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CONSUN 康 臣

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to RMB2,590,115,000, representing an increase of approximately 10.7% as compared with the year ended 31 December 2022.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2023 amounted to RMB784,534,000, representing an increase of approximately 14.9% as compared with the year ended 31 December 2022.
- Basic and diluted earnings per share for the year ended 31 December 2023 amounted to approximately RMB0.99 and RMB0.98 respectively, representing increases of approximately 15.1% and 14.0% respectively as compared with the year ended 31 December 2022.
- The Board proposed to declare a final dividend of HKD0.3 per share for the year ended 31 December 2023, which, if approved by the Company's shareholders, together with the interim dividend of HKD0.15 per share already paid, will result in a total dividend of HKD0.45 per share for the year of 2023.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Consun Pharmaceutical Group Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively the "**Group**", "**Consun**", "**Consun Pharmaceutical**" or "**Consun Pharmaceutical Group**") for the year ended 31 December 2023, together with the comparative figures of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	**2023** **RMB'000**	2022 *RMB'000*
Revenue	*2*	**2,590,115**	2,339,650
Cost of sales		**(668,437)**	(576,738)
Gross profit		**1,921,678**	1,762,912
Other income	*3*	**118,498**	56,385
Distribution costs		**(852,206)**	(771,960)
Administrative expenses		**(315,599)**	(322,504)
Reversals of impairment loss on trade and other receivables	*15*	**12,596**	32,493
Profit from operations		**884,967**	757,326
Finance costs	*4(a)*	**(21,264)**	(10,933)
Profit before taxation	*4*	**863,703**	746,393
Income tax	*5(a)*	**(77,149)**	(62,696)
Profit for the year		**786,554**	683,697
Attributable to:			
– Equity shareholders of the Company		**784,534**	682,907
– Non-controlling interests		**2,020**	790
Profit for the year		**786,554**	683,697
Earnings per share (RMB yuan)	*6*		
– Basic		**0.99**	0.86
– Diluted		**0.98**	0.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Expressed in Renminbi)

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**786,554**	683,697
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the Chinese Mainland	**(239)**	231
Total comprehensive income for the year	**786,315**	683,928
Attributable to:		
– Equity shareholders of the Company	**784,295**	683,138
– Non-controlling interests	**2,020**	790
Total comprehensive income for the year	**786,315**	683,928

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Expressed in Renminbi)

	Note	**2023** **RMB'000**	2022 *RMB'000*
Non-current assets			
Investment property	*8*	**14,634**	15,127
Property, plant and equipment	*9*	**739,056**	746,213
Right-of-use assets	*10*	**124,652**	128,786
Intangible assets	*11*	**283,140**	311,904
Financial asset measured at fair value through profit or loss ("FVPL")	*12*	**9,230**	6,500
Other prepayments	*13*	**41,358**	24,747
Deferred tax assets		**17,844**	36,432
		1,229,914	1,269,709
Current assets			
Inventories	*14*	**367,087**	276,080
Trade and other receivables	*15(a)*	**309,966**	295,663
Prepayments	*15(b)*	**17,823**	11,583
Deposits with banks with original maturity date over three months		**834,942**	589,172
Cash and cash equivalents	*16*	**2,748,262**	2,450,173
		4,278,080	3,622,671
Current liabilities			
Trade and other payables	*17*	**942,429**	861,109
Bank loans	*18*	**503,418**	450,521
Lease liabilities	*19*	**4,218**	3,708
Deferred income	*20*	**1,551**	2,261
Current taxation		**43,380**	32,889
		1,494,996	1,350,488
Net current assets		**2,783,084**	2,272,183
Total assets less current liabilities		**4,012,998**	3,541,892

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023 (continued)
(Expressed in Renminbi)

	Note	**2023** **RMB'000**	2022 RMB'000
Non-current liabilities			
Lease liabilities	*19*	**3,898**	5,947
Deferred income	*20*	**19,179**	18,929
Deferred tax liabilities		**71,209**	78,011
		94,286	102,887
Net assets		**3,918,712**	3,439,005
Capital and reserves			
Share capital		**63,812**	63,450
Reserves		**3,562,691**	3,081,689
Total equity attributable to equity shareholders of the Company		**3,626,503**	3,145,139
Non-controlling interests		**292,209**	293,866
Total equity		**3,918,712**	3,439,005

