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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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 amounted to RMB941,036,000, representing an increase of approximately 8.3% as compared with the six months ended 30 June 2018.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 amounted to RMB249,470,000, representing an increase of approximately 13.9% as compared with the six months ended 30 June 2018.
- Basic and diluted earnings per share for the six months ended 30 June 2019 amounted to approximately RMB0.2929 and RMB0.2872 respectively, representing the increases of approximately 14.2% and 15.1% respectively as compared with the six months ended 30 June 2018.
- The Board has declared an interim dividend of HKD0.1 per share for the six months ended 30 June 2019.

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 2019 (the “**Interim Results**”). The audit committee of the Company (the “**Audit Committee**”) and the Group’s external auditor have reviewed the Interim Results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		For the six months ended 30 June	
	<i>Note</i>	2019 RMB'000	2018 RMB'000
Revenue	<i>3</i>	941,036	869,023
Cost of sales		<u>(253,894)</u>	<u>(216,983)</u>
Gross profit	<i>3</i>	687,142	652,040
Other (losses)/income	<i>5</i>	(875)	5,802
Distribution costs		(274,276)	(273,538)
Administrative expenses		<u>(90,550)</u>	<u>(75,768)</u>
Profit from operation		321,441	308,536
Finance costs	<i>6</i>	<u>(11,519)</u>	<u>(14,412)</u>
Profit before taxation	<i>6</i>	309,922	294,124
Income tax	<i>7</i>	<u>(49,978)</u>	<u>(58,797)</u>
Profit for the period		<u>259,944</u>	<u>235,327</u>
Attributable to:			
– Equity shareholders of the Company		249,470	219,014
– Non-controlling interests		<u>10,474</u>	<u>16,313</u>
Profit for the period		<u>259,944</u>	<u>235,327</u>
Earnings per share (RMB yuan)			
– Basic	<i>8</i>	<u>0.2929</u>	<u>0.2564</u>
– Diluted	<i>8</i>	<u>0.2872</u>	<u>0.2496</u>

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

For the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	259,944	235,327
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	<u>949</u>	<u>1</u>
Total comprehensive income for the period	<u>260,893</u>	<u>235,328</u>
Attributable to:		
– Equity shareholders of the Company	250,419	219,015
– Non-controlling interests	<u>10,474</u>	<u>16,313</u>
Total comprehensive income for the period	<u>260,893</u>	<u>235,328</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 – unaudited

(Expressed in Renminbi)

		At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Investment property	9	16,919	17,200
Other property, plant and equipment	9	660,648	561,785
Lease prepayments		128,374	129,643
Intangible assets	9	416,092	430,800
Goodwill		320,647	320,647
Other prepayment		20,427	5,706
Deferred tax assets		36,928	35,102
		<hr/>	<hr/>
Total non-current assets		1,600,035	1,500,883
		<hr/>	<hr/>
Current assets			
Inventories	10	190,101	210,310
Trade and other receivables	11	984,733	916,099
Cash and cash equivalents		1,421,718	1,269,746
		<hr/>	<hr/>
Total current assets		2,596,552	2,396,155
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	700,217	750,804
Loans and borrowings	13	714,160	147,202
Deferred income		1,655	1,655
Current taxation		64,975	99,492
		<hr/>	<hr/>
Total current liabilities		1,481,007	999,153
		<hr/>	<hr/>
Net current assets		1,115,545	1,397,002
		<hr/>	<hr/>
Total assets less current liabilities		2,715,580	2,897,885
		<hr/>	<hr/>
Non-current liabilities			
Loans and borrowings	13	–	245,336
Deferred income		17,587	18,320
Deferred tax liabilities		117,464	137,217
		<hr/>	<hr/>
Total non-current liabilities		135,051	400,873
		<hr/>	<hr/>
NET ASSETS		2,580,529	2,497,012
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 June 2019 – unaudited***(Expressed in Renminbi)*

		At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
	<i>Note</i>		
Capital and reserves			
Share capital	15(c)	68,545	68,782
Reserves		2,161,717	2,088,437
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		2,230,262	2,157,219
Non-controlling interests		350,267	339,793
		<hr/>	<hr/>
TOTAL EQUITY		2,580,529	2,497,012
		<hr/> <hr/>	<hr/> <hr/>

Approved and authorised for issue by the Board of Directors on 21 August 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of the Group for the six months ended 30 June 2019.

