康臣葯業集團有限公司
CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1681)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 amounted to RMB1,752,830,000, representing an increase of approximately 1.4% as compared with the year ended 31 December 2019.
- Profit for the year ended 31 December 2020 attributable to equity shareholders of the Company amounted to RMB498,788,000, representing an increase of approximately 524.9% as compared with the year ended 31 December 2019.
- Basic and diluted earnings per share for the year ended 31 December 2020 amounted to approximately RMB0.61 and RMB0.61 respectively, representing increases of approximately 577.8% and 577.8% respectively as compared with the same for the year ended 31 December 2019.
- The Board proposed to declare a final dividend of HKD0.20 per share for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Consun Pharmaceutical Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**", "**Consun Pharmaceutical**" or "**Consun Pharmaceutical Group**") for the year ended 31 December 2020 (the "**Annual Results**"), together with the comparative figures of 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*2*	**1,752,830**	1,728,256
Cost of sales		**(431,159)**	(466,851)
Gross profit		**1,321,671**	1,261,405
Other incomes/(losses)	*3*	**58,826**	(1,526)
Distribution costs		**(542,930)**	(539,204)
Administrative expenses		**(203,067)**	(161,486)
Impairment loss on trade receivables and other receivables	*4(c)*	**(29,363)**	(70,347)
Impairment loss on goodwill and intangible assets		**–**	(326,136)
Profit from operations		**605,137**	162,706
Finance costs	*4(a)*	**(21,401)**	(29,043)
Profit before taxation	*4*	**583,736**	133,663
Income tax	*5(a)*	**(101,993)**	(70,541)
Profit for the year		**481,743**	63,122
Attributable to:			
– Equity shareholders of the Company		**498,788**	79,820
– Non-controlling interests		**(17,045)**	(16,698)
Profit for the year		**481,743**	63,122
Earnings per share (RMB yuan)	*6*		
– Basic		**0.61**	0.09
– Diluted		**0.61**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**481,743**	63,122
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	**(1,127)**	2,465
Total comprehensive income for the year	**480,616**	65,587
Attributable to:		
– Equity shareholders of the Company	**497,661**	82,285
– Non-controlling interests	**(17,045)**	(16,698)
Total comprehensive income for the year	**480,616**	65,587

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment property	8	**16,121**	16,651
Other property, plant and equipment	9	**675,773**	661,309
Land use rights	10	**123,675**	126,808
Intangible assets	11	**371,423**	396,071
Other prepayments	12	**45,679**	51,657
Deferred tax assets		**58,885**	45,942
Total non-current assets		**1,291,556**	1,298,438
Current assets			
Inventories	13	**227,374**	210,684
Trade and other receivables	14	**491,050**	815,732
Cash and cash equivalents	15	**1,940,273**	1,383,232
Total current assets		**2,658,697**	2,409,648
Current liabilities			
Trade and other payables	16	**709,712**	671,611
Loans and borrowings	17	**549,414**	553,567
Deferred income		**1,629**	1,655
Current taxation		**71,108**	69,461
Total current liabilities		**1,331,863**	1,296,294
Net current assets		**1,326,834**	1,113,354
Total assets less current liabilities		**2,618,390**	2,411,792

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**15,629**	16,739
Deferred tax liabilities	**86,263**	88,292
Total non-current liabilities	**101,892**	105,031
Net assets	**2,516,498**	2,306,761
Capital and reserves		
Share capital	**64,424**	68,033
Reserves	**2,155,943**	1,926,051
Total equity attributable to equity shareholders of the Company	**2,220,367**	1,994,084
Non-controlling interests	**296,131**	312,677
Total equity	**2,516,498**	2,306,761

NOTES

1 BASIS OF PREPARATION

(a) Statement of compliance

The financial information included in this announcement does not constitute the Group's consolidated financial statements but is derived from those financial statements which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. Those financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

(b) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to those financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, Covid-19-Related Rent Concessions

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sales of pharmaceutical products. Further details regarding the Group's principal activities are disclosed in note 2(b).

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

	2020	2019
	RMB'000	*RMB'000*
Kidney medicines	**1,165,613**	1,062,452
Contrast medium	**135,553**	139,802
Orthopedics medicines	**138,818**	116,141
Dermatologic medicines	**52,156**	98,338
Hepatobiliary medicines	**36,078**	31,871
Gynaecology and paediatrics drugs	**180,659**	170,131
Others	**43,953**	109,521
	1,752,830	1,728,256

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 2(b)(i) and 2(b)(iii) respectively.

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

	2020	2019
	RMB'000	*RMB'000*
Customer A	**493,281**	444,776
Customer B	**261,542**	134,431

As at 31 December 2020, full amount of the transaction price under the Group's existing contracts was recognised as revenue.

(b) 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 presented the following two reportable segments.

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

– Yulin Pharmaceutical Segment: this segment manufactures and sells traditional Chinese medicines.

(i) Segment results, assets and liabilities

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

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

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

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 31 December 2020 and 2019 is set out below:

	Consun Pharmaceutical Segment		**Yulin Pharmaceutical Segment**		**Total**	
For the year ended 31 December	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**1,499,117**	1,403,919	**253,713**	324,337	**1,752,830**	1,728,256
Reportable segment revenue						
Revenue from external customers	**1,499,117**	1,403,919	**253,713**	324,337	**1,752,830**	1,728,256
Reportable segment profit						
Gross profit	**1,215,130**	1,118,311	**106,541**	143,094	**1,321,671**	1,261,405
Interest income from bank deposits	**26,560**	13,381	**1,328**	3,370	**27,888**	16,751
Interest expense	**17,978**	21,070	**3,423**	2,321	**21,401**	23,391
Depreciation and amortisation for the year	**23,642**	22,961	**48,153**	50,154	**71,795**	73,115
Recognition/(Reversals) of impairment losses						
– trade receivables and other receivables	**(1,401)**	460	**30,764**	69,887	**29,363**	70,347
– goodwill	**–**	–	**–**	320,647	**–**	320,647
– intangible assets	**–**	–	**–**	5,489	**–**	5,489
Reportable segment assets	**2,391,948**	2,053,714	**1,633,707**	1,728,758	**4,025,655**	3,782,472
Reportable segment liabilities	**779,380**	720,520	**631,291**	643,380	**1,410,671**	1,363,900

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

	2020	2019
	RMB'000	*RMB'000*
Reportable segment gross profit derived from the Group's external customers	**1,321,671**	1,261,405
Other incomes/(losses) *(note 3)*	**58,826**	(1,526)
Distribution costs	**(542,930)**	(539,204)
Administrative expenses	**(203,067)**	(161,486)
Impairment loss on trade receivables and other receivables	**(29,363)**	(70,347)
Impairment loss on goodwill and intangible assets	**–**	(326,136)
Finance costs *(note 4(a))*	**(21,401)**	(29,043)
Consolidated profit before taxation	**583,736**	133,663

	2020 *RMB'000*	2019 *RMB'000*
Assets		
Reportable segment assets	**4,025,655**	3,782,472
Elimination of inter-segment receivables	**(134,287)**	(120,328)
	3,891,368	3,662,144
Deferred tax assets	**58,885**	45,942
Consolidated total assets	**3,950,253**	3,708,086

	2020 *RMB'000*	2019 *RMB'000*
Liabilities		
Reportable segment liabilities	**1,410,671**	1,363,900
Elimination of inter-segment payables	**(134,287)**	(120,328)
	1,276,384	1,243,572
Current taxation	**71,108**	69,461
Deferred tax liabilities	**86,263**	88,292
Consolidated total liabilities	**1,433,755**	1,401,325

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as 99% of the Group's operating profit is derived from activities of manufacturing and sales of pharmaceutical products in the PRC.

