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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2016 amounted to RMB1,223,488,000, representing an increase of approximately 47.2% as compared with the year ended 31 December 2015.
- Profit for the year ended 31 December 2016 attributable to equity shareholders of the Company amounted to RMB307,526,000, representing an increase of approximately 23.2% as compared with the year ended 31 December 2015.
- Basic and diluted earnings per share for the year ended 31 December 2016 amounted to approximately RMB0.32, representing an increase of approximately 28.0% as compared with the year ended 31 December 2015.
- The Board proposed to declare a final dividend of HK$0.05 per share for the year ended 31 December 2016.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Consun Pharmaceutical Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**" or "**Consun Pharmaceutical**") for the year ended 31 December 2016 (the "**Annual Results**"), together with the comparative figures of 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	2	**1,223,488**	831,108
Cost of sales		**(312,465)**	(160,542)
Gross profit		**911,023**	670,566
Other income	3	**6,104**	31,329
Distribution costs		**(374,365)**	(259,043)
Administrative expenses		**(141,666)**	(122,946)
Profit from operations		**401,096**	319,906
Finance costs	4(a)	**(1,509)**	(441)
Share of profit/(loss) of an associate		**3,865**	(4,683)
Profit before taxation	4	**403,452**	314,782
Income tax	5(a)	**(83,795)**	(65,093)
Profit for the year		**319,657**	249,689
Attributable to:			
– Equity shareholders of the Company		**307,526**	249,689
– Non-controlling interests		**12,131**	–
Profit for the year		**319,657**	249,689
Earnings per share (RMB yuan)	6		
– Basic		**0.32**	0.25
– Diluted		**0.32**	0.25
Profit for the year		**319,657**	249,689
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "**PRC**"), net of tax		**150**	40
Total comprehensive income for the year		**319,807**	249,729
Attributable to:			
– Equity shareholders of the Company		**307,676**	249,729
– Non-controlling interests		**12,131**	–
Total comprehensive income for the year		**319,807**	249,729

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi)

	Note	**2016** **RMB'000**	2015 RMB'000
Non-current assets			
Investment property	8	**18,552**	–
Other property, plant and equipment	9	**392,882**	223,773
Lease prepayments	10	**86,006**	23,574
Intangible assets	11	**489,629**	–
Goodwill	12	**320,647**	–
Other investments	13	**2,600**	2,600
Interest in an associate	14(a)	**–**	636,659
Prepayment for equity investment	14(a)	**–**	62,458
Other prepayment	15	**40,400**	–
Deferred tax assets		**18,334**	8,639
Total non-current assets		**1,369,050**	957,703
Current assets			
Inventories	16	**140,974**	71,014
Trade and other receivables	17	**576,320**	399,187
Cash and cash equivalents	18	**672,711**	489,987
Total current assets		**1,390,005**	960,188
Current liabilities			
Trade and other payables	19	**483,252**	201,235
Deferred income		**1,346**	436
Current tax payable		**62,133**	27,679
Total current liabilities		**546,731**	229,350
Net current assets		**843,274**	730,838
Total assets less current liabilities		**2,212,324**	1,688,541
Non-current liabilities			
Deferred income		**21,603**	11,582
Deferred tax liabilities		**129,670**	40,204
Total non-current liabilities		**151,273**	51,786
Net assets		**2,061,051**	1,636,755
Capital and reserves			
Share capital		**76,237**	78,074
Reserves		**1,684,257**	1,558,681
Total equity attributable to equity shareholders of the Company		**1,760,494**	1,636,755
Non-controlling interests		**300,557**	–
Total equity		**2,061,051**	1,636,755

1 BASIS OF PREPARATION

(a) Statement of compliance

The Group's consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this financial information.

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sales of pharmaceuticals.

The amount of each significant category of revenue recognised during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Kidney medicines	**734,476**	645,164
Contrast medium	**125,033**	121,460
Others	**363,979**	64,484
	1,223,488	831,108

Revenue from major customers contributing over 10% of the revenue of the Group, is as follows, including sales to entities which are known to the Group to be under common control with these customers:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**338,430**	287,064
Customer B	**141,510**	N/A

Revenue from customer B contributed less than 10% of the revenue of the Group for the year ended 31 December 2015.

(b) Segment reporting

The Group manages its businesses by production 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 presented the following two 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.

(i) Segment results, assets and liabilities

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

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. However, other than reporting inter-segment sales of pharmaceutical products, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

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. Segment assets and liabilities are not reported to the Group's senior executive management regularly.

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 years ended 31 December 2016 and 2015 is set out below.

	Consun Pharmaceutical Segment		**Yulin Pharmaceutical Segment**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
			Note			
Reportable segment revenue						
Revenue from external customers	**946,140**	831,108	**277,348**	–	**1,223,488**	831,108
Reportable segment profit						
Gross profit	**748,798**	670,566	**162,225**	–	**911,023**	670,566

Note: Guangxi Yulin Pharmaceutical Group Co., Ltd ("**Yulin Pharmaceutical**") and its subsidiaries (collectively referred to as "**Yulin Pharmaceutical Group**") became subsidiaries of the Group on 19 July 2016 (see note 14(a)). Therefore, segment result of Yulin Pharmaceutical Group represents the financial performance from 19 July 2016 to 31 December 2016.

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

	2016	2015
	RMB'000	*RMB'000*
Reportable segment gross profit derived from the Group's external customers	**911,023**	670,566
Other income	**6,104**	31,329
Distribution costs	**(374,365)**	(259,043)
Administrative expenses	**(141,666)**	(122,946)
Finance costs	**(1,509)**	(441)
Share of profit/(loss) of an associate	**3,865**	(4,683)
Consolidated profit before taxation	**403,452**	314,782

(iii) ***Geographic information***

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as the Group's operating profit is entirely derived from activities of manufacturing and sale of pharmaceutical products in the PRC.

3 OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants (i)		
– Unconditional subsidies	**1,664**	509
– Conditional subsidies	**1,154**	436
Rental income from investment properties	**455**	–
Interest income	**3,299**	27,531
Loss on disposal of property, plant and equipment	**(762)**	(1,554)
Loss on deemed disposal of an associate *(note 14(a)(i))*	**(827)**	–
Others	**1,121**	4,407
	6,104	31,329

(i) Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

– Unconditional subsidies

The entitlements of certain government grants amounting to RMB1,664,000 (2015: RMB509,000) were unconditional. They were funds to subsidise the operating expenses of the PRC subsidiaries of the Group during the current or prior years.

– Conditional subsidies

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2016 was RMB1,154,000 (2015: RMB436,000).

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**1,509**	441

(b) Staff costs

	2016	2015
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**169,533**	114,243
Contributions to defined contribution retirement schemes	**7,524**	4,566
Equity settled share-based payments:		
Share Option Scheme	**21,590**	34,762
Share Award Scheme	**904**	556
	199,551	154,127

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement schemes (the "**Schemes**") organised by the local government authorities whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Note	2016 RMB'000	2015 RMB'000
Depreciation			
– Investment properties	8	**338**	–
– Other property, plant and equipment	9	**24,026**	18,589
Amortisation			
– lease prepayments	10	**1,378**	627
– intangible assets	11	**14,707**	–
Auditor's remuneration			
– audit services		**2,100**	2,100
– non-audit services		**1,580**	450
Impairment losses recognised/(reversed) for doubtful debts	17	**1,174**	(513)
Operating lease charges		**2,370**	970
Research and development cost#		**38,154**	31,287
Cost of inventories*	16	**312,465**	160,542

During the year ended 31 December 2016, research and development cost include RMB8,522,000 (2015: RMB6,497,000) 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 4(b) for each of these types of expenses.

