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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1681)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 amounted to RMB765,856,000, representing a decrease of approximately 18.6% as compared with the six months ended 30 June 2019.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 amounted to RMB208,886,000, representing a decrease of approximately 16.3% as compared with the six months ended 30 June 2019.
- Basic and diluted earnings per share for the six months ended 30 June 2020 amounted to approximately RMB0.2527 and RMB0.2527 respectively, representing a decrease of approximately 13.7% and 12.0% respectively as compared with the six months ended 30 June 2019.
- The Board has declared an interim dividend of HKD0.08 per share for the six months ended 30 June 2020.

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 2020 (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 2020 – unaudited
(Expressed in Renminbi)

		For the six months ended 30 June	
	<i>Note</i>	2020	2019
		RMB'000	RMB'000
Revenue	<i>3&4</i>	765,856	941,036
Cost of sales		<u>(194,266)</u>	<u>(253,894)</u>
Gross profit		571,590	687,142
Other income/(losses)	<i>5</i>	12,161	(875)
Distribution costs		(224,042)	(274,276)
Administrative expenses		(87,790)	(80,791)
Impairment loss on trade receivables and contract assets		<u>(14,509)</u>	<u>(9,759)</u>
Profit from operation		257,410	321,441
Finance costs	<i>6(a)</i>	<u>(11,493)</u>	<u>(11,519)</u>
Profit before taxation	<i>6</i>	245,917	309,922
Income tax	<i>7</i>	<u>(48,703)</u>	<u>(49,978)</u>
Profit for the period		<u>197,214</u>	<u>259,944</u>
Attributable to:			
– Equity shareholders of the Company		208,886	249,470
– Non-controlling interests		<u>(11,672)</u>	<u>10,474</u>
Profit for the period		<u>197,214</u>	<u>259,944</u>
Earnings per share (RMB yuan)			
– Basic	<i>8</i>	<u>0.2527</u>	<u>0.2929</u>
– Diluted	<i>8</i>	<u>0.2527</u>	<u>0.2872</u>

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

For the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	197,214	259,944
Other comprehensive income for the period that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	<u>40</u>	<u>949</u>
Total comprehensive income for the period	<u>197,254</u>	<u>260,893</u>
Attributable to:		
– Equity shareholders of the Company	208,926	250,419
– Non-controlling interests	(11,672)	<u>10,474</u>
Total comprehensive income for the period	<u>197,254</u>	<u>260,893</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in Renminbi)

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Non-current assets			
Investment property	9	16,383	16,651
Other property, plant and equipment	9	663,743	661,309
Land use rights		125,241	126,808
Intangible assets	9	386,302	396,071
Other prepayment		54,285	51,657
Deferred tax assets		60,501	45,942
		<hr/>	<hr/>
Total non-current assets		1,306,455	1,298,438
		<hr/>	<hr/>
Current assets			
Inventories	10	192,150	210,684
Trade and other receivables	11	623,655	815,732
Cash and cash equivalents		1,521,163	1,383,232
		<hr/>	<hr/>
Total current assets		2,336,968	2,409,648
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	570,421	654,015
Contract liabilities		14,677	17,596
Loans and borrowings	13	585,158	553,567
Deferred income		1,552	1,655
Current taxation		38,629	69,461
		<hr/>	<hr/>
Total current liabilities		1,210,437	1,296,294
		<hr/>	<hr/>
Net current assets		1,126,531	1,113,354
		<hr/>	<hr/>
Total assets less current liabilities		2,432,986	2,411,792
		<hr/>	<hr/>
Non-current liabilities			
Deferred income		16,051	16,739
Deferred tax liabilities		89,393	88,292
		<hr/>	<hr/>
Total non-current liabilities		105,444	105,031
		<hr/>	<hr/>
NET ASSETS		2,327,542	2,306,761
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited

(Expressed in Renminbi)

		At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
Capital and reserves			
Share capital	<i>15(c)</i>	66,410	68,033
Reserves		1,960,193	1,926,051
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		2,026,603	1,994,084
Non-controlling interests		300,939	312,677
		<hr/>	<hr/>
TOTAL EQUITY		<u>2,327,542</u>	<u>2,306,761</u>

Approved and authorised for issue by the Board of Directors on 24 August 2020.

