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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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 amounted to RMB1,119,679,000, representing an increase of approximately 12.7% as compared with the six months ended 30 June 2022.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 amounted to RMB347,894,000, representing an increase of approximately 17.2% as compared with the six months ended 30 June 2022.
- Basic and diluted earnings per share for the six months ended 30 June 2023 amounted to approximately RMB0.4408 and RMB0.4367 respectively, representing an increase of approximately 17.8% and 17.0% respectively as compared with the six months ended 30 June 2022.
- The Board has declared an interim dividend of HKD0.15 per share for the six months ended 30 June 2023.

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 2023 (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 2023 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	For the six months ended 30 June	
		2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	<i>3 & 4</i>	1,119,679	993,528
Cost of sales		(283,263)	(255,437)
Gross profit		836,416	738,091
Other income	<i>5</i>	29,634	25,451
Distribution costs		(362,026)	(327,422)
Administrative expenses		(136,744)	(135,299)
Reversals of impairment losses on trade and other receivables		17,532	12,790
Profit from operations		384,812	313,611
Finance costs	<i>6(a)</i>	(7,207)	(4,094)
Profit before taxation	<i>6</i>	377,605	309,517
Income tax	<i>7</i>	(29,775)	(13,877)
Profit for the period		347,830	295,640
Attributable to:			
– Equity shareholders of the Company		347,894	296,729
– Non-controlling interests		(64)	(1,089)
Profit for the period		347,830	295,640
Earnings per share (RMB yuan)	<i>8</i>		
– Basic		0.4408	0.3743
– Diluted		0.4367	0.3733

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

For the six months ended 30 June 2023 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	347,830	295,640
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 Chinese Mainland	<u>(37)</u>	<u>(57)</u>
Total comprehensive income for the period	<u>347,793</u>	<u>295,583</u>
Attributable to:		
– Equity shareholders of the Company	347,857	296,672
– Non-controlling interests	<u>(64)</u>	<u>(1,089)</u>
Total comprehensive income for the period	<u>347,793</u>	<u>295,583</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 June 2023 – unaudited***(Expressed in Renminbi)*

	<i>Note</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	<i>9</i>	732,826	746,213
Investment properties	<i>9</i>	14,880	15,127
Right-of-use assets	<i>9</i>	125,704	128,786
Intangible assets	<i>9</i>	297,024	311,904
Financial asset measured at fair value through profit or loss (FVPL)		15,500	6,500
Other prepayment		29,308	24,747
Deferred tax assets		27,716	36,432
Total non-current assets		1,242,958	1,269,709
Current assets			
Inventories	<i>10</i>	343,463	276,080
Trade and other receivables	<i>11</i>	240,813	295,663
Prepayments		37,944	11,583
Deposits with banks with original maturity date over three months		518,000	589,172
Cash and cash equivalents	<i>12</i>	2,644,196	2,450,173
Total current assets		3,784,416	3,622,671
Current liabilities			
Trade and other payables	<i>13</i>	770,906	861,109
Loans and borrowings	<i>14</i>	528,012	450,521
Lease liabilities		3,814	3,708
Deferred income		1,799	2,261
Current taxation		18,811	32,889
Total current liabilities		1,323,342	1,350,488
Net current assets		2,461,074	2,272,183
Total assets less current liabilities		3,704,032	3,541,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2023 – unaudited (continued)
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities		5,873	5,947
Deferred income		19,452	18,929
Deferred tax liabilities		92,316	78,011
Total non-current liabilities		<u>117,641</u>	<u>102,887</u>
NET ASSETS		<u>3,586,391</u>	<u>3,439,005</u>
Capital and reserves			
Share capital	16(b)	63,738	63,450
Reserves		3,232,528	3,081,689
Total equity attributable to equity shareholders of the Company		<u>3,296,266</u>	<u>3,145,139</u>
Non-controlling interests		<u>290,125</u>	<u>293,866</u>
TOTAL EQUITY		<u>3,586,391</u>	<u>3,439,005</u>

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 2023.