3 OTHER INCOMES/(LOSSES)

	2020 *RMB'000*	2019 *RMB'000*
Government grants (i)		
– Unconditional subsidies	**5,782**	5,185
– Conditional subsidies	**1,696**	1,660
Net rental income from investment properties	**1,117**	483
Interest income	**27,888**	16,751
Loss on disposal of property, plant and equipment	**(244)**	(330)
Net exchange gains/(losses)	**27,366**	(23,958)
Others	**(4,779)**	(1,317)
	58,826	(1,526)

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

– Unconditional subsidies

The entitlements to certain government grants amounting to RMB5,782,000 (2019: RMB5,185,000) were unconditional. They were funds to subsidise the operating expenses of the PRC subsidiaries of the Group during the current or prior years.

– Conditional subsidies

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2020 was RMB1,696,000 (2019: RMB1,660,000).

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**13,243**	21,363
Interest expenses on discounted bills	**8,158**	2,028
Finance charges on bank loans	**–**	5,652
	21,401	29,043

(b) Staff costs

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**265,614**	273,697
Contributions to defined contribution retirement schemes	**6,164**	11,132
Equity settled share-based transactions:		
Share Option Scheme	**12,165**	19,920
	283,943	304,749

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

(c) Other items

	Note	2020 RMB'000	2019 RMB'000
Depreciation and amortisation charge			
– investment property	8	**530**	549
– other property, plant and equipment	9	**38,484**	40,007
– land use rights	10	**3,133**	3,139
– intangible assets	11	**29,648**	29,420
Auditor's remuneration			
– audit services		**2,100**	2,100
– non-audit services		**450**	830
Impairment losses			
– trade receivables and other receivables		**29,363**	70,347
– goodwill		**–**	320,647
– intangible assets	11	**–**	5,489
Leases charges		**3,819**	3,971
Research and development costs (i)		**83,657**	75,377
Cost of inventories (ii)	13	**431,159**	466,851

(i) During the year ended 31 December 2020, research and development costs included RMB28,392,000 (2019: RMB23,084,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the note 4(b) for each of these types of expenses.

(ii) During the year ended 31 December 2020, cost of inventories included RMB101,187,000 (2019: RMB105,597,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in the note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for PRC income tax for the year	**118,684**	103,843
PRC dividend withholding tax (iv)	**–**	34,936
Over-provision for PRC income tax in respect of prior years	**(1,719)**	(8,473)
	116,965	130,306
Deferred tax		
Origination and reversal of temporary differences	**(14,972)**	4,172
Effect on distribution of dividends (iv)	**–**	(34,936)
Effect on deferred tax balances at 1 January resulting from a change in tax rate (iv)	**–**	(29,001)
	(14,972)	(59,765)
	101,993	70,541

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

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the year ended 31 December 2020 (2019: Nil).

(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 "High and New Technology Enterprises", Inner Mongolia Consun and Guangzhou Consun were entitled to the preferential income tax rate of 15% from 2018 to 2020 and 2020 to 2022, 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 2030.

Guangxi Yulin Pharmaceutical Group Yuming Chinese Traditional Medicine Co., Limited ("**Yuming Chinese Traditional Medicine**") and Guangxi Yulin Pharmaceutical Group Hongsheng Trading Co., Limited ("**Hongsheng Trading**") 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 2020 (2019: 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 2020.

Consun Pharmaceutical (Horgos) Co., Ltd. ("**Horgos Consun**") enjoyed the benefit of income tax exemption for five years starting from 2020 under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang.

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

The directors 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 31 December 2020, deferred tax liabilities of RMB18,227,000 (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.

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

	2020 ***RMB'000***	2019 *RMB'000*
Profit before taxation for the year	**583,736**	133,663
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**152,551**	56,889
Effect of non-deductible expenses	**12,178**	8,467
Effect of non-deductible goodwill impairment	**–**	80,162
Effect of tax concessions	**(64,036)**	(55,775)
Effect of use of previous unrecognized deferred tax assets	**–**	(2,870)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**–**	(29,001)
Provision of withholding tax on undistributed profits retained by PRC subsidiaries	**3,019**	21,142
Over-provision in respect of prior years	**(1,719)**	(8,473)
Actual tax expenses	**101,993**	70,541

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB498,788,000 (2019: RMB79,820,000) and the weighted average number of ordinary shares of 817,264,000 shares (2019: 848,771,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 ***'000 shares***	2019 *'000 shares*
Issued ordinary shares at 1 January	**865,532**	875,191
Effect of shares repurchased and cancelled	**(28,570)**	(6,957)
Effect of share options exercised	**–**	235
Effect of treasury shares held under the Share Award Scheme	**(19,698)**	(19,698)
Weighted average number of ordinary shares at 31 December	**817,264**	848,771

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2020 is based on the profit attributable to equity shareholders of the Company of RMB498,788,000 (2019: RMB79,820,000) and the weighted average number of ordinary shares of 817,264,000 shares (2019: 854,473,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2020	2019
	'000 shares	*'000 shares*
Weighted average number of ordinary shares at 31 December	**817,264**	848,771
Dilutive effect of deemed issue of shares under the Share Option Scheme	**–**	5,702
Weighted average number of ordinary shares (diluted) at 31 December	**817,264**	854,473

There was no dilutive potential ordinary shares in issue for the years ended 31 December 2020.