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 2020.

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 (the “**Stock Exchange**”), 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 24 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 Group has applied the following amendment to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The Amendment does not 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	
	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	541,543	516,018
Contrast medium	51,506	68,606
Orthopedics medicines	51,228	94,231
Dermatologic medicines	19,467	93,713
Women and children medicines	65,470	77,600
Others	36,642	90,868
	<u>765,856</u>	<u>941,036</u>

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2019: 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 years ended 30 June 2020 and 2019 is set out below.

	Consun Pharmaceutical Segment		Yulin Pharmaceutical Segment		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	<u>664,252</u>	<u>681,087</u>	<u>101,604</u>	<u>259,949</u>	<u>765,856</u>	<u>941,036</u>
Reportable segment revenue						
Revenue from external customers	<u>664,252</u>	<u>681,087</u>	<u>101,604</u>	<u>259,949</u>	<u>765,856</u>	<u>941,036</u>
Reportable segment profit						
Gross profit	<u>540,951</u>	<u>544,107</u>	<u>30,639</u>	<u>143,035</u>	<u>571,590</u>	<u>687,142</u>
As at 30 June/31 December						
Reportable segment assets	<u>2,132,792</u>	<u>2,356,452</u>	<u>1,629,053</u>	<u>1,853,046</u>	<u>3,761,845</u>	<u>4,209,498</u>
Reportable segment liabilities	<u>710,446</u>	<u>949,367</u>	<u>656,336</u>	<u>537,160</u>	<u>1,366,782</u>	<u>1,486,527</u>

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

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment profit derived from the Group's external customers	571,590	687,142
Other income/(losses)	12,161	(875)
Distribution costs	(224,042)	(274,276)
Administrative expenses	(87,790)	(80,791)
Impairment loss on trade receivables and contract assets	(14,509)	(9,759)
Finance costs	(11,493)	(11,519)
	<hr/>	<hr/>
Consolidated profit before taxation	245,917	309,922
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4 SEASONALITY OF OPERATIONS

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

For the twelve months ended 30 June 2020, the Group reported revenue of RMB1,553,076,000 (twelve months ended 30 June 2019: RMB1,915,986,000), and gross profit of RMB1,145,853,000 (twelve months ended 30 June 2019: RMB1,419,528,000).

5 OTHER INCOME/(LOSSES)

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants		
– Unconditional subsidies	990	1,314
– Conditional subsidies	851	802
Interest income	17,266	5,599
Loss on disposal of property, plant and equipment	(19)	(162)
Net exchange losses	(6,551)	(8,869)
Others	(376)	441
	<hr/>	<hr/>
	12,161	(875)
	<hr/> <hr/>	<hr/> <hr/>

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Interest on bank loans	7,652	7,131
Interest expenses on discounted bills	3,841	2,379
Finance charges on bank loans	–	2,009
	<u>11,493</u>	<u>11,519</u>

(b) Staff costs:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Salaries, wages, bonuses and benefits	124,943	137,207
Contribution to defined contribution retirement schemes	3,851	5,531
Equity settled share-based payments: Share Option Scheme (<i>note 14</i>)	1,976	12,607
	<u>130,770</u>	<u>155,345</u>

(c) Other items:

	For the six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Depreciation charge		
– Investment property	268	281
– Other property, plant and equipment	19,539	18,969
Amortisation		
– Land use rights	1,567	1,574
– Intangible assets	14,769	14,707
Leases charges	1,813	1,874
	<u>1,813</u>	<u>1,874</u>

7 INCOME TAX

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax	62,162	71,557
Deferred tax		
Origination and reversal of temporary differences	(13,459)	(21,579)
	<u>48,703</u>	<u>49,978</u>

- (i) Guangzhou Consun Pharmaceutical Company Limited (“**Guangzhou Consun**”) was qualified as an “Advanced and New Technology Enterprise” and entitled to the preferential income tax rate of 15% from 2017 to 2019. Guangzhou Consun is applying for the extension of “Advanced and New Technology Enterprise” and the entitlement of the preferential income tax rate for 2020 to 2022. In the opinion of the directors, Guangzhou Consun would be able to obtain an approval of the preferential income tax rate for 2020 to 2022. Therefore, the PRC income tax rate applicable to Guangzhou Consun was 15% for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2030.

