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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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2024 amounted to RMB1,268,549,000, representing an increase of approximately 13.3% as compared with the six months ended 30 June 2023.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 amounted to RMB399,765,000, representing an increase of approximately 14.9% as compared with the six months ended 30 June 2023.
- Basic and diluted earnings per share for the six months ended 30 June 2024 amounted to approximately RMB0.4987 and RMB0.4930 respectively, representing an increase of approximately 13.1% and 12.9% respectively as compared with the six months ended 30 June 2023.
- The Board has declared an interim dividend of HKD0.3 per share for the six months ended 30 June 2024.

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 statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Interim Results**”), together with the comparative figures of the six months ended 30 June 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi)

	<i>Note</i>	For the six months ended 30 June	
		2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	<i>3 & 4</i>	1,268,549	1,119,679
Cost of sales		(321,026)	(283,263)
Gross profit		947,523	836,416
Other income	<i>5</i>	37,263	29,634
Distribution costs		(411,912)	(362,026)
Administrative expenses		(134,712)	(136,744)
Reversals of impairment losses on trade and other receivables		9,171	17,532
Profit from operations		447,333	384,812
Finance costs	<i>6(a)</i>	(13,375)	(7,207)
Profit before taxation	<i>6</i>	433,958	377,605
Income tax	<i>7</i>	(32,998)	(29,775)
Profit for the period		400,960	347,830
Attributable to:			
– Equity shareholders of the Company		399,765	347,894
– Non-controlling interests		1,195	(64)
Profit for the period		400,960	347,830
Earnings per share (RMB yuan)	<i>8</i>		
– Basic		0.4987	0.4408
– Diluted		0.4930	0.4367

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

For the six months ended 30 June 2024 – unaudited

(Expressed in Renminbi)

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	400,960	347,830
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>615</u>	<u>(37)</u>
Total comprehensive income for the period	<u>401,575</u>	<u>347,793</u>
Attributable to:		
– Equity shareholders of the Company	400,380	347,857
– Non-controlling interests	<u>1,195</u>	<u>(64)</u>
Total comprehensive income for the period	<u>401,575</u>	<u>347,793</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**At 30 June 2024 – unaudited***(Expressed in Renminbi)*

	<i>Note</i>	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	754,283	739,056
Investment properties	9	14,387	14,634
Right-of-use assets	9	121,343	124,652
Intangible assets	9	270,698	283,140
Financial asset measured at fair value through profit or loss (FVPL)		19,230	9,230
Other prepayments		45,821	41,358
Deferred tax assets		20,902	17,844
		<u>1,246,664</u>	<u>1,229,914</u>
Current assets			
Inventories	10	364,323	367,087
Trade and other receivables	11	274,064	309,966
Prepayments		23,585	17,823
Deposits with banks with original maturity date over three months		985,318	834,942
Cash and cash equivalents	12	2,595,916	2,748,262
		<u>4,243,206</u>	<u>4,278,080</u>
Current liabilities			
Trade and other payables	13	838,624	942,429
Bank loans	14	507,699	503,418
Lease liabilities		4,120	4,218
Deferred income		1,551	1,551
Current taxation		34,311	43,380
		<u>1,386,305</u>	<u>1,494,996</u>
Net current assets		<u>2,856,901</u>	<u>2,783,084</u>
Total assets less current liabilities		<u>4,103,565</u>	<u>4,012,998</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2024 – unaudited (continued)
(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Non-current liabilities			
Lease liabilities		3,597	3,898
Deferred income		18,458	19,179
Deferred tax liabilities		90,415	71,209
		<u>112,470</u>	<u>94,286</u>
NET ASSETS		<u>3,991,095</u>	<u>3,918,712</u>
Capital and reserves			
Share capital	16(b)	66,857	63,812
Reserves		3,634,510	3,562,691
Total equity attributable to equity shareholders of the Company		3,701,367	3,626,503
Non-controlling interests		<u>289,728</u>	<u>292,209</u>
TOTAL EQUITY		<u>3,991,095</u>	<u>3,918,712</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 2024.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 21 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 number of amendments to HKFRSs that are first effective for the current accounting period. None of these developments have had a material effect on these financial statements. 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	
	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	883,313	794,744
Gynaecology and paediatric medicine	145,929	113,406
Orthopedics medicines	99,282	43,234
Contrast medium	77,713	64,197
Dermatologic medicines	33,236	42,822
Hepatobiliary medicines	17,676	39,792
Others	11,400	21,484
	1,268,549	1,119,679

