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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2015 amounted to RMB387,278,000, representing an increase of approximately 20.9% compared with the six months ended 30 June 2014.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2015 amounted to RMB121,190,000, representing an increase of approximately 33.4% compared with the six months ended 30 June 2014.
- Basic and diluted earnings per share for the six months ended 30 June 2015 amounted to RMB0.12, representing an increase of approximately 33.3% compared with the six months ended 30 June 2014.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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 2015 (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 AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2015 – unaudited
(Expressed in Renminbi)

		For the six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Turnover	*5*	**387,278**	320,222
Cost of sales		**(76,404)**	(70,443)
Gross profit		**310,874**	249,779
Other revenue	*6*	**17,197**	17,377
Distribution costs		**(116,615)**	(114,917)
Administrative expenses		**(58,384)**	(43,579)
Other net losses	*6*	**(1,554)**	(96)
Profit before taxation	*7*	**151,518**	108,564
Income tax expenses	*8*	**(30,328)**	(17,736)
Profit for the period attributable to equity shareholders of the Company		**121,190**	90,828
Other comprehensive income for the period (after tax):			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "**PRC**") which may be reclassified subsequently to profit or loss		**60**	57
Total comprehensive income for the period attributable to equity shareholders of the Company		**121,250**	90,885
Earnings per share (RMB yuan)			
– Basic	*9*	**0.12**	0.09
– Diluted	*9*	**0.12**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	12	**226,313**	229,914
Lease prepayments		**23,887**	24,201
Other investment		**2,600**	2,600
Deferred tax assets		**7,934**	9,697
Total non-current assets		**260,734**	266,412
Current assets			
Inventories	13	**56,145**	53,482
Trade and other receivables	14	**336,099**	248,478
Other investments		**–**	250,900
Cash and cash equivalents	15	**1,062,780**	843,669
Total current assets		**1,455,024**	1,396,529
Current liabilities			
Trade and other payables	16	**154,056**	150,678
Deferred income		**436**	436
Current tax payables		**10,311**	27,133
Total current liabilities		**164,803**	178,247
Net current assets		**1,290,221**	1,218,282
Total assets less current liabilities		**1,550,955**	1,484,694
Non-current liabilities			
Deferred income		**11,800**	12,018
Deferred tax liabilities		**39,837**	39,490
Total non-current liabilities		**51,637**	51,508
Net assets		**1,499,318**	1,433,186
Capital and reserves			
Share capital		**78,250**	78,250
Reserves		**1,421,068**	1,354,936
Total equity		**1,499,318**	1,433,186

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

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 2015.

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 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 25 March 2015.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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

3 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of sales of pharmaceutical products. Therefore, the Group's management considers that there is only one operating segment under the requirements of HKFRS 8, Operating Segments. In this regard, no segment information is presented for the period.

No geographic information is presented as the Group's operating profit is entirely derived from its business activities in the PRC.

4 SEASONALITY OF OPERATION

The Group's sales of pharmaceutical products on average experience over 50% higher in the fourth quarter in comparison with other quarters in the year, because the Group generally makes more sales to distributors in the fourth quarter of the year prior to new year holidays and the smaller size hospitals, medical institutions and pharmacies in the more remote and less developed regions generally place their only orders in the fourth quarter of the year. The Group anticipates this demand by increasing its production to build up inventories during the second half of the year.

For the twelve months ended 30 June 2015, the Group reported revenue of RMB797,739,000 (twelve months ended 30 June 2014: RMB663,597,000), and gross profit of RMB632,862,000 (twelve months ended 30 June 2014: RMB523,646,000).

5 TURNOVER

The principal activities of the Group are manufacturing and sales of pharmaceuticals.