- (ii) According to the relevant tax law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In 2019, the Company obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region (the “**Certificate**”) 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. In the opinion of the directors, the Company would be able to obtain an approval of the Certificate to adopt the withholding tax rate at 5% in 2020.

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 2020, deferred tax liabilities of RMB18,992,000 (31 December 2019: RMB15,208,000) 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 RMB208,886,000 (six months ended 30 June 2019: RMB249,470,000) and the weighted average number of 826,472,000 ordinary shares (six months ended 30 June 2019: 851,824,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2020 '000 shares	2019 '000 shares
Issued ordinary shares at 1 January	865,532	875,191
Effect of share options exercised	–	25
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>)	(16,123)	(3,024)
Effect of shares repurchased but not yet cancelled (<i>note 15(a)</i>)	(3,239)	(670)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	826,472	851,824
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(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 RMB208,886,000 (six months ended 30 June 2019: RMB249,470,000) and the weighted average number of ordinary shares of 826,581,000 (six months ended 30 June 2019: 868,582,000 shares).

	For the six months ended 30 June	
	2020 '000 shares	2019 '000 shares
Weighted average number of ordinary shares at 30 June	826,472	851,824
Diluted effect of deemed issue of shares under the Share Option Scheme	109	16,758
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	826,581	868,582
	<hr/> <hr/>	<hr/> <hr/>

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 2020, the Group acquired items of property, plant and machinery with a cost of RMB22,198,000 (six months ended 30 June 2019: RMB121,674,000). Items of plant and machinery with a net book value of RMB225,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB3,641,000), resulting in a loss on disposal of RMB19,000 (six months ended 30 June 2019: RMB162,000).

(b) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB250,744,000 (31 December 2019: RMB250,744,000) and patents with a carrying amount of RMB135,558,000 (31 December 2019: RMB145,327,000).

(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 2020 and 31 December 2019.

10 INVENTORIES

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Raw materials	102,297	111,713
Work in progress	46,543	52,992
Finished goods	43,310	45,979
	<u>192,150</u>	<u>210,684</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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 3 months	282,743	338,030
3 to 12 months	47,447	213,791
Over 12 months	266,583	211,985
Trade debtors and bills receivable, net of loss allowance (i)	<u>596,773</u>	<u>763,806</u>
Other receivables	10,031	28,439
Prepayments	16,851	23,487
	<u>623,655</u>	<u>815,732</u>

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

Trade debtors and bills receivable are generally due within 30 to 90 days from the date of billing.

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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 month	24,075	26,328
1 to 12 months	11,959	28,845
Over 12 months	628	347
	<hr/>	<hr/>
Total trade payable	36,662	55,520
	<hr/>	<hr/>
Refund liabilities	63,428	71,358
Accrued expenses	218,737	209,760
Employee benefits payable	104,986	154,837
Other payables	96,608	112,540
Project development deposits	50,000	50,000
	<hr/>	<hr/>
	570,421	654,015
	<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 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 year	585,158	553,567
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2020, certain banking facilities of the Group amounted to RMB493,236,000 (31 December 2019: RMB279,160,000) 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 2020, none of the covenants relating to drawn down loans had been breached (31 December 2019: nil).

14 EQUITY SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2020, the Company granted 18,188,000 share options to certain directors and employees (the “2020 Grant”). The exercise price of these share options were HKD3.28 per share for the Tranche 1 (“2020 T1”) and HKD3.44 per share for the Tranche 2 (“2020 T2”), and the aggregate fair value of these share options amounted to RMB17,438,000. The options vest after one year from the date of grant and are then exercisable on or before 1 April 2030.

(i) The terms and conditions of the 2020 Grant are as follows:

Date of grant	Tranche number	Number of options granted	Vesting period	Contractual life of options
Options granted to employees: 24 March 2020	Tranche 1	16,500,000	Exercisable on or after 24 March 2021	10 years
Options granted to two directors: 18 June 2020	Tranche 2	<u>1,688,000</u>	Exercisable on or after 1 April 2021	10 years
Total share options granted		<u>18,188,000</u>		

(ii) Fair value of share options under the 2020 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	
	2020 T1	2020 T2
Fair value at measurement date (HKD)	1.0260	1.0607
Share price (HKD)	3.28	3.44
Exercise price (HKD)	3.28	3.44
Expected volatility	39.29%	39.20%
Expected option life	10 years	10 years
Dividend yield	3.29%	3.29%
Risk-free rate	1.28%	1.06%

During the six months ended 30 June 2020, no share option was exercised (six months ended 30 June 2019: 171,000).