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 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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

The HKICPA has issued a new HKFRS and a number of 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 16, *Leases*
- Amendments to HKAS 19, *Plan amendment, curtailment or settlement*
- Annual improvement to HKFRSs 2015-2017 Cycle
- HK(IFRIC) 23, *Uncertainty over income tax treatments*

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

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Kidney medicines	516,018	444,077
Contrast medium	68,606	61,440
Orthopedics medicines	94,231	111,736
Dermatologic medicines	93,713	94,878
Women and children medicines	77,600	67,943
Others	90,868	88,949
	941,036	869,023

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2018: 99%) of the revenue are generated from the PRC market.

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

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

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments managed directly by the segments.

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. 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.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below:

	Consun Pharmaceutical Segment		Yulin Pharmaceutical Segment		Total	
	2019	2018	2019	2018	2019	2018
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	<u>681,087</u>	<u>589,170</u>	<u>259,949</u>	<u>279,853</u>	<u>941,036</u>	<u>869,023</u>
Reportable segment revenue						
Revenue from external customers	<u>681,087</u>	<u>589,170</u>	<u>259,949</u>	<u>279,853</u>	<u>941,036</u>	<u>869,023</u>
Reportable segment profit						
Gross profit	<u>544,107</u>	<u>468,421</u>	<u>143,035</u>	<u>183,619</u>	<u>687,142</u>	<u>652,040</u>
Reportable segment assets	<u>2,356,452</u>	<u>1,882,776</u>	<u>1,853,046</u>	<u>1,669,492</u>	<u>4,209,498</u>	<u>3,552,268</u>
Reportable segment liabilities	<u>949,367</u>	<u>798,420</u>	<u>537,160</u>	<u>352,485</u>	<u>1,486,527</u>	<u>1,150,905</u>

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Reportable segment profit derived from the Group's external customers	687,142	652,040
Other (losses)/income	(875)	5,802
Distribution costs	(274,276)	(273,538)
Administrative expenses	(90,550)	(75,768)
Finance costs	(11,519)	(14,412)
	309,922	294,124

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 2019, the Group reported revenue of RMB1,915,986,000 (twelve months ended 30 June 2018: RMB1,759,897,000), and gross profit of RMB1,419,528,000 (twelve months ended 30 June 2018: RMB1,298,233,000).

5 OTHER (LOSSES)/INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Government grants		
– Unconditional subsidies	1,314	993
– Conditional subsidies	802	1,619
Interest income	5,599	6,143
Loss on disposal of property, plant and equipment	(162)	(52)
Net exchange losses	(8,869)	(5,576)
Others	441	2,675
	(875)	5,802

6 PROFIT BEFORE TAXATION

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

(a) **Finance costs:**

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interest on bank loans	9,510	11,785
Finance charges on bank loans	2,009	2,627
	11,519	14,412

(b) Staff costs:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Salaries, wages, bonuses and benefits	137,207	130,498
Contribution to defined contribution retirement schemes	5,531	4,859
Equity settled share-based payments:		
Share Option Scheme (<i>note 14</i>)	12,607	5,224
	155,345	140,581

(c) Other items:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Depreciation charge		
– Investment property	281	338
– Other property, plant and equipment	18,969	16,538
Amortisation		
– Lease prepayments	1,574	1,567
– Intangible assets	14,707	14,707
Impairment losses of trade and other receivables (<i>i</i>)	9,759	493
Net unrealised losses on investment not held for trading (<i>ii</i>)	–	2,600
Leases charges	1,874	1,722

- (i) During the six months ended 30 June 2019, provision for doubtful debts of RMB9,759,000 (six months ended 30 June 2018: RMB493,000) was recognised.
- (ii) During the six months ended 30 June 2018, net unrealised losses on investment not held for trading of RMB2,600,000 was recognised, representing the fair value change of the investment. No unrealised losses was recognised during the six months ended 30 June 2019.