Analysis of the Group's revenue and results by geographical market has not been presented as over 99% (six months ended 30 June 2023: 99%) of the revenue are generated from the Chinese Mainland 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 financial asset measured at FVPL and deferred tax assets. Segment liabilities include trade and other payables, lease liabilities and deferred income attributable to the manufacturing and sales activities of the individual segments and bank loans 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	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	<u>1,108,284</u>	<u>974,335</u>	<u>160,265</u>	<u>145,344</u>	<u>1,268,549</u>	<u>1,119,679</u>
Reportable segment revenue						
Revenue from external customers	<u>1,108,284</u>	<u>974,335</u>	<u>160,265</u>	<u>145,344</u>	<u>1,268,549</u>	<u>1,119,679</u>
Reportable segment profit						
Gross profit	<u>853,328</u>	<u>769,384</u>	<u>94,195</u>	<u>67,032</u>	<u>947,523</u>	<u>836,416</u>
As at 30 June/31 December						
Reportable segment assets	<u>3,872,646</u>	<u>3,935,496</u>	<u>1,587,824</u>	<u>1,553,241</u>	<u>5,460,470</u>	<u>5,488,737</u>
Reportable segment liabilities	<u>919,923</u>	<u>1,050,452</u>	<u>464,858</u>	<u>432,058</u>	<u>1,384,781</u>	<u>1,482,510</u>

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

	For the six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Reportable segment gross profit derived from the Group's external customers	947,523	836,416
Other income	37,263	29,634
Distribution costs	(411,912)	(362,026)
Administrative expenses	(134,712)	(136,744)
Reversals of impairment loss on trade and other receivables	9,171	17,532
Finance costs	(13,375)	(7,207)
Consolidated profit before taxation	<u>433,958</u>	<u>377,605</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 2024, the Group reported revenue of RMB2,738,985,000 (twelve months ended 30 June 2023: RMB2,465,801,000), and gross profit of RMB2,032,785,000 (twelve months ended 30 June 2023: RMB1,861,237,000).

5 OTHER INCOME

	For the six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants		
– Unconditional subsidies	5,376	3,074
– Conditional subsidies	720	1,740
Rental income from investment property	496	480
Interest income	43,506	32,448
Loss on disposal of property, plant and equipment	(103)	(195)
Net exchange losses	(13,023)	(7,402)
Others	291	(511)
	<u>37,263</u>	<u>29,634</u>

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	For the six months ended 30 June	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank loans	13,189	6,971
Interest expenses on discounted bills	–	1
Interest on lease liabilities	186	235
	<u>13,375</u>	<u>7,207</u>

(b) **Staff costs:**

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages, bonuses and benefits	243,039	209,100
Contributions to defined contribution retirement schemes	12,285	8,460
	255,324	217,560

(c) **Other items:**

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation charge		
– investment property	247	247
– property, plant and equipment	21,429	20,468
– right-of-use assets	3,309	3,082
– intangible assets	12,442	14,880
Reversals of impairment loss on trade and other receivables	(9,171)	(17,532)
Leases charges	2,098	2,089
Research and development costs (i)	40,953	47,962
Inventory write-down/(reversals)	3,180	(1,288)

- (i) During the six months ended 30 June 2024, research and development costs included RMB12,828,000 (six months ended 30 June 2023: RMB14,041,000) 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	
	2024 RMB'000	2023 RMB'000
Current tax		
Provision for Chinese Mainland income tax	16,850	6,754
Deferred tax		
Origination and reversal of temporary differences	16,148	23,021
	<u>32,998</u>	<u>29,775</u>

- (i) Taxable income for the subsidiaries of the Company in Chinese Mainland is subject to Chinese Mainland income tax rate of 25%, unless otherwise specified below.

Guangzhou Consun Pharmaceutical Company Limited (“**Guangzhou Consun**”) was qualified as an “High and New Technology Enterprises”, and was entitled to the preferential income tax rate of 15% for the the six months ended 30 June 2024 (six months ended 30 June 2023: 15%).

Consun Pharmaceutical (Inner Mongolia) Co., Ltd. (“**Inner Mongolia Consun**”), 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, and were entitled to the preferential income tax rate of 15% for the the six months ended 30 June 2024 (six months ended 30 June 2023: 15%).

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 Chinese Mainland and were entitled to the preferential income tax rate of 20% for the the six months ended 30 June 2024 (six months ended 30 June 2023: 20%).