15 CAPITAL, RESERVE AND DIVIDENDS

(a) Purchase of own shares

During the interim period, the Company repurchased 29,939,000 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 2020	8,077,000	4.00	3.77	31,682
February 2020	9,705,000	4.20	3.90	39,737
March 2020	534,000	3.51	3.22	1,868
April 2020	7,541,000	4.00	3.48	28,300
May 2020	4,082,000	4.00	3.87	16,260
				<u>117,847</u>

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD117,847,000 (equivalent to approximately RMB106,593,000) was paid out of distributable reserves of the Company.

Up to 30 June 2020, 20,638,000 Buy-back Shares were cancelled and the remaining 9,301,000 Buy-back Shares were cancelled in July 2020.

(b) Dividends

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interim dividend declared after the interim period ended 30 June 2020 of HKD0.08 per share (six months ended 30 June 2019: HKD0.1 per share)	<u>58,458</u>	<u>75,640</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	
	2020 RMB'000	2019 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2020 of HKD0.1 per share (six months ended 30 June 2019: HKD0.2 per share)	74,689	146,288
Less: Dividends for Buy-back Shares	(833)	(309)
	<u>73,856</u>	<u>145,979</u>

The Company paid a final dividends of RMB73,856,000 for the year ended 31 December 2019 as adjusted to exclude the dividends for Buy-back Shares.

(c) **Share capital**

Issued share capital

	Six months ended 30 June 2020		
	Number of shares '000	Nominal value of fully paid shares HKD'000	Nominal value of fully paid shares RMB'000
As at 1 January 2020	865,532	86,553	68,033
Cancellation of shares during the period (note 15(a))	(20,638)	(2,064)	(1,623)
As at 30 June 2020	<u>844,894</u>	<u>84,489</u>	<u>66,410</u>

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

16 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	160,524	159,269
Authorised but not contracted for	280,396	304,610
Total	<u>440,920</u>	<u>463,879</u>

17 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	15,093	16,494
Retirement scheme of defined contribution	30	66
Equity settled share-based payment expenses	4,204	3,739
	<u>19,327</u>	<u>20,299</u>

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

18 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has adversely impacted on the Group’s financial results in the first half of 2020, for example, the sales and certain distributors’ repayment schedule.

The Group has been closely monitoring the impact of the developments on the Group’s business and has put in place contingency measures. These contingency measures include: increasing options for logistics transportations; assessing suppliers’ readiness and liaising with higher-risk suppliers; continuously monitoring the operations of the distributors and strengthening cost control. The Group will keep the contingency measures under review as the situation evolves. The Group’s management has set a plan to improve the financial performance in the remaining financial year ending 2020.

As far as the Group’s businesses are concerned, the pandemic brought negative impact to the Group’s operations in a short-term within a controllable range.

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 2020, the Group's revenue was RMB765,856,000, representing a decrease of approximately 18.6% as compared with RMB941,036,000 for the same period last year. Categorized by product lines, sales of kidney medicines recorded an increase of approximately 4.9% 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; although sales of medical contrast medium recorded a decrease of approximately 24.9% 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 45.6%; sales of dermatologic medicines recorded a decrease of approximately 79.2%; sales of women and children medicines recorded a decrease of approximately 15.6%; and sales of other medicines recorded a decrease of approximately 59.7%. The overall decrease in sales revenue was mainly due to impacts of COVID-19 pandemic causing decreases in sales revenue of medical contrast medium, women and children medicines and Yulin Pharmaceutical Segment.

Gross Profit and Gross Profit Margin

For the first half of 2020, the Group's gross profit was RMB571,590,000, representing a decrease of approximately 16.8% as compared with RMB687,142,000 for the same period of 2019. The decrease in gross profit was mainly attributable to the decrease in sales. For the first half of 2020, the Group's average gross profit margin was 74.6%, representing an increase of 1.6% as compared with the 73.0% for the same period of 2019, which was mainly due to changes in product mix of sales during the period.