7 INCOME TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	71,557	61,675
Deferred tax		
Origination and reversal of temporary differences	(21,579)	(2,878)
	49,978	58,797

- (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 2018 and 2019.
- (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.

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 2018 to 2020 and 2017 to 2019, respectively.

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 2019 (2018: 10%).

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 PRC income tax in 2019 and 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. In 2019, the Company obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and has satisfied the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income” and therefore has adopted the withholding tax rate at 5% for PRC withholding tax purposes for the calendar year 2017 and the two succeeding calendar years.

The Directors of the Group have determined that in determining the amounts of dividends to be distributed from PRC subsidiaries to the Hong Kong incorporated subsidiary in future, the amounts of dividends declared or to be declared by the Company, and the repayment schedule of loans and borrowings of the Company would be considered. As at 30 June 2019, deferred tax liabilities of RMB40,850,000 (31 December 2018: 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 RMB249,470,000 (six months ended 30 June 2018: RMB219,014,000) and the weighted average number of 851,824,000 ordinary shares (six months ended 30 June 2018: 854,231,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2019 '000 shares	2018 '000 shares
Issued ordinary shares at 1 January	875,191	873,610
Effect of share options exercised (<i>note 15(c)</i>)	25	319
Effect of treasury shares held under the Share Award Scheme	(19,698)	(19,698)
Effect of shares repurchased and cancelled (<i>note 15(a)</i>)	(3,024)	—
Effect of shares repurchased but not yet cancelled (<i>note 15(a)</i>)	(670)	—
	<u>851,824</u>	<u>854,231</u>
Weighted average number of ordinary shares at 30 June	<u>851,824</u>	<u>854,231</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB249,470,000 (six months ended 30 June 2018: RMB219,014,000) and the weighted average number of ordinary shares of 868,582,000 (six months ended 30 June 2018: 877,422,000 shares).

	For the six months ended 30 June	
	2019 '000 shares	2018 '000 shares
Weighted average number of ordinary shares at 30 June	851,824	854,231
Diluted effect of deemed issue of shares under the Share Option Scheme	<u>16,758</u>	<u>23,191</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>868,582</u>	<u>877,422</u>

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

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and machinery with a cost of RMB121,674,000 (six months ended 30 June 2018: RMB45,199,000). Items of plant and machinery with a net book value of RMB3,641,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1,068,000), resulting in a loss on disposal of RMB162,000 (six months ended 30 June 2018: RMB52,000).

(b) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB256,233,000 (31 December 2018: RMB256,233,000) and patents with a carrying amount of RMB159,859,000 (31 December 2018: RMB174,567,000).

(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 2019 and 31 December 2018.

10 INVENTORIES

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Raw materials	105,365	109,960
Work in progress	30,062	50,624
Finished goods	54,674	49,726
	<u>190,101</u>	<u>210,310</u>

11 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Within 3 months	610,954	691,927
3 to 12 months	226,767	158,447
Over 12 months	<u>110,216</u>	<u>13,618</u>
Trade debtors and bills receivable, net of loss allowance (i)	----- 947,937	----- 863,992
Other receivables	21,927	20,279
Prepayments (ii)	<u>14,869</u>	<u>31,828</u>
	<u><u>984,733</u></u>	<u><u>916,099</u></u>

(i) 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.