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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS and a number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments are relevant to the Group. 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	794,744	701,135
Contrast medium	64,197	70,418
Orthopedics medicines	43,234	56,636
Dermatologic medicines	42,822	54,385
Hepatobiliary medicines	39,792	10,679
Gynaecology and paediatric medicines	113,406	85,977
Others	21,484	14,298
	<u>1,119,679</u>	<u>993,528</u>

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2022: 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 most 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. Segment liabilities include trade creditors, accruals, bills payable, deferred income and lease liabilities attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments with the exception of current taxation and deferred tax liabilities.

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.

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 period is set out below:

	Consun Pharmaceutical Segment		Yulin Pharmaceutical Segment		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	<u>974,335</u>	<u>862,136</u>	<u>145,344</u>	<u>131,392</u>	<u>1,119,679</u>	<u>993,528</u>
Reportable segment revenue						
Revenue from external customers	<u>974,335</u>	<u>862,136</u>	<u>145,344</u>	<u>131,392</u>	<u>1,119,679</u>	<u>993,528</u>
Reportable segment profit						
Gross profit	<u>769,384</u>	<u>677,714</u>	<u>67,032</u>	<u>60,377</u>	<u>836,416</u>	<u>738,091</u>
As at 30 June/31 December						
Reportable segment assets	<u>3,478,445</u>	<u>3,295,645</u>	<u>1,521,869</u>	<u>1,557,768</u>	<u>5,000,314</u>	<u>4,853,413</u>
Reportable segment liabilities	<u>953,436</u>	<u>920,958</u>	<u>392,576</u>	<u>425,482</u>	<u>1,346,012</u>	<u>1,346,440</u>

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Reportable segment profit derived from the Group's external customers	836,416	738,091
Other income	29,634	25,451
Distribution costs	(362,026)	(327,422)
Administrative expenses	(136,744)	(135,299)
Reversals of impairment losses on trade and other receivables	17,532	12,790
Finance costs	(7,207)	(4,094)
Consolidated profit before taxation	<u>377,605</u>	<u>309,517</u>

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 2023, the Group reported revenue of RMB2,465,801,000 (twelve months ended 30 June 2022: RMB2,151,662,000), and gross profit of RMB1,861,237,000 (twelve months ended 30 June 2022: RMB1,604,187,000).

5 OTHER INCOME

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Government grants		
– Unconditional subsidies	3,074	8,461
– Conditional subsidies	1,740	1,115
Net rental income from investment properties	480	385
Interest income	32,448	23,576
Loss on disposal of property, plant and equipment	(195)	(1,028)
Net exchange losses	(7,402)	(6,405)
Others	(511)	(653)
	29,634	25,451

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interest on bank loans	6,971	3,804
Interest expenses on discounted bills	1	13
Interest on lease liabilities	235	277
	7,207	4,094

(b) Staff costs:

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, wages, bonuses and benefits	209,100	186,173
Contribution to defined contribution retirement schemes	8,460	7,774
Equity settled share-based payments:		
– Share Option Scheme	–	(1,784)
	217,560	192,163

(c) **Other items:**

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Depreciation and amortisation charge		
– investment properties	247	247
– property, plant and equipment	20,468	21,372
– right-of-use assets	3,082	2,894
– intangible assets	14,880	14,880
Reversals of impairment losses on trade and other receivables	(17,532)	(12,790)
Leases charges	2,089	1,765
Research and development costs (i)	47,962	49,084
Inventory (reversals)/write-down	(1,288)	7,444

- (i) During the six months ended 30 June 2023, research and development costs included RMB9,337,000 (six months ended 30 June 2022: RMB11,027,000) relating to staff costs, depreciation and amortisation expenses and lease charges, which amount is also included in the respective total amounts disclosed separately above or in the note 6(b) for each of these types of expenses.