Other Income

For the first half of 2020, the Group's other income was a net income of RMB12,161,000 which mainly included government grants, interest income and exchange losses. Compared with the net loss of RMB875,000 for the same period of 2019, the change was mainly due to the increase in interest income earned during the period.

Distribution Costs

For the first half of 2020, the Group's distribution costs were RMB224,042,000, representing a decrease of approximately 18.3% as compared with RMB274,276,000 for the same period of 2019, which was mainly due to the decrease in sale volume during the period.

Administrative Expenses

For the first half of 2020, the Group's administrative expenses were RMB87,790,000, representing an increase of approximately 8.7% as compared with RMB80,791,000 for the same period of 2019, which was mainly due to the increase in research and development expenses during the period.

Impairment loss on trade receivables and contract assets

For the first half of 2020, the Group's impairment loss on trade receivables and contract assets was RMB14,509,000, representing an increase of approximately 48.7% as compared with RMB9,759,000 for the same period of 2019, which was mainly due to the increase in ageing of trade receivables during the period.

Finance Costs

During the first half of 2020, the Group's finance costs were RMB11,493,000, representing a slight decrease of approximately 0.2% as compared with RMB11,519,000 for the same period of 2019.

Income Tax

For the first half of 2020, the Group's income tax expenses were RMB48,703,000, representing a decrease of approximately 2.6% as compared with RMB49,978,000 for the same period of 2019. The effective tax rate (income tax expenses divided by profit before taxation) increased by 3.7% from 16.1% for the first half of 2019 to 19.8% for the first half of 2020. The increase was mainly due to the relatively low effective tax rate during the first half of 2019 caused by the adjustment of provision for withholding tax as a result of the confirmation of the Group's entitlement to 5% dividend withholding tax preferential policy obtained during the period, while the Group continues to provide for withholding tax based on the preferential policy in the first half of 2020 and the effective tax rate resumed its normal level.

Profit for the Period and Earnings Per Share

For the first half of 2020, profit attributable to equity shareholders of the Company was RMB208,886,000, representing a decrease of approximately 16.3% as compared with the RMB249,470,000 for the same period of 2019. Basic and diluted earnings per share for the first half of 2020 amounted to RMB0.2527 and RMB0.2527 respectively, representing a decrease of 13.7% and 12.0% as compared with RMB0.2929 and RMB0.2872 of the same period of 2019 respectively.

Liquidity And Financial Resources

Inventories

As at 30 June 2020, the balance of inventories was RMB192,150,000, representing a decrease of approximately 8.8% as compared with the balance of RMB210,684,000 as at 31 December 2019. The Group's inventory turnover days in the first half of 2020 were 187.0 days, representing an increase of 22.0 days from 165.0 days in 2019, which was mainly due to the decrease in sales.

Trade Debtors and Bills Receivable

As at 30 June 2020, the balance of trade debtors and bills receivable was RMB596,773,000, representing a decrease of approximately 21.9%, as compared with the balance of RMB763,806,000 as at 31 December 2019. The trade receivable turnover days in the first half of 2020 were 159.9 days, representing a decrease of 12.0 days from 171.9 days in 2019, which was mainly due to the enhanced effort in collecting trade debtors. However, due to the impacts of COVID-19 pandemic, the collection of certain aged debtors was not as good as expected.

Trade Payable

As at 30 June 2020, the balance of trade payable was RMB36,662,000, representing a decrease of approximately 34.0% as compared with the balance of RMB55,520,000 as at 31 December 2019. The trade payable turnover days in the first half of 2020 were 42.7 days, representing a decrease of 15.3 days from 58.0 days in 2019, which was mainly due to the acceleration in processing trade payable.

Cash Flow from Operating Activities

The net cash generated from operating activities of the Group in the first half of 2020 was RMB323,758,000, representing an increase of 131.5% as compared with the RMB139,848,000 for the same period of 2019, which was mainly attributable to the enhanced effort in collecting trade debtors.

Cash and Bank Balances and Borrowings

As at 30 June 2020, cash and bank balances of the Group were RMB1,521,163,000, representing an increase of approximately 10.0% as compared with the balance of RMB1,383,232,000 as at 31 December 2019. As at 30 June 2020, the Group's bank borrowings amounted to RMB585,158,000, representing an increase of approximately 5.7% as compared with the balance of RMB553,567,000 as at 31 December 2019.