(ii) Prepayments

Including in prepayments, loan facility fees of RMB2,314,000 (31 December 2018: RMB4,323,000) in connection with the three-year term loan (note 13) were prepaid, of which RMB2,314,000 (31 December 2018: RMB3,639,000) was expected to be recognised as expenses within one year and was included in trade and other receivables. As at 30 June 2019, none of the prepaid loan facility fees was expected to be recognised as expenses after more than one year and was classified as non-current and included in other prepayments (31 December 2018: RMB684,000).

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 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Within 1 month	29,753	45,355
1 to 12 months	35,607	44,318
Over 12 months	142	3,082
	<hr/>	<hr/>
Total trade payable	65,502	92,755
	<hr/>	<hr/>
Contract liabilities	12,533	6,097
Refund liabilities	62,212	66,677
Accrued expenses	241,335	257,926
Employee benefits payable	147,662	188,242
Other payables	170,973	139,107
	<hr/>	<hr/>
	700,217	750,804
	<hr/> <hr/>	<hr/> <hr/>

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 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Within 1 year	714,160	147,202
After 1 year but within 2 years	–	245,336
	<hr/>	<hr/>
	714,160	392,538
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2019, the Group's bank loans amounted to RMB552,295,000 (31 December 2018: RMB392,538,000) 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 2019, none of the covenants relating to drawn down loans had been breached (31 December 2018: none).

14 EQUITY SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2019, the Company granted 63,000,000 share options to certain directors and employees (the “**2019 Grant**”). The exercise price of these share options was HKD4.476 per share, and the aggregate fair value of these share options amounted to RMB104,005,000. The options vest after one year to three years from the date of grant and are then exercisable on or before 1 January 2029.

(i) The terms and conditions of the 2019 Grant are as follows:

Date of grant	Tranche number	Number of options granted	Vesting period	Contractual life of options
Options granted to employees:				
2 January 2019	Tranche 1	13,650,000	Exercisable on or after 1 April 2020	10 years
2 January 2019	Tranche 2	13,650,000	Exercisable on or after 1 April 2021	10 years
2 January 2019	Tranche 3	18,200,000	Exercisable on or after 1 April 2022	10 years
Options granted to two directors:				
31 May 2019	Tranche 4	5,250,000	Exercisable on or after 1 April 2020	9.6 years
31 May 2019	Tranche 5	5,250,000	Exercisable on or after 1 April 2021	9.6 years
31 May 2019	Tranche 6	<u>7,000,000</u>	Exercisable on or after 1 April 2022	9.6 years
Total share options granted		<u>63,000,000</u>		

(ii) Fair value of share options under the 2019 Grant and assumptions:

The fair value of services received in return for the share options granted is measured by reference to the fair value of share options granted. The estimated fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model. Set out below are the fair value of share options and assumptions.

	Tranche number					
	1	2	3	4	5	6
Fair value at measurement date (HKD)	1.4434	1.4900	1.5317	1.9825	2.0625	2.1216
Share price (HKD)	4.19	4.19	4.19	5.23	5.23	5.23
Exercise price (HKD)	4.476	4.476	4.476	4.476	4.476	4.476
Expected volatility	40.06%	40.06%	40.06%	39.74%	39.74%	39.74%
Expected option life	10 years	10 years	10 years	9.6 years	9.6 years	9.6 years
Dividend yield	2.18%	2.18%	2.18%	2.18%	2.18%	2.18%
Risk-free rate	2.42%	2.42%	2.42%	1.99%	1.99%	1.99%

The Company has approved a share option scheme on 2 December 2013 and granted share options to certain Directors and employees in 2014, 2016 and 2019. During the six months ended 30 June 2019, 171,000 share options were exercised (six months ended 30 June 2018: 1,150,800).