7 INCOME TAX

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax		
Provision for PRC income tax	6,754	7,357
Deferred tax		
Origination and reversal of temporary differences	23,021	6,520
	<u>29,775</u>	<u>13,877</u>

- (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 the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2021 to 2023 and 2020 to 2022, respectively.

The 15% preferential income tax rate applicable to High and New Technology Enterprises is subject to renewal approval by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. Guangzhou Consun commenced the process of renewing the high technology enterprise certificate in June 2023, and the application is in the process of getting approval from the relevant authorities. The directors are of the view that it is highly probable that the Guangzhou Consun will be entitled to the same preferential income tax rate and 15% is adopted in estimating the tax provision for the six months period ended 30 June 2023.

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 2023 (2022: 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 2022 and 2023.

Consun Pharmaceutical (Horgos) Co., Ltd. (“**Horgos Consun**”) enjoyed the benefit of income tax exemption for five years from the financial year starting to generate operating revenue in 2021 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 Group’s Hong Kong subsidiaries have obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region (the “**Certificate**”) 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.

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 2023, deferred tax liabilities of RMB36,589,000 (31 December 2022: RMB19,915,000) have been provided based on the expected dividends to be distributed from Guangzhou Consun to the Company in the foreseeable future.

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 RMB347,894,000 (six months ended 30 June 2022: RMB296,729,000) and the weighted average number of 789,314,000 ordinary shares (six months ended 30 June 2022: 792,824,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2023 '000 shares	2022 '000 shares
Issued ordinary shares at 1 January	806,973	824,218
Effect of share options exercised	823	435
Effect of treasury shares held under the Share Award Scheme	(18,482)	(18,482)
Effect of shares repurchased and cancelled	–	(13,347)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	789,314	792,824

(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 RMB347,894,000 (six months ended 30 June 2022: RMB296,729,000) and the weighted average number of ordinary shares of 796,629,000 (six months ended 30 June 2022: 794,777,000 shares).

	For the six months ended 30 June	
	2023 '000 shares	2022 '000 shares
Weighted average number of ordinary shares at 30 June	789,314	792,824
Diluted effect of deemed issue of shares under the Share Option Scheme	7,315	1,953
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June	796,629	794,777

9 INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

(a) Right-of-use assets

There is no addition of right-of-use assets during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and machinery with a cost of RMB7,414,000 (six months ended 30 June 2022: RMB37,459,000). Items of plant and machinery with a net book value of RMB333,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB1,561,000), resulting in a loss on disposal of RMB195,000 (six months ended 30 June 2022: RMB1,028,000).

(c) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB250,744,000 (31 December 2022: RMB250,744,000) and patents with a carrying amount of RMB46,280,000 (31 December 2022: RMB61,160,000).

Four patents with an aggregate net book value of RMB1,979,000 were pledged as securities for bank loans of the Group as at 30 June 2023.

No impairment loss was recognized during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

(d) Valuation of investment properties

Investment properties of the Group are situated in the PRC, and their addresses are: part of the land and buildings on No. 1, Chengzhan Road, Yulin City, Guangxi Province, currently being leased to a third party for catering operations; and land and buildings on No. 162, Miaoyuan Lane, Yuzhou District, Yulin City, Guangxi Province, currently being leased to a third party for storage purposes.

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 30 June 2023 and 31 December 2022.

10 INVENTORIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials	202,992	192,200
Work in progress	45,201	37,794
Finished goods	95,270	46,086
	<u>343,463</u>	<u>276,080</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 or bills issuance date and net of allowance for doubtful debts, is as follows:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 3 months	114,261	187,762
3 to 12 months	37,634	39,605
Over 12 months	39,470	32,195
Trade debtors and bills receivable, net of loss allowance (i) & (ii)	191,365	259,562
Other receivables	49,448	36,101
	240,813	295,663

(i) Trade debtors are generally due within 30 to 90 days from the date of billing.

(ii) All the bills receivable are due within one year.

