the preferential income tax rate of 15% from 2011 to 2030.

In addition, according to the Notice on Preferential Enterprise Income Tax Policies in Relation to Kashgar and Horgos as Two Special Economic Development Zones in Xinjiang promulgated by the Ministry of Finance and the State Taxation Administration of the PRC on 18 May 2021, Consun Pharmaceutical (Horgos) Co., Ltd. was exempted from the income tax entirely for five years beginning from 2021, the first year in which operational income is generated.

- (ii) According to the relevant tax law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The Company and its Hong Kong subsidiaries obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and have satisfied the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income” and therefore have adopted the withholding tax rate at 5% for PRC withholding tax purposes for the calendar year 2020 and the two succeeding calendar years.

The directors of the Group have determined that in determining the amounts of dividends to be distributed from PRC subsidiaries to the Hong Kong incorporated subsidiary in future, the amounts of dividends declared or to be declared by the Company, and the repayment schedule of loans and borrowings of the Company would be considered. As at 30 June 2022, deferred tax liabilities of RMB9,175,000 (31 December 2021: RMB6,257,000) have been provided based on the expected dividends to be distributed from Guangzhou Consun to the Company in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB296,729,000 (six months ended 30 June 2021: RMB250,644,000) and the weighted average number of 792,824,000 ordinary shares (six months ended 30 June 2021: 800,201,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2022 '000 shares	2021 '000 shares
Issued ordinary shares at 1 January	824,218	819,625
Effect of share options exercised	435	274
Effect of treasury shares held under the Share Award Scheme	(18,482)	(19,698)
Effect of shares repurchased and cancelled	(13,347)	–
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<u>792,824</u>	<u>800,201</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB296,729,000 (six months ended 30 June 2021: RMB250,644,000) and the weighted average number of ordinary shares of 794,777,000 (six months ended 30 June 2021: 804,121,000 shares).

	For the six months ended 30 June	
	2022 '000 shares	2021 '000 shares
Weighted average number of ordinary shares at 30 June	792,824	800,201
Diluted effect of deemed issue of shares under the Share Option Scheme	<u>1,953</u>	<u>3,920</u>
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	<u>794,777</u>	<u>804,121</u>

9 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

(a) Right-of-use assets

There is no addition of right-of-use assets during the six months ended 30 June 2022.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of property, plant and machinery with a cost of RMB37,459,000 (six months ended 30 June 2021: RMB20,554,000). Items of plant and machinery with a net book value of RMB1,561,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB397,000), resulting in a loss on disposal of RMB1,028,000 (six months ended 30 June 2021: RMB109,000).

(c) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB250,744,000 (31 December 2021: RMB250,744,000) and patents with a carrying amount of RMB76,040,000 (31 December 2021: RMB90,920,000).

Four patents with an aggregate net book value of RMB2,144,000 (31 December 2021: RMB2,500,000) were pledged as securities for bank loans of the Group as at 30 June 2022.

No impairment loss was recognized during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

(d) Valuation of investment properties

Investment properties of the Group are situated in the PRC, and their addresses are: part of the land and buildings on No. 1, Chengzhan Road, Yulin City, Guangxi Province, currently being leased to a third party for hotel operations; and land and buildings on No. 162, Miaoyuan Lane, Yuzhou District, Yulin City, Guangxi Province, currently being leased to a third party for storage purposes.

Investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The carrying amounts of the investment properties were not materially different from their fair value as at 30 June 2022 and 31 December 2021.

10 INVENTORIES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Raw materials	161,890	148,255
Work in progress	50,566	43,609
Finished goods	45,285	51,171
	<u>257,741</u>	<u>243,035</u>

11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date or bills issuance date and net of allowance for doubtful debts, is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 3 months	221,102	281,114
3 to 12 months	62,298	36,950
Over 12 months	12,412	33,162
Trade debtors and bills receivable, net of loss allowance (i) (ii)	295,812	351,226
Other receivables	24,784	18,341
	<u>320,596</u>	<u>369,567</u>

- (i) Trade debtors net of allowance for doubtful debts. Trade debtors are generally due within 30 to 90 days from the date of billing.
- (ii) All the bills receivable are due within one year, and the aging are counted starting from the date of issuance.