15 CAPITAL, RESERVE AND DIVIDENDS

(a) Purchase of own shares

During the interim period, the Company repurchased 9,948,000 shares (the “Buy-back Shares”) of the Company on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
January 2019	3,212,000	5.45	4.32	15,581
April 2019	1,451,000	5.50	5.13	7,801
May 2019	442,000	5.21	5.08	2,284
June 2019	4,843,000	5.39	4.94	25,461
				<u>51,127</u>

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD51,127,000 (equivalent to approximately RMB44,601,000) was paid wholly out of retained profits.

Up to 30 June 2019, 3,212,000 Buy-back Shares were cancelled and the remaining 6,736,000 Buy-back Shares were outstanding.

(b) Dividends

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Interim dividend declared after the interim period ended 30 June 2019 of HKD0.1 per share (six months ended 30 June 2018: Nil)	<u>75,640</u>	<u>—</u>

The interim dividend had not been recognised as a liability at the end of the reporting period.

(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	
	2019	2018
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2019 of HKD0.2 per share (six months ended 30 June 2018: HKD0.1 per share)	146,288	68,943
Less: Dividends for Buy-back Shares	<u>(309)</u>	<u>—</u>
	<u>145,979</u>	<u>68,943</u>

* The Company paid a final dividends of RMB145,979,000 for the year ended 31 December 2018 as adjusted to exclude the dividends for Buy-back Shares.

(c) **Share capital**

(i) ***Issued share capital***

	Six months ended 30 June 2019		
	Number of shares '000	Nominal value of fully paid shares HKD'000	Nominal value of fully paid shares RMB'000
As at 1 January 2019	875,191	87,519	68,782
Shares issued under the Share Option Schemes (note 15(c)(ii))	171	17	15
Cancellation of shares during the period (note 15(a))	(3,212)	(321)	(252)
As at 30 June 2019	<u>872,150</u>	<u>87,215</u>	<u>68,545</u>

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

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

During the six months period ended 30 June 2019, share options were exercised to subscribe for a total of 171,000 (six months ended 30 June 2018: 1,150,800) ordinary shares in the Company at a consideration of HKD686,000 (equivalent to approximately RMB597,000), of which RMB15,000 and RMB582,000 were credited to share capital and the share premium account respectively. RMB181,000 was transferred from the capital reserve to the share premium account in accordance with the Company's accounting policy.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity.

During the year, the Group's strategy was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares or raise new debt financing.

As at 30 June 2019, the Group presented adjusted net asset, thus net debt-to-capital ratio was not calculated. The Group's adjusted net asset at 30 June 2019 was as follows:

		At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
	Note		
Current liabilities:			
– Loans and borrowings	13	714,160	147,202
Non-current liabilities:			
– Loans and borrowings	13	–	245,336
Total debt		714,160	392,538
Add: Proposed dividends	15(b)	75,640	146,288
Less: Cash and cash equivalents		(1,421,718)	(1,269,746)
Adjusted net asset		<u>631,918</u>	<u>730,920</u>

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except that banking facilities granted to certain subsidiaries are subject to the fulfilment of covenants relating to the subsidiaries' balance sheet ratios (note 13). The Group will actively and regularly monitor its compliance to such covenants.

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

	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i>
Contracted for	204,903	195,861
Authorised but not contracted for	273,556	298,467
Total	478,459	494,328

17 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June 2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Salaries and other benefits	16,494	15,268
Retirement scheme of defined contribution	66	77
Equity settled share-based payment expenses	3,739	1,030
	20,299	16,375

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

18 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In August 2019, the Group repaid the outstanding three-year term loan and relevant interest in full which amounted to HKD365,209,000. No adjustment has been made in this interim financial report in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business and Financial Review

Sales Revenue

For the six months ended 30 June 2019, the Group's revenue was RMB941,036,000, representing an increase of 8.3% as compared with RMB869,023,000 for the same period last year. Categorized by product lines, sales of kidney medicines recorded an increase of approximately 16.2% as compared with last year, among which, Uremic Clearance Granules remained as the Group's key product, maintained its leading position in the market of oral modern Chinese medicines for kidney diseases; sales of medical contrast medium recorded an increase of 11.7% as compared with last year, still maintained a leading position in the domestic medical contrast medium market for magnetic resonance imaging; sales of orthopedics medicines recorded a decrease of approximately 15.7%; sales of dermatologic medicines recorded a slight decrease of approximately 1.2%; sales of women and children medicines recorded an increase of approximately 14.2%; and sales of other medicines recorded an increase of approximately 2.2%. The overall increase in sales revenue was mainly due to the Group's continuous efforts to explore product markets and develop and fine tune sales network around the whole country.