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 2020 was approximately 28.9% (31 December 2019: 27.8%). The slight increase in gearing ratio by 1.1% was mainly due to the increase in bank borrowings during the period.

Exchange Risks

The Group's transactions are mainly denominated in RMB and HKD. The majority of assets and liabilities are denominated in RMB and HKD, and there are no significant assets and liabilities denominated in other currencies. During the period, the Company recorded exchange losses in respect of HKD loans as a result of depreciation of RMB against HKD, and the Group will continue to face similar exchange rate risk in the future due to the fluctuation of exchange rates. During the six months ended 30 June 2020, 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 2020, the Company repurchased 29,939,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD117,847,000 (approximately RMB106,593,000). Among the 29,939,000 repurchased shares, 20,638,000 shares were cancelled during the six months ended 30 June 2020 and the remaining 9,301,000 shares were cancelled in July 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Capital Commitments

As at 30 June 2020, the Group had capital commitments of RMB440,920,000 (31 December 2019: RMB463,879,000).

Capital Expenditure

During the first half of 2020, the Group had capital expenditure of RMB22,198,000 (same period of 2019: RMB121,674,000).

Information on Employees

As at 30 June 2020, the Group employed 2,649 employees (31 December 2019: 2,662 employees). For the six months ended 30 June 2020, the total staff costs (including the Directors' remuneration) were RMB130,770,000 (same period of 2019: RMB155,345,000). 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 2020, 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 2020, the Group did not have any pledged assets (31 December 2019: nil).

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities (31 December 2019: nil).

Connected Transaction

During the first half of 2020, the Group did not enter into any transactions which constitute non-exempt connected transactions within the meaning of Rules Governing the Listing Securities on The Stock Exchange (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. (collectively the “**Cooperative Parties**”) 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., (“**Yunxiang Real Estate**”) which is a subsidiary of Yulin Pharmaceutical serving as project company in the said project. Further details of the Cooperative Development Agreement and the transactions contemplated thereunder are set out in the Company’s circular dated 23 October 2019. In accordance with the Cooperative Development Agreement, Yulin Pharmaceutical has received RMB50,000,000 from the Cooperative Parties as security deposit and has transferred 5% equity interest of Yunxiang Real Estate to the Cooperative Parties at the consideration of RMB2,000,000. As at 30 June 2020, the development and reconstruction project was still in progress and remained at the initial stage, and the plant site was still being occupied and wholly owned by Yulin Pharmaceutical for its own use for production, office and storage purposes.

Principal risks and uncertainties

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

Environmental Policies and Performance

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

Compliance with the Relevant Laws and Regulations

During the first half of 2020, there was no incidence of significant non-compliance of laws and regulations that is relevant to the Group’s operations.

Changes in Industrial Policies and Their Effect

I. Effect on key drug catalogue under supervision

On 1 July 2019, National Health Commission published the Circular on Publishing the Catalogue of the First Batch of Key Drugs for Rational Use under National Supervision and Control (Chemical Drugs and Biological Products) (關於印發第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)的通知)(Guo Wei Ban Yi Han No. 2019558) comprising a total of 20 products.

As major products currently sold by the Group (such as Uremic Clearance Granules) have not been included in the catalogue for key drugs under supervision and control of all levels of provincial medical institutions and the major product of Uremic Clearance Granules is a type of Chinese medicine that has completed evidence-based medicine based on Western medicine system, this kind of Chinese medicine is not included in the restriction list in several provinces.

With the sudden outbreak of the COVID-19 pandemic in 2020, traditional Chinese medicine and therapy, being an invaluable legacy of the traditional culture, has played a vital role in treatment of diseases. The public has again attached importance to its advantages, which has demonstrated the change of concept towards traditional Chinese medicine and therapy and its further recognition in the healthcare system.

Based on the above, the relevant policies are not expected to cause significant impact on the overall sales of the Group.