12 CASH AND CASH EQUIVALENTS

As of the end of the reporting period, cash and cash equivalents situated in Mainland China amounted to RMB1,565,423,000 (31 December 2021: RMB1,378,567,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

13 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the aging analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	54,335	47,535
1 to 12 months	7,430	15,904
Over 12 months	1,056	3,199
	<hr/>	<hr/>
Total trade payable	62,821	66,638
Contract liabilities	17,356	18,979
Refund liabilities	56,827	76,332
Accrued expenses	342,591	307,785
Employee benefits payables	121,399	157,743
Other payables	86,128	91,063
Project development deposits	31,674	31,674
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	718,796	750,214
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14 LOANS AND BORROWINGS

(a) The analysis of the repayment schedule of bank loans is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	466,424	599,302
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(b) Assets pledged as security and covenants for bank loans

The bank loans and overdrafts were secured as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Bank loans		
– secured	30,000	30,000
– unsecured	436,424	569,302
	<u>466,424</u>	<u>599,302</u>

At 30 June 2022, the bank loan of RMB30,000,000 was secured by four patents with a carrying value of RMB2,144,000 as at 30 June 2022 (31 December 2021: RMB2,500,000).

At 30 June 2022, total banking facilities of the Group amounted to RMB640,360,000 (31 December 2021: RMB1,008,480,000), which were utilised to the extent of RMB466,424,000 (31 December 2021: RMB599,302,000).

As at 30 June 2022, certain banking facilities of the Group amounted to RMB534,840,000 (31 December 2021: RMB579,680,000) are subject to the fulfilment of covenants relating to certain of the Group's or the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group had breached the covenants the drawn down loans would have become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2022, none of the covenants relating to drawn down loans had been breached (31 December 2021: nil).

15 EQUITY SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2022, 866,000 share options were exercised (six months ended 30 June 2021: 2,755,000 share).

16 CAPITAL, RESERVE AND DIVIDENDS

(a) Purchase of own shares

During the six months ended 30 June 2022, the Company repurchased 7,996,000 shares (the "Buy-back Shares") of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share <i>HKD</i>	Lowest price paid per share <i>HKD</i>	Aggregate price paid <i>HKD'000</i>
January 2022	590,000	4.59	4.38	2,649
April 2022	4,578,000	4.64	3.82	19,835
May 2022	2,828,000	4.70	4.18	12,460
				<u>34,944</u>

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD34,944,000 (equivalent to approximately RMB29,066,000) was paid out of distributable reserve of the Company.

During the six months ended 30 June 2022, 18,111,000 Buy-back Shares were cancelled (six months ended 30 June 2021: Nil).

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interim dividend declared and paid after the interim period (six months ended 30 June 2021: HKD0.1 per share)	—	66,874

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2022 of HKD0.2 per share (six months ended 30 June 2021: HKD0.2 per share)	128,691	133,950
Less: Dividends for Buy-back Shares	(1,199)	—
	<u>127,492</u>	<u>133,950</u>

(c) Share capital

(i) Issued share capital

	Six months ended 30 June 2022		
	Number of shares '000	Nominal value of fully paid shares HKD'000	Nominal value of fully paid shares RMB'000
As at 1 January 2022	824,218	82,422	64,800
Cancellation of shares during the period (note 16(a))	(18,111)	(1,811)	(1,424)
Shares issued under the Share Option Schemes (note 16(c)(ii))	866	87	74
As at 30 June 2022	<u>806,973</u>	<u>80,698</u>	<u>63,450</u>

The ordinary shares of the Company have a par value of HKD0.10 per share.

(ii) Shares issued due to exercise of Share Option Scheme

During the six months period ended 30 June 2022, share options were exercised to subscribe for a total of 866,000 (six months ended 30 June 2021: 2,755,000) ordinary shares in the Company at a consideration of HKD3,171,000 (equivalent to approximately RMB2,638,000), of which RMB74,000 and RMB2,564,000 were credited to share capital and the share premium account respectively. RMB639,000 was transferred from the capital reserve to the share premium account in accordance with the Company's accounting policy.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial asset measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted investment fund. The team reports directly to the chief financial officer.

	Fair value at	Fair value measurements as at		
	30 June 2022	30 June 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial asset:				
Unlisted investment fund	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>-</u>

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021:Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted investment fund included in Level 2 is determined based on recent market transaction.