7 DIVIDENDS

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

	2020	2019
	RMB'000	*RMB'000*
Interim dividend declared and paid of HKD0.08 per ordinary share (2019: HKD0.10)	**58,458**	75,640
Final dividend proposed after the end of the year of HKD0.20 per ordinary share (2019: HKD0.10)	**133,950**	74,689
	192,408	150,329

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

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

	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HKD0.10 per ordinary share (2019: HKD0.20)	**74,689**	146,288
Less: Dividends for Buy-back Shares	**(848)**	(309)
	73,841	145,979

8 INVESTMENT PROPERTY

	Land use rights	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,004	13,886	18,890
Accumulated depreciation:			
At 1 January 2019	(338)	(1,352)	(1,690)
Charge for the year	(135)	(414)	(549)
At 31 December 2019	(473)	(1,766)	(2,239)
Charge for the year	(135)	(395)	(530)
At 31 December 2020	(608)	(2,161)	(2,769)
Net book value:			
At 31 December 2020	4,396	11,725	16,121
At 31 December 2019	4,531	12,120	16,651

Investment properties of the Group are situated in the PRC.

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

As at 31 December 2020, included in investment properties, properties of RMB15,704,000 (31 December 2019: RMB13,886,000) were leased out under operating leases that would otherwise meet the definition of investment property, and properties of RMB3,186,000 (31 December 2019: RMB5,004,000) are held for a currently undetermined future use.

Investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The carrying amounts of the investment properties were not materially different from their fair value as at 31 December 2019 and 2020.

9 OTHER PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2019	329,671	196,732	20,869	17,708	166,774	731,754
Transfer from construction in progress	687	1,940	24	242	(2,893)	–
Other additions	2,881	11,564	917	3,502	122,040	140,904
Disposals	(562)	(4,907)	–	(1,362)	–	(6,831)
At 31 December 2019 and 1 January 2020	332,677	205,329	21,810	20,090	285,921	865,827
Transfer from construction in progress	22	12,373	–	667	(13,062)	–
Other additions	455	8,032	294	2,728	41,795	53,304
Disposals	–	(1,392)	(406)	(530)	–	(2,328)
At 31 December 2020	333,154	224,342	21,698	22,955	314,654	916,803
Accumulated depreciation:						
At 1 January 2019	(83,054)	(67,567)	(8,160)	(11,188)	–	(169,969)
Charge for the year	(17,462)	(18,477)	(1,907)	(2,161)	–	(40,007)
Written back on disposal	107	4,521	–	830	–	5,458
At 31 December 2019 and 1 January 2020	(100,409)	(81,523)	(10,067)	(12,519)	–	(204,518)
Charge for the year	(14,602)	(18,836)	(1,684)	(3,362)	–	(38,484)
Written back on disposal	–	1,138	375	459	–	1,972
At 31 December 2020	(115,011)	(99,221)	(11,376)	(15,422)	–	(241,030)
Net book value:						
At 31 December 2020	218,143	125,121	10,322	7,533	314,654	675,773
At 31 December 2019	232,268	123,806	11,743	7,571	285,921	661,309

10 LAND USE RIGHTS

	RMB'000
Cost:	
At 1 January 2019	143,495
Additions	304
At 31 December 2019	143,799
Additions	–
At 31 December 2020	143,799
Accumulated depreciation:	
At 1 January 2019	(13,852)
Charge for the year	(3,139)
At 31 December 2019	(16,991)
Charge for the year	(3,133)
At 31 December 2020	(20,124)
Net book value:	
At 31 December 2020	123,675
At 31 December 2019	126,808

It represents prepayments for the land use rights which was identified as right-of-use assets under HKFRS 16 in the PRC paid to the PRC authorities, on which the Group's manufacturing plants were built. The Group was granted land use rights for a period of 50 years initially and the remaining periods range from 28 to 46 years.

(a) The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Included in "Right-of-use assets":	**123,675**	126,808
Included in "Investment property":	**4,396**	4,531
Land use rights, carried at depreciated cost	**128,071**	131,339

(b) The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Expense relating to short-term leases	**3,793**	3,943
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**26**	28

(c) On 31 May 2019, the Group entered into a series of cooperative development agreements with Guangxi Huafa Real Estate Development Co., Ltd. ("**Guangxi Huafa**") and Yulin City Shunlang Real Estate Investment Co., Ltd. ("**Yulin Shunlang**") in relation to a development project of a plant site of Yulin Pharmaceutical. Pursuant to the cooperative development agreements, a parcel of land wholly owned by Yulin Pharmaceutical with the total site area of approximately 83,670 sq.m. ("**Parcel-1**"), shall be developed integrally together with other parcels of land planned to be acquired after Yulin Pharmaceutical has removed all plant and machinery located on the site. Parcel-1 is located at No.3, Jiangnan Road, Yulin City, Guangxi Province, the PRC.

As at 31 December 2020, the development project was still in the initial planning stage and Parcel-1 was still being occupied and wholly owned by Yulin Pharmaceutical for its own use for production, office and storage purposes.

11 INTANGIBLE ASSETS

	Patents	Trademark	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2019	248,103	256,233	504,336
Additions	180	–	180
At 31 December 2019	248,283	256,233	504,516
Additions	5,000	–	5,000
At 31 December 2020	253,283	256,233	509,516
Accumulated amortisation:			
At 1 January 2019	(73,536)	–	(73,536)
Charge for the year	(29,420)	–	(29,420)
At 31 December 2019	(102,956)	–	(102,956)
Charge for the year	(29,648)	–	(29,648)
At 31 December 2020	(132,604)	–	(132,604)
Accumulated impairment losses:			
At 1 January 2019	–	–	–
Charge for the year	–	(5,489)	(5,489)
At 31 December 2019	–	(5,489)	(5,489)
Charge for the year	–	–	–
At 31 December 2020	–	(5,489)	(5,489)
Net book value:			
At 31 December 2020	120,679	250,744	371,423
At 31 December 2019	145,327	250,744	396,071

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

Trademark acquired through business combination with the carrying amount of RMB250,744,000 (2019: RMB250,744,000) is assessed to have indefinite useful lives when, based on an analysis of all of the relevant factors including beneficial pattern, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The recoverable amount of the trademark that has indefinite useful life is estimated annually whether or not there is any indication of impairment. The amount is allocated to the Group's cash-generating units of Yulin Pharmaceutical and its subsidiaries (collectively referred to as "**Yulin Pharmaceutical Group**") ("**Yulin CGU**").

The recoverable amount of Yulin CGU was determined based on value-in-use calculations by the directors of the Company, with the reference to professional valuation reports issued by Jones Lang LaSalle Incorporated, independent firm of professionally qualified valuers. These calculations apply the cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted sales growth rate of the five-year period is 22.7% (2019: 19.0%). Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated sales growth rate of 3% (2019: 3%), which was estimated on the basis of the long-term inflation rate in the PRC. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term growth rate of the PRC. The cash flows are discounted using a discount rate of 18.1% (2019: 16.3%). The discount rates used are pre-tax and reflect specific risks relating to the Yulin CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

No impairment loss was recognized during the year ended 31 December 2020 (2019: RMB5,489,000).