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 Chinese Mainland income tax in 2023 and 2024.

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.

- (ii) According to the relevant tax law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. 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 Chinese Mainland withholding tax.

The directors of the Group have determined that in determining the amounts of dividends to be distributed from Chinese Mainland 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 2024, deferred tax liabilities of RMB39,431,000 (31 December 2023: RMB18,045,000) 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 RMB399,765,000 (six months ended 30 June 2023: RMB347,894,000) and the weighted average number of 801,611,000 ordinary shares (six months ended 30 June 2023: 789,314,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2024 <i>'000 shares</i>	2023 <i>'000 shares</i>
Issued ordinary shares at 1 January	811,017	806,973
Effect of share options exercised	9,076	823
Effect of treasury shares held under the Share Award Scheme	(18,482)	(18,482)
Weighted average number of ordinary shares at 30 June	801,611	789,314

(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 RMB399,765,000 (six months ended 30 June 2023: RMB347,894,000) and the weighted average number of ordinary shares of 810,909,000 (six months ended 30 June 2023: 796,629,000 shares).

	For the six months ended 30 June	
	2024	2023
	'000 shares	'000 shares
Weighted average number of ordinary shares at 30 June	801,611	789,314
Diluted effect of deemed issue of shares under the 2013 Share Option Scheme	9,298	7,315
Weighted average number of ordinary shares (diluted) at 30 June	810,909	796,629

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

(a) Right-of-use assets

During the six months ended 30 June 2024, additions to right-of-use assets were RMB197,000 (six months ended 30 June 2023: nil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and machinery with a cost of RMB37,234,000 (six months ended 30 June 2023: RMB7,414,000). Items of plant and machinery with a net book value of RMB579,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB333,000), resulting in a loss on disposal of RMB103,000 (six months ended 30 June 2023: RMB195,000).

(c) Intangible assets

Intangible assets represent trademark with a carrying amount of RMB250,744,000 (31 December 2023: RMB250,744,000) and patents with a carrying amount of RMB19,954,000 (31 December 2023: RMB32,396,000).

No impairment loss was recognized during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

(d) **Valuation of investment properties**

Investment properties of the Group are situated in Chinese Mainland. Part of the land and buildings are leased to a third party for catering operations and the other land and buildings are leased to another 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 2024 and 31 December 2023.

10 INVENTORIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Raw materials	182,290	214,126
Work in progress	48,277	54,104
Finished goods	133,756	98,857
	<u>364,323</u>	<u>367,087</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 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	173,766	187,970
3 to 12 months	57,080	25,796
Over 12 months	2,609	42,072
Trade debtors and bills receivable, net of loss allowance (i) & (ii)	233,455	255,838
Other receivables (iii)	40,609	54,128
	<u>274,064</u>	<u>309,966</u>

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

The Group measures loss allowances for trade debtors at an amount equal to lifetime expected credit losses (“ECL”s).

ECLs are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions, including but not limited to the economic condition on the domestic real estate industry at the reporting date. As at 30 June 2024, the gross carrying amount of the trade receivables for which the loss allowances was assessed collectively using the provision matrix was RMB181,320,000 (31 December 2023: RMB207,142,000), against which a loss allowance of RMB4,712,000 was recognised (31 December 2023: RMB12,074,000).

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

- (iii) As at 30 June 2024, the Group’s other receivables of RMB1,075,000 (31 December 2023: RMB3,253,000) were determined to be impaired.

12 CASH AND CASH EQUIVALENTS

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB2,194,712,000 (31 December 2023: RMB1,953,944,000). 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 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 1 month	31,905	73,376
1 to 12 months	9,576	9,055
Over 12 months	365	667
Total trade payable	41,846	83,098
Contract liabilities	29,004	16,008
Accrued expenses	459,768	438,558
Employee benefits payables	147,476	200,199
Payable for purchase of property, plant and equipment	13,336	17,856
Other payables	46,460	70,377
Project development deposits	31,674	31,674
Financial liabilities measured at amortised cost	769,564	857,770
Refund liabilities: – arising from sales rebates	69,060	84,659
	838,624	942,429

14 BANK LOANS

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 1 year or on demand	507,699	503,418

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

The bank loans and overdrafts were secured as follows:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Bank loans		
– secured	–	30,000
– unsecured	<u>507,699</u>	<u>473,418</u>
	<u>507,699</u>	<u>503,418</u>

At 30 June 2024, the Group's banking facilities amounted to RMB1,549,160,000 (31 December 2023: RMB1,378,030,000), which were utilised to the extent of RMB507,699,000 (31 December 2023: RMB503,418,000).