* During the year ended 31 December 2016, cost of inventories include RMB63,918,000 (2015: RMB36,809,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in the note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC income tax for the year	**94,010**	61,120
Under-provision for PRC income tax in respect of prior years	**510**	2,201
	94,520	63,321
Deferred tax		
Origination and reversal of temporary differences	**(10,725)**	1,772
	83,795	65,093

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the years ended 31 December 2015 and 2016.

(iii) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified.

Consun Pharmaceutical (Inner Mongolia) Co., Ltd. ("**Inner Mongolia Consun**") and Guangzhou Consun Pharmaceutical Company Limited ("**Guangzhou Consun**") were qualified as an "Advanced and New Technology Enterprise", Inner Mongolia Consun and Guangzhou Consun were entitled to the preferential income tax rate of 15% from 2015 to 2017 and 2014 to 2016, respectively.

Yulin Pharmaceutical and Guangxi Yulin Pharmaceutical Capsule Co., Limited ("**Yulin Capsule**") were qualified as encouraged industry that operates in western China. Yulin Pharmaceutical and Yulin Capsule were entitled to the preferential income tax rate of 15% from 2011 to 2020.

Guangxi Yulin Pharmaceutical Group Yuming Chinese Traditional Medicine Co., Limited ("**Yuming Chinese Traditional Medicine**"), Guangxi Yulin Pharmaceutical Group Hongsheng Trading Co., Limited ("**Hongsheng Trading**") and Guangxi Yulin Yunxiang Real Estate Co., Limited ("**Yunxiang Real Estate**") met the criteria to apply for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to the preferential income tax rate of 10% in 2016.

Guangxi Yulin Pharmaceutical Group Yonglv Chinese Traditional Medicine Industry Co., Limited ("**Yonglv Chinese Traditional Medicine**") met the exemption criteria on income generated through planting of agricultural products and was exempted from income tax in 2016.

(iv) 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 Group has adopted the 10% withholding tax rate for PRC withholding tax purposes.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation for the year	**403,452**	314,782
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**106,043**	79,491
Effect of non-deductible expenses	**19,650**	16,915
Effect of tax concession	**(42,408)**	(31,324)
Recognition of previous year unrecognised tax losses	**–**	(2,190)
Under-provision in respect of prior years	**510**	2,201
Actual tax expenses	**83,795**	65,093

6 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 RMB307,526,000 (2015: RMB249,689,000) and the weighted average number of ordinary shares of 959,503,000 shares (2015: 981,567,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
	'000 shares	*'000 shares*
Issued ordinary shares at 1 January	**997,757**	1,000,000
Effect of shares repurchased and cancelled	**(18,325)**	(286)
Effect of shares purchased under the Share Award Scheme	**(20,000)**	(18,147)
Effect of awarded shares vested under the Share Award Scheme	**71**	–
Weighted average number of ordinary shares at 31 December	**959,503**	981,567

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2016 is based on the profit attributable to equity shareholders of the Company of RMB307,526,000 (2015: RMB249,689,000) and the weighted average number of ordinary shares of 959,734,000 shares (2015: 981,786,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016	2015
	'000 shares	*'000 shares*
Weighted average number of ordinary shares at 31 December	**959,503**	981,567
Dilutive effect of awarded shares under the Share Award Scheme	**231**	219
Weighted average number of ordinary shares (diluted) at 31 December	**959,734**	981,786

For the years ended 31 December 2016 and 2015, the effect of the Company's Share Option Scheme was anti-dilutive.

7 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016	2015
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB0.045 per ordinary share (2015: nil)	**42,942**	–
Final dividend proposed after the end of the year of HK$0.05 per ordinary share (2015: RMB0.075)	**36,599**	74,119
Special dividend proposed after the end of the year of HK$0.1 per ordinary share (2015: nil)	**73,198#**	–
	152,739	74,119

#: On 6 February 2017, the Company entered into a share buy-back agreement with First Kind International Limited ("**First Kind**") pursuant to which the Company agreed to buy back 146,140,200 shares (the "**Buy-back Shares**") at the total consideration of approximately HK$560,740,000 (equivalent to approximately RMB546,126,000), equivalent to HK$3.837 per each Buy-back Share and the Buy-back Shares would be cancelled in full (the "**Share Buy-back**"). On 6 February 2017, the directors of the Group proposed a special dividend of HK$0.1 per share in the aggregate amount of approximately HK$82,813,000 (approximately RMB73,198,000), which is subject to the completion of the Share Buy-back. The Share Buy-back and the distribution of special dividend are subject to the approval by disinterested shareholders at the forthcoming extraordinary general meeting of the Company.

As the proposed record date for determining the entitlement of equity shareholders of the Company to the final dividend and the special dividend will be a date after completion of the Share Buy-back, the amounts of final dividend and special dividend proposed had excluded the dividend for the Buy-back Shares.

Final dividend and special dividend proposed after the end of the year have not been recognised as liabilities as at the end of the year.

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

	2016	2015
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.075 per ordinary share (2015: RMB0.028)	**74,119**	28,000
Less: Dividends for treasury shares held by the Company	**(2,549)**	–
	71,570*	28,000

*: The Company paid a final dividend of RMB71,570,000 for the year ended 31 December 2015 as adjusted to exclude the dividend for treasury shares held under the Company's Share Award Scheme and other treasury shares held by the Company.

8 INVESTMENT PROPERTY

	RMB'000
Cost	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Addition through acquisition of subsidiaries *(note 14(a)(ii))*	18,890
At 31 December 2016	18,890
Accumulated depreciation:	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Charge for the year	(338)
At 31 December 2016	(338)
Net book value:	
At 31 December 2016	18,552
At 31 December 2015	–

Investment properties of the Group are situated in Guangxi Province of the PRC.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 5-10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2016 ***RMB'000***
Within 1 year	**1,506**
After 1 year but within 5 years	**1,473**
After 5 years	**123**

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 31 December 2016.

9 OTHER PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2015	181,443	97,858	10,535	10,929	6,727	307,492
Transfer from construction in progress	6,991	523	–	–	(7,514)	–
Other additions	1,437	4,347	2,979	1,055	4,710	14,528
Disposals	(87)	(8,197)	(553)	(921)	–	(9,758)
At 31 December 2015 and 1 January 2016	189,784	94,531	12,961	11,063	3,923	312,262
Addition though acquisition of subsidiaries *(note 14(a)(ii))*	77,384	23,495	1,066	1,357	71,772	175,074
Transfer from construction in progress	32,213	42,235	–	66	(74,514)	–
Other additions	124	6,568	1,472	2,040	8,912	19,116
Disposals	–	(5,379)	(1,295)	(338)	–	(7,012)
At 31 December 2016	299,505	161,450	14,204	14,188	10,093	499,440
Accumulated depreciation:						
At 1 January 2015	(34,331)	(29,897)	(7,526)	(5,824)	–	(77,578)
Charge for the year	(7,442)	(9,318)	(578)	(1,251)	–	(18,589)
Written back on disposal	49	6,404	498	727	–	7,678
At 31 December 2015 and 1 January 2016	(41,724)	(32,811)	(7,606)	(6,348)	–	(88,489)
Charge for the year	(10,100)	(10,673)	(1,235)	(2,018)	–	(24,026)
Written back on disposal	–	4,548	1,165	244	–	5,957
At 31 December 2016	(51,824)	(38,936)	(7,676)	(8,122)	–	(106,558)
Net book value:						
At 31 December 2016	247,681	122,514	6,528	6,066	10,093	392,882
At 31 December 2015	148,060	61,720	5,355	4,715	3,923	223,773

As at 31 December 2016 and up to the date of this announcement, the Group is in the process of applying for certificates of ownership for certain properties, with carrying value of RMB4,026,000 (31 December 2015: RMB29,381,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

As at 31 December 2016, the original cost of the fixed assets that have been fully depreciated but are still in use was RMB32,599,000 (2015: RMB27,585,000).