12 CASH AND CASH EQUIVALENTS

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB2,383,575,000 (31 December 2022: RMB2,071,203,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

13 TRADE AND OTHER PAYABLES

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 month	66,658	43,405
1 to 12 months	13,982	14,882
Over 12 months	796	1,604
Total trade payable	81,436	59,891
Contract liabilities	14,164	37,714
Refund liabilities	64,276	79,403
Accrued expenses	388,869	380,176
Employee benefits payables	136,964	185,956
Payable for purchase of property, plant and equipment	12,847	17,648
Other payables	40,676	68,647
Project development deposits	31,674	31,674
	770,906	861,109

14 LOANS AND BORROWINGS

(a) The analysis of the repayment schedule of bank loans is as follows:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 year or on demand	<u>528,012</u>	<u>450,521</u>

(b) Assets pledged as security and covenants for bank loans

The bank loans and overdrafts were secured as follows:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Bank loans		
– secured	30,000	–
– unsecured	<u>498,012</u>	<u>450,521</u>
	<u>528,012</u>	<u>450,521</u>

At 30 June 2023, the bank loan of RMB30,000,000 was secured by four patents with a carrying value of RMB1,979,000 as at 30 June 2023.

At 30 June 2023, total banking facilities of the Group amounted to RMB1,463,060,000 (31 December 2022: RMB1,459,975,000), which were utilised to the extent of RMB528,012,000 (31 December 2022: RMB450,521,000).

As at 30 June 2023, certain banking facilities of the Group amounted to RMB514,900,000 (31 December 2022: RMB591,315,000) 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 30 June 2023, none of the covenants relating to drawn down loans had been breached (31 December 2022: nil).

15 EQUITY SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2023, a total of 3,237,000 share options were exercised, with exercise prices ranging from HKD3.28 to HKD4.476 at a total consideration of HKD12,744,000. As at 30 June 2023, the total number of share options outstanding and exercisable was 70,487,000 (31 December 2022: 73,788,000).

During the six months ended 30 June 2022, a total of 866,000 share options were exercised, with exercise prices of HKD3.28 or HKD4.01 at a total consideration of HKD3,171,000.

16 CAPITAL, RESERVE AND DIVIDENDS

(a) Dividends

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Interim dividend declared and paid of HKD0.15 per ordinary share (six months ended 30 June 2022: Nil)	109,068	–

The interim dividend has 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	
	2023 RMB'000	2022 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2023 of HKD0.3 per share (six months ended 30 June 2022: HKD0.2 per share)	208,065	128,691
Less: Dividends for Buy-back Shares	–	(1,199)
	208,065	127,492

(b) Share capital

(i) Issued share capital

	Six months ended 30 June 2023		
	Number of shares '000	Nominal value of fully paid shares HKD'000	Nominal value of fully paid shares RMB'000
As at 1 January 2023	806,973	80,697	63,450
Shares issued under the Share Option Schemes (note 16(b)(ii))	3,237	324	288
As at 30 June 2023	810,210	81,021	63,738

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

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

During the six months period ended 30 June 2023, share options were exercised to subscribe for a total of 3,237,000 (six months ended 30 June 2022: 866,000) ordinary shares in the Company at a consideration of HKD12,744,000 (equivalent to approximately RMB11,335,000), of which RMB288,000 and RMB11,047,000 were credited to share capital and the share premium account respectively. RMB3,296,000 was transferred from the capital reserve to the share premium account in accordance with the Company's accounting policy.

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial asset measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including the unlisted investment fund. The team reports directly to the chief financial officer.

	Fair value at 30 June 2023 <i>RMB'000</i>	Fair value measurements as at 30 June 2023 categorised into		
		Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>
Recurring fair value measurement				
Financial asset:				
Unlisted investment fund	15,500	–	15,500	–

Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
	Level 1	Level 2	Level 3
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

Recurring fair value measurement

Financial asset:				
Unlisted investment fund	6,500	–	6,500	–

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of unlisted investment fund included in Level 2 is determined based on recent market transaction.