Gross Profit and Gross Profit Margin

For the first half of 2019, the Group's gross profit was RMB687,142,000, representing an increase of 5.4% as compared with RMB652,040,000 for the same period of 2018. The increase in gross profit was mainly attributable to the increase in sales. For the first half of 2019, the Group's average gross profit margin was 73.0%, representing a decrease of 2.0% as compared with the 75.0% for the same period of 2018, which was mainly due to the increase in cost resulting from the increase in raw materials prices during the period.

Other (losses)/ Income

For the first half of 2019, the Group's other (losses)/ income was a net loss of RMB875,000 which mainly included government grants, interest income and exchange losses. Compared with the net income of RMB5,802,000 for the same period of 2018, the decrease in other (losses)/ income was mainly due to an exchange loss in connection with a HKD loan arising from the depreciation of RMB and the decreases in government grants and interest income during the period.

Distribution Costs

For the first half of 2019, the Group's distribution costs were RMB274,276,000, which basically remained at the similar level with a slight increase of approximately 0.3% as compared with RMB273,538,000 for the same period of 2018.

Administrative Expenses

For the first half of 2019, the Group's administrative expenses were RMB90,550,000, representing an increase of approximately 19.5% as compared with RMB75,768,000 for the same period of 2018, which was mainly due to the recognition of share-based payments at fair value in respect of the share options granted to managerial staff during the period.

Finance Costs

During the first half of 2019, the Group's finance costs were RMB11,519,000, representing a decrease of approximately 20.1% as compared with RMB14,412,000 for the same period of 2018, which was mainly due to the decrease in the three-year term loan balance.

Income Tax

For the first half of 2019, the Group's income tax expenses were RMB49,978,000, representing a decrease of 15.0% as compared with RMB58,797,000 for the same period of 2018. The effective tax rate (income tax expenses divided by profit before taxation) decreased by 3.9% from 20.0% for the first half of 2018 to 16.1% for the first half of 2019. The decrease was mainly due to the decrease in the provision for withholding tax as a result of the Group's entitlement to 5% dividend withholding tax preferential policy during the period.

Profit for the Period and Earnings Per Share

For the first half of 2019, profit attributable to equity shareholders of the Company was RMB249,470,000, representing an increase of 13.9% as compared with the RMB219,014,000 for the same period of 2018. Basic and diluted earnings per share for the first half of 2019 amounted to RMB0.2929 and RMB0.2872 respectively, representing the increases of 14.2% and 15.1% as compared with RMB0.2564 and RMB0.2496 of the first half of 2018 respectively.

Liquidity and Financial Resources

Inventories

As at 30 June 2019, the balance of inventories was RMB190,101,000, representing a decrease of approximately 9.6% as compared with the balance of RMB210,310,000 as at 31 December 2018. The Group's inventory turnover days in the first half of 2019 were 141.9 days, representing a decrease of 21.1 days from approximately 163.0 days in 2018, which was mainly due to the enhanced control in inventory management and the decrease in work in progress.

Trade Debtors and Bills Receivable

As at 30 June 2019, the balance of trade debtors and bills receivable was RMB947,937,000, representing an increase of approximately 9.7%, as compared with the balance of RMB863,992,000 as at 31 December 2018. The trade receivable turnover days in the first half of 2019 were 173.3 days, representing a decrease of approximately 8.2 days from 181.5 days in 2018.

