康臣葯業集團有限公司
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 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 amounted to RMB869,023,000, representing an increase of approximately 13.0% as compared with the six months ended 30 June 2017.

- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 amounted to RMB219,014,000, representing an increase of approximately 18.5% as compared with the six months ended 30 June 2017.

- Basic and diluted earnings per share for the six months ended 30 June 2018 amounted to approximately RMB0.2564 and RMB0.2496 respectively, representing increases of approximately 25.0% and 21.6% respectively as compared with the six months ended 30 June 2017.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018, and will consider the dividend level in the whole year aspect at the Board meeting to be held for reviewing the annual results for the year ending 31 December 2018.

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 2018 (the "**Interim Results**"). The audit committee of the Company (the "**Audit Committee**") and the Group's external auditor, KPMG, have reviewed the Interim Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		For the six months ended 30 June	
		2018	2017
			(Note)
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**869,023**	769,356
Cost of sales		**(216,983)**	(187,154)
Gross profit	*3*	**652,040**	582,202
Other income	*5*	**5,802**	14,981
Distribution costs		**(273,538)**	(244,526)
Administrative expenses		**(72,675)**	(80,183)
Other operating expenses		**(3,093)**	–
Profit from operation		**308,536**	272,474
Finance costs	*6*	**(14,412)**	(3,479)
Profit before taxation	*6*	**294,124**	268,995
Income tax	*7*	**(58,797)**	(69,979)
Profit for the period		**235,327**	199,016
Attributable to:			
– Equity shareholders of the Company		**219,014**	184,816
– Non-controlling interests		**16,313**	14,200
Profit for the period		**235,327**	199,016
Earnings per share (RMB yuan)			
– Basic	*8*	**0.2564**	0.2052
– Diluted	*8*	**0.2496**	0.2052
Profit for the period		**235,327**	199,016
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 People's Republic of China (the "**PRC**"), net of tax		**1**	(31)
Total comprehensive income for the period		**235,328**	198,985
Attributable to:			
– Equity shareholders of the Company		**219,015**	184,785
– Non-controlling interests		**16,313**	14,200
Total comprehensive income for the period		**235,328**	198,985

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Non-current assets			
Investment property	9	**17,538**	17,876
Other property, plant and equipment	9	**428,390**	400,797
Lease prepayments		**131,210**	132,777
Intangible assets	9	**445,508**	460,215
Goodwill		**320,647**	320,647
Other investment	6(c)	**–**	2,600
Other prepayment		**35,692**	17,740
Deferred tax assets		**34,556**	34,714
Total non-current assets		**1,413,541**	1,387,366
Current assets			
Inventories	10	**176,944**	200,001
Trade and other receivables	11	**868,807**	995,085
Cash at bank and in hand		**1,125,564**	989,565
Total current assets		**2,171,315**	2,184,651
Current liabilities			
Trade and other payables	12	**679,705**	679,722
Loans and borrowings	13	**141,641**	193,621
Deferred income		**1,655**	1,554
Current taxation		**56,608**	95,336
Total current liabilities		**879,609**	970,233
Net current assets		**1,291,706**	1,214,418
Total assets less current liabilities		**2,705,247**	2,601,784
Non-current liabilities			
Loans and borrowings	13	**306,888**	374,483
Deferred income		**19,047**	20,741
Deferred tax liabilities		**139,377**	142,412
Total non-current liabilities		**465,312**	537,636
NET ASSETS		**2,239,935**	2,064,148
Capital and reserves			
Share capital	15(b)	**68,746**	68,652
Reserves		**1,837,416**	1,678,036
Total equity attributable to equity shareholders of the Company		**1,906,162**	1,746,688
Non-controlling interests		**333,773**	317,460
TOTAL EQUITY		**2,239,935**	2,064,148

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

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 2018.

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 21 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

There is no impact of transition to HKFRS 9 on retained earnings and reserves at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**HKFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets carried at amortised costs			
Cash at bank and in hand	989,565	–	989,565
Trade and other receivables	995,085	–	995,085
	1,984,650	–	1,984,650
Financial assets carried at FVPL			
Equity securities not held for trading *(Note)*	–	2,600	2,600
Financial assets classified as available-for-sale under HKAS 39 *(Note)*			
Other investment *(Note)*	2,600	(2,600)	–

Notes: Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash at bank and in hand and trade and other receivables);

– lease receivables.