18 COMMITMENTS

Commitments outstanding at 30 June 2023 not provided for in the interim financial report:

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Contracted for acquisition of property, machinery and equipment	143,422	130,299
Authorised but not contracted for acquisition of property, machinery and equipment	305,530	320,459
Total	<u>448,952</u>	<u>450,758</u>

19 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries and other benefits	21,611	20,537
Contribution to defined contribution retirement schemes	81	77
Equity settled share-based payment expenses	–	766
	<u>21,692</u>	<u>21,380</u>

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

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 2023, the Group's revenue was RMB1,119,679,000, representing an increase of approximately 12.7% as compared with RMB993,528,000 for the same period last year.

Categorized by product lines, sales of kidney medicines recorded an increase of approximately 13.4% as compared with the same period last year, among which, Uremic Clearance Granules remained as the Group's key product and maintained its leading position in the market; sales of medical contrast medium recorded a decrease of 8.8% as compared with the same period last year, and 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 23.7% as compared with the same period last year; sales of dermatologic medicines recorded a decrease of approximately 21.3% as compared with the same period last year; sales of hepatobiliary medicines recorded an increase of approximately 272.6% as compared with the same period last year; sales of gynaecology and paediatric medicines recorded an increase of 31.9% as compared with the same period last year; and sales of other medicines recorded an increase of approximately 50.3% as compared with the same period last year. The increase in overall sales revenue was mainly due to the Group's constant commitment to expanding the product markets and developing the sales network across China.

Gross Profit and Gross Profit Margin

For the first half of 2023, the Group's gross profit was RMB836,416,000, representing an increase of 13.3% as compared with RMB738,091,000 for the same period of 2022. The increase in gross profit was mainly attributable to the increase in sales. For the first half of 2023, the Group's average gross profit margin was 74.7%, remaining stable as compared with 74.3% for the same period of 2022.

Other Income

For the first half of 2023, the Group's other income was a net income of RMB29,634,000 which mainly included government grants, interest income and exchange loss. Compared with the net income of RMB25,451,000 for the same period of 2022, the increase was mainly due to the increase in the interest income during the period.

Distribution Costs

For the first half of 2023, the Group's distribution costs were RMB362,026,000, representing an increase of approximately 10.6% as compared with RMB327,422,000 for the same period of 2022. The increase in distribution costs was mainly due to the increase in marketing and academic promotion campaigns of the Group to expand the marketing and distribution networks during the period.

Administrative Expenses

For the first half of 2023, the Group's administrative expenses were RMB136,744,000, representing an increase of approximately 1.1%, remaining stable as compared with RMB135,299,000 for the same period of 2022.

Reversals of Impairment Loss on Trade and Other Receivables

For the first half of 2023, the Group's reversals of impairment loss on trade and other receivables were RMB17,532,000 as compared RMB12,790,000 for the same period of 2022, the change was mainly due to enhanced management on trade debtors and the decrease in the gross carrying amount of trade receivables past due during the period.

Finance Costs

During the first half of 2023, the Group's finance costs were RMB7,207,000, representing an increase of approximately 76.0% as compared with RMB4,094,000 for the same period of 2022, which was mainly due to the increase in offshore borrowing rates during the period.

Income Tax

For the first half of 2023, the Group's income tax expenses were RMB29,775,000, representing an increase of 114.6% as compared with RMB13,877,000 for the same period of 2022. The effective tax rate (income tax expenses divided by profit before taxation) increased by 3.4% from 4.5% for the first half of 2022 to 7.9% for the first half of 2023. The increase was mainly due to the increase in profit before taxation as compared with the same period last year and the temporary differences arising from the deferred tax during the period.