As at 30 June 2024, banking facilities of the Group amounted to RMB728,366,000 (31 December 2023: RMB674,596,000) are subject to the fulfilment of covenants relating to certain of the Group's or the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breached the covenants the drawn down loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2024, none of the covenants relating to drawn down loans had been breached (31 December 2023: nil).

15 EQUITY SETTLED SHARE-BASED TRANSACTIONS

During the six months ended 30 June 2024, a total of 33,453,000 share options were exercised, with exercise prices ranging from HKD3.28 to HKD4.476 at a total consideration of HKD136,994,000. As at 30 June 2024, the total number of share options outstanding and exercisable was 17,917,000 (31 December 2023: 69,659,000).

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.

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	
	2024	2023
	RMB'000	RMB'000
Interim dividend declared and paid of HKD0.3 per ordinary share (six months ended 30 June 2023: HKD0.15 per ordinary share)	227,101	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	
	2024	2023
	RMB'000	RMB'000
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2024 of HKD0.6 per share (six months ended 30 June 2023: HKD0.3 per share)	450,204	208,065

(b) Share capital

(i) Issued share capital

	Number of shares '000	Nominal value of fully paid shares HKD'000	Nominal value of fully paid shares RMB'000
As at 1 January 2024	811,017	81,102	63,812
Shares issued under the 2013 Share Option Schemes (note 16(b)(ii))	33,453	3,345	3,045
As at 30 June 2024	844,470	84,447	66,857

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

(ii) Shares issued due to exercise of the 2013 Share Option Scheme

During the six months period ended 30 June 2024, share options were exercised to subscribe for 33,453,000 (six months ended 30 June 2023: 3,237,000) ordinary shares in the Company at a consideration of HKD136,994,000 (equivalent to approximately RMB124,688,000) (six months ended 30 June 2023: HKD12,744,000 (equivalent to approximately RMB11,335,000)).

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.

Sales Revenue

For the six months ended 30 June 2024, the Group's revenue was RMB1,268,549,000, representing an increase of approximately 13.3% as compared with RMB1,119,679,000 for the same period last year.

Categorized by product lines, sales of kidney medicines recorded an increase of approximately 11.1% 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; the gynaecology and paediatrics medicines delivered solid sales performance with a growth of 28.7% as compared with the same period last year; sales of medical contrast medium recorded an increase of 21.1% 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 an increase of approximately 129.6% as compared with the same period last year; sales of dermatologic medicines recorded a decrease of approximately 22.4% as compared with the same period last year; sales of hepatobiliary medicines recorded a decrease of approximately 55.6% as compared with the same period last year; and sales of other medicines recorded a decrease of approximately 46.9% 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 product markets and developing sales network across China.

Gross Profit and Gross Profit Margin

For the first half of 2024, the Group's gross profit was RMB947,523,000, representing an increase of 13.3% as compared with RMB836,416,000 for the same period of 2023. The increase in gross profit was mainly attributable to the increase in sales. For the first half of 2024, the Group's average gross profit margin was 74.7%, remaining stable as compared with 74.7% for the same period of 2023.

Other Income

For the first half of 2024, the Group's other income was a net income of RMB37,263,000 which mainly included government grants, interest income and exchange loss. Compared with the net income of RMB29,634,000 for the same period of 2023, the increase was mainly due to the increase in the interest income and government support fund during the period, but partly offset by the increase in exchange loss during the period.

Distribution Costs

For the first half of 2024, the Group's distribution costs were RMB411,912,000, representing an increase of approximately 13.8% as compared with RMB362,026,000 for the same period of 2023. The rise in distribution costs was in line with the increase in sales.

Administrative Expenses

For the first half of 2024, the Group's administrative expenses was relatively stable at RMB134,712,000, representing a decrease of approximately 1.5% as compared with RMB136,744,000 for the same period of 2023.

Reversals of Impairment Loss on Trade and Other Receivables

For the first half of 2024, the Group's reversals of impairment loss on trade and other receivables were RMB9,171,000 as compared to RMB17,532,000 for the same period of 2023. 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 2024, the Group's finance costs were RMB13,375,000, representing an increase of approximately 85.6% as compared with RMB7,207,000 for the same period of 2023, which was mainly due to the increase in average daily loan facilities and offshore borrowing rates during the period.