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new requirements.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held.

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018 (if any).

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 dose not have a significant impact on when the Group recognises revenue from sales of goods and this change in accounting policy had no material impact on opening balances as at 1 January 2018.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers. This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e. refund liability). For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. To reflect this change in presentation, contract liabilities, including receipts in advance from customers with amount of RMB3,047,000, and, refund liabilities, including sales rebates payable to customers with amount of RMB59,369,000, are now separately presented under trade and other payables at 30 June 2018, as a result of the adoption of HKFRS 15.

(d) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

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	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	**444,077**	383,882
Contrast medium	**61,440**	59,234
Orthopedics medicines	**111,736**	83,922
Dermatologic medicines	**94,878**	90,738
Women and children medicines	**67,943**	59,034
Others	**88,949**	92,546
	869,023	769,356

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2017: 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

Disaggregation of revenue from contracts with customers by 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.

	Consun Pharmaceutical Segment		**Yulin Pharmaceutical Segment**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
For the six months ended 30 June	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**589,170**	505,657	**279,853**	263,699	**869,023**	769,356
Reportable segment revenue						
Revenue from external customers	**589,170**	505,657	**279,853**	263,699	**869,023**	769,356
Reportable segment profit						
Gross profit*	**468,421**	404,001	**183,619**	178,201	**652,040**	582,202
Reportable segment assets	**1,906,423**	1,842,442	**1,678,433**	1,729,575	**3,584,856**	3,572,017
Reportable segment liabilities	**888,783**	940,847	**456,138**	567,022	**1,344,921**	1,507,869

* 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.

(c) Reconciliations of reportable segment profit

	For the six months ended 30 June	
	2018	2017 *(Note)*
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**652,040**	582,202
Other income	**5,802**	14,981
Distribution costs	**(273,538)**	(244,526)
Administrative expenses	**(72,675)**	(80,183)
Finance costs	**(14,412)**	(3,479)
Other operating expenses	**(3,093)**	–
Consolidated profit before taxation	**294,124**	268,995

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 11 (see note 2(c)).

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 2018, the Group reported revenue of RMB1,759,897,000 (twelve months ended 30 June 2017: RMB1,540,992,000), and gross profit of RMB1,298,233,000 (twelve months ended 30 June 2017: RMB1,136,421,000).

5 OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Government grants		
– Unconditional subsidies	**993**	5,892
– Conditional subsidies	**1,619**	973
Interest income	**6,143**	1,871
Loss on disposal of property, plant and equipment	**(52)**	(128)
Net exchange (losses)/gains	**(5,576)**	6,310
Others	**2,675**	63
	5,802	14,981

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on bank loans	**11,785**	2,033
Finance charges on bank loans	**2,627**	1,446
	14,412	3,479

(b) Staff costs:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**130,498**	118,489
Contribution to defined contribution retirement schemes	**4,859**	4,326
Equity settled share-based payments:		
Share Option Scheme *(note 14)*	**5,224**	14,908
	140,581	137,723

(c) Other items:

	For the six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	*RMB'000*
Depreciation		
– Investment property	**338**	338
– Other property, plant and equipment	**16,538**	16,393
Amortisation		
– Lease prepayments	**1,567**	1,539
– Intangible assets	**14,707**	14,707
Provision recognised/(reversal of provision) for doubtful debts *(note 6(c)(i))*	**493**	(519)
Net unrealised losses on investment not held for trading *(note 6(c)(ii))*	**2,600**	–
Operating lease charges	**1,722**	1,499
Research and development costs	**10,216**	10,431

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(i) During the six months ended 30 June 2018, provision for doubtful debts of RMB493,000 (six months ended 30 June 2017: reversal of provision for doubtful debts of RMB519,000) was recognised in "Other operating expenses".

(ii) During the six months ended 30 June 2018, net unrealised losses on investment not held for trading of RMB2,600,000 (six months ended 30 June 2017: nil) was recognised in "Other operating expenses", representing the fair value change of the investment not held for trading of the Group.