Profit for the Period and Earnings Per Share

For the first half of 2023, profit attributable to equity shareholders of the Company was RMB347,894,000, representing an increase of approximately 17.2 % as compared with RMB296,729,000 for the same period of 2022. Basic and diluted earnings per share for the first half of 2023 amounted to RMB0.4408 and RMB0.4367 respectively, representing an increase of 17.8% and 17.0% as compared with RMB0.3743 and RMB0.3733 of the same period of 2022 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Inventories

As at 30 June 2023, the balance of inventories was RMB343,463,000, representing an increase of 24.4% as compared with the balance of RMB276,080,000 as at 31 December 2022. The Group's inventory turnover days in the first half of 2023 were 196.8 days, representing an increase of 32.5 days from 164.3 days in the year of 2022, which was mainly due to the increase in inventory reserve in storage in response to the expected increase in the market demand during the period.

Trade Debtors and Bills Receivable

As at 30 June 2023, the balance of trade debtors and bills receivable was RMB191,365,000, representing a decrease of approximately 26.3%, as compared with the balance of RMB259,562,000 as at 31 December 2022. The trade receivable turnover days in the first half of 2023 were 36.2 days, representing a decrease of 11.4 days from 47.6 days in the year of 2022, which was mainly due to the enhanced management on trade debtors during the period.

Trade Payables

As at 30 June 2023, the balance of trade payables was RMB81,436,000, representing an increase of 36.0% as compared with the balance of RMB59,891,000 as at 31 December 2022. The trade payable turnover days in the first half of 2023 were 44.9 days, representing an increase of 4.9 days from 40.0 days in the year of 2022, which remained stable.

Cash Flow from Operating Activities

The net cash generated from operating activities of the Group in the first half of 2023 was RMB253,975,000, representing a decrease of approximately 23.7% as compared with RMB332,749,000 for the same period of 2022, which was mainly attributable to the increase in wages and salaries expenses, payment for operational procurement and tax expenses.

Cash and Bank Balances and Borrowings

As at 30 June 2023, the Group's cash and bank balances were RMB2,644,196,000, representing an increase of approximately 7.9% as compared with the balance of RMB2,450,173,000 as at 31 December 2022. As at 30 June 2023, the Group's total banking facilities amounted to RMB1,463,060,000 (31 December 2022: RMB1,459,975,000), which were utilised to the extent of RMB528,012,000 (31 December 2022: RMB450,521,000).

As at 30 June 2023, the Group's total loans and borrowings were RMB528,012,000 (mainly denominated in RMB and HKD, repayable within 1 year or on demand and RMB150,000,000 of which were fixed rate borrowings with interest rate ranging from 3.25% to 3.60%), representing an increase of approximately 17.2% as compared with RMB450,521,000 as at 31 December 2022 (mainly denominated in RMB and HKD, repayable within 1 year or on demand and RMB120,000,000 of which were fixed rate borrowings with interest rate ranging from 0.65% to 3.65%).

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 2023 was 16.0% (31 December 2022: 14.3%). The gearing ratio increased by 1.7%, which 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 (including cash and cash equivalent and bank loans) are denominated in RMB and HKD, and there are no significant assets and liabilities denominated in other currencies. During the period, the Company recorded net exchange losses in respect of HKD loans as a result of depreciation of RMB against HKD, and the Group will continue to face similar exchange rate risk in the future due to the fluctuation of exchange rates. During the six months ended 30 June 2023, 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 2023, the Company issued a total of 3,237,320 ordinary shares pursuant to employees' exercise of share options granted under the share option scheme adopted by the Company on 2 December 2013 (the "**Share Option Scheme**") (same period of 2022: issued 866,608 ordinary shares pursuant to employees' exercise of share options) at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration was approximately: HKD12,744,000 (equivalent to approximately RMB11,335,000)). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD5.28. Save as the above, there was no change in the capital structure of the Company during the six months ended 30 June 2023. As at 30 June 2023, the Company's issued share capital comprised 810,210,026 ordinary shares of HKD0.1 each and amounted to HKD81,021,002.6. The shareholders' equity of the Company amounted to approximately RMB3,586,391,000 as at 30 June 2023 (as at 31 December 2022: RMB3,439,005,000).