Income Tax

For the first half of 2024, the Group's income tax expenses were RMB32,998,000, representing an increase of 10.8% as compared with RMB29,775,000 for the same period of 2023. The effective tax rate (income tax expenses divided by profit before taxation) decreased by 0.3 percentage points from 7.9% for the first half of 2023 to 7.6% for the first half of 2024.

Profit for the Period and Earnings Per Share

For the first half of 2024, profit attributable to equity shareholders of the Company was RMB399,765,000, representing an increase of approximately 14.9% as compared with RMB347,894,000 for the same period of 2023. Basic and diluted earnings per share for the first half of 2024 amounted to RMB0.4987 and RMB0.4930 respectively, representing an increase of 13.1% and 12.9% as compared with RMB0.4408 and RMB0.4367 of the same period of 2023 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Inventories

As at 30 June 2024, the balance of inventories was RMB364,323,000, representing a decrease of 0.8% as compared with the balance of RMB367,087,000 as at 31 December 2023. The Group's inventory turnover days in the first half of 2024 were 205.1 days, representing an increase of 29.5 days from 175.6 days in the year of 2023, which was mainly due to the increase in inventory reserve in response to the expected increase in the market demand during the period.

Trade Debtors and Bills Receivable

As at 30 June 2024, the balance of trade debtors and bills receivable was RMB233,455,000, representing a decrease of approximately 8.7%, as compared with the balance of RMB255,838,000 as at 31 December 2023. The trade receivable turnover days in the first half of 2024 were 34.7 days, representing a decrease of 1.6 days from 36.3 days in the year of 2023, which remained stable.

Trade Payables

As at 30 June 2024, the balance of trade payables was RMB41,846,000, representing a decrease of 49.6% as compared with the balance of RMB83,098,000 as at 31 December 2023. The trade payable turnover days in the first half of 2024 were 35.0 days, representing a decrease of 4.0 days from 39.0 days in the year of 2023, which remained stable.

Cash Flow from Operating Activities

The net cash generated from operating activities of the Group in the first half of 2024 was RMB350,339,000, representing an increase of approximately 37.9% as compared with RMB253,975,000 for the same period of 2023, which was mainly attributable to the increase in collection of sales.

Cash and Bank Balances and Borrowings

As at 30 June 2024, the Group's cash and bank balances (including bank time deposits of over 3 months) were RMB3,581,234,000, which remained stable as compared with the balance of RMB3,583,204,000 as at 31 December 2023. As at 30 June 2024, the Group's banking facilities amounted to RMB1,549,160,000 (31 December 2023: RMB1,378,030,000), which were utilised to the extent of RMB507,699,000 (31 December 2023: RMB503,418,000).

As at 30 June 2024, the Group's total loans and borrowings were RMB507,699,000 (mainly denominated in RMB and HKD, repayable within 1 year or on demand, of which RMB170,000,000 were domestic discounted borrowings with interest rate ranging from 0.12% to 0.27%, and HKD370,000,000 were overseas variable-rate borrowings in HKD), representing an increase of approximately 0.9% as compared with RMB503,418,000 as at 31 December 2023 (mainly denominated in RMB and HKD, repayable within 1 year or on demand, of which RMB150,000,000 were domestic discounted borrowings with interest rate ranging from 0.27% to 1.9%. Such borrowings bears interests at the rate ranging from 3.15% to 3.40% before discount, and HKD390,000,000 were overseas variable-rate borrowings in HKD).

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 2024 was 13.7% (31 December 2023: 13.9%). The gearing ratio decreased by 0.2 percentage points, which was mainly due to the increase in total equity attributable to equity shareholders as a result of the increase in operating profit 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 2024, 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 2024, the Company issued a total of 33,453,395 ordinary shares pursuant to employees' exercise of share options granted under the share option scheme adopted by the Company on 2 December 2013 (the "2013 Share Option Scheme") (six months ended 30 June 2023: issued 3,237,320 ordinary shares pursuant to employees' exercise of share options) at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration was approximately: HKD136,993,501). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD6.54.

Save as the above, there was no change in the capital structure of the Company during the six months ended 30 June 2024. As at 30 June 2024, the Company's issued share capital comprised 844,470,255 ordinary shares of HKD0.1 each and amounted to HKD84,447,025.5. The shareholders' equity of the Company amounted to approximately RMB3,991,095,000 as at 30 June 2024 (as at 31 December 2023: RMB3,918,712,000).