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Kidney medicines	**303,002**	245,600
Contrast medium	**62,658**	47,713
Others	**21,618**	26,909
	387,278	320,222

6 OTHER REVENUE AND OTHER NET LOSSES

(a) Other revenue

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Government grants		
– Unconditional subsidies	**362**	3,693
– Conditional subsidies	**218**	1,294
Interest income	**15,685**	12,365
Others	**932**	25
	17,197	17,377

(b) Other net losses

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Loss on disposal of fixed assets	**(1,554)**	(96)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs:

	For the six months ended 30 June 2015 *RMB'000*	2014 *RMB'000*
Salaries, wages, bonuses and benefits	**50,708**	58,510
Contribution to retirement schemes	**2,044**	2,043
Employees' share option scheme expenses	**17,401**	12,880
Employees' share award scheme expenses	**119**	–
	70,272	73,433

(b) Other items:

	For the six months ended 30 June 2015 *RMB'000*	2014 *RMB'000*
Depreciation	**9,256**	6,586
Amortisation	**313**	313
Impairment losses (reversed)/recognized for doubtful debts	**(634)**	260
Operating lease charges	**302**	326
Research and development costs#	**6,897**	5,463
Cost of inventories*	**76,404**	70,443

During the six months ended 30 June 2015, research and development costs include RMB2,609,000 (six months ended 30 June 2014: RMB1,930,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(a) for each of these types of expenses.

* During the six months ended 30 June 2015, cost of inventories include RMB17,010,000 (six months ended 30 June 2014: RMB16,180,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 7(a) for each of these types of expenses.

8 INCOME TAX EXPENSES

	For the six months ended 30 June 2015 *RMB'000*	2014 *RMB'000*
Current tax		
Provision for PRC income tax	**28,218**	22,686
Deferred tax		
Origination and reversal of temporary differences	**2,110**	(4,950)
	30,328	17,736

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

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for six months ended 30 June 2015 (six months ended 30 June 2014: 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.

As Guangzhou Consun Pharmaceutical Company Limited ("**Guangzhou Consun**") was certified as an "Advanced and New Technology Enterprise", Guangzhou Consun is entitled to the preferential income tax rate of 15% from 2014 to 2016.

Consun Pharmaceutical (Inner Mongolia) Co., Ltd. ("**Inner Mongolia Consun**") was qualified as an "Advanced and New Technology Enterprise" and entitled to the preferential income tax rate of 15% from 2012 to 2014. Inner Mongolia Consun is applying for the extension of "Advanced and New Technology Enterprise" and the entitlement of the preferential income tax rate for 2015 to 2017. In the opinion of directors, they do not foresee any difficulties to obtain an approval of the preferential income tax rate for 2015 to 2017. Therefore, the PRC income tax rate applicable to Inner Mongolia Consun was of 15% for the six months ended 30 June 2015 (six months ended 30 June 2014: 15%).

(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 has adopted the 10% withholding tax rate for PRC withholding tax purposes.

As Guangzhou Consun is wholly owned by the Company, the Company can control the payments of dividends by Guangzhou Consun. According to the Group's plan and intention of reinvesting its earnings in its PRC business, it will not distribute any earnings of Guangzhou Consun and its PRC subsidiaries generated after 1 January 2014 in the foreseeable future. As at 30 June 2015, the Group has undistributed earnings of the PRC subsidiaries totaling RMB327,570,000 (as at 31 December 2014: RMB204,210,000) which will not be distributed in the foreseeable future. Accordingly, the Company has not provided for the related deferred tax liabilities on the undistributed earnings of the PRC subsidiaries totalling RMB32,757,000 as of 30 June 2015 (as of 31 December 2014: RMB RMB20,421,000).

9 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 RMB121,190,000 (six months ended 30 June 2014: RMB90,828,000) and the weighted average number of 983,705,000 ordinary shares (2014: 1,000,000,000 shares) in issue during the interim period.

	For the six months ended 30 June	
	2015	2014
	'000 shares	*'000 shares*
Issued ordinary shares at 1 January	**1,000,000**	1,000,000
Effect of purchase of shares under share award scheme	**(16,295)**	–
Weighted average number of ordinary shares	**983,705**	1,000,000

(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 RMB121,190,000 (six months ended 30 June 2014: RMB90,828,000) and the weighted average number of ordinary shares of 983,752,000 (2014: 1,000,000,000 shares).