CAPITAL COMMITMENTS

As at 30 June 2023, the Group had capital commitments of RMB448,952,000 (31 December 2022: RMB450,758,000).

Capital Expenditure

During the first half of 2023, the Group had capital expenditure of RMB7,414,000 (same period of 2022: RMB37,459,000).

INFORMATION ON EMPLOYEES

As at 30 June 2023, the Group employed a total of 3,108 employees (31 December 2022: 3,009 employees). For the six months ended 30 June 2023 the total staff costs (including the Directors' remuneration) were RMB217,560,000 (same period of 2022: RMB192,163,000). 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 2023, 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the first half of 2023.

PLEDGE OF ASSETS

As at 30 June 2023, four of the Group's patents with a carrying amount of approximately RMB1,979,000 were pledged as collateral for the Group's borrowings (as at 31 December 2022: nil).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

CONNECTED TRANSACTION

During the first half of 2023, the Group did not enter into any transactions which constitute non-exempt connected transactions within the meaning of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 that the Group is facing, 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 into the Group's daily operations. Other than complying with all the relevant environmental rules and regulations, the management always encourages 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 2023, there was no incidence of significant non-compliance of laws and regulations that is relevant to the Group's operations.

KEY INDUSTRY POLICIES AND IMPLICATIONS

In 2023, the policies of the pharmaceutical industry still mainly focus on deepening healthcare reform, improving the health insurance system, optimizing the healthcare system, strengthening disease prevention and treatment, promoting the development of traditional Chinese medicine, and guaranteeing the safety of medicines, etc., thus facilitating the high-quality development of the pharmaceutical industry. The medical insurance catalogue is dynamically adjusted on a yearly basis. Centralized quantity procurement has become normalized and institutionalized, and the Chinese medicine industry has continued to develop under a favourable policy environment.

In recent years, the Chinese government has actively supported and promoted the development of traditional Chinese medicine industry, placed its development in a prominent position, and has made numerous decisions and deployments to introduce supportive policies for the development of traditional Chinese medicine industry. The 14th Five-Year Plan for the Planning of Development of Chinese Medicine (《「十四五」中醫藥發展規劃》) issued by the General Office of the State Council has formulated holistic, strategic and protective planning for the development of Chinese medicine. It also serves as the programmatic guidance document regarding the implementation of the policy making and deployment of the Central Committee of the Chinese Communist Party and the State Council in relation to the tasks on Chinese medicine and promotion of the revitalization and development of Chinese medicine within the period of the 14th Five-Year Plan. The heritage and innovative development of Chinese medicine has entered a new stage during the period of the 14th Five-Year Plan. Looking into the future, with the increasing policy support, the Chinese medicine industry of China will continue its development of, among others, specification, standardization and globalization.

In February 2023, the General Office of the State Council has issued the Implementation Plan for Major Projects of the Revitalization and Development of Traditional Chinese Medicine (《中醫藥振興發展重大工程實施方案》) (the “**Implementation Plan**”) which is based on the projects of the 14th Five-Year Plan for the Planning of Development of Chinese Medicine (《「十四五」中醫藥發展規劃》) to further define the construction goals, tasks, supporting measures and departmental division of labour, and thus ensuring the effective implementation. Meanwhile, the Implementation Plan focused on the health of the citizens, increased the investment and innovation efforts in systems and mechanisms, coordinated to focus on solving outstanding problems in key areas and segments. In January and February 2023, the National Medical Products Administration issued Several Measures to Further Strengthen Scientific Supervision of Chinese Medicine and Promote the Development of Chinese Medicine Heritage and Innovation (《進一步加強中藥科學監管促進中藥傳承創新發展若干措施》) and Special Regulations on the Management of Chinese Medicine Registration (《中藥註冊管理專門規定》) to further strengthen the scientific supervision requirements of Chinese medicine, enhance the research and registration management of new Chinese medicine, create a more stable policy environment to encourage innovation of Chinese medicine, and promote the development of Chinese medicine heritage and innovation. Under the continuous promotion of the policies, the strategic status of Chinese medicine has been continuously enhanced, and the industry has witnessed vigorous growth.