18 COMMITMENTS

Commitments outstanding at 30 June 2022 not provided for in the interim financial report:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Contracted for acquisition of property, machinery and equipment	139,444	146,010
Authorised but not contracted for acquisition of property, machinery and equipment	<u>304,475</u>	<u>336,485</u>
Total	<u><u>443,919</u></u>	<u><u>482,495</u></u>

19 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries and other benefits	20,537	16,672
Contribution to defined contribution retirement schemes	77	45
Equity settled share-based payment expenses	<u>766</u>	<u>3,543</u>
	<u><u>21,380</u></u>	<u><u>20,260</u></u>

Total remuneration is included in “staff costs” (see note 6(b)).

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the unaudited interim financial report of the Group. The interim financial report of the Group has been prepared in accordance with HKAS 34, *Interim Financial Reporting*.

BUSINESS AND FINANCIAL REVIEW

Sales Revenue

For the six months ended 30 June 2022, the Group's revenue was RMB993,528,000, representing an increase of approximately 12.1% as compared with RMB886,526,000 for the same period last year.

Categorized by product lines, sales of kidney medicines recorded an increase of 14.0% as compared with the same period last year, among which, Uremic Clearance Granules remained as the Group's key product and maintained its leading position in the market; sales of medical contrast medium recorded an increase of 12.8% as compared with the same period last year, and still maintained a leading position in the domestic medical contrast medium market for magnetic resonance imaging; sales of orthopedics medicines recorded an increase of approximately 202.9% as compared with the same period last year; sales of dermatologic medicines recorded an increase of approximately 17.4% as compared with the same period last year; sales of hepatobiliary medicines recorded a decrease of 73.5% as compared with the same period last year; sales of gynaecology and paediatric medicines recorded an increase of 1.3% as compared with the same period last year; and sales of other medicines recorded a decrease of 24.6% as compared with the same period last year. The increase in overall sales revenue was mainly due to the Group's constant commitment to expanding the product markets and developing the sales network across China.

Gross Profit and Gross Profit Margin

For the first half of 2022, the Group's gross profit was RMB738,091,000, representing an increase of 11.6% as compared with RMB661,240,000 for the same period of 2021. The increase in gross profit was mainly attributable to the increase in sales. For the first half of 2022, the Group's average gross profit margin was 74.3%, representing a mild decrease of 0.3% or remaining stable as compared with 74.6% for the same period of 2021.

Other Income

For the first half of 2022, the Group's other income was a net income of RMB25,451,000 which mainly included government grants, interest income and net exchange loss. Compared with the net income of RMB29,758,000 for the same period of 2021, the decrease was mainly due to the fact that there were net exchange gains from the appreciation of RMB in the same period of 2021 while there were net exchange losses from the depreciation of RMB in relation to the HKD loans during the period.

Distribution Costs

For the first half of 2022, the Group's distribution costs were RMB327,422,000, representing an increase of approximately 18.3% as compared with RMB276,814,000 for the same period of 2021. The increase in distribution costs was mainly due to the increase in marketing and academic promotion campaigns of the Group to expand the marketing and distribution networks during the period.

Administrative Expenses

For the first half of 2022, the Group's administrative expenses were RMB135,299,000, representing an increase of approximately 31.9% as compared with RMB102,598,000 for the same period of 2021, which was mainly due to the increase in the research and development expenses and staff costs during the period.

Impairment loss on trade and other receivables

For the first half of 2022, the Group's reversals of impairment loss on trade and other receivables were RMB12,790,000 as compared RMB1,346,000 for the same period of 2021, the change was mainly due to enhanced management on trade debtors and the decrease in the gross carrying amount of trade receivables past due during the period.

Finance Costs

During the first half of 2022, the Group's finance costs were RMB4,094,000, representing a decrease of approximately 21.9% as compared with RMB5,241,000 for the same period of 2021, which was mainly due to the decrease in discounted bills during the period.

Income Tax

For the first half of 2022, the Group's income tax expenses were RMB13,877,000, representing a decrease of 77.9% as compared with RMB62,785,000 for the same period of 2021. The effective tax rate (income tax expenses divided by profit before taxation) decreased by 15.9% from 20.4% for the first half of 2021 to 4.5% for the first half of 2022. The decrease was mainly due to the preferential income tax relief and exemption policies enjoyed by Consun Pharmaceutical (Horgos) Co., Ltd.* during the period.