	For the six months ended 30 June	
	2015	2014
	'000 shares	*'000 shares*
Weighted average number of ordinary shares	**983,705**	1,000,000
Effect of awarded shares under the share award scheme	**47**	–
Weighted average number of ordinary shares (diluted)	**983,752**	1,000,000

For the period ended 30 June 2015 and 2014, the effect of the Company's share option scheme (see note 10(a)) was anti-dilutive.

10 EQUITY SETTLED SHARE-BASED PAYMENTS

(a) Employees' share option scheme

During the year ended 31 December 2014, the Company granted 60,000,000 share options to certain directors and employees at a consideration of HK$1 for each grantee. The exercise price of these share options was HK$6.64 per share, and the aggregate fair value of these share options amounted to RMB138,095,000. The options vest after one year to five years from the date of grant and are then exercisable on or before 23 March 2024.

The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2015	
	Weighted average exercise price	**Number of options**
	HKD	***'000***
Outstanding at the beginning of the period	**6.64**	**59,600**
Forfeited during the period	**6.64**	**(6,388)**
Outstanding at the end of the period	**6.64**	**53,212**
Exercisable at the end of the period	**6.64**	**11,115**

The options outstanding at 30 June 2015 had an exercise price of HK$6.64 and a weighted-average remaining contractual life of 8.7 years.

No options were exercised during the six months ended 30 June 2015 (2014: nil).

(b) Employees' share award scheme

On 21 July 2014, the Board of Directors of the Company approved the adoption of a share award scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to selected employees in accordance with the provisions of the Share Award Scheme and the nominal value of the shares awarded under the Share Award Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Unless terminated earlier by the Board of Directors in accordance with the rules of the Share Award Scheme, the Share Award Scheme will be valid and effective for a term of 10 years starting on 21 July 2014. A trust has been set up and fully funded by the Company for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme.

(i) Details of the shares held under the Share Award Scheme are set out below:

	Average purchase price	**No. of shares held**	**Value of shares**	
	HK$	*'000*	*HK$'000*	*RMB'000*
At 31 December 2014		9,528	57,207	45,359
Shares purchased during the period	5.38	10,472	56,356	44,638
At 30 June 2015		20,000	113,563	89,997

(ii) During the six months ended 30 June 2015, the Company granted 2,192,324 shares to 517 employees of the Group.The fair value of these Awarded Shares amounted to RMB9,852,000. Details are as follows:

		Number of Awarded Shares		
Date of grant	**Vesting date**	**granted**	**forfeited**	**unvested**
7 May 2015	30 June 2016	1,096,162	(939,839)	156,323
7 May 2015	31 December 2016	1,096,162	–	1,096,162
Total		2,192,324	(939,839)	1,252,485

The estimated fair value of the Awarded Shares on the grant date is determined by reference to the market price of the Company's shares.

The Group recognised share award expenses of RMB119,000 during six months ended 30 June 2015 (six months ended 30 June 2014: nil) with a corresponding increase in a capital reserve within equity in accordance with the accounting policy adopted for share-based payments.

11 DIVIDENDS

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

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB0.038 per share, the interim dividend had not been recognised as a liability at the end of the reporting period).

(b) 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	
	2015	2014
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period ended 30 June 2015 of RMB0.028 per share (six months ended 30 June 2014: nil)	**28,000**	–

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and machinery with a cost of RMB7,395,000 (six months ended 30 June 2014: RMB9,109,000).

13 INVENTORIES

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Raw materials	**14,258**	16,552
Work in progress	**13,300**	10,653
Finished goods	**28,587**	26,277
	56,145	53,482

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**76,404**	70,443
Write down of inventories	**513**	2,207
	76,917	72,650

14 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), base on the invoice date and net of allowance for doubtful debts is as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 3 months	**304,567**	231,910
3 to 12 months	**4,909**	233
Over 12 months	**–**	1
Trade debtors and bills receivable, net of allowance for doubtful debts	**309,476**	232,144
Other receivables, prepayments and deposits	**26,623**	16,334
	336,099	248,478

Trade debtors and bills receivable are generally due within 180 days from the date of billing.