NOTES

1 BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Changes in accounting policies

(i) New and amended HKFRSs

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Kidney medicines	**1,741,298**	1,569,418
Gynaecology and paediatrics medicines	**293,706**	239,393
Contrast medium	**155,894**	163,394
Orthopedics medicines	**153,186**	175,022
Dermatologic medicines	**128,211**	114,930
Hepatobiliary medicines	**79,254**	46,330
Others	**38,566**	31,163
	2,590,115	2,339,650

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

The Group's customer base is diversified and includes two customers (2022: two) with whom transactions have exceeded 10% of the Group's revenues. In 2023 revenues to each of these two customers, including sales to entities which are known to the Group to be under common control with these customers are as follows.

	2023	2022
	RMB'000	*RMB'000*
Customer A	**714,038**	630,804
Customer B	**296,666**	306,138

As at 31 December 2023, the transaction price under the Group's existing contracts was fully recognised as revenue.

The Group has applied practical expedient in paragraph 121(a) of HKFRS 15, Revenue from Contracts with Customers, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with the customers in existence at the end of reporting period as the performance obligation is part of a contract that has an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by product lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's 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, deferred income and lease liabilities 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 years ended 31 December 2023 and 2022 is set out below:

For the year ended 31 December	**Consun Pharmaceutical Segment**		**Yulin Pharmaceutical Segment**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	**2,195,051**	1,981,051	**395,064**	358,599	**2,590,115**	2,339,650
Reportable segment revenue						
Revenue from external customers	**2,195,051**	1,981,051	**395,064**	358,599	**2,590,115**	2,339,650
Reportable segment profit						
Gross profit	**1,721,408**	1,574,367	**200,270**	188,545	**1,921,678**	1,762,912
Interest income from bank deposits	**64,918**	49,652	**3,999**	2,762	**68,917**	52,414
Interest expense	**20,291**	8,659	**973**	2,274	**21,264**	10,933
Depreciation and amortisation for the year	**30,173**	28,272	**47,916**	48,083	**78,089**	76,355
(Reversals)/recognition of impairment loss – trade and other receivables	**(4,502)**	6,800	**(8,094)**	(39,293)	**(12,596)**	(32,493)
Reportable segment assets	**3,935,496**	3,295,645	**1,553,241**	1,557,768	**5,488,737**	4,853,413
Reportable segment liabilities	**1,050,452**	920,958	**432,058**	425,482	**1,482,510**	1,346,440

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2023	2022
	RMB'000	*RMB'000*
Reportable segment gross profit derived from the Group's external customers	**1,921,678**	1,762,912
Other income *(note 3)*	**118,498**	56,385
Distribution costs	**(852,206)**	(771,960)
Administrative expenses	**(315,599)**	(322,504)
Reversals of impairment loss on trade and other receivables	**12,596**	32,493
Finance costs *(note 4(a))*	**(21,264)**	(10,933)
Consolidated profit before taxation	**863,703**	746,393

	2023	2022
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**5,488,737**	4,853,413
Elimination of inter-segment receivables	**(7,817)**	(3,965)
	5,480,920	4,849,448
Financial asset measured at FVPL *(note 12)*	**9,230**	6,500
Deferred tax assets	**17,844**	36,432
Consolidated total assets	**5,507,994**	4,892,380

	2023	2022
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**1,482,510**	1,346,440
Elimination of inter-segment payables	**(7,817)**	(3,965)
	1,474,693	1,342,475
Current taxation	**43,380**	32,889
Deferred tax liabilities	**71,209**	78,011
Consolidated total liabilities	**1,589,282**	1,453,375

(iii) Geographic information

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

3 OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants (i)		
– Unconditional subsidies	**53,901**	16,275
– Conditional subsidies (*note 20)*	**2,260**	2,241
Rental income from investment property	**727**	828
Interest income	**68,917**	52,414
Loss on disposal of property, plant and equipment	**(846)**	(1,218)
Net exchange losses	**(