Had the estimated key assumptions during the forecast period been changed as below, all changes taken in isolation, the recoverable amount of Yulin CGU would be approximately equal to its carrying amount:

Pre-tax discount rate increase to	18.4%
Average revenue growth rate decrease to	22.5%

12 OTHER PREPAYMENTS

	2020	2019
	RMB'000	*RMB'000*
Prepayment for purchase of other property, plant and equipment	**45,679**	51,657

13 INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**120,129**	111,713
Work in progress	**43,096**	52,992
Finished goods	**64,149**	45,979
	227,374	210,684

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**419,345**	463,197
Write down of inventories	**11,814**	3,654
	431,159	466,851

14 TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade debtors and bills receivable, net of loss allowance (a)	**448,540**	763,806
Other debtors, net of loss allowance (b)	**9,886**	28,439
Financial assets measured at amortised cost	**458,426**	792,245
Prepayments	**32,624**	23,487
	491,050	815,732

(a) Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**328,529**	338,030
3 to 12 months	**16,765**	213,791
Over 12 months	**103,246**	211,985
	448,540	763,806

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

(b) Other debtors

As at 31 December 2020, the Group's other receivables of RMB524,000 (31 December 2019: RMB656,000) were determined to be impaired in full.

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2020	2019
	RMB'000	*RMB'000*
Cash at bank and on hand	**1,940,273**	1,383,232

16 TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables (i)	**50,889**	55,520
Contract liabilities	**13,857**	17,596
Refund liabilities	**80,419**	71,358
Accrued expenses	**265,875**	209,760
Employee benefits payable	**140,542**	154,837
Other payables	**108,130**	110,540
Project development deposits (ii)	**50,000**	52,000
	709,712	671,611

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**48,842**	26,328
1 to 12 months	**1,359**	28,845
Over 12 months	**688**	347
	50,889	55,520

(ii) As of 31 December 2020, project development deposits represented deposits received by the Group from Guangxi Huafa and Yulin Shunlang pursuant to a series of cooperative development agreements (see note 10(c)).

17 LOANS AND BORROWINGS

At 31 December 2020, loans and borrowings were unsecured and repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**549,414**	553,567

At 31 December 2020, total banking facilities of the Group amounted to RMB784,368,000 (2019: RMB742,488,000), which were utilised to the extent of RMB549,414,000 (2019: RMB553,567,000).

As at 31 December 2020, certain banking facilities of the Group amounted to RMB402,480,000 (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 had breached the covenants the drawn down loans would have become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, none of the covenants relating to drawn down loans had been breached (31 December 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

I. Industrial and Business Review

In 2020, the Group's operation was under greater pressure and risks due to the unexpected COVID-19 pandemic. Nonetheless, we remained resilient against adversity. In the face of challenges posed by the COVID-19 pandemic, Consun Pharmaceutical Group stood by the whole nation and came through. With years of intensive development, our prescription drug business has established a solid foundation that allowed it to stay strong in times of turmoil. Following the launch of the reform of Yulin Pharmaceutical, our OTC business adjusted strategies proactively and developed positive business momentum by consolidating business segments, lowering inventory and reducing overdue receivables. The good news is that our Pain-relieving Antidiarrheal Capsules (緩痛止瀉軟膠囊) and Jigucao Capsules (雞骨草膠囊) were successfully included in the National Medical Insurance Drug Catalogue (國家醫保目錄), which provided extra room for our future development.

In 2020, the Group recorded a revenue of approximately RMB1.75 billion, representing an increase of approximately 1.4% over the same period last year. The Company recorded a profit attributable to its equity shareholders of approximately RMB0.5 billion, representing an increase of approximately 524.9% over the same period last year. After excluding the impairment of non-cash goodwill and intangible assets of RMB0.32 billion last year, the profit attributable to equity shareholders increased by approximately 23.5% year-on-year.

In terms of business segments, sales revenue of Consun Pharmaceutical Segment amounted to approximately RMB1.50 billion, representing a year-on-year increase of approximately 6.8%. Sichuan and Shandong became the two provinces to have recently achieved a sales revenue of over RMB100 million. As of now, a total of five provinces have recorded a revenue of over RMB100 million, namely Beijing, Guangdong, Hebei, Sichuan and Shandong. Amongst which:

The sales revenue of kidney medicines amounted to approximately RMB1.17 billion in 2020, representing a year-on-year increase of approximately 9.7%. Uremic Clearance Granules (尿毒清顆粒), the Group's flagship product admitted to Class A of the National Medical Insurance Drug Catalogue (new version), has been improving steadily with a leading market share in China's modern Chinese medicine market for oral renal disease treatment. In particular, the primary medical market has recorded a rapid growth in sales and is developing into a new growth pillar for the Company.

The sales revenue of medical contrast medium amounted to approximately RMB0.14 billion in 2020, representing a slight year-on-year decrease of approximately 3.0%. Nonetheless, Consun Pharmaceutical still maintained its market position in the field of contrast medium for magnetic resonance imaging and, more encouragingly, rolled out its Iopamidol Injection (碘帕醇注射液) under the imaging product series. The Group successfully held Iopamidol Launching Conference themed "Work Together for Health, Happiness and a Bright Future (攜手健康 快樂同行 亮顯未來)" in various provinces including Guangdong, Shandong, Liaoning, Hunan and Guangxi. With the Iopamidol Injection entering the clinical application stage, Consun Pharmaceutical started to provide high quality, value for money and reliable products and services in the field of CT contrast medium.

Yulin Pharmaceutical Segment evolved from the "reform for survival" in the second half of 2019 and joined the "expedition to high-risk territories" in 2020. By actively adjusting business strategies, it consolidated business segments, lowered inventory and reduced overdue receivables. Its efforts did not go in vain and eventually bore fruit.

In August 2020, Yulin Pharmaceutical commenced the entrusted production of the Uremic Clearance Granules. Through the arrangement, it created synergy from the production capacity of three bases and developed the new model for manufacture and sales in the same region. This boosted its efficiency to respond to market demand significantly and lowered various overall logistics costs. Meanwhile, the existing production capacity of Yulin Pharmaceutical was given full play, which led to excellent progress in lowering the amortization costs.

Amazon's Bezos once compared "tenants" to "short-term investors" and "homeowners" to "long-term investors". According to him, "tenants" only focus on short-term gains without regard for the maintenance costs of the house, while "homeowners" strive to balance their long-term input and comfortableness. In the case of Yulin Pharmaceutical, Consun Pharmaceutical will aim for long-term comfortableness and spare no effort in planning for and promoting its development.

Fundamental foreign sales remained stable and free from the impact of the pandemic. The Group has completed the registration and filing of Uremic Clearance Granules in Hong Kong and Indonesia. It will launch the product in the first half of 2021. The Yulin Zheng Gu Shui (玉林牌正骨水), Shiduqing Capsule (濕毒清膠囊) and Jigucao Capsules obtained the Certificate of Export Commodity Brand, which has enhanced the influence of Yulin's products in overseas markets.