Trade Payable

As at 30 June 2019, the balance of trade payable was RMB65,502,000, representing a decrease of approximately 29.4% as compared with the balance of RMB92,755,000 as at 31 December 2018. The trade payable turnover days in the first half of 2019 were 56.1 days, representing a decrease of 8.0 days from 64.1 days in 2018, which was mainly due to the acceleration in processing trade payable.

Cash Flow from Operating Activities

The net cash inflow from operating activities of the Group in the first half of 2019 was RMB139,848,000, representing a decrease of 64.4% as compared with the RMB392,786,000 for the same period of 2018, which was mainly attributable to the Group's grant of a longer credit period to certain strategic customers with good credit standing based on the market situation during the period.

Cash and Bank Balances and Borrowings

As at 30 June 2019, cash and bank balances of the Group were RMB1,421,718,000, representing an increase of 12.0% as compared with the balance of RMB1,269,746,000 as at 31 December 2018. As at 30 June 2019, the Group's bank borrowings amounted to RMB714,160,000, mainly representing a three-year term loan related to share repurchase and the working capital loans for meeting daily operation needs.

On 15 August 2019, with the consent of the lender, the Company made an early repayment of the balances (including principal and interest) in the aggregate sum of HKD365,209,000 under the three-year term loan facility related to share repurchase.

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 2019 was approximately 32.0% (31 December 2018: 18.2%). The increase in gearing ratio was mainly due to the new working capital loans for meeting daily operation needs were obtained during the period.

Exchange Risks

The Group's transactions are mainly denominated in RMB and HKD. The majority of assets and liabilities are denominated in RMB and HKD, and there are no significant assets and liabilities denominated in other currencies. During the period, the Company recorded exchange losses in respect of HKD loans as a result of depreciation of RMB against HKD, and the Group will continue to face similar exchange rate risk in the future due to the fluctuation of exchange rates. During the 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 2019, the Company issued a total of 171,000 ordinary shares upon the employee's exercise of share options granted under the share option scheme of the Company adopted on 2 December 2013.

During the six months ended 30 June 2019, the Company repurchased 9,948,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD51,127,000 (approximately RMB44,601,000). Among the 9,948,000 repurchased shares, 3,212,000 shares were cancelled during the six months ended 30 June 2019 and 1,893,000 shares were cancelled in July 2019, and the remaining 4,843,000 shares will be cancelled in due course.

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 six months ended 30 June 2019.

Capital Commitments

As at 30 June 2019, the Group had capital commitments of RMB478,459,000 (31 December 2018: RMB494,328,000).

Capital Expenditure

During the first half of 2019, the Group had capital expenditure of RMB121,674,000 (same period of 2018: RMB45,199,000).

Information on Employees

As at 30 June 2019, the Group employed 2,818 employees (31 December 2018: 2,667 employees). For the six months ended 30 June 2019, the total staff costs (including the Directors' remuneration) were RMB155,345,000 (same period of 2018: RMB140,581,000). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

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

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

Significant Investments Held

Except for investments in subsidiaries, as at 30 June 2019, 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 2019, the Group did not have any pledged assets (31 December 2018: nil).

Contingent Liabilities

As at 30 June 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

Connected Transaction

During the first half of 2019, the Group did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Listing Rules.

Material Transaction

In May 2019, the Group entered into a principal agreement and a supplemental agreement (collectively the “**Cooperative Development Agreement**”) with Guangxi Huafa Real Estate Development Co., Ltd. and Yulin City Shunlang Real Estate Investment Co., Ltd. in relation to the development and reconstruction project of the old plant site of Guangxi Yulin Pharmaceutical Group Co., Ltd. (“**Yulin Pharmaceutical**”) located at No. 3, Jiangnan Road, Yulin City, Guangxi Province, the PRC and the intended disposals of the entire equity interests in Guangxi Yulin Yunxiang Real Estate Co., Ltd., which is a subsidiary of Yulin Pharmaceutical serving as project company in the said project, at an aggregate investment return after tax of RMB700 million. Further details of the Cooperative Development Agreement and the transactions contemplated thereunder are set out in the Company’s announcements dated 31 May 2019 and 12 July 2019.