7 INCOME TAX

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**61,675**	60,837
Deferred tax		
Origination and reversal of temporary differences	**(2,878)**	9,142
	58,797	69,979

(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 six months ended 30 June 2017 and 2018.

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

Guangzhou Consun Pharmaceutical Company Limited ("**Guangzhou Consun**") was qualified as an "Advanced and New Technology Enterprise", Guangzhou Consun was entitled to the preferential income tax rate of 15% from 2017 to 2019.

Consun Pharmaceutical (Inner Mongolia) Co., Ltd. ("**Inner Mongolia Consun**") was qualified as an "Advanced and New Technology Enterprise" and was entitled to the preferential income tax rate of 15% from 2015 to 2017. Inner Mongolia Consun is applying for the extension of "Advanced and New Technology Enterprise" qualification and the entitlement of the preferential income tax rate for 2018 to 2020. In the opinion of Directors, they do not foresee any difficulties to obtain an approval of the preferential income tax rate for 2018 to 2020. Therefore, the PRC income tax rate applicable to Inner Mongolia Consun was 15% for the six months ended 30 June 2018 (six months ended 30 June 2017: 15%).

Guangxi Yulin Pharmaceutical Group Co., Ltd. ("**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 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 2018.

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 2018.

(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 withholding tax rate at 10% for PRC withholding tax purposes.

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 2018, deferred tax liabilities of RMB57,565,000 (31 December 2017: RMB58,003,000) have been provided based on the expected dividends to be distributed from Guangzhou Consun to the Company in the foreseeable future in respect of the profits generated since 1 January 2008.

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 RMB219,014,000 (six months ended 30 June 2017: RMB184,816,000) and the weighted average number of 854,231,000 ordinary shares (six months ended 30 June 2017: 900,474,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2018	2017
	’000 shares	*’000 shares*
Issued ordinary shares at 1 January	**873,610**	974,268
Effect of share options exercised *(note 15(b))*	**319**	–
Effect of treasury shares held under the Share Award Scheme	**(19,698)**	(19,698)
Effect of shares repurchased and cancelled	**–**	(54,096)
Weighted average number of ordinary shares at 30 June	**854,231**	900,474

(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 RMB219,014,000 (six months ended 30 June 2017: RMB184,816,000) and the weighted average number of ordinary shares of 877,422,000 (six months ended 30 June 2017: 900,474,000 shares).

	For the six months ended 30 June	
	2018	2017
	’000 shares	*’000 shares*
Weighted average number of ordinary shares at 30 June	**854,231**	900,474
Diluted effect of deemed issue of shares under the Share Option Scheme	**23,191**	–
Weighted average number of ordinary shares (diluted) at 30 June	**877,422**	900,474

9 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired items of property, plant and machinery with a cost of RMB45,199,000 (six months ended 30 June 2017: RMB15,444,000). Items of plant and machinery with a net book value of RMB1,068,000 were disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB321,000), resulting in a loss on disposal of RMB52,000 (six months ended 30 June 2017: RMB128,000).

(b) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB256,233,000 (31 December 2017: RMB256,233,000) and patents with a carrying amount of RMB189,275,000 (31 December 2017: RMB203,982,000).

(c) Valuation of investment property

Investment property 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 property were not materially different from their fair value as at 30 June 2018 and 31 December 2017.

10 INVENTORIES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Raw materials	**88,187**	89,207
Work in progress	**48,121**	39,908
Finished goods	**40,636**	70,886
	176,944	200,001

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 and net of allowance for doubtful debts, is as follows:

	At 30 June 2018	At 31 December 2017 *(Note)*
	RMB'000	*RMB'000*
Within 3 months	**753,323**	903,231
3 to 12 months	**81,520**	58,986
Over 12 months	**5,444**	8,077
Trade debtors and bills receivable, net of loss allowance *(note 11(a))*	**840,287**	970,294
Other receivables	**13,132**	15,776
Prepayments *(note 11(b))*	**15,388**	9,015
	868,807	995,085

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(a) Trade debtors and bills receivable, net of allowance for doubtful debts

Trade debtors and bills receivable are generally due within 30 to 180 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted.

There is no material impact in relation to the opening balance of equity at 1 January 2018 for the initial application of ECL model in HKFRS 9 (see note 2(b)).

(b) Prepayments

Loan facility fees of RMB6,703,000 (31 December 2017: RMB9,266,000) in connection with the three-year term loan (note 13) were prepaid, of which RMB2,313,000 (31 December 2017: RMB4,323,000) was expected to be recognised as expenses after more than one year and was classified as non-current and included in other prepayments, and the remaining amount of RMB4,390,000 (31 December 2017: RMB4,943,000) which was expected to be recognised as expenses within one year was included in trade and other receivables.

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *(Note)* *RMB'000*
Within 1 month	**24,347**	31,129
1 to 12 months	**20,636**	36,619
Over 12 months	**4,810**	991
Total trade payable	**49,793**	68,739
Receipts in advance	**–**	4,220
Contract liabilities *(i)*	**3,047**	–
Refund liabilities *(ii)*	**59,369**	–
Accrued expenses	**279,417**	236,738
Employee benefits payable	**164,515**	174,995
Other payables	**123,564**	195,030
	679,705	679,722

Note: The Group has initially applied HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

(i) As a result of the adoption of HKFRS 15, receipts in advance from customers are included in contract liabilities (see note 2(c)).

(ii) As a result of the adoption of HKFRS 15, sales rebates payable to customers are included in refund liabilities (see note 2(c)).

13 LOANS AND BORROWINGS

As of the end of the reporting period, loans and borrowings were unsecured bank loans and were repayable as follows:

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year	**141,641**	193,621
After 1 year but within 2 years	**306,888**	140,431
After 2 years but within 3 years	**–**	234,052
	306,888	374,483
	448,529	568,104

A three-year term loan which amounted to HKD532,000,000 (equivalent to RMB448,529,000) was included in loans and borrowings and is interest-bearing at 2.00% per annum over the relevant HIBOR.

As at 30 June 2018, the Group's bank loans amounted to RMB448,529,000 (31 December 2017: RMB548,104,000) 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 were to breach the covenants the drawn down loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2018, none of the covenants relating to drawn down loans had been breached (31 December 2017: none).

14 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has approved a share option scheme on 2 December 2013 and granted share options to certain Directors and employees in 2014 and 2016. During the six months ended 30 June 2018, 1,150,800 share options were exercised (six months ended 30 June 2017: nil).

15 CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

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

	For the six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Interim dividend declared after the interim period (six months ended 30 June 2017: HKD0.096 per share)	**–**	66,059

The directors do not propose any payment of interim dividends for the six months ended 30 June 2018 (six months ended 30 June 2017: HKD0.096 per share).

(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	
	2018	2017
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2018 of HKD0.1 per share (six months ended 30 June 2017: HKD0.05 per share)	**68,943**	36,599
Less: Dividends for treasury shares held by the Company	**–**	(875)
	68,943	35,724
Special dividend approved and paid during the interim period (six months ended 30 June 2017: HKD0.1 per share)	**–**	73,198
Less: Dividends for treasury shares held by the Company	**–**	(1,750)
	–	71,448
	68,943	107,172

(b) Share capital

Ordinary shares, issued and fully paid

	Six months ended 30 June 2018		
	Number of shares	**Nominal value of fully paid shares**	**Nominal value of fully paid shares**
	'000	***HKD'000***	***RMB'000***
As at 1 January 2018	**873,610**	**87,361**	**68,652**
Shares issued under the Share Option Schemes	**1,150**	**115**	**94**
As at 30 June 2018	**874,760**	**87,476**	**68,746**

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

During the six months period ended 30 June 2018, share options were exercised to subscribe for a total of 1,150,800 (six months ended 30 June 2017: nil) ordinary shares in the Company at a consideration of HKD5,112,000 (equivalent to approximately RMB4,158,000), of which RMB94,000 and RMB4,064,000 were credited to share capital and the share premium account respectively. RMB3,461,000 was transferred from the capital reserve to the share premium account in accordance with the Company's accounting policy.

16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Contracted for	**279,847**	125,239
Authorised but not contracted for	**164,943**	260,833
Total	**444,790**	386,072

17 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Salaries and other benefits	**15,268**	12,909
Retirement scheme of defined contribution	**77**	48
Equity settled share-based payment expenses	**1,030**	4,130
	16,375	17,087

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

18 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

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

Revenue

For the first half of 2018, the Group's sales revenue was RMB869,023,000, representing an increase of approximately 13.0% as compared with RMB769,356,000 of the same period of 2017. Categorized by product lines, sales of kidney medicines recorded an increase of approximately 15.7% as compared with the same period last year, among which, Uremic Clearance Granules remained the Group's key product, maintained its leading position in oral modern Chinese medicines for kidney diseases; sales of medical contrast medium recorded an increase of approximately 3.7% as compared with the same period last year, 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 33.1% as compared with the same period last year; sales of dermatologic medicines recorded an increase of approximately 4.6% as compared with the same period last year; sales of women and children medicines recorded an increase of approximately 15.1% as compared with the same period last year and sales of other medicines recorded a decrease of approximately 3.9% as compared with the same period last year. Sales of different product lines generally increased due to the Group's continuous efforts to explore product markets and develop sales network around the whole country.

Gross Profit and Gross Profit Margin

For the first half of 2018, the Group's gross profit was RMB652,040,000, representing an increase of 12.0% as compared with RMB582,202,000 of the same period of 2017. The increase in gross profit was mainly attributable to the increase in sales. For the first half of 2018, the Group's average gross profit margin was 75.0%, representing a slight decrease of 0.7% as compared with the 75.7% for the same period of 2017, basically remained the similar level.

Other Income

For the first half of 2018, the Group's other income was RMB5,802,000 which mainly included government grants, interest income and exchange gains/losses. Compared with RMB14,981,000 for the same period of 2017, the decrease in other income was mainly due to the net exchange losses in connection with HKD loans arising from the depreciation of RMB while there was net exchange gain arising from the appreciation of RMB during the same period last year.

Distribution Costs

For the first half of 2018, the Group's distribution costs were RMB273,538,000, representing an increase of approximately 11.9% as compared with RMB244,526,000 for the same period of 2017, which was mainly attributable to the Group's expansion of marketing and distribution networks by recruiting additional marketing staff and increasing marketing and academic promotion activities during the period.

Administrative Expenses

For the first half of 2018, the Group's administrative expenses were RMB72,675,000, representing a decrease of approximately 9.4% as compared with RMB80,183,000 for the same period of 2017, which was mainly due to the decrease in staff costs related to share option scheme recognised during the period.

Finance Costs

During the first half of 2018, the Group's finance costs were RMB14,412,000, representing an increase of approximately 314.3% as compared with RMB3,479,000 for the same period of 2017, which were mainly arising from a loan which was drawn down in April 2017.

Income Tax

For the first half of 2018, the Group's income tax expenses were RMB58,797,000, representing a decrease of approximately 16.0% as compared with RMB69,979,000 for the same period of 2017. The effective tax rate (income tax expenses divided by profit before taxation) decreased by 6.0% from 26.0% for the first half of 2017 to 20.0% for the first half of 2018. The decrease was mainly due to the increase in provision for withholding tax during the first half of 2017 in connection with dividends expected to be distributed from the Group's PRC incorporated subsidiaries to the Hong Kong incorporated subsidiaries in the foreseeable future, and such provision was still sufficient for the first half of 2018 and did not need to be further increased.

Profit for the Period and Earnings Per Share

The Group's profit for the first half of 2018 attributable to the equity shareholders of the Company was RMB219,014,000, representing an increase of approximately 18.5% as compared with the RMB184,816,000 for the same period of 2017. Basic and diluted earnings per share for the six months ended 30 June 2018 amounted to approximately RMB0.2564 and RMB0.2496 respectively, representing increases of approximately 25.0% and 21.6% respectively as compared with the six months ended 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Trade Debtors and Bills Receivable

As at 30 June 2018, the balance of trade debtors and bills receivable was RMB840,287,000, representing a decrease of approximately 13.4%, as compared with the balance of RMB970,294,000 as at 31 December 2017. The trade receivable turnover days in the first half of 2018 were 187.5 days, representing an increase of 19.6 days from 167.9 days in 2017. It was mainly due to the Group granted longer credit period to certain strategic customers with good credit standing based on the market situation during the period.

Inventories

As at 30 June 2018, the balance of inventories was RMB176,944,000, representing a decrease of approximately 11.5% as compared with the balance of RMB200,001,000 as at 31 December 2017. The Group's inventory turnover days in the first half of 2018 were 156.4 days, representing an increase of 12.3 days from approximately 144.1 days in 2017. It was mainly due to more in-depth and comprehensive repair and maintenance works were carried out in respect of certain production equipment during the period to improve the overall production efficiency.

Trade Payable

As at 30 June 2018, the balance of trade payable was RMB49,793,000, representing a decrease of approximately 27.6% as compared with the balance of RMB68,739,000 as at 31 December 2017. The trade payable turnover days in the first half of 2018 were 60.6 days, representing a decrease of 2.1 days from 62.7 days in 2017, which remained at a stable level.

Cash Flow from Operating Activities

The net cash inflow from operating activities of the Group in the first half of 2018 was RMB392,786,000, representing an increase of 427.8% as compared with the RMB74,426,000 for the same period of 2017, which was mainly attributable to decreases in trade receivable and inventory during the period.

Cash and Bank Balances and Loans and Borrowings

As at 30 June 2018, cash and bank balances of the Group were RMB1,125,564,000, representing an increase of 13.7% as compared with the balance of RMB989,565,000 as at 31 December 2017. As at 30 June 2018, the Group's loans and borrowings amounted to RMB448,529,000, representing a decrease of 21.0% as compared with the balance of RMB568,104,000 as at 31 December 2017.

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 2018 was approximately 23.5% (31 December 2017: 32.5%).

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 future due to fluctuation of exchange rates. During the period, 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 2018, the Company issued a total of 1,150,800 ordinary shares pursuant to employee's exercise of share options granted under the Share Option Scheme (adopted on 2 December 2013) (During the six months ended 30 June 2017: repurchased and cancelled 146,140,200 ordinary shares).

Saved as disclosed above, 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 30 June 2018, the Group had capital commitments of RMB444,790,000 (31 December 2017: RMB386,072,000).

Capital Expenditure

For the six months ended 30 June 2018, the Group had capital expenditure of RMB45,199,000 (same period of 2017: RMB15,444,000).

Information on Employees

As at 30 June 2018, the Group employed 2,609 employees (31 December 2017: 2,332 employees). For the six months ended 30 June 2018, the total staff costs (including Directors' remuneration) were RMB140,581,000 (same period of 2017: RMB137,723,000). 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 retirement benefits 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 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, 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 and an associate, as at 30 June 2018, 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.

Pledge of Assets

As at 30 June 2018, the Group did not have any pledged assets (31 December 2017: nil).

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

Connected Transaction

During the six months ended 30 June 2018, the Group did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Listing Rules during the period.

Events after the Reporting Period

As of the date of this announcement, the Group has no significant events after the period required to be disclosed.

Outlook

Looking ahead, the Group will continue to uphold the Group's advantages in oral modern Chinese medicines for kidney diseases in PRC market and medical contrast medium segments, and based on Yulin Pharmaceutical Group's strong foundation in traditional Chinese medicines market, and with the support of national macroeconomic policies, make efforts to allow more patients to be able to use our products, and contribute to the health of mankind.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018, and will consider the dividend level in the whole year aspect at the Board meeting to be held for reviewing the annual results for the year ending 31 December 2018.

OTHER INFORMATION

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

During the six months ended 30 June 2018, the Company issued a total of 1,150,800 ordinary shares pursuant to employee's exercise of share options granted under the share option scheme of the Company adopted on 2 December 2013.

Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeem any of the Company's listed securities during the 6 months ended 30 June 2018.

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 Report

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 set out in Appendix 14, *Corporate Governance Code and Corporate Governance Report*, of the Listing Rules (the "**Code Provisions**") during the six months ended 30 June 2018.

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 compiled with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2018.

Audit Committee

The Company established the Audit Committee on 2 December 2013 with written terms of reference in compliance with paragraph C.3.3 and C.3.7 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 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. CHENG Xinxin (chairlady), Mr. FENG Zhongshi and Mr. SU Yuanfu.

The unaudited interim results of the Group for the six months ended 30 June 2018 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 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 interim report of the Company for the six months ended 30 June 2018 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, 21 August 2018

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