II. Adjustments on the National Medical Insurance Drug Catalogue

On 20 August 2019, the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of China published the new version of the “National Catalogue for Medical Insurance Drugs, Work-related Injury Insurance Drugs and Maternity Insurance Drugs (《國家基本醫療保險、工傷保險和生育保險藥品目錄》)” (the “**National Medical Insurance Drug Catalogue**”), which was officially implemented since 1 January 2020 as the standard for payment of drug fees for medical insurance, insurance for work-related injuries and maternity insurance fund. A number of products, including Uremic Clearance Granules and Gadopentetic Acid Dimeglumine Salt Injection, continued to remain enlisted in the National Medical Insurance Drug Catalogue. Iopamidol Injection is a new product of the Group, which remained in Class A of the National Medical Insurance Drug Catalogue. Moreover, the Group’s Yinnourishing and Lung-cooling Cream (養陰清肺膏) was upgraded from Class B to Class A (i.e. entitled for full reimbursement) of the National Medical Insurance Drug Catalogue, while three products, namely Kidney Repair and Edema Alleviation Granules, the Iron-Dextran Oral Solution and the Cetirizine Oral Solution, have been enlisted in the National Medical Insurance Drug Catalogue for the first time, which can be partly reimbursed in various provincial medical institutions subject to a specific reimbursement proportion determined by the provincial healthcare security administration based on the local medical insurance fund. These adjustments will have profound and positive impact on the Company’s strategic deployment and will be beneficial for the sales of such products in the long term.

III. New Drug Administration Law

The New Drug Administration Law has been effective since 1 December 2019. The principal changes of the New Drug Administration Law as compared with the previous version are: firstly, the research, innovation and production of new medicines are encouraged. For instance, the law encourages the approval of drugs with conditions, and sets up prioritized evaluation and approval channels for drugs in respect of children and rare diseases, so as to accelerate the launch of new drugs. Secondly, more efforts have been made to enhance the quality and safety systems for pharmaceutical products. Thirdly, the limitation for sales of prescription drugs online has been loosened. Fourthly, severe punishments will be imposed for illegal activities with a significant increase in the effort of enforcement of penalty for illegal acts. The system for civil compensation liabilities has also been improved, including requiring the agents of the holders of overseas drug marketing authorizations within China to assume joint liabilities with the holders. The New Drug Administration Law also specifically proposed the cancellation of the Good Manufacturing Practice (GMP) for Drugs certification and the Good Supply Practice (GSP) for Pharmaceutical Products certification, demanding the management requirements in respect of the certifications to be incorporated into the daily production and operation management of the enterprises, and to be available for inspection by the drug administrative departments at any time. The Group will continue to put great efforts in improving and enhancing the daily supervision over its production bases to ensure the quality and safety of its pharmaceutical products.

In general, the implementation of the New Drug Administration Law will encourage the Group to increase the efforts in research and development of innovative medicines (including chemical drugs, Chinese medicines and biological drugs). There will also be requirement for more professional research and development teams with more stringent, transparent, scientific management requirements on research and development. Higher standards of quality control over the research and development process will also be implemented. Accordingly, the standards for venues and equipment of research and development will be upgraded to satisfy the requirements for truthful, regulated, scientific and traceable work in relation thereto. As such, it is expected that the research and development cost for new medicines and generic drugs will increase.

IV. Centralized Procurement Policy of the Government

On 14 November 2018, the Pilot Program for Nationally Organized Centralized Pharmaceutical Procurements (國家組織藥品集中採購試點方案) was passed and it was determined that the centralized pharmaceutical quantity procurement policy (the “**Centralized Pharmaceutical Procurement**”) will be implemented in the public medical institutions of eleven “4+7” pilot cities, namely Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi’an, by way of cross-region alliances, under which the principle of “quantity-price linked, volume-for-price” will be adopted. The office of pilot working group has been established in the National Healthcare Security Administration, and a joint procurement office has been formed to carry out the quantity procurement. In September 2019, Centralized Pharmaceutical Procurement was promoted nationwide and the joint procurement office published the Documents on Centralized Pharmaceutical Procurement in the Regions Covered by the Alliance (《聯盟地區藥品集中採購檔》). The alliance covers 25 provinces and regions (excluding the 4+7 cities). After the Centralized Pharmaceutical Procurement has been promoted nationwide, the Shanghai Joint Pharmaceutical Procurement Office released the Proposed Selection Results Arising from Pilot Nationwide Promotion for Nationally Organized Centralized Pharmaceuticals Procurements and Utilization (國家組織藥品集中採購和使用試點全國擴圍產生擬中選結果). Compared with the lowest procurement price in the regions covered by the alliance in 2018, the price decreased by 59% on average. In December 2019, the second batch of nationally organized Centralized Pharmaceutical Procurement was launched on a nationwide basis with 33 types of products involved. In January 2020, the proposed selection results of the second batch of national centralized procurements were released. Compared with the lowest procurement price in the alliance in 2018, the price of the proposed products selected decreased by 53% on average with a highest decrease of 93%. All of the drugs selected for nationally organized centralized procurement were generic drugs/non-exclusive products, and were mainly Western medicines. On 29 July 2020, the Documents on Centralized Pharmaceutical Procurement in China (《全國藥品集中採購檔》) was released, with 56 products covered in the third batch of national centralized procurements.