II. Long-term Business Development Supported by Infrastructure

During the year, the Uremic Clearance Granules and the Kidney Repair and Edema Alleviation Granules(益腎化濕顆粒)was recommended by the Clinical Application Guidelines for Chinese Medicines in the Treatment of Specialty Conditions (《中成藥治療優勢病種臨床應用指南》) and experts in consensus, respectively. With the approval of the National Administration of Traditional Chinese Medicine, the Uremic Clearance Granules of Consun Pharmaceutical was developed in line with the above Guidelines formulated by the China Association of Traditional Chinese Medicine. After five years of efforts, the product became the only traditional Chinese medicine that was "strongly recommended" in the 2020 Clinical Application Guidelines for Chinese Medicines in the Treatment of Stage 3-5 Chronic Kidney Diseases (Non-dialysis)(中成藥治療慢性腎臟病3-5期(非透析)臨床應用指南(2020)), which was one of the 14 guidelines published as the first batch. The Expert Consensus on the Clinical Application of Kidney Repair and Edema Alleviation Granules in the Treatment of Renal Diseases (《益腎化濕顆粒治療腎臟病臨床應用專家共識》) was also officially published on the Chinese Journal of Kidney Disease Investigation (《中華腎病研究電子雜誌》) in June 2020. Meanwhile, two of our core renal products were recommended in the Guidelines and by experts. This would definitely encourage physicians to prescribe the products and facilitate our frontline marketing activities.

The self-developed chronic disease platform of Consun Pharmaceutical commenced operation and invited patients with renal diseases to join the Consun Family. As of now, it has enrolled over 6,000 patients and collected more than 20,000 valid inspection reports to successfully form the comprehensive and effective data collection procedure and analysis system. In the future, the chronic disease platform will be committed to integrating the "renal disease big data center with health+medical care" to establish the comprehensive management platform for patients with chronic renal diseases, thereby creating new strategic advantages.

The new retail segment continued to grow and the year 2020 marked the beginning of the new retail business of Consun Pharmaceutical. The Group launched flagship stores on Tmall and JD.com while promoting the cooperation with major e-commerce drugstores. Specifically, we recorded outstanding sales performance in our first Singles Day promotion on 11 November. The small step in e-commerce development represented a giant leap for Consun.

Moreover, the Group further defined its R&D strategy and enhanced its R&D investment, including addition of R&D equipment. With a focus on kidney medicines and multi-specialty product lines, it aimed to introduce new products rapidly to form product groups in five years. In the mid-to-long run, the Group planned to develop new product pipelines for the next ten years. It would optimize the R&D organizational structure to better maintain R&D quality and strive to recruit R&D talents. In 2020, its R&D personnel increased by approximately 44%.

Currently, we have a total of 13 pipeline projects, including three newly established R&D projects. Overall, the progress of pipeline projects is in line with our plan set at the beginning of the year. For example, the Group completed the trial production of "Huashengxian (華聲顯)", an ultrasound micro-bubble contrast medium. On 24 June 2020, it commenced the operation of the "Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration (超聲微泡診療一體化聯合實驗室)" that was established in collaboration with Shenzhen Institute of Advanced Technology under the Chinese Academy of Sciences. The joint development of the Ultrasound Diagnosis and Treatment Integration project also reached the annual contracted progress ahead of schedule. The joint application for the "Research on the Active Ingredient and Mechanism of Kidney Repair and Edema Alleviation Granules on Preventing Proteinuria in Diabetic Kidney Diseases" made with Macau University of Science and Technology was approved by the Department of Science and Technology of Guangdong Province as a Guangdong and Macau Innovative Joint Study on Frontier and Key Technology. Phase II clinical trial on the new Astragali Powder Pellet (黃芪散微丸) for treating diabetes and renal diseases officially commenced enrollment of cases. The secondary development of Kidney Repair and Edema Alleviation Granules and Iron-dextrin (右旋糖酐鐵) was well underway.

In 2021, the Group will further optimize its R&D management and talent mechanism. It will enhance the introduction of high-end R&D technology and professional management to accelerate the development of pipeline projects. Meanwhile, it will push forward the establishment of new projects on biological drugs, innovative drugs, Chinese medicines and health food products.

III. Invest in Value Enhancement, Motivate the Management Team and Focus on Long-term Interests of Shareholders

In 2020, the Company repurchased its shares with internal funds. During the year, it bought back 45.907 million shares in aggregate, representing approximately 5.30% of the total share capital before the repurchase. As the continuing and massive repurchase of shares demonstrated the Company's strong confidence towards its own value and future development, protected the interests of investors in general and established a positive corporate image of the Group in the capital market, it is a strategic initiative with multiple positive outcomes.

In order to recognize the full support of all shareholders, the Board of the Company also proposed to distribute a final dividend of HKD0.2 per share for the year ended 31 December 2020. Coupled with the interim dividend of HKD0.08 per share, the total dividend for the year was HKD0.28 per share, converted into RMB representing approximately 39% of the earnings per share for the year.

To motivate our team, the Company granted a total of 18.188 million share options for certain Directors and employees to subscribe for its shares in 2020.

IV. Concerted Efforts to Accelerate Growth With Numerous Awards

In January 2020, Inner Mongolia Consun won the "2nd Tongliao City Mayor's Award for Quality (通遼市第二屆市長質量獎)". It was also rated as a Class A pharmaceutical manufacturer with the best quality and safety standards by the Medical Products Administration of Inner Mongolia Autonomous Region.

On 7 August, Consun Pharmaceutical Group was elected as "2019 Top 100 Pharmaceutical Industrial Enterprises of China (2019 年度中國醫藥工業百強)" in the 2019 Most Influential Chinese Pharmaceutical Enterprises Election. Inner Mongolia Consun was recognized as "Top 50 Fast-growing Chinese Pharmaceutical Enterprises (中國醫藥行業成長 50 強)".

On 25 August, Consun Pharmaceutical Group was ranked 32nd on the "2019 TOP 100 China's Chinese Medicine Enterprises List (2019 年度中國中藥企業 TOP100 排行榜)" in the 2020 Top 100 China Pharmaceutical Enterprises Annual Conference.

On 26 September, Consun Pharmaceutical was recognized as the "Most Influential Pharmaceutical Brand for the Year (醫藥產業年度影響力品牌)" at the "Influential Figures (Brands) in Pharmaceutical Industry" Demonstration Show ("醫藥產業影響力人物(品牌)"系列風采展示活動) in Guangdong Province. Ms. LI Qian, our vice chairlady of the Board and chief executive officer, received two awards, namely the "Pharmaceutical Entrepreneur with Extraordinary Contribution to Pandemic Prevention (醫藥產業抗疫突出貢獻企業家)" and "Outstanding Business Figure of the Year in Pharmaceutical Industry (醫藥產業年度傑出經濟人物)".