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had capital commitments of RMB492,251,000 (31 December 2023: RMB532,903,000).

Capital Expenditure

During the first half of 2024, the Group had capital expenditure of RMB37,234,000 (six months ended 30 June 2023: RMB7,414,000).

INFORMATION ON EMPLOYEES

As at 30 June 2024, the Group employed a total of 3,178 employees (31 December 2023: 3,127 employees). For the six months ended 30 June 2024, the total staff costs (including the Directors' remuneration) were RMB255,324,000 (six months ended 30 June 2023: RMB217,560,000). 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 share award scheme adopted by the Group on 21 July 2014 had expired on 20 July 2024. The Group operates a share option scheme adopted by the Company on 31 May 2024, whereby awards of share option 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 2024, 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 2024.

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not have any pledge of assets (31 December 2023: RMB1,897,000).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

CONNECTED TRANSACTION

During the first half of 2024, 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

Management continues to manage the Group’s key risk exposures, including operational risks (e.g. ensuring high quality of medicine 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 relevant policies of the Group 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 first half of 2024, there was no incident of significant non-compliance of laws and regulations that is relevant to the Group’s operations.

KEY INDUSTRY POLICIES AND IMPLICATIONS

The 2024 government work report made a comprehensive deployment of the annual work, including, among others, accelerating the development of innovative drugs and other industries, deepening the reform of medicine and health care; promoting the synergistic development and governance of medical insurance, health service and medicine; promoting the provincial coordination of basic medical insurance, improving the national centralized procurement system of medicines, strengthening the monitoring of the use of the health insurance fund on a regular basis and implementing and perfecting the settlement of medical treatment at different locations; deepening the reform of public hospitals, improving patient-centered medical services, and promoting the mutual recognition of examination and test results; putting emphasis on the promotion of hierarchical diagnosis and treatment, guiding the sinking of high-quality medical resources to the grassroots, enhancing the synergistic linked operation of medical services in counties, townships and villages, and expanding the types of medicines used for chronic and common diseases in medical and healthcare institutions for the grassroots; and promoting the heritage and innovation of traditional Chinese medicine, and strengthening the development of specialties in which traditional Chinese medicine has an edge.

I. The Heritage and Innovative Development of Traditional Chinese Medicine with a Promising Future

In January 2024, the National Conference of Directors of Traditional Chinese Medicine was held. The conference emphasized that promoting the heritage and innovative development of traditional Chinese medicine is an important integral part of the achievements of socialism with Chinese characteristics for a new era, and a major event in the great rejuvenation of the Chinese nation. In 2024, pursuing the implementation of the Opinions of the State Council of the Central Committee of the Communist Party of China on Promoting the Heritage and Innovative Development of Traditional Chinese Medicine (《中共中央國務院關於促進中醫藥傳承創新發展的意見》) as the key note, and based on the in-depth implementation of the Major Projects of the Revitalization and Development of Traditional Chinese Medicine as the starting point, the traditional Chinese medicine system will pursue integrity for innovation, push forward in-depth reform, enhance the organized synergy, focus on the development of solid features, and give full play to the specialty advantages in a bid to promote the high-quality development of traditional Chinese medicine in a faster manner.

II. Enhancing the Quality and Expanding the Coverage of Centralized Quantity Procurement of Medicines

In January 2024, the National Healthcare Security Work Conference made the deployment for the tasks of 2024 (“**2024 Deployment Tasks**”), and expressly promoted the concept of “expanding the coverage and enhancing the quality” of centralized procurement. New batches of nationally-organized centralized procurement of medicines and consumables will be launched, and the number of drugs under nationally- and provincially-organized centralized procurement will amount to at least 500 in total.

In May 2024, the "Notice on Strengthening Regional Collaboration to Effectively Enhance the Quality and Expand the Coverage of Centralized Procurement of Drugs in 2024" (《關於加強區域協同做好 2024 年醫藥集中採購提質擴面的通知》) issued by the National Healthcare Security Administration (the “**NHSA**”) definitely put forward to continue to vigorously promote centralized quantity procurement of drugs, further enhance the capacity and scale of the local procurement alliances, thereby achieving the top-bottom linked operation between the national and the local level as well as their synergistic promotion. The focused tasks for 2024 have been specified: expanding the scope of inter-provincial alliances, upgrading it to a national alliance for procurement, and curbing the cross overlap between the national and local procurement varieties, so as to make them complementary to each other.