Profit for the Period and Earnings Per Share

For the first half of 2022, profit attributable to equity shareholders of the Company was RMB296,729,000, representing an increase of approximately 18.4 % as compared with RMB250,644,000 for the same period of 2021. Basic and diluted earnings per share for the first half of 2022 amounted to RMB0.3743 and RMB0.3733 respectively, representing an increase of 19.5% and 19.8% as compared with RMB0.3132 and RMB0.3117 of the same period of 2021 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Inventories

As at 30 June 2022, the balance of inventories was RMB257,741,000, representing an increase of 6.1% as compared with the balance of RMB243,035,000 as at 31 December 2021. The Group's inventory turnover days in the first half of 2022 were 176.4 days, representing an increase of 10.5 days from 165.9 days in the year of 2021, which was mainly due to the increase in inventory reserve in storage to respond with the expected increase in the market demand during the period.

Trade Debtors and Bills Receivable

As at 30 June 2022, the balance of trade debtors and bills receivable was RMB295,812,000, representing a decrease of approximately 15.8%, as compared with the balance of RMB351,226,000 as at 31 December 2021. The trade receivable turnover days in the first half of 2022 were 58.6 days, representing a decrease of 12.8 days from 71.4 days in the year of 2021, which was mainly due to the enhanced management on trade debtors during the period.

Trade Payables

As at 30 June 2022, the balance of trade payables was RMB62,821,000, representing a decrease of 5.7% as compared with the balance of RMB66,638,000 as at 31 December 2021. The trade payable turnover days in the first half of 2022 were 45.6 days, representing an increase of 4.1 days from 41.5 days in the year of 2021, which remained stable.

Cash Flow from Operating Activities

The net cash generated from operating activities of the Group in the first half of 2022 was RMB332,749,000, representing an increase of approximately 71.8% as compared with RMB193,722,000 for the same period of 2021, which was mainly attributable to the decrease in the payment of tax expenses.

Cash and Bank Balances and Borrowings

As at 30 June 2022, cash and bank balances of the Group were RMB1,940,625,000, representing a decrease of approximately 11.6% as compared with the balance of RMB2,196,323,000 as at 31 December 2021. As at 30 June 2022, the Group's bank borrowings amounted to RMB466,424,000, representing a decrease of approximately 22.2% as compared with the balance of RMB599,302,000 as at 31 December 2021.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Cash and cash equivalents of the Group are mainly denominated in RMB and HKD.

Gearing Ratio

The gearing ratio of the Group, representing the total interest-bearing borrowings divided by total equity attributable to equity shareholders of the Company, as at 30 June 2022 was 16.9% (31 December 2021: 22.9%). The gearing ratio decreased by 6.0%, which was mainly due to the decrease in bank borrowings during the period.

Exchange Risks

The Group's transactions are mainly denominated in RMB and HKD. The majority of assets and liabilities are denominated in RMB and HKD, and there are no significant assets and liabilities denominated in other currencies. During the period, the Company recorded net exchange losses in respect of HKD loans as a result of depreciation of RMB against HKD, and the Group will continue to face similar exchange rate risk in the future due to the fluctuation of exchange rates. During the six months ended 30 June 2022, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital Structure

During the six months ended 30 June 2022, the Company issued a total of 866,608 ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme adopted on 2 December 2013 (same period of 2021: issued a total of 2,755,518 ordinary shares pursuant to employees' exercise of share options).

During the six months ended 30 June 2022, the Company repurchased 7,996,000 shares of its own ordinary shares through The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at a total consideration of approximately HKD34,944,000 (approximately RMB29,066,000). All of these 7,996,000 repurchased shares were cancelled during the six months ended 30 June 2022.

Save as the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Capital Commitments

As at 30 June 2022, the Group had capital commitments of RMB443,919,000 (31 December 2021: RMB482,495,000).

Capital Expenditure

During the first half of 2022, the Group had capital expenditure of RMB37,459,000 (same period of 2021: RMB20,554,000).