OUTLOOK

This year marks the tenth anniversary of the Company's listing in the Hong Kong stock market. Over the past decade, all employees of the Group shared the same vision and made concerted efforts to overcome various difficulties and challenges, all the while maintained a steady pace of development amidst the new landscape, new challenges and new opportunities. Despite the implementation of centralized procurement price, rising raw material prices, stricter pharmaceutical compliance requirements and fierce competition in the industry since the beginning of this year, we have managed to achieve a gratifying performance given our stronger-than-ever efforts devoted thereto. The Group was ranked 22nd in the "2022 China TOP 100 Chinese Medicine Enterprises List", ranking increased by 7 places as compared with the same period last year.

Looking forward to the second half of the year, in the face of the severe industry situation, we will continue to strive to solidify the foundation for nephrology products, aggressively expand the presence of the gynaecology and paediatrics products, achieve breakthroughs in imaging products, and further diversify the OTC products. Meanwhile, we will achieve synergies in terms of products, prices, strategies and resources by means of process-based, standardized, and data-based standards. We will also realize the integration of in-hospital/out-of-hospital services, online/offline operations, self-operated/agent stores, as well as the integration of enterprise, terminal, medical and patient services, thereby seizing the development opportunities arising in the post-pandemic era with our best efforts to outperform the general trend and ensure steady growth. To this end, we must take audacious and proactive measures instead of being complacent, dare to take the difficult path of specialization instead of drifting with the tide, and be courageous to make attempts and innovation instead of being timid.

We are confident that as long as we maintain the passion to strive for "perpetual entrepreneurship" and adopt a symbiosis, co-creation and co-sharing approach for achieving mutual growth and mutual fulfillment with our customers and employees, we will be able to deliver satisfactory results throughout the year of 2023, which will lay a solid foundation for the continuous healthy growth and high-quality development of the Company in the future.

INTERIM DIVIDEND

The Board is pleased to announce the distribution of an interim dividend of HKD0.15 per share for the six months ended 30 June 2023 (the "**Interim Dividend**"), which amounted to approximately RMB109,068,000. It is expected that the Interim Dividend will be paid on or about Wednesday, 20 September 2023 to the shareholders whose name appear on the register of members of the Company on Friday, 8 September 2023.

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, Wanchai, Hong Kong, not later than 4:30 pm on Friday, 8 September 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has been maintaining the prescribed public float under the Listing Rules during the six months ended 30 June 2023.

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 the 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, of the Listing Rules (the "**Code Provisions**") during the six months ended 30 June 2023.

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 2023.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with paragraphs D.3.3 and D.3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The responsibilities of the Audit Committee include but not limited to: (1) making recommendations to the Board on the appointment, re-appointment and removal of external auditor; (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (3) to monitor integrity of the Company's financial statements and interim and annual reports, and to review significant financial reporting judgements contained in them; and (4) to monitor the Company's financial reporting system, risk management and internal control systems.

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 (Committee Chairlady), Mr. Feng Zhongshi and Mr. Su Yuanfu.

The Interim Results 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.

EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period and up to the date of this announcement, the Company issued a total of 806,834 ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration approximately: HKD3,128,000 (equivalent to approximately RMB2,800,000)). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD5.24.

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.

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 Group for the six months ended 30 June 2023 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 Meng
Chairman of the Board

Hong Kong, 24 August 2023

As at the date of this announcement, the Board comprises Mr. An Meng, Ms. Li Qian, Professor Zhu Quan and Mr. Xu Hanxing as executive directors; Ms. Zhang Lihua as a non-executive director; Mr. Su Yuanfu, Mr. Feng Zhongshi and Ms. Chen Yujun as independent non-executive directors.