The main products currently sold by the Group do not fall within the scope of the Centralized Pharmaceutical Procurement. Moreover, the targeted products of the government’s quantity procurement in the next three years will mainly be generic drugs with at least over three suppliers passing the consistency evaluation. Furthermore, taking into account the rich product portfolio, the fact that Uremic Clearance Granules, the product accounting for the largest proportion of the portfolio, is an irreplaceable exclusive Chinese medicine and the unique status of our various products in the market. It is expected that the effect of the Centralized Pharmaceutical Procurement on the Group’s operation, profitability or market competition faced will be minimal.

Centralized procurement is a double-edged sword. With development and implementation of the system, the impact of the approach of volume-for-price on enterprises will be diminished and we are optimistic towards the future.

Events after the Reporting Period

As at the date of this announcement, save as disclosed in this announcement, the Group has no significant events after the six months ended 30 June 2020 (reporting period) required to be disclosed.

Outlook

Against the backdrop of a sophisticated, ever-changing and worsening external environment, the first mission of the management is to take the helm and pay attention to the direction of development of Consun, thereby maintaining steady development of the Group. Upholding the requirement of “targeted development made by a dedicated team of high caliber with commitment”, the Group will adopt an approach of “achieving counter-cyclical business expansion”, with a view to grasping the opportunities arising from the economic downturn, including exploring the sectors of e-commerce and new retailing, and stepping up its efforts in the “six securities and one stability”, thereby achieving the goal of accelerating development with concerted efforts:

In particular, six securities include 1) secure the ability to seize any potential business spin-off opportunities whenever available; 2) secure rapid development of the diagnostic imaging business; 3) secure the leading position of kidney medicines in the market of oral modern Chinese medicines for kidney diseases; 4) secure successful implementation of the reform proposal of Yulin Pharmaceutical; 5) secure continuous and enhancing efforts in research, development and innovation with the aim to have continuous provision of new “1+6” products; and 6) secure stable and sufficient cashflow of the Group, while one stability refers to achieving stable and continuous growth of the Group.

The result of “one stability” can be achieved through the implementation of measures in respect of the “six securities”. Since the Group has a long and challenging journey to go before achieving greater goals, the Consun team will take up the responsibility and strive for a brighter future of Consun, thereby creating fruitful returns for the shareholders!

INTERIM DIVIDEND

The Board is pleased to announce the distribution of an interim dividend (the “**Interim Dividend**”) of HKD0.08 per share in respect of the six months ended 30 June 2020 (2019 interim dividend: HKD0.1 per share), which amounted to approximately RMB58,458,000 (2019 interim dividend: approximately RMB75,640,000). It is expected that the Interim Dividend will be paid on or about Wednesday, 16 September 2020 to the shareholders whose names appear on the register of members of the Company on Wednesday, 9 September 2020.

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 Friday, 4 September 2020 to Wednesday, 9 September 2020 (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 Thursday, 3 September 2020.

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

During the six months ended 30 June 2020, the Company repurchased 29,939,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD117,847,000 (approximately RMB106,593,000). Among the 29,939,000 repurchased shares, 20,638,000 shares were cancelled during the six months ended 30 June 2020 and the remaining 9,301,000 shares were cancelled in July 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

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 2020.

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 2020.

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 2020 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 2020 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 of the Board

Hong Kong, 24 August 2020

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