Information on Employees

As at 30 June 2022, the Group employed a total of 3,009 employees (31 December 2021: 2,768 employees). For the six months ended 30 June 2022, the total staff costs (including the Directors' remuneration) were RMB192,163,000 (same period of 2021: RMB181,368,000). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to the Mandatory Provident Fund scheme in Hong Kong and various retirement benefits schemes including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. The salaries and benefits of the Group's employees are kept at a competitive level and 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 also operates a Share Option Scheme adopted by the Company on 2 December 2013, and a Share Award Scheme adopted on 21 July 2014, where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group.

The Group made considerable efforts in continuing education and training programs for its staff so as to continuously enhance their knowledge, skills and team spirit. The Group regularly provided internal and external training courses for relevant staff according to their needs.

Significant Investments Held

Except for investments in subsidiaries, as at 30 June 2022, the Group did not hold any significant investment in equity interest in any other company.

Future Plans for Material Investments and Capital Assets

The Group currently does not have other future plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures during the first half of 2022.

Pledge of Assets

As at 30 June 2022, four of the Group's patents with a carrying amount of approximately RMB2,144,000 were pledged as collateral for the Group's borrowings (as at 31 December 2021: RMB2,500,000).

Contingent Liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

CONNECTED TRANSACTION

During the first half of 2022, the Group did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

PRINCIPAL RISKS AND UNCERTAINTIES

The management continues to manage the Group's key risk exposures, including operational risks (e.g. ensuring high quality of medicines products, safety in the production process and efficiency in the distribution processes), financial risks (e.g. through budget control and cash flow management) and compliance risks (ensuring the relevant rules and regulations are complied with) on a daily basis. The management also pays close attention to the recent developments of national policies in respect of the pharmaceutical industry, which is a key uncertainty that the Group is facing, and formulates and adjusts the Group's relevant policies accordingly on a timely basis.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability and incorporating it into the Group's daily operations. Other than complying with all the relevant environmental rules and regulations, the management always encourages water, energy and materials saving and recycling practices which are considered in the performance appraisal process.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the first half of 2022, there was no incidence of significant non-compliance of laws and regulations that is relevant to the Group's operations.

MAJOR INDUSTRIAL POLICIES AND THEIR EFFECTS

1. The Chinese Government promulgated various planning related documents to enhance the strategic position of Chinese medicine continuously

The Chinese Government promulgated various planning-related documents such as the 14th Five-Year Plan of the Planning for Development of Chinese Medicine* (《「十四五」中醫藥發展規劃》) and Promoting the High-Quality Integration of Chinese Medicine Products with the Planning for Mutual Development of the "Belt and Road" Initiative (2021-2025)* (《推進中醫藥高質量融入共建「一帶一路」發展規劃(2021-2025年)》), etc., thereby enhancing the strategic position of Chinese medicine continuously.

In particular, the 14th Five-Year Plan for the Planning of Development of Chinese Medicine has formulated holistic, strategic and protective planning for the development of Chinese medicine. It also serves as the programmatic guidance document regarding the implementation of the policy making and deployment of the Central Committee of the Chinese Communist Party and the State Council in relation to the tasks on Chinese medicine and promotion of the revitalization and development of Chinese medicine within the period of the 14th Five-Year Plan. The heritage and innovative development of Chinese medicine has entered a new stage during the period of the 14th Five-Year Plan. Looking into the future, with the increasing policy support, the Chinese medicine industry of China will continue its development of, among others, specification, standardization and globalization. Under the ongoing promotion of policies, the strategic position of Chinese medicine will be enhanced continuously and the industry will embrace opportunities and vitality.

2. Adjustments on the National Medical Insurance Catalogue

On 29 June 2022, National Healthcare Security Administration promulgated the 2022 Working Plan for Adjustments to the Drug Catalogue for National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance* (《2022年國家基本醫療保險、工傷保險和生育保險藥品目錄調整工作方案》) to initiate the adjustments to the 2022 National Medical Insurance Catalogue. As such, the Group has commenced the contract renewal procedures for Jigucuo Capsule and Palliative & Anti-diarrheal Soft Capsule immediately.

Events after the Reporting Period

As at the date of this announcement, save as disclosed in this announcement, the Group has no significant events after the six months ended 30 June 2022 (the reporting period) required to be disclosed.