Events after the Reporting Period

As at the date of this announcement, saved for disclosed in 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 the markets of oral modern Chinese medicines for kidney diseases and medical contrast medium in the PRC and leverage on Yulin Pharmaceutical Group’s strong foundation in the market of traditional Chinese medicines so as to further expand and develop in various segments in accordance with the “1+6” product layout.

In addition to adhering to the strategy of making progress while maintaining stability for its kidney medicines, in respect of the medical contrast medium market, the Group obtained the drug registration approval of its Iopamidol Injection in July 2019, which will be launched in the market for sale as soon as possible and is expected to have good market prospects.

After three years of rapid growth, Yulin Pharmaceutical has entered into the phase of adjustment. In view of the sentiments in the pharmaceutical market and on the basis of the solid foundation laid down by the rapid growth over the last three years, the Group adopted the strategy of “brand + terminals” and would further deepen the “brand + terminals” marketing transformation. Entering into the second phase of its transformation, the Group will make use of various measures to expand its presence in the chain pharmacy and basic medical market. With its extensive network coverage, the Group will expedite and increase the single-store output and thus enhance its operation efficiency, nonetheless, it is expected that the transition will take a period of time.

Moreover, the Group has entered into the Cooperative Development Agreement with the independent third parties in relation to the development of the old plant site of Yulin Pharmaceutical. The cooperative development of the project will be pushed forward steadily, which will provide a solid source of funds for Yulin Pharmaceutical's further development and will generate considerable returns to shareholders.

Our vision is to safeguard the health of mankind by allowing more patients to use our products, and contributing to the healthy lives of people with the support of national macroeconomic policies.

INTERIM DIVIDEND

The Board is pleased to announce the distribution of an interim dividend (the “**Interim Dividend**”) of HKD0.1 per share (approximately RMB0.09 per share) in respect of the six months ended 30 June 2019 (2018 interim dividend: Nil), which amounted to approximately RMB75,640,000 (2018 interim dividend: Nil). It is expected that the Interim Dividend will be paid on or about Tuesday, 17 September 2019 to the shareholders whose names appear on the register of members of the Company on Friday, 6 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the Interim Dividend, the register of members of the Company will be closed from Wednesday, 4 September 2019 to Friday, 6 September 2019 (both days inclusive) during which period no transfer of shares will be effected.

In order to qualify for the entitlements to the Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 pm on Tuesday, 3 September 2019.

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

During the six months ended 30 June 2019, the Company issued a total of 171,000 ordinary shares pursuant to employee's exercise of share options granted under the share option scheme of the Company adopted on 2 December 2013.

During the six months ended 30 June 2019, the Company repurchased 9,948,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD51,127,000 (approximately RMB44,601,000). Among the 9,948,000 repurchased shares, 3,212,000 shares were cancelled during the six months ended 30 June 2019 and 1,893,000 shares were cancelled in July 2019, and the remaining 4,843,000 shares will be cancelled in due course.

Saved as disclosed above, there were no significant changes in the Company's capital structure during the six months ended 30 June 2019. The Company's capital structure comprises ordinary shares and other reserves.

CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to 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 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have complied with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established the Audit Committee on 2 December 2013 with the 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. CHEN Yujun (chairlady), Mr. FENG Zhongshi and Mr. SU Yuanfu.

The unaudited Interim Results of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee and the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This Interim Results announcement is published on the websites of the Company (www.chinaconsun.com) and The Stock Exchange (www.hkexnews.hk), and the interim report of the Company for the six months ended 30 June 2019 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 2019

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. CHEN Yujun as independent non-executive Directors.