V. Manifestation of Consun's value

In the ever-changing world, Consun Pharmaceutical Group bears in mind its initial commitment and pursues innovation against headwinds. We believe the success of a business should be measured by how much long-term value it creates for its shareholders. Thus, Consun Pharmaceutical always aims to strengthen and expand its business, thereby becoming a time-tested Hong Kong Main Board listed benchmark enterprise that is worth investing in. Its investment value lies in:

1. Stable product lines

Currently, Consun Pharmaceutical has a "1+6" product structure. The four product lines that have reached the RMB100 million mark comprise the nephrology series (Uremic Clearance Granule and Kidney Repair and Edema Alleviation Granules), the imaging series (Gadopentetic Acid Dimeglumine Salt Injection (釓噴酸葡胺注射液) and Iopamidol Injection), the orthopedics series (Zheng Gu Shui and Yunxiang Wind-eliminating and Pain-relieving Tincture (雲香祛風止痛酊)) and the women and children series (Iron-dextrin Oral Solution (右旋糖酐鐵口服溶液). The sales of the gastroenterology series (Pain-relieving Antidiarrheal Capsules etc.) is expected to exceed RMB100 million in one to two years. There are star products and flagship products in each product series.

2. Stable growth of market share

These four product lines maintain a stable and growing share in their respective niche markets. For example, the market share of Uremic Clearance Granules has been increasing year by year. In 2020, the imaging series has also evolved from offering one single MRI product to rolling out Iodine Iopamidol Injection (CT) product and jointly developing the ultrasound micro-bubble contrast medium, which enables the Group to provide all range of imaging products and consolidate its brand. The Zheng Gu Shui under the orthopedics series is well received in the overseas market. The sales of Iron-dextrin Oral Solution under the women and children series has increased rapidly. All the above have suggested that our product lines are expanding.

3. Stable performance growth

Benefited from the steady sales of the above product lines, Consun Pharmaceutical has maintained the stable growth of its key financial indicators. For instance, its sales revenue climbed 2.4 times from approximately RMB0.73 billion to approximately RMB1.75 billion between 2014 (the first full financial year after it was listed on the Hong Kong stock market) and 2020. During the same period, its profit attributable to equity shareholders also surged 2.4 times from approximately RMB0.21 billion to approximately 0.50 billion. Earnings per share increased by 2.9 times from RMB0.21 per share to RMB0.61 per share between 2014 and 2020.

4. Stable R&D and innovation consortium

It includes the following: (1) Class 6 Phase II clinical trial of Chinese medicine for self-developed new drug Astragali Powder Pellet for the treatment of diabetic kidney disease, and lanthanum carbonate project have successfully completed the interim trial of raw material and small scale production trial according to the new consistency evaluation requirements; (2) the high-quality laboratory named "Joint Laboratory of Ultrasound Micro-Bubble Diagnosis and Treatment Integration" jointly established with Shenzhen Institute of Advanced Technology, Chinese Academy of Sciences was officially listed for operation. With the jointly developed ultrasound diagnosis and treatment integration project having completed the annual contracted progress ahead of schedule, together with RMB13 million invested for cooperating with Advanced Institute to develop the "PLGA hybrid drug-eluting micro-bubble for the ultrasound diagnosis and treatment integration", Consun Pharmaceutical has carried out the industrial layout of "integration of tumor diagnosis and treatment" in advance, and is making concerted efforts to achieve breakthroughs in core technologies; (3) the Guangdong and Macau Innovative Joint Study on Frontier and Key Technology themed "Research on the Active Ingredients and Mechanism of Kidney Repair and Edema Alleviation Granules on Preventing Proteinuria in Diabetic Kidney Diseases" jointly applied with Macau University of Science and Technology has obtained the approval from the Department of Science and Technology in Guangdong Province; and (4) the "Consun Chinese Medicine Research Center for Renal Diseases" has been established in Hong Kong Baptist University to jointly carry out the secondary development and research on Kidney Repair and Edema Alleviation Granules. The project was subsidized in an amount of HKD2.75 million under the "Innovation and Technology Fund" of the Hong Kong Innovation and Technology Commission in 2017, which was the first time that the Company has gained support under the Science and Technology Fund of Hong Kong Government. All the above R&D projects are progressing smoothly and rapidly as scheduled.

5. Stable and healthy cash flow

Consun Pharmaceutical always aims for sound operations, hence it has to maintain a healthy operating cash flow. It is the management's goal to develop sustainable, predictable and long-lasting competitive advantages and profitability in each business line. Such business lines with positive cash flows support the healthy value of Consun Pharmaceutical. The Group is delighted to announce the net cash generated from operating activities for the year amounted to RMB867 million; cash and cash equivalents at the end of the year amounted to RMB1.94 billion; and after deducting loans and borrowings, net cash amounted to RMB1.39 billion.

6. Stable dividend policy

Since its listing in 2013, the Company has been implementing a consistent dividend policy. Its payout ratio has kept at approximately 30% to $^{1}/_{3}$ of the profit for the year. Consun Pharmaceutical Group has been adopting a sound dividend policy. Based on the prevailing share price, the dividend yield offered to shareholders exceeded 8% in 2020. It is also our operating goal to maintain a stable dividend policy.

FINANCIAL REVIEW

Revenue

For the year of 2020, the Group's revenue was RMB1,752,830,000 representing an increase of approximately 1.4% as compared with RMB1,728,256,000 for 2019. Categorized by product lines, sales of kidney medicines recorded an increase of approximately 9.7% as compared with last year, among which, Uremic Clearance Granules ("**UCG**") remained the Group's key product, maintained its leading position in oral modern Chinese medicines for kidney diseases; sales of medical contrast medium recorded a decrease of approximately 3.0% as compared with last year, maintained a leading position in the domestic medical contrast medium market for magnetic resonance imaging; sales of orthopaedics medicines recorded an increase of approximately 19.5%; sales of dermatologic medicines recorded a decrease of approximately 47.0%; sales of hepatobiliary medicines recorded an increase of approximately 13.2%; sales of the Group's gynaecology and paediatrics drugs recorded an increase of approximately 6.2%. The increase in overall sales revenue was mainly due to the Group's constant commitment to expanding product markets and developing sales network across China.

Gross Profit and Gross Profit Margin

For the year of 2020, the Group's gross profit was RMB1,321,671,000, representing an increase of approximately 4.8% as compared with RMB1,261,405,000 for 2019 The increase in gross profit was mainly attributable to the increase in sales and changes in product mix of sales during the period. For the year of 2020, the Group's average gross profit margin was approximately 75.4%, representing an increase of 2.4% as compared with the 73.0% for last year, which was mainly attributable to changes in product mix of sales during the period.