III. Gradual Promotion of Pricing Administration Work

2024 Deployment Tasks, at the same time, are specifically required to give play to the effectiveness of the pricing administration of medicines, to promote the specialized administration of the prices of drugs listed on the network, and to explore the new mechanisms for the formation of drug prices. At the beginning of the year, the NHSA issued the “Notice on Promoting Fair, Honest, Transparent and Balanced Inter-provincial Prices of Drugs with the Same Generic Name and the Same Manufacturer”《關於促進同通用名同廠牌藥品省際間價格公平誠信、透明均衡的通知》), and accordingly the administration project on drug prices listed on the local network was fully activated. Meanwhile, the prices of designated pharmacies and online pharmacies will also be monitored, fostering a gradually more open and transparent pharmaceutical market.

IV. Accelerating the Development of Innovative Drug Industry

In 2024, “innovative drugs” was included in the government work report for the first time, accelerating the development of innovative drugs and other industries, and marking that encouraging innovation is a general trend. On 5 July, the Standing Committee Meeting of the State Council scrutinized and approved the Implementation Plan for Full-chain Support for the Development of Innovative Drugs (《全鏈條支持創新藥發展實施方案》). The meeting pointed out that the development of innovative drugs is related to the development of the pharmaceutical industry and people's health and well-being. It shall enhance the policy protection of the whole chain, coordinate the effective use of policies such as price management, medical insurance contribution, commercial insurance, drug preparation and use, and investment and financing, optimize the evaluation and approval mechanism and assessment mechanism for medical institutions, and put joint efforts to promote the breakthrough development of innovative drugs. Besides, it is necessary to mobilize technological innovation resources in all aspects, strengthen the fundamental research on creating new drugs, so as to consolidate the foundation for the development of innovative drugs in China.

OUTLOOK

At the beginning of the year, the Company initiated “Stabilizing Growth, Strengthening Compliance and Training Internally” as the annual task objectives. Each department has implemented the same by dividing into their specific targets, putting into actions and delivering the result achievements. During the first half of the year, we have also taken major measures such as optimizing delegation and sub-management systems, strengthening clinical and academic research, upgrading the establishment of compliance departments and reforming the OTC marketing structure, all of which have enhanced the efficiency and boosted the vitality. Besides, to expand the coverage of Centralized Procurement, we forged ahead against the headwinds and realized the quantity-oriented substitution for price-oriented procurement in the first half of the year, thereby delivering a result better than the average performance in recent years.

In 2024, the pharmaceutical industry is operating between “changes” and “unchanged”: “Changes” are reflected by the changing rules of the game among the industry arising from elements such as centralized procurement and compliant operation, the changing competitive landscape of the industry due to factors such as R&D of innovative drugs and overseas expansion, as well as the changing development logic of pharmaceutical enterprises. However, at the same time, “unchanged” is also the core of the development of the pharmaceutical industry, which is manifested in the unaltered upward development trend of the industry driven by the aging of the population and increasingly more people suffering from chronic diseases at a younger age, the unchanged goal of satisfying the unmet clinical demands, and the unchanged core momentum that fuels the growth of enterprises embracing innovation.

“Scull your oars, set your sail, seek a new horizon for the fabulous march”. Looking into the second half of the year, the Company will embrace changes and capitalize on market trends to further consolidate the foundation of development and enhance management efficiency. It will also formulate and implement specific strategic plans, optimize the budget assessment mechanism, enhance both the quality and efficiency of its R&D process, and further step up the efforts in academic promotion on the basis of compliant operation, thereby ensuring the implementation of the working philosophy of “Stabilizing Growth, Strengthening Compliance and Training Internally” in all aspects throughout the year and hence achieving high-quality and sustainable development.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Group's business philosophy is "Based on principal, founded on morality, achieving benefits while prioritizing righteousness", among which, the value of "achieving benefits while prioritizing rightness" is a very important component. We insist and emphasize on the priority of righteousness in our operations, and gain benefits from our righteous and ethical actions, while never take any benefits from unrighteous actions. Righteousness and benefits are inseparable. Neither can organizations nor individuals would survive and develop without economic benefits, but when conflicts happen between righteousness and benefits, we always prioritize righteousness and achieve a win-win situation that we can pursue righteousness and economic benefits at the same time.

Adapting and adhering to recognised standards of corporate governance principles and practices is also the top priorities of the Company. The Board believes that good corporate governance could lead the Company to success and balance the interests of shareholders, customers and employees, and the Board is therefore devoted to ongoing reviews and enhancements of the efficiency and effectiveness of compliance with such principles and practices.

Save as disclosed in this announcement, the Company has adopted and complied with the code provisions (the "**Code Provisions**") as set out in Part 2 of Appendix C1, Corporate Governance Code, to the Listing Rules during the six months ended 30 June 2024.

DEVIATION FROM PARAGRAPH C.2.1 OF THE CODE PROVISIONS

Since the resignation of Ms. Li Qian from the position of an executive Director, Vice Chairlady of the Board and the Chief Executive Officer with effect from 17 January 2024, Mr. An Meng, the Chairman of the Board and an executive Director, has been appointed as the Chief Executive Officer. Pursuant to paragraph C.2.1 of the Code Provisions, the roles of chairman and the chief executive officer should be separate and should not be performed by the same individual. Despite the said deviation from paragraph C.2.1 of the Code Provisions for Mr. An Meng to serve as the Chairman of the Board as well as the Chief Executive Officer of the Company, the Board believes that Mr. An Meng being the Chairman of the Board, is familiar with the Company's business operation and has excellent knowledge and experience of the Company's business which will be conducive to improving the efficiency of the Company's overall strategic planning. The Board believes that such management structure layout will be more beneficial to the future development of the Company and will improve the Company's operating conditions. Under the supervision of the Board, it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

NON-COMPLIANCE WITH RULE 3.10(1) OF THE LISTING RULES

On 25 March 2024, Mr. Su Yuanfu ("**Mr. Su**") resigned from the position of an independent non-executive Director of the Company, as he needed to devote more time to his personal commitments. Following the resignation of Mr. Su, the number of the Board's independent non-executive Directors has been reduced to two, which is below the minimum requirement of three under Rule 3.10(1) of the Listing Rules. The Company appointed Professor Li Yikai ("**Professor Li**") as an independent non-executive Director within three months on 21 June 2024 to fill the aforementioned vacancy in accordance with the requirements under Rule 3.11 of the Listing Rules. Following the appointment of Professor Li, the number of the Board's independent non-executive Directors has increased to three, which is in line with the requirements under Rule 3.10(1) of the Listing Rules.

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 C3 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 2024.

AUDIT COMMITTEE

The Company has established an audit committee (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, all of whom are independent non-executive Directors, namely Ms. Chen Yujun, Mr. Feng Zhongshi, and Professor Li Yikai. Ms. Chen Yujun is the chairlady of the Audit Committee with appropriate professional qualifications, accounting and related financial management expertise as required by Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company’s current external auditor.

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.

SCOPE OF WORK OF KPMG ON THIS ANNOUNCEMENT

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 six months ended 30 June 2024 as disclosed in this announcement have been compared by the Company’s external auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s reviewed consolidated financial statements for the six months 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.

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

During the six months ended 30 June 2024, the Company issued a total of 33,453,395 ordinary shares pursuant to employees' exercise of share options granted under the 2013 Share Option Scheme (adopted on 2 December 2013) at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration approximately: HKD136,993,501 (equivalent to approximately RMB124,687,233)). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD6.54.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the Board proposed to declare an interim dividend of HKD0.3 per share for the six months ended 30 June 2024. Further details are disclosed in the note headed "Interim Dividend" of this announcement.

After the end of the reporting period and up to the date of this announcement, the Company issued a total of 218,000 ordinary shares pursuant to employees' exercise of share options granted under the 2013 Share Option Scheme at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration approximately: HKD975,768 (equivalent to approximately RMB890,967)).

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.

INTERIM DIVIDEND

The Board is pleased to announce the distribution of an interim dividend of HKD0.3 per share for the six months ended 30 June 2024 (the "**Interim Dividend**"), which amounted to approximately RMB227,100,557 in total. It is expected that the Interim Dividend will be paid on or around Friday, 20 September 2024 to the shareholders whose name appear on the register of members of the Company on Friday, 6 September 2024.

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 p.m. on Friday, 6 September 2024.

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 2024 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, 21 August 2024

As at the date of this announcement, the Board comprises Mr. An Meng and Professor Zhu Quan as executive Directors; Dr. Zhang Lihua as a non-executive Director; and Mr. Feng Zhongshi, Ms. Chen Yujun and Professor Li Yikai as independent non-executive Directors.