As at 30 June 2015, the Group's trade debtors of RMB2,087,000 (31 December 2014: RMB5,964,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Cash at bank and in hand	**1,062,780**	843,669

16 TRADE AND OTHER PAYABLES

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 month	**12,124**	25,665
1 to 12 months	**12,864**	10,512
Over 12 months	**544**	239
Total trade payable	**25,532**	36,416
Receipts in advance	**597**	3,666
Accrued expenses	**50,269**	26,909
Employee benefits payable	**29,567**	46,381
Other payables	**48,091**	37,306
	154,056	150,678

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 Hong Kong Accounting Standard 34, "Interim financial reporting".

BUSINESS REVIEW

By developing the market intensively, the Group has kept sales on a robust growth trend and a turnover of RMB387,278,000 was recorded for the six months ended 30 June 2015, representing an increase of 20.9% compared with the same period last year. Categorized by product lines, sales of Kidney medicines recorded an increase of 23.4% compared with the same period last year, among which, uremic clearance granules ("**UCG**") remained the growth driver of the Group's sales and maintained its leading position in terms of oral modern Chinese medicines for kidney diseases; the rise of sales of medical contrast medium of 31.3% compared with the same period last year firmly consolidated the Group's leading position in the domestic medical contrast medium market for magnetic resonance imaging.

The Group experienced an increase in turnover for the first half of 2015, mainly attributable to the success of UCG and Gadopentetic Acid Dimeglumine Salt Injection ("**GD-DTPA**"), being two of the Group's major products, with the implementation of its marketing guideline to develop the market segments intensively. Specifically, with the continuous tutoring activities in the inpatient department, products were introduced pertinently to all the departments other than the department of nephrology in various ways. We have recruited and trained additional academic representatives who became familiar with the Group's products in a designed manner in order to extend our coverage over hospitals and physicians. Compared with the same period last year, the Group's products penetrated in more hospitals, not only covering tertiary hospitals, but rather secondary or lower hospitals (community hospitals). Further, UCG has been included in the latest version of the National List of Essential Medicines rendering better chances for it to be learned and applied by more patients.

FINANCIAL REVIEW

Turnover and Other Revenue

The Group's turnover for the first half of 2015 was RMB387,278,000, representing an increase of 20.9% compared to the same period last year. The increase was primarily attributable to the growth in sales as a result of the Group's continued efforts to expand its national sales network by developing the market intensively. Other revenue was RMB17,197,000, which mainly included the government grants and interest income. Compared with RMB17,377,000 in the same period of 2014, slight decrease in other income was mainly due to the increase in interest income being offset by the decline in government grants.

Gross Profit and Gross Profit Margin

For the first half of 2015, the Group's gross profit was RMB310,874,000, representing an increase of 24.5% from RMB249,779,000 for the same period of 2014, mainly due to the increase of sales. The Group's gross profit margin was 80.3% for the first half of 2015, representing an increase of 2.3 percentage points from 78.0% compared with the same period of 2014, mainly due to economy of scale and decreases in certain raw material prices.

Distribution Costs

The Group's distribution costs increased by only 1.5% from RMB114,917,000 in the first half of 2014 to RMB116,615,000 in the first half of 2015, which was mainly due to the Group's continued efforts in improving the efficiency of the marketing staff and academic promotion and cost control.

Administrative Expenses

The Group's administrative expenses for the first half of 2015 was RMB58,384,000. The Group's administrative expenses increased by 34.0% from RMB43,579,000 in the same period of 2014, which was mainly due to the increase of share-based payment recognized during the period at the fair value of share options granted to administrative employees and the sponsorship of HK$5,000,000 to the School of Chinese Medicine of Hong Kong Baptist University for the establishment of "Consun Chinese Medicines Research Centre for Renal Diseases" during the period.

Finance Costs

During the first half of 2015, the Group did not have any borrowings, and during the first half of 2014, all of the Group's short-term loans were interest-free loans granted by the local governments with a view to foster the development of enterprises. Therefore, no finance costs were incurred by the Group during the relevant periods.

Income Tax

The Group's income tax for the first half of 2015 was RMB30,328,000, representing an increase of 71.0% compared with RMB17,736,000 for the same period of 2014. The effective tax rate (income tax divided by profit before taxation) increased by 3.7% from 16.3% in the first half of 2014 to 20.0% for the same period of 2015, mainly attributed to the increase of the expenses which was not deductible from the taxable income, such as share-based payment in respect of share options and sponsorship.

Profit for the Period and Earnings Per Share

The Group's profit for the first half of 2015 was RMB121,190,000, representing an increase of 33.4% from RMB90,828,000 for the same period of 2014. The earnings per share (basic and diluted) increased by RMB0.03 from RMB0.09 in 2014 to RMB0.12 in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Trade Debtors and Bills Receivable

As at 30 June 2015, the balance of trade debtors and bills receivable was RMB309,476,000, representing an increase of 33.3%, as compared to the balance of RMB232,144,000 as of 31 December 2014. The receivables turnover days in the first half of 2015 were 125.9 days, representing an increase of approximately 13.3 days from 112.6 days in 2014. It was mainly due to the longer payment period of some customers' bank's acceptance bills.

Inventories

As at 30 June 2015, the balance of inventories was RMB56,145,000, representing an increase of 5.0%, as compared to the balance of RMB53,482,000 as of 31 December 2014. The Group's inventory turnover days in the first half of 2015 were 129.1 days, representing an increase of 13.1 days from approximately 116.0 days in 2014. It was mainly due to the inventories built up for the expected demands.

Trade Creditors and Bills Payable

As at 30 June 2015, the balance of trade creditors was RMB25,532,000, representing a decrease of 29.9% compared to the balance of RMB36,416,000 as of 31 December 2014. The payables turnover days in the first half of 2015 were 73.0 days, representing an increase of 8.5 days from 64.5 days in 2014. It was mainly attributable to the increase of purchase for meeting the expected production demand.

Cash Flow from Operating Activities

The net cash inflow from operating activities of the Group in the first half of 2015 was RMB39,156,000, representing a decrease of 75.3%, compared with RMB158,622,000 for the same period of 2014. It was mainly because the Group adjusted the sales policy in the first half of 2014 by requesting customers to increase the proportion of cash payment and shorten the payment period of bank acceptance bills, resulting in a relatively significant increase in the cash flow from operating activities, while in the first half of 2015, the above policy was more steadily exercised and certain customers used bank acceptance bills with longer payment period to settle their purchases.

Cash and Bank Balances and Borrowings

As at 30 June 2015, cash and bank balances of the Group were RMB1,062,780,000, representing an increase of 26.0% compared to RMB843,669,000 as at 31 December 2014, mainly attributable to the recovery of RMB250,900,000 in cash after the maturity of financial products due during the period.

Use of Proceeds from the Initial Public Offering of Shares

The net proceeds of the Company's initial public offering of shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 December 2013 (after deducting the listing expenses of approximately RMB78,263,000) were approximately RMB774,662,000. The Group will use the net proceeds in the following manner as disclosed in the prospectus (the "**Prospectus**"):

	Planned use of proceeds	% of the planned use proceeds	Amount of the planned use proceeds	Used amount	Balance as at 30 June 2015
			RMB'000	*RMB'000*	*RMB'000*
1	Infrastructure investment	40%	309,865	29,743	280,122
2	Research and development activities	20%	154,933	34,147	120,786
3	Expansion of our marketing and distribution networks	15%	116,199	81,337	34,862
4	Merger and acquisition	15%	116,199	–	116,199
5	Working capital and other general corporate purposes	10%	77,466	77,466	–
		100%	774,662	222,693	551,969

As at 30 June 2015, the Group deposited the unused proceeds as short-term deposits in the recognized financial institutions to earn interest income. As of the date of this report, the Directors are not aware of material change to the planned use of the proceeds from the plan as stated in the Prospectus.

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 HK$.

Gearing Ratio

The gearing ratio of the Group, representing the total borrowings divided by the shareholders equity as at 30 June 2015 is 0% (31 December 2014: 0%).

Exchange Risks

The Group's transactions are mainly denominated in RMB and HK$. The majority of assets and liabilities are denominated in RMB and HK$, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions or recognised assets and liabilities which are denominated in a currency other than HK$ or RMB, which are the functional currencies of the major operating companies now comprising the Group. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital Structure

The shares of the Company were listed on the Stock Exchange on 19 December 2013. There has been no material change in the capital structure of the Company since then. The capital of the Company comprises ordinary shares and other reserves.

Capital Commitments

As at 30 June 2015, the Group had capital commitments of RMB12,701,000 (31 December 2014: RMB9,051,000).

Capital Expenditure

For the six months ended 30 June 2015, the Group had capital expenditure of RMB7,395,000 (same period of 2014: RMB9,109,000).

Information on Employees

As at 30 June 2015, the Group hired a total of 1,273 employees (31 December 2014: 1,193). For the six months ended 30 June 2015, the total staff costs (including the directors' remuneration) was RMB70,272,000 (same period of 2014: RMB73,433,000). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund retirement benefits 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 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 ("**Share Option Scheme**") adopted by the Company on 2 December 2013, and a share award scheme ("**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, 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, during the period ended 30 June 2015, the Group did not hold any significant investment in equity interest in any other company.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the Company's announcement dated 6 August 2015 regarding the acquisition of 15% equity interest in a target company at the aggregate consideration of approximately RMB255,243,000, the Group currently does not have other future plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Pledge of Assets

As at 30 June 2015, the Group did not have any pledged assets (2014: Nil).

Contingent Liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities (2014: Nil).

Events after the Reporting Period

As of the reporting date, save as disclosed in the Company's announcement dated 6 August 2015 regarding the acquisition of 15% equity interest in a target company at the aggregate consideration of approximately RMB255,243,000, the Group has no significant events after the period required to be disclosed.

OUTLOOK

Looking ahead, the Group will continue to uphold the Group's advantages in oral modern Chinese medicines for kidney diseases in PRC market and medical contrast medium segments, and with the support of national macroeconomic policies, make efforts to allow more patients to be able to use our products, and contribute to the health of mankind!

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015.

OTHER INFORMATION

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

For the six months ended 30 June 2015, except for the 10,472,000 Awarded Shares purchased by the Trustee according to the Share Award Scheme, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell 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.

Corporate Governance Report

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

The Company has adopted and complied with the code provisions (the "**Code Provisions**") set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2015.

Model Code for Securities Transactions by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all the Directors have compiled with the required standards of dealing as set out in the Model Code during the six months ended 30 June 2015.

Audit Committee

The Company established the Audit Committee on 2 December 2013 with written terms of reference in compliance with paragraph C.3.3 and C.3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

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

As at the date of this announcement, the Audit Committee consists of three members and two of them are independent non-executive Directors, namely Ms. CHENG Xinxin (chairlady), Mr. FENG Zhongshi and one non-executive Director, namely Mr. WANG Shunlong.

The unaudited interim results of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee and the Company's external auditor KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

Publication of information on the Stock Exchange's website

This announcement is published on the websites of the Company (www.chinaconsun.com) and the Stock Exchange (www.hkexnews.hk), and the interim report of the Company for the six months ended 30 June 2015 will be despatched to Shareholders of the Company and published on the above websites in due course.

By order of the Board
Consun Pharmaceutical Group Limited
AN Yubao
Chairman

Hong Kong, 21 August 2015

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