Other Incomes/(Losses)

For the year of 2020, the Group's other incomes/(losses) were a net income of RMB58,826,000, which mainly included government grants, interest income and net exchange gain. Compared with the other net losses of RMB1,526,000 for 2019, the change was mainly due to the net exchange gains related to loans denominated in Hong Kong Dollar arising from the appreciation of RMB and the increase in interest income earned during the year, while the losses in 2019 was due to the net exchange losses arising from the depreciation of RMB.

Distribution Costs

For the year of 2020, the Group's distribution costs were RMB542,930,000, representing an increase of approximately 0.7% as compared with RMB539,204,000 for 2019, basically the same as that of last year.

Administrative Expenses

For the year of 2020, the Group's administrative expenses were RMB203,067,000, representing an increase of approximately 25.7% as compared with RMB161,486,000 for 2019. The increase in administrative expenses was mainly attributable to the increase in research and development expenses during the year.

Impairment loss on trade receivables and other receivables

For the year of 2020, the Group's impairment loss on trade receivables and other receivables was RMB29,363,000, representing a further impairment losses of trade receivables and other receivables, which was mainly due to the increase in the gross carrying amounts of trade receivables past due over 1 year.

Finance Costs

For the year of 2020, finance costs were RMB21,401,000, representing a decrease of approximately 26.3% as compared with RMB29,043,000 for 2019, which was mainly attributable to the decrease in interest on bank loans.

Income Tax

For the year of 2020, the Group's income tax expense was RMB101,993,000, representing an increase of approximately 44.6% as compared with RMB70,541,000 for 2019. The effective tax rate (income tax expense divided by profit before taxation) decreased by approximately 35.3% from 52.8% for 2019 to 17.5% for 2020. After adjusting the effect from goodwill impairment in 2019, the effective tax rate increased by approximately 2.0% from 15.5% for 2019 to 17.5% for 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 entitlement to 5% dividend withholding tax preferential policy obtained during the period, while the Group continued to provide for new withholding tax based on the preferential policy in 2020 and the effective tax rate resumed its normal level.

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

For the year of 2020, the Group's annual profit was RMB498,788,000, representing an increase of approximately 524.9% as compared with RMB79,820,000 for 2019. The basic earnings per share increased by approximately 577.8% from RMB0.09 for 2019 to RMB0.61 for 2020, and the diluted earnings per share increased by approximately 577.8% from RMB0.09 for 2019 to RMB0.61 for 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Trade Debtors and Bills Receivable

As at 31 December 2020, the balance of trade debtors and bills receivable was RMB448,540,000, representing a decrease of approximately 41.3% as compared with the balance of RMB763,806,000 as at 31 December 2019. Trade receivables turnover days for 2020 were 126.2 days, decreased by 45.7 days from 171.9 days for 2019, which was mainly due to enhanced effort in collecting trade debtors resulting in accelerated recovery.

Inventories

As at 31 December 2020, the balance of inventories was RMB227,374,000, representing an increase of approximately 7.9% as compared with the balance of RMB210,684,000 as at 31 December 2019. Inventory turnover days for 2020 were 185.4 days, increased by 20.4 days from 165 days for 2019, which was mainly due to the increase in inventory reserves in response to the expected rise in market demand during the year.

Trade Payables

As at 31 December 2020, the balance of trade payables was RMB50,889,000, representing a decrease of approximately 8.3% as compared with the balance of RMB55,520,000 as of 31 December 2019. Trade payables turnover days for 2020 were 45.0 days, decreased by 13.0 days from 58.0 days for 2019, which was mainly due to the acceleration in processing trade payable.

Cash Flows

For the year of 2020, the Group's net cash generated from operating activities was RMB867,058,000, representing an increase of approximately 126.2% as compared with RMB383,315,000 for 2019, which was mainly attributable to the significant increase in recovered amount during the year. For the year of 2020, the Group's net cash used in investing activities was RMB25,703,000, representing a decrease of approximately 76.7% as compared with RMB110,132,000 for 2019, which was mainly due to the decrease in expenditure for acquisition of plant and equipment and the increase in interest income. For the year of 2020, the Group's net cash used in financing activities was RMB279,804,000, representing an increase of approximately 78.6% as compared with the net cash used in financing activities of RMB156,662,000 for 2019, which was mainly due to the increase in share buy-back during the year.

Cash and Bank Balances and Borrowings

As at 31 December 2020, the Group's cash and bank balances were RMB1,940,273,000, representing an increase of approximately 40.3% as compared with RMB1,383,232,000 as at 31 December 2019, which was mainly due to enhanced effort in collecting trade debtors resulting in accelerated recovery. As at 31 December 2020, the Group's total loans and borrowings amounted to RMB549,414,000, representing a decrease of approximately 0.8% as compared with RMB553,567,000 as at 31 December 2019, basically the same as that of last year.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2020. 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 31 December 2020 was 24.7% (31 December 2019: 27.8%). The decrease in gearing ratio was mainly due to the increase in total equity attributable to equity shareholders as a result of the increase in current assets during the year.

EXCHANGE RATE RISKS

The Group's transactions are mainly denominated in RMB and HKD. The majority of assets and liabilities are also denominated in RMB and HKD, and there are no significant assets and liabilities denominated in other currencies. The Group faces exchange rate risk due to fluctuation of exchange rates. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL STRUCTURE

In 2020, the Company did not issue ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme (adopted on 2 December 2013) (2019: issued 693,200 ordinary shares pursuant to employees' exercise of share options).

In 2020, the Company repurchased 45,907,000 shares (2019: 10,352,000 shares) of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD170,510,000 (approximately RMB152,745,000) and all of these repurchased shares were cancelled before the year end.

Save as disclosed above, there were no significant changes in the Company's capital structure. The Company's capital comprises ordinary shares and other reserves.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately RMB473,870,000 (31 December 2019: RMB463,879,000).

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group hired a total of 2,583 employees (31 December 2019: 2,662 employees). The total staff costs (including the directors' remuneration) for the year ended 31 December 2020 was RMB283,943,000 (2019: RMB304,749,000). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

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

The Group made considerable efforts in continuing education and training programs for its staff, to continuously enhance their knowledge, skills and 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 its subsidiaries, during the year ended 31 December 2020, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and associated companies during 2020.

PLEDGE OF ASSETS

As at 31 December 2020, the Group did not have any pledged assets (31 December 2019: Nil).