OUTLOOK

During the first half of 2022, the market environment was under increasing pressure from the continuously sporadic outbreak of the pandemic in China. The pharmaceutical industry continued to be affected by factors such as quantity procurement, medical insurance payment control, consistency evaluation and rising raw material prices. The Uremic Clearance Granules (尿毒清顆粒), which is the Group's main product, has been included in the alliance centralized procurement across six provinces led by Guangdong, which will be further implemented consecutively among these provinces. Such factors posed challenges to the operation and business development of the Group. Nevertheless, under the proactive arrangements with foresight, the Group gained professional recognition from medical institutions and physicians externally through continuously enhancing the clinical verification and proof of drug efficacy, hence expanding the sales volumes of pharmaceuticals. Internally, the Group improved its efficiency in production and operation by curbing costs and enhancing effectiveness. Coupled with the commencement of operation of the Horgos production base, the Group overcame the mounting challenges and pressure effectively and maintained positive growth in major indicators including the sales revenue, profit and cash flow of the Group, delivering satisfactory performance to our investors.

Looking forward to the second half of the year, we will further enhance the quality and sales capability of our sales team, and expand service coverage in hospitals and patients to boost sales volume. To ensure the scheduled progress of the new drug projects under research, the Group will continue to increase its investment in R&D and explore product innovation. While upgrading its growth pattern, the Group will remain focused on proper internal management and actively respond to changes in both internal and external environments. In view of the recognition and support of the investing public, the Group will strive to repay them with the excellent growth in annual results.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022, and will consider the distribution of a final dividend based on the dividend level in previous years at the Board meeting to be held for reviewing the results for the year ending 31 December 2022.

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

During the six months ended 30 June 2022, the Company repurchased 7,996,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD34,944,000 (equivalent to approximately RMB29,066,000), and 10,705,000 shares and 7,406,000 shares of repurchased shares were cancelled on 26 January 2022 and 23 June 2022 respectively, including 10,115,000 shares repurchased in 2021 and cancelled in 2022.

During the six months ended 30 June 2022, the Company issued a total of 866,608 ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme (adopted on 2 December 2013) at consideration ranging from HKD3.28 to HKD4.01 per share. The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD4.34.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has been maintaining the prescribed public float under the Listing Rules during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to the ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted and complied with the code provisions set out in Appendix 14, *Corporate Governance Code*, of the Listing Rules (the "**Code Provisions**") during the six months ended 30 June 2022.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have complied with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2022.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development, and has adopted the Board Diversity Policy.

All Board appointments are based on meritocracy, and candidates are considered against appropriate criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

- (A) at least 40% of the members of the Board shall be non-executive Directors or independent non-executive Directors;
- (B) at least 1/3 of the members of the Board shall be independent non-executive Directors;
- (C) at least 1 of the members of the Board shall have obtained accounting or relevant financial management professional qualifications;
- (D) at least 50% of the members of the Board shall have 7 years or more of experience in the industry he/she is specialised in;
- (E) at least 2 of the members of the Board shall have China-related work experience; and
- (F) the Board comprises male and female members.

AUDIT COMMITTEE

The Company established the Audit Committee on 2 December 2013 with the written terms of reference in compliance with paragraph D.3.3 and D.3.7 of the Code Provisions. Its terms of reference were amended on 16 December 2015 and came into effect from 1 January 2016, which are available on the websites of the Company and the Stock Exchange.

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. The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and advice in respect of financial reporting and oversee internal control procedures of the Group.

As at the date of this announcement, the Audit Committee consists of three members and all of them are independent non-executive Directors, namely Ms. Chen Yujun (chairlady), Mr. Feng Zhongshi and Mr. Su Yuanfu.

The unaudited Interim Results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee and the Company's external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.chinaconsun.com) and the Stock Exchange (www.hkexnews.hk), and the interim report of the Group for the six months ended 30 June 2022 will be despatched to shareholders of the Company and published on the above websites in due course.

By order of the Board
Consun Pharmaceutical Group Limited
An Meng
Chairman of the Board

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises Mr. An Meng, Ms. Li Qian, Professor Zhu Quan and Mr. Xu Hanxing as executive directors; Ms. Zhang Lihua as a non-executive director; Mr. Su Yuanfu, Mr. Feng Zhongshi and Ms. Chen Yujun as independent non-executive directors.

* *For identification purpose only*