10 LEASE PREPAYMENTS

	RMB'000
Cost:	
At 1 January 2015, 31 December 2015 and 1 January 2016	29,808
Addition through acquisition of subsidiaries *(note 14(a)(ii))*	63,810
At 31 December 2016	93,618
Accumulated amortisation:	
At 1 January 2015	(5,607)
Charge for the year	(627)
At 31 December 2015 and 1 January 2016	(6,234)
Charge for the year	(1,378)
At 31 December 2016	(7,612)
Net book value:	
At 31 December 2016	86,006
At 31 December 2015	23,574

Lease prepayments represent prepayments for land use rights paid to the PRC authorities. The leasehold lands are located in the PRC, on which the Group's manufacturing plants were built. The Group was granted land use rights for a period of 50 years initially and the remaining period range from 33 to 43 years.

11 INTANGIBLE ASSETS

	Patents *RMB'000*	**Trademark** *RMB'000*	**Total** *RMB'000*
Cost:			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Addition through acquisition of subsidiaries *(note 14(a)(ii))*	248,103	256,233	504,336
At 31 December 2016	248,103	256,233	504,336
Accumulated amortization:			
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–
Charge for the year	(14,707)	–	(14,707)
At 31 December 2016	(14,707)	–	(14,707)
Net book value:			
At 31 December 2016	233,396	256,233	489,629
At 31 December 2015	–	–	–

The amortization charge for the year is included in "cost of sales" in the consolidated statement of profit or loss.

Trademark with the carrying amount of RMB256,233,000, newly acquired through the acquisition of Yulin Pharmaceutical Group in 2016, are assessed to have indefinite useful lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The recoverable amount of the trademark that has indefinite useful life is estimated annually whether or not there is any indication of impairment. The amount is allocated to the Group's cash-generating units ("**CGU**") of Yulin Pharmaceutical Group.

The recoverable amount of the trademark that has indefinite useful life is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated increase rate of 3% in selling price and cost with no growth in sales volume. The cash flows are discounted using a discount rate of 13.82% (2015: nil). The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. No impairment loss was recognised during the year ended 31 December 2016.

12 GOODWILL

	RMB'000
Cost and carrying amount	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Addition through acquisition of subsidiaries *(note 14(a)(ii))*	320,647
At 31 December 2016	320,647

Impairment tests for CGU containing goodwill

Goodwill newly acquired through business combination is allocated to the Group's CGU of Yulin Pharmaceutical Group.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% in selling price and cost with no growth in sales volume. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 13.82% (2015: nil). The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. No impairment loss was recognised during the year ended 31 December 2016.

13 OTHER INVESTMENTS

	2016	2015
	RMB'000	*RMB'000*
Available-for-sale equity securities-unlisted	**2,600**	2,600

Other investment of the Group represents an investment in a domestic medicine manufacturer located in Inner Mongolia Autonomous Region of the PRC. The Group owns a 5% equity interest in the domestic medicine manufacturer. No quoted market price in an active market for the investment is available. Quoted prices in active market for similar investment or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted other investment is stated at cost less impairment, if any, in the consolidated financial statements.

14 INVESTMENTS IN SUBSIDIARIES

(a) Acquisition of Yulin Pharmaceutical Group

The principal activities of Yulin Pharmaceutical Group are production and sales of pharmaceutical products in the PRC. As at 31 December 2015, the Group held 45.27% equity interests in Yulin Pharmaceutical Group and Yulin Pharmaceutical Group was accounted for as an associate of the Group. In June 2016, the Group entered into another acquisition agreement and increased its interest in Yulin Pharmaceutical Group from 45.27% to 48.87% for a consideration of RMB31,612,000.

On 23 November 2015, the Group entered into a conditional equity transfer agreement with an independent third party agent to further acquire 5.76% equity interest in Yulin Pharmaceutical Group at a consideration of RMB69,361,000 (the "**Proposed Acquisition**"). As at 31 December 2015, the Proposed Acquisition was not yet completed and the advance payment of RMB62,458,000 paid by the Group was recognised as prepayments for equity investment. In July 2016, the Proposed Acquisition was completed and the remaining consideration of RMB6,903,000 was settled. Accordingly, the Group's equity interest in Yulin Pharmaceutical Group increased to 54.63% and Yulin Pharmaceutical Group became subsidiaries of the Group on 19 July 2016 (the "**Acquisition Date**").

The series of the Group's acquisitions in Yulin Pharmaceutical Group were accounted for as a step acquisition under the relevant accounting standards, where the fair value of any non-controlling interests in the acquiree that was held immediately before obtaining control has been used in the determination of the total consideration of the step acquisition.

(i) ***Information relating to the interest in an associate:***

The following table summarises the financial information of Yulin Pharmaceutical Group as included in its own consolidated financial statements, adjusted for fair value adjustments at acquisition and difference in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Yulin Pharmaceutical Group. The information for 2015 represented in the table includes the results of Yulin Pharmaceutical Group only for the period from Yulin Pharmaceutical Group became an associate of the Group to 31 December 2015. The information for 2016 includes the results of Yulin Pharmaceutical Group only for the period from 1 January 2016 to the Acquisition Date, when Yulin Pharmaceutical Group became subsidiaries of the Group.

	2016	2015
	RMB'000	*RMB'000*
Group's effective interest	**48.87%**	45.27%
Current assets	**–**	331,126
Non-current assets	**–**	759,837
Current liabilities	**–**	(257,030)
Non-current liabilities	**–**	(99,831)
Net assets (100%)	**–**	734,102
Group's share of net assets (45.27%)	**–**	332,328
Goodwill	**–**	304,331
Carrying amount in the consolidated financial statements	**–**	636,659
Revenue	**210,061**	85,649
Profit/(loss) and total comprehensive income for the period	**8,487**	(12,173)
Group's share of total comprehensive income for the period	**3,865**	(4,683)

The following table summarises the information relating to the interest in an associate immediately before the completion of the Proposed Acquisition of 5.76% equity interest in Yulin Pharmaceutical Group:

	RMB'000
Carrying amount as at 31 December 2015	636,659
Acquisition of additional interest in an associate in June 2016	31,612
Share of profit of an associate from 1 January 2016 to the Acquisition Date	3,865
Carrying amount as at the Acquisition Date	672,136
Disposal of interest in an associate	(672,136)
Carrying amount as at 31 December 2016	–
Carrying amount of 48.87% equity interests in Yulin Pharmaceutical Group held immediately before obtaining control	672,136
Fair value of 48.87% equity interests in Yulin Pharmaceutical Group held immediately before obtaining control *(note 14(a)(ii))*	671,309
Loss on deemed disposal of an associate *(note 3)*	827

(ii) The following summarises the nature of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the Acquisition Date:

	Note	Carrying amount RMB'000	Fair value adjustments RMB'000	Recognised values on acquisition RMB'000
Investment property	8	1,838	17,052	18,890
Other property, plant and equipment	9	121,264	53,810	175,074
Lease prepayments	10	27,355	36,455	63,810
Intangible assets	11	–	504,336	504,336
Inventories		97,633	–	97,633
Trade and other receivables		65,296	–	65,296
Cash and cash equivalents		172,550	–	172,550
Deferred tax assets		1,252	–	1,252
Loans and borrowings		(90,000)	–	(90,000)
Trade and other payables		(137,828)	–	(137,828)
Tax payable		(2,075)	–	(2,075)
Deferred income		(8,340)	–	(8,340)
Deferred tax liabilities		–	(91,748)	(91,748)
Net identifiable assets		248,945	519,905	768,850
54.63% share of identifiable net assets				420,023
Consideration for 5.76% equity interests in Yulin Pharmaceutical Group				69,361
Fair value of 48.87% equity interests in Yulin Pharmaceutical Group held immediately before obtaining control *(note 14(a)(i))*				671,309
Total consideration				740,670
Goodwill	12			320,647
Analysis of cash flow:				
Cash consideration paid				6,903
Less: cash acquired				(172,550)
Net cash acquired through acquisition of subsidiaries, net of cash paid				(165,647)

Yulin Pharmaceutical Group contributed a revenue of RMB277,348,000 and net profit of RMB40,433,000 to the Group's consolidated statement of profit or loss for the year ended 31 December 2016. Should the acquisition have occurred on 1 January 2016, the consolidated revenue and the consolidated profit of the Group for the year ended 31 December 2016 would have been RMB1,433,549,000 and RMB328,144,000, respectively.

(b) Acquisition of non-controlling interests ("NCI") in Yulin Pharmaceutical Group

On 11 August 2016 and 16 August 2016, the Group entered into a series of equity transfer agreements with certain individual shareholders of Yulin Pharmaceutical to further acquire 16.11% equity interest in Yulin Pharmaceutical Group at a total consideration of approximately RMB147,367,000. As a result, the Group recognised a decrease in non-controlling interests of RMB124,209,000 and a decrease in retained earnings of RMB23,158,000. Upon completion of the acquisition of NCI, the Group's equity interests in Yulin Pharmaceutical Group increased from 54.63% to 70.74%.

(c) Capital injection in Yulin Pharmaceutical

On 27 October 2016, the resolution to inject capital of RMB300,000,000 to Yulin Pharmaceutical was approved at the general meeting of Yulin Pharmaceutical. Pursuant to the resolution, the Group and non-controlling interests holders of Yulin Pharmaceutical were entitled to make capital contribution in cash in proportion to their respective equity interest on or before 31 December 2016. In the event that certain shareholders of Yulin Pharmaceutical forgoing such right or not making full capital contributions in proportion to their respective equity interest, the shortfall may be covered by other shareholders of Yulin Pharmaceutical, who are willing to make extra capital contributions, in proportion to their respective equity interest.

As at 31 December 2016, certain shareholders of Yulin Pharmaceutical forwent the right to make capital contributions in proportion to their respective equity interests, and a total cash contribution of RMB288,440,000 was made by the Group and certain non-controlling interests holders, in the amount of RMB212,261,000 and RMB76,179,000 respectively. Therefore, the Group's equity interest in Yulin Pharmaceutical Group further increased from 70.74% to 72.62%, while non-controlling interests decreased from 29.26% to 27.38%. The Group recognised an increase in non-controlling interests of RMB63,808,000 and an increase in retained earnings of RMB12,371,000.

During January and February 2017, the shortfall of RMB11,560,000 was covered by the Group and certain non-controlling interests holders, in the amount of RMB8,722,000 and RMB2,838,000 respectively. Upon the completion of the extra capital contribution, the Group's equity interest in Yulin Pharmaceutical Group further increased from 72.62% to 72.69%.

(d) The following table lists out the information relating to Yulin Pharmaceutical Group, the only sub-group of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016
	RMB'000
NCI percentage at 31 December	27.38%
Current assets	635,206
Non-current assets	784,323
Current liabilities	(224,957)
Non-current liabilities	(96,848)
Net assets	1,097,724
Carrying amount of NCI	300,557
Revenue from the Acquisition Date to 31 December	277,348
Profit from the Acquisition Date to 31 December	40,433
Total comprehensive income from the Acquisition Date to 31 December	40,433
Profit allocated to NCI	12,131
Cash flows from operating activities	118,004
Cash flows from investing activities	(43,494)
Cash flows from financing activities	196,931

15 OTHER PREPAYMENT

Other prepayment represents the downpayment for obtaining the land use right located in Yulin City. On 12 December 2016, the Group entered into an agreement with Land Resources Bureau of Yulin City for obtaining the land use right in the consideration of RMB40,400,000. As at 31 December 2016, the transfer of the land use right was not yet completed and RMB40,400,000 fully prepaid to Land Resources Bureau of Yulin City was recognised as other prepayment.

16 INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**70,669**	25,049
Work in progress	**42,891**	17,197
Finished goods	**27,414**	28,768
	140,974	71,014

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**310,224**	160,376
Write down of inventories	**2,241**	166
	312,465	160,542

17 TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade debtors	**278,729**	120,854
Bills receivable	**282,111**	242,868
Less: Allowance for doubtful debtors *(note 17(b))*	**(3,565)**	(19)
	557,275	363,703
Other receivables *(note 17(d))*	**9,146**	22,756
Prepayments	**9,899**	12,728
	576,320	399,187

(a) Ageing analysis

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**512,413**	362,954
3 to 12 months	**29,153**	749
Over 12 months	**15,709**	–
	557,275	363,703

Trade receivables and bills receivable are due within 30-90 days from the date of billing.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**19**	4,323
Addition from acquisition of subsidiaries	**2,494**	–
Impairment loss recognised/(reversed)	**1,052**	(513)
Uncollectible amounts written off	**–**	(3,791)
At 31 December	**3,565**	19

As at 31 December 2016, the Group's trade debtors of RMB7,548,000 (31 December 2015: RMB19,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB3,565,000 (2015: RMB19,000) respectively were recognised.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are not considered to be impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**536,868**	362,954
Less than 1 month past due	**909**	465
1 to 3 months past due	**1,840**	186
More than 3 months but less than 12 months past due	**4,176**	98
Over 12 months past due	**9,499**	–
	16,424	749
	553,292	363,703

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Impairment of other receivables

As at 31 December 2016, the Group's other receivables of RMB122,000 (31 December 2015: nil) were individually determined to be impaired in full.

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2016	2015
	RMB'000	*RMB'000*
Cash at bank and on hand	**672,711**	489,987

19 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**79,733**	39,760
Receipts in advance	**10,368**	1,276
Accrued expenses	**169,810**	54,635
Employee benefits payable	**67,572**	40,143
Other payables	**155,769**	65,421
	483,252	201,235

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**39,085**	29,169
1 to 12 months	**40,341**	10,591
Over 12 months	**307**	–
	79,733	39,760

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY AND BUSINESS OVERVIEW

The Company was listed successfully on the Main Board of Stock Exchange on 19 December 2013 and has just completed the third full financial year after that. Looking back to 2016, it was a year in which challenges and opportunities coexisted for the pharmaceutical industry. With the concerted efforts of the Group's management and all staff members, Consun Pharmaceutical continued to maintain its strong growth momentum as always and achieved a revenue of RMB1,223,488,000 and profit attributable to equity shareholders of the Company of RMB307,526,000 during the year, representing an annual growth of 47.2% and 23.2% respectively, thereby repaying its shareholders with remarkable results for their continued trust and support to the Company.

The concept of "Healthy China" has become a national-level strategy under the "13th Five Year Plan", indicating that the national leaders have attached great importance to the healthcare industry and national health has further become the focus of public concern. In the past year, the macro-economy has entered into the "new normal" phase and the policies relating to the pharmaceutical industry was constantly changing; however, by continuously exploring the sales channels, improving its business layout and product structure, strengthening the capability in technology research and innovation, optimising the internal talent management, Consun Pharmaceutical has laid a solid foundation for its long-term development in the future.

The sales of kidney medicines of Consun Pharmaceutical amounted to RMB734,476,000 in 2016, representing a year-to-year growth of 13.8% as compared to last year. Uremic Clearance Granules ("**UCG**"), a flagship product of Consun Pharmaceutical, maintained its strong leading position in the market of oral modern Chinese medicines for kidney diseases.

The sales of Gadopentetic Acid Dimeglumine Salt Injection, Consun Pharmaceutical's leading product in the medical contrast medium market, amounted to RMB125,033,000 for the year, representing a year-to-year growth of 2.9% as compared to last year, maintaining Consun Pharmaceutical's market position in medical contrast medium for magnetic resonance imaging.

CONTROLLING YULIN PHARMACEUTICAL

Consun Pharmaceutical has also been actively expanding its business. It successfully won the bid to acquire 15% equity interests in Yulin Pharmaceutical in August 2015 and continued to increase its total equity interests held in Yulin Pharmaceutical to 45.27% through the second and third rounds of acquisitions in the second half of 2015. After the fifth round of acquisition in June 2016 and the completion of the fourth round of acquisition after approval by the Company's shareholders at the extraordinary general meeting held on 19 July 2016, Yulin Pharmaceutical became a 54.63% owned subsidiary of the Group. Subsequently, the Group completed the sixth and seventh rounds of acquisitions of and also capital injection in Yulin Pharmaceutical and increased its total equity interests in Yulin Pharmaceutical to 72.62% as at 31 December 2016.

Yulin Pharmaceutical is a well-established traditional Chinese medicine manufacturing enterprise principally engaged in the research and development, production and sales of Chinese medicines and natural medicines. It will capitalize on the policy of the "Guidance Opinion on the Reform and Innovative Development of Well-established Traditional Enterprises" promulgated by 16 PRC government authorities including the Ministry of Commerce. The acquisition of Yulin Pharmaceutical could facilitate the integration of resources of Consun Pharmaceutical and Yulin Pharmaceutical in terms of marketing, innovative R&D, manufacturing and supply chains, so as to complement each other with their respective strengths. On the other hand, leveraging on the rich cultural heritage in the pharmaceutical sector, enriched product mix and solid market foundation of both parties, it is believed that the cooperation would achieve a win-win situation by fully realising the synergy between the parties, further exploring respective potential and enhancing market competitiveness.

Yulin Pharmaceutical was the first merger and acquisition target of Consun Pharmaceutical after listing. It demonstrated Consun Pharmaceutical's prudent approach in its capital operation as well as its commitment in being accountable to the Company and its shareholders. 2016 was the first year Consun Pharmaceutical obtained control of Yulin Pharmaceutical. Under the leadership of the new operation team, Yulin Pharmaceutical actively promoted the integration with Consun Pharmaceutical in terms of strategy, organization, business and management, adjusted the systems or mechanisms which might not fit for market development, pushed forward the transformation of "Brand & Terminal" marketing mode, strengthened the operation and management, segmentised the cost control of all levels, achieving leapfrog development along with integrations and adjustments. In 2016, revenue (including value added tax) realized amounted to approximately RMB570,000,000 (excluding value added tax revenue approximately RMB487,409,000), representing a year-to-year growth of over 30%, and its operating profits realised the most satisfactory growth rate in Yulin Pharmaceutical history. Looking forward, we will continue to seek quality partners for cooperation, with a view to strengthening and expanding the Group's core businesses and thus maximising profits.

RESEARCH AND DEVELOPMENT ("R&D") AND INNOVATION

1. The results of the evidence-based medical research of UCG were widely disseminated and recognized

On 14 July 2016, the press conference on the results of the evidence-based medical research of UCG was held in Wuhan. According to the research results, UCG is a safe and effective cure to slow down the renal hypofunction of chronic kidney disease patients, which is of milestone significance in the field of treatment of chronic kidney disease with traditional Chinese medicine, offering a better pharmaceutical choice for the 120 million chronic kidney disease patients and general physicians and extending patients' life cycles with improved quality of life. At the "2016 Medical Market Annual Conference" held in August 2016, the evidence-based medical research of UCG project was accredited as one of the "Ten Best Marketing Cases in the Medical Market of 2016". UCG was listed on the "List of Healthy China's Brands" and "List of Chinese Pharmaceutical Brands" respectively.

2. Fruitful results on the research and development of new medicines

Palliative & Anti-diarrheal Soft Capsule, a new digestive medicine, has passed the on-site production inspections and has obtained the approval for production. It was launched in the market in 2016, which is expected to further extend our product lines, optimise our product structure and support the sustainable and healthy development of Consun Pharmaceutical.

The assessments of pharmacology, efficacy and safety on the new medicine for the treatment of diabetic kidney disease have been completed. Its application for clinic trial has been submitted to the Department of Food and Drug Administration of Inner Mongolia Autonomous Region, pending the approval of Department of Food and Drug Administration of China. Meanwhile, US Food and Drug Administration has also officially processed the case and completed the pre-assessment engagement on technology. Production and delivery of the ingredients and granules of lanthanum carbonate were completed smoothly, and the trial-production has commenced. As for the Kidney Repair and Edema Alleviation Granules, its second-round joint R&D with Hong Kong Baptist University is now underway, which has obtained a subsidy of HK$2,750,000 from the Innovation and Technology Commission of Hong Kong.

Iopamidol injection for diagnostic imaging has passed the on-site reviews on research and production as well as on-site production inspections. It is currently on the queue for review by the Centre for Drug Evaluation of the PRC, and it is expected to obtain the approval for production in 2017. Procedures such as prescription, quality standard setting and production inspection for Iomeprol injection were completed as scheduled.

In May 2016, the "Ultrasound Micro-bubble Contrast Medium Project" in collaboration with Chongqing University of Medical Sciences was commenced, aiming to undertake the R&D of the first ultrasound micro-bubble contrast product, namely "Huashengxian".

The R&D of hydrogel patch, the innovative form of Zheng Gu Shui, has unprecedentedly obtained a subsidy of RMB1,500,000 from the "Special Projects of Science and Technology" of the Guangxi Autonomous Region. This is the first time in the past 10 years Yulin Pharmaceutical obtained support for its core medicine products from pharmaceutical innovation fund of the government of Guangxi Autonomous Region.

In 2016, the Group submitted a total of 9 applications for invention patents, of which 3 patents have been granted. As at the end of 2016, the Group has been granted a total of 22 invention patents, including 11 international patents. In particular, the patent of our Kidney Repair and Edema Alleviation Granules was granted the Excellence Award at 18th China Patent Granting Ceremony in December 2016.

3. **As at 31 December 2016, the Group has two provincial "Engineering Technical Research Centre", two provincial "Enterprise Technical Research Centre", two "Academician Expert Workstation", one "Postdoctoral Scientific Research Workstation" and "Consun Chinese Medicines Research Centre for Renal Diseases" of Hong Kong Baptist University**

   In the "Academician Expert Work Station for Biomedical Technology" of Consun Pharmaceutical located in Tongliao, Inner Mongolia, CHEN Xiangmei (an academician of Chinese Academy of Engineering) has entered the station to commence work, which has provided new opportunities for Consun Pharmaceutical to promote technological innovation and also represents new chances for economic development in the region.

   As of today, the Group has two provincial "Engineering Technical Research Centre" ("Medicine Research Engineering Centre for Renal Diseases" in Guangdong Province and "Modern Chinese Medicine Engineering Technical Research Centre" in Guangxi), two provincial "Enterprise Technical Research Centre" (Consun Pharmaceutical (Inner Mongolia) Co., Ltd. was recognized as an "Autonomous Region-level Enterprise Research Centre" in 2012 and Yulin Pharmaceutical was recognized as an "Autonomous Region-level Enterprise Technical Centre" in Guangxi in 1998), two "Academician Expert Workstation" ("Academician Expert Work Station for Biomedical Technology" and "Guangxi Academician Workstation", where on-site guidance are offered by Academician CHEN Xiangmei and Academician LIU Changxiao, respectively), one "Postdoctoral Scientific Research Workstation" ("Postdoctoral Scientific Research Workstation" of Consun Pharmaceutical) and "Consun Chinese Medicines Research Centre for Renal Diseases" of Hong Kong Baptist University.

FUTURE DEVELOPMENT

Upholding the strategy of "based on specialties and complemented by generics", Consun Pharmaceutical will continue to push forward the vertical development of flagship products for kidney disease and diagnostic imaging, as well as rapidly expand its existing series of products of women and children, bone fracture, skin, liver and gallbladder and digestive system, so as to develop its "1+6" product structure with utmost effort, with multiple leading specialities and full range of treatment capability in order to be able to provide comprehensive, reliable health management solutions to customers.

1. **Development of Products for Kidney Disease.** UCG, the Group's flagship product, maintained its strong leading position among the oral modern Chinese medicines for kidney disease in China. The market of Kidney Repair and Edema Alleviation Granules tends to expand quickly. Looking ahead, the Group will cover the whole course of chronic kidney disease treatment with "Kidney Repair and Edema Alleviation Granules, UCG, diabetic kidney disease and a dialysis drug for the treatment of hyperphosphatemia", expand the domain of treatment with drugs for the treatment of nephrotic syndrome, and integrate kidney tonic products such as Renal Supplement and Cure Oral Solution, Jin-gang Pill, Gejie Dabu Wan (Gecko Nourishing Pill) and Gecko Kidney Nourishing Capsule, so as to continuously strengthen the Group's leading position in the field of kidney disease treatment.

2. **Development of Imaging Products.** Currently, there are three segments in the medical contrast medium market, namely magnetic resonance image ("**MRI**"), computer tomography ("**CT**") and ultrasound imaging. The Group will expand its coverage in the imaging domain and consolidate its brand influence while maintaining its leading position in the market of MRI with Gadopentetic Dimeglumine Injection.

   It is expected that the ultrasound micro-bubble contrast medium product will apply for drug registration in the second half of 2017. Currently, the writing of registration materials and inspection of raw materials for the reference agent have been completed, and are now preparing the testing methods and optimizing the prescription and production process. It is to note that, the main component of ultrasound micro-bubble is micro-bubbles with diameter of 2-10um, which is not only suitable for disease diagnosis and therapeutic effect evaluation, but also for disease treatment when loaded with drugs or genes, i.e. precisely targeted treatment with drug-loaded micro-bubbles following confirmed diagnosis to achieve "integration of diagnosis and treatment". This achievement is expected to open a new era of the development of diagnostics and therapeutics, and the successful development and marketing of this product is expected to turn the Group into a high-tech medical solution provider.

3. **Development of Products for Women and Children.** The market share of the Group's blockbuster Iron Dextran Oral Solution in the field of iron supplement for women and children has been growing rapidly, and is expected to reach a record high. In the future, the Group will integrate Zhixueling (blood-stopping) Capsule, Dahuangzhechong Tablet, Fuketiaojing (menstrual period adjusting) Tablet, Yijunfujie (bacteria suppressing) Solution and Tongbaoqixing Tea to forge a series of products covering women and children disease treatment and health care.

4. **Development of Products for Bone Fracture.** Zheng Gu Shui is an "old brand" and "good product" widely recognised by the Chinese people and has been inducted into the Catalogue of Safe Drugs for the Chinese. The Group has started a product upgrade scheme based on Zheng Gu Shui, aiming to enhance the technology ingredient and efficacy of the product and emerge with a fresh look. The pharmacology and pharmacodynamics study for the innovative hydrogel patch of Zheng Gu Shui has completed, which is expected to be in the market in 2018. The development project of Shiduqing ointments has also been officially approved.

5. **Development of Products for Liver and Gallbladder Treatment.** Jigucao Capsule is one of the Group's proprietary products, which is a traditional Chinese medicines for the nourishment and protection of liver. In the future, the Group will expand the coverage of its liver and gallbladder series of products and expect them to become a main driver of sales volume.

6. **Development of Skin Products.** As an oral skin-care medicine, Shiduqing demonstrates a unique concept and significant effects. In the future, the Company will explore the possibility of combined administration with Pidanfen and extend the scope of application of its products while strengthening the effect treatment of noxious dampness indications with Shiduqing.

7. **Development of Products for Digestive System.** In June 2016, the Group's major innovative product Palliative and Anti-diarrheal Soft Capsule commenced production in its production base in Inner Mongolia. As a pure Chinese herbal preparation with registered intellectual property rights, it will form for the base of the Group's digestive drugs with products like Caoxiangweikang Capsule, Hawthorn Chrysanthemum Granules, Anwei Tablet and Shidishui, and as an important participant, the Group will continue penetrating the highly-potential digestive drug market.

Being a controlling shareholder of Yulin Pharmaceutical, Consun Pharmaceutical is well-positioned to integrate the resources of both itself and Yulin Pharmaceutical in marketing, innovation and R&D, production and manufacturing and supply chains, so as to complement each other with their respective strengths; on the other hand, leveraging on the rich cultural heritage in the pharmaceutical sector, enriched product mix and solid market foundation of both parties, it is believed that the cooperation would achieve a win-win situation by fully realizing the synergy between the parties, further exploring respective potential and enhancing market competitiveness.

Yulin Pharmaceutical will continue its transformation based on the marketing model of "Brand & Terminal", strengthen its strategic cooperation with the core chains, enhance its terminal promotion capacity and effectiveness and further consolidate the foundation for its development. It will strive to enable a leading position for its key products in the market and establish the "1+6" product structure with all its efforts, so as to achieve substantial breakthrough in its products for women and children, bone fracture, skin care and liver and gallbladder treatment.

OVERALL DEVELOPMENT STRATEGY

The Group has been adhering to the product strategy of "based on specialties and complemented by generics" and the marketing strategy of "in-depth distribution, market segmentation and classified management", and will strive to complement the Company and Yulin Pharmaceutical with their respective strengths. In the future, the Group will continue to expand its territory relying on the industrial chain and strive to become a supplier of comprehensive healthcare solution. Specifically speaking:

1. "Based on specialties and complemented by generics" – collaborative development of specialist medicine and general medicine business, making a significant breakthrough in 2016 in developing the general drug market relying on Yulin Pharmaceutical while focusing on the kidney and contrast specialist prescription drug market, in order to further balance the development of specialist drug and general drug business.

2. The brands of "Consun" and "Yulin" endorsing each other and marching ahead side by side. In line with the guideline of parallel development of "Consun" and "Yulin", the Group will continue to optimise the Consun brand through event propagation and academic promotion while renovating Yulin brand based on the OTC "Brand & Terminal" marketing transformation, so as to enhance the brand recognition.

3. Domestic and foreign trade business taking off side by side. In the future, the Group will accelerate the development of its international business and strive to achieve a balanced development of both foreign trade and domestic sales relying on Yulin Pharmaceutical's foreign trade platform and customer relationship.

4. Extension and optimization of the healthcare industry chain. In the future, the Group will continue to push forward the merger and acquisition and integration to achieve full coverage in the treatment field. Besides, the Group will continue to expand the territory of medicine, raw materials and healthcare, and spur synergies.

In summary, by completing the above business layout, fostering sales channels, optimising product structure, enhancing research and innovation capacities, strengthening internal management and gradually realized balanced development of prescription and non-prescription drugs, the Group is now on the tract of sustainable and healthy development.

FINANCIAL REVIEW

Revenue

For the year of 2016, the Group's revenue was RMB1,223,488,000, representing an increase of approximately 47.2% as compared with RMB831,108,000 for 2015. Categorized by product lines, sales of kidney medicines recorded an increase of 13.8% as compared with last year; sales of medical contrast medium recorded an increase of 2.9% as compared with last year; The increase in revenue of these products was mainly attributable to the Group's efforts to develop the market segments intensively, to extend our coverage over hospitals and physicians, so as to increase sales of the Group's medicines. Sales of other medicines recorded a significant increase of 464.4% as compared with last year, which was mainly attributable to the successful completion of acquisition of Yulin Pharmaceutical and the improvement in its operations.

Gross Profit and Gross Profit Margin

For the year of 2016, the Group's gross profit was RMB911,023,000, representing an increase of 35.9% as compared with RMB670,566,000 for 2015. The increase in gross profit was mainly attributable to the increase in sales. For the year of 2016, the Group's average gross profit margin was 74.5%, representing a decrease of 6.2% as compared with the 80.7% for the last year, which was mainly attributable to the increases in sales proportion of other medicines, whereas their average gross profit margin is smaller than kidney medicines and medical contrast medium.

Other Income

For the year of 2016, the Group's other income was RMB6,104,000, which mainly included the government grants and interest income. Compared with the other income of RMB31,329,000 for 2015, the decrease was mainly attributable to the decrease in interest income due to the drops in balance at bank during the year.

Distribution Costs

For the year of 2016, the Group's distribution costs was RMB374,365,000, representing an increase of 44.5% as compared with RMB259,043,000 for 2015. The increase in distribution costs was mainly attributable to the Group's dedication in expanding the marketing and distribution networks (including that of Yulin Pharmaceutical) by recruiting additional marketing staff and increasing marketing and academic promotion activities during the year.

Administrative Expenses

For the year of 2016, the Group's administrative expenses were RMB141,666,000, representing an increase of 15.2% as compared with RMB122,946,000 for 2015. The increase in administrative expenses was mainly attributable to the consolidation of Yulin Pharmaceutical's administrative expenses during the year.

Finance Costs

For the year of 2016, finance costs were RMB1,509,000, representing an increase of 242.2% as compared with RMB441,000 for 2015. The increase was mainly attributable to the consolidation of Yulin Pharmaceutical's finance costs in respect of its short-term bank loans.

Income Tax

For the year of 2016, the Group's income tax expense was RMB83,795,000, representing an increase of 28.7% as compared with RMB65,093,000 for 2015. The effective tax rate (income tax expense divided by profit before taxation) increased slightly by 0.1% from 20.7% for 2015 to 20.8% for 2016, mainly due to the increase in expenses not deductible for tax purposes during the year.

Annual Profit Attributable to Equity Shareholders of the Company and Earnings Per Share

For the year of 2016, the Group's annual profit was RMB307,526,000, representing an increase of 23.2% as compared with RMB249,689,000 for 2015. The earnings per share (basic and diluted) increased by approximately RMB0.07 (28%) from RMB0.25 for 2015 to RMB0.32 for 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Trade Debtors and Bills Receivable

As at 31 December 2016, the balance of trade debtors and bills receivable was RMB557,275,000, representing an increase of 53.2% as compared with the balance of RMB363,703,000 as at 31 December 2015. Trade receivables turnover days for 2016 were 137.4 days, increased by 6.6 days from 130.8 days for 2015. It was mainly attributable to the consolidation of Yulin Pharmaceutical's business, whereas its customers on average have longer credit periods.

Inventories

As at 31 December 2016, the balance of inventories was RMB140,974,000, representing an increase of 98.5% as compared with the balance of RMB71,014,000 as at 31 December 2015. Inventory turnover days for 2016 were 123.8 days, decreased by 17.7 days from 141.5 days for 2015. It was mainly attributable to the enhancement of inventory management.

Trade Payables

As at 31 December 2016, the balance of trade payables was RMB79,733,000, representing an increase of 100.5% as compared with the balance of RMB39,760,000 as of 31 December 2015. Trade payables turnover days for 2016 were 69.8 days, decreased by 16.8 days from 86.6 days for 2015. It was mainly attributable to speed up in processing trade payable as a result of improvement in cash flow from operating activities.

Cash Flows

For the year of 2016, the Group's net cash generated from operating activities was RMB449,177,000, representing an increase of 144.1% as compared with the RMB184,043,000 for 2015, which was mainly attributable to the increase in the Group's revenue and the increase in accrued expenses payable after the year end of 2015. For the year of 2016, the Group's net cash generated from investing activities was RMB91,888,000, as compared with the net cash used in investing activities of RMB455,806,000 for 2015, the change was mainly due to the consideration for acquisition of Yulin Pharmaceutical was mainly paid in 2015, and there was net cash acquired through acquisition of Yulin Pharmaceutical, net of cash paid during 2016. For the year of 2016, the Group's net cash outflow from financing activities was RMB358,341,000, representing an increase of 337.4% as compared with the RMB81,919,000 for 2015, which was mainly attributable to increase in payments for dividends and shares buy-back, and the increase in percentage of equity interest in Yulin Pharmaceutical after it became a subsidiary of the Group.

Cash and Bank Balances and Borrowings

As at 31 December 2016, the Group's cash and bank balances were RMB672,711,000, representing an increase of 37.3% as compared with RMB489,987,000 as at 31 December 2015, which was mainly attributable to the increase in revenue and the completion of acquisition Yulin Pharmaceutical during the year. The Group did not have any interest bearing borrowings as at 31 December 2016 (31 December 2015: Nil).

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2016. 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 HK$.

GEARING RATIO

The gearing ratio (total interest bearing borrowings over shareholders' equity) of the Group as at 31 December 2016 was 0% (31 December 2015: 0%).

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in RMB and HK$. The majority of assets and liabilities are denominated in RMB and HK$, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies now comprising the Group. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL STRUCTURE

During the year of 2016, the Company repurchased 23,489,000 (2015: 2,243,000) ordinary shares from the market and cancelled those shares. Other than this, there were no significant changes in the Company's capital structure. The Company's capital comprises ordinary shares and other reserves.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital commitments of approximately RMB25,671,000 (31 December 2015: RMB8,096,000).

INFORMATION ON EMPLOYEES

As at 31 December 2016, the Group hired a total of 2,108 employees (31 December 2015: 1,303 employees). The total staff costs (including the directors' remuneration) for the year ended 31 December 2016 was RMB199,551,000 (2014: RMB154,127,000). 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 Mandatory Provident Fund and various retirement benefits schemes in Hong Kong, 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 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 ("**Share Option Scheme**") and a share award scheme adopted on 21 July 2014 ("**Share Award Scheme**"), 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, to continuously enhance their knowledge, skills and cooperation 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 and associated companies, during the year ended 31 December 2016, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, as at the date of this announcement, the Group did not have other future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as the transactions disclosed in note 14 "Investments in subsidiaries", the Group did not have any other material acquisitions and disposals of subsidiaries and affiliated companies during 2016.

PLEDGE OF ASSETS

As at 31 December 2016, the Group did not have any pledged assets (31 December 2015: Nil).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

PRINCIPAL RISKS AND UNCERTAINTIES

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. Management also pays close attention to the recent development of national policies in respect of pharmaceutical industry, which is a key uncertainty facing the Group, and formulates and adjusts the Group relevant policies accordingly on a timely basis.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year of 2016, there was no incidence of significant non-compliance of laws and regulations that is relevant to the Group's operations.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2016, the Company repurchased 23,489,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately RMB81,132,000. Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

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.

Corporate Governance

Adapting and adhering to 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 ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company has adopted and complied with the code provisions (the "**Code Provisions**") set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules during the year ended 31 December 2016.

Model Code for Securities Transactions by the Directors

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 year ended 31 December 2016.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 2 December 2013 with written terms of reference in compliance with paragraph C3.3 and C3.7 of the Code Provisions. Its terms of reference were amended on 16 December 2015 and came into effective 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, risk management 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 oversee financial reporting, risk management and internal control procedures of the Group.

As at the date of this announcement, the Audit Committee consists of three members and two of them are independent non-executive Directors, namely Ms. CHENG Xinxin (chairlady), Mr. FENG Zhongshi and one non-executive Director, namely Mr. WANG Shunlong. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. The Audit Committee also met with the external auditors and reviewed the Annual Results.

Scope of work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Risk management and internal control systems

The Board acknowledges its responsibility for ensuring the group to maintain a sound and effective risk management and internal control system, and making review on its effectiveness at least once a year. The Audit Committee assists the Board in fulfilling its governance role over finance, operations, compliance, risk management and internal control of the Group. The Group's Audit and Legal Centre assists the Board and the Audit Committee in reviewing the effectiveness of the Company's risk management and internal control system on an ongoing basis. The Board is regularly updated on significant risks which may affect the performance of the Group.

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition, to ensure compliance of relevant ordinances and rules, to ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication and to manage operational risks. The controls built into the risk management system are intended to manage, not eliminate, significant risks in the Group's business environment. Such systems are designed to manage rather than eliminate the risk of failure to business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established an on-going procedure for identifying, assessing and managing the significant risks involved with the Group. Meanwhile, it reviews the effectiveness of the relevant internal control system. This procedure includes: (1) to engage a professional consultancy firm to assist the Group in improving the structure and mechanism of the risk management body and preparing the code of risk management; (2) to identify the significant risks involved in the business and assess the impact of such risks on the business of the Group; (3) to conduct gap analysis on the internal control measures in response to the significant risks, and make recommendations on the improvement of its internal audit functions.

The Group's Audit and Legal Centre assists in implementing the risk management practices and prepares regular work reports on whether the relevant internal control is adequate and effective in the previous year. The Audit Committee will report to the Board on the implementation of the risk management and internal control policy, including the identification of risk factors and assessment on which grades of risks are acceptable by the Group and the effectiveness of risk management and internal control policy.

Based on the report prepared by the Group's Audit and Legal Centre and Audit Committee, the Board believes that the risk management and internal control system of the Group is proper and effective, and the Group has complied with the provisions of risk management and internal control as contained in the corporate governance code. The Group will continue to review the effectiveness of the risk management and internal control system in coming years.

Events after the reporting period

(a) On 6 February 2017, the Company entered into the Share Buy-Back Agreement ("**Share Buy-back Agreement**") with First Kind, pursuant to which the Company agreed to acquire and First Kind agreed to dispose of 146,140,200 shares of the Company's ordinary shares at the total consideration of HK$560,739,947.40, equivalent to HK$3.837 per share.

The Share Buy-back Agreement is conditional upon, among others, (a) the Executive having granted and not having withdrawn the approval of the Whitewash Waiver and the Share Buy-back; and (b) the Disinterested Shareholders approving (i) the Share Buy-back Agreement and the transactions contemplated thereunder; and (ii) the Whitewash Waiver, at the extraordinary general meeting. Completion will take place on a day before the Long Stop date as agreed between First Kind and the Company in writing after fulfilment of the conditions precedent under the Share Buy-back Agreement (for definitions, please refer to the Company's announcement dated 6 February 2017). An extraordinary general meeting of the Company will be held on Tuesday, 11 April 2017 for the purpose of considering and, if thought fit, passing the relevant resolutions (for details, please refer to the Company's circular dated 20 March 2017).

(b) On 17 March 2017, the Company signed a commitment letter with BNP Paribas, acting through its Hong Kong Branch (the "**Lender**"), pursuant to which the Lender conditionally (conditions include but not limited to the signing of formal facility documents) agreed to grant the Company a three year term loan facility of up to HK$560,000,000 (for details, please refer to the Company's announcement dated 17 March 2017).

(c) On 30 March 2017, the Board proposed to declare a final dividend and a special dividend. For further details, please refer to note 7 to this announcement.

Annual General Meeting

The annual general meeting will be held on Wednesday, 31 May 2017. Shareholders should refer to details regarding the annual general meeting in the circular of the Company to be issued in due course and the notice of the annual general meeting and form of proxy accompanying thereto.

Dividends

The Directors proposed to declare a final dividend of HK$0.05 per share for the year ended 31 December 2016. The proposed final dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 31 May 2017 and, if approved, is expected to be paid on or about Friday, 16 June 2017 to shareholders whose names appear on the register of members of the Company on Friday, 9 June 2017.

Besides, the Directors proposed the payment of a special dividend of HK$0.10 per share subject to the Share Buy-back Agreement and the transactions contemplated thereunder being approved by the Disinterested Shareholders at the extraordinary general meeting to be held on Tuesday, 11 April 2017. The proposed special dividend, if approved, is expected to be paid on or about Wednesday, 10 May 2017 to shareholders whose names appear on the register of members of the Company on Friday, 28 April 2017. For details, please refer to the Company's announcement dated 6 February 2017 and the Company's circular, including the notice of the extraordinary general meeting dated 20 March 2017.

Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Wednesday, 31 May 2017, the Company's register of members will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 24 May 2017.

In addition, to determine shareholders' entitlement to the final dividend, the Company's register of members will be closed from Tuesday, 6 June 2017 to Friday, 9 June 2017 (both days inclusive). In order to qualify for the entitlements to the final dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Monday, 5 June 2017.

Publication of information on the Stock Exchange's website

This announcement is published on the websites of the Company (www.chinaconsun.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2016 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 Yubao
Chairman

Hong Kong, 30 March 2017

As at the date of this announcement, the Board comprises Mr. AN Yubao, Ms. LI Qian and Professor ZHU Quan as executive Directors; Mr. WANG Shunlong and Mr. LIN Sheng as non-executive Directors; Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHENG Xinxin as independent non-executive Directors.