CONTINGENT LIABILITIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year 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. Implementation of New Drug Administration Law

After the newly revised Drug Administration Law took effect on 1 December 2019, Monitoring and Administration Measures on Drug Manufacturing, Administration Measures on Drug Registration and Administration Requirements on Vaccine Manufacturing and Circulation (Draft for Comments) were promulgated successively in 2020, which have, among others, enhanced the subject responsibility and related system of marketing authorization holders (MAH), revised various standards of research and development technology and registration management of chemical drugs, biological drugs, Chinese medicines and raw, auxiliary and packaging materials for chemical drugs and continued to reform and enhance the evaluation and approval system and manufacturing management, so as to clarify the classification and registration measures at source and strengthen the manufacturing regulation as well as implementing the system and subject responsibility of MAH.

The system of MAH will be beneficial to the Group's resource consolidation and conducive to mitigating research and development risks and shortening the time of launching new products. The implementation of subject responsibility of MAH will lead to more standardized requirements regarding corporate research and development and manufacturing stages, which are also the requirements of the entire industry.

The Group implemented subject responsibility and strictly complied with relevant requirements as well as fully leveraging the guidelines of national policies for internal resource consolidation of the Group so as to improve operating efficiency and reduce operating costs.

II. Adjustments on the National Medical Insurance Drug Catalogue

On 1 March 2021, the 2020 National Medical Insurance Drug Catalogue officially took effect nationwide. In this round of adjustment on the drug catalogue, more Chinese medicines were included. The adjusted 2020 Drug Catalogue consists of 2,800 kinds of drugs in total, comprising 1,426 kinds of Western medicines and 1,374 kinds of Chinese medicines.

Two proprietary Chinese medicines of Consun Pharmaceutical, namely Jigucao and Palliative & Anti-diarrheal Soft Capsule, are newly included in the medical insurance catalogue and neither of them is subject to restrictions on hospital use and reimbursement. If one form represents one kind, the Group (including Yulin Pharmaceutical) has a total of 72 kinds included in the catalogue as of now, 39 kinds in Class A and 33 in Class B.

The Group believes that the new inclusion of proprietary drugs into the National Medical Insurance Drug Catalogue will benefit product sales and is expected to generate profit in the long run.

III. Centralized Quantity Procurement Policy of the Government

As of February 2021, the government has organized four centralized pharmaceutical procurements and currently all drugs for nationally organized centralized procurements are chemical drugs. On 28 January 2021, the State Council promulgated Guidelines for Promoting Normalized and Systemized Centralized Quantity Pharmaceutical Procurement, which does not rule out the inclusion of biological drugs and Chinese medicines into the centralized procurement.

On one hand, it is relatively more difficult to categorize and distinguish the quality for Chinese medicines and hence more difficult to formulate suitable centralized procurement policies. On the other hand, with great emphasis on the heritage, innovation and development of Chinese medicines, the Central Party Committee and the State Council issued Opinions on Promoting the Heritage, Innovation and Development of Chinese medicines in 2019 and Notice on Certain Policies and Measures on Accelerating the Characterized Development of Chinese medicines in 2021 so as accelerate the characterized and quality development of Chinese medicines, thereby better achieving the heritage and innovation of Chinese medicines.

Based on the above, we do not expect to commence the centralized procurement of Chinese medicines within the short period and therefore the effect on the business of the Company is within control.

OTHER INFORMATION

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

In 2020, the Company repurchased 45,907,000 shares of its own ordinary shares through the Stock Exchange at a total consideration of approximately HKD170,510,000 (approximately RMB152,745,000) and all of these repurchased shares were cancelled before the year end.

Save for the above, neither the Company nor any of its subsidiaries purchased, sold or redeem any of the Company's listed securities during the year ended 31 December 2020.

Pre-emptive Rights

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

Corporate Governance

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

The Company has adopted and complied with the code provisions (the "**Code Provisions**") set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules during the year ended 31 December 2020.

Model Code for Securities Transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have complied with the required standards of dealing as set out in the Model Code during the year ended 31 December 2020.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with paragraph C3.3 and C3.7 of the Code Provisions. Its terms of reference were amended on 16 December 2015 and came into effective from 1 January 2016, which are available on the websites of the Company and the Stock Exchange.

The Audit Committee reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting process, risk management and internal controls. The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and oversee financial reporting, risk management and internal control procedures of the Group.

As at the date of this announcement, the Audit Committee consists of three members and all of them are independent non-executive Directors, namely Ms. CHEN Yujun (Chairlady), Mr. FENG Zhongshi and Mr. SU Yuanfu. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. The Audit Committee also met with the external auditors and reviewed the Annual Results.

Scope of work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

Risk management and internal control systems

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

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

The Group has established on-going procedures for identifying, assessing and managing the significant risks involved with the Group. Meanwhile, it reviews the effectiveness of the relevant internal control system. These procedures include but not limited to: (1) the Group has established and continued to improve the risk management structure and internal control mechanism, and has regularly conducted project audit and annual risk assessment according to the risk management system code and annual plan; (2) to identify the significant risks involved in the business and assess the impact of such risks on the business of the Group; (3) information gathering channels, to ensure material or potential inside information being captured and kept confidential until timely disclosure is made in accordance with the Listing Rules; (4) to conduct gap analysis on the internal control measures in response to the significant risks, and make recommendations on the improvement of its internal audit functions; (5) to continuously follow up and supervise the implementation of relevant measures against the recommended improvements; (6) continuously update and improve the relevant management systems, authorization manuals and operating procedures to enhance management normalization and efficiency; and (7) establishing a more comprehensive investor relationship management system to ensure investors' understanding of the Company's situation and to protect investors' right to know.

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

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

Non-adjusting Events After the Reporting Period

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 7 of this announcement.

Save as disclosed above and in other parts of this announcement, as at the date of this announcement, the Group has no significant events after the reporting period required to be disclosed.

Annual General Meeting

The annual general meeting will be held on Friday, 21 May 2021. Shareholders should refer to details regarding the annual general meeting in the circular of the Company to be issued in due course and the notice of the annual general meeting and form of proxy accompanying thereto.

Dividends

The Company paid an interim dividend of HKD0.08 per share in 2020, totally approximately RMB58,458,000 (2019 interim dividend: HKD0.10 per share). The Board proposed to declare a final dividend of HKD0.20 per share, totally approximately RMB133,950,000 for the year ended 31 December 2020 (2019 final dividend: HKD0.10 per share, totally approximately RMB74,689,000). The proposed final dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 21 May 2021 and, if approved, is expected to be paid on or about Friday,11 June 2021 to shareholders whose names appear on the register of members of the Company on Friday, 4 June 2021. The final dividend is declared and will be paid in HKD.

Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Friday, 21 May 2021, the Company's register of members will be closed from Tuesday, 18 May 2021 to Friday, 21 May 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 17 May 2021.

In addition, to determine shareholders' entitlement to the final dividend, the Company's register of members will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive). In order to qualify for the entitlements to the final dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Monday, 31 May 2021.

Publication of information on the Stock Exchange's website

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

Hong Kong, 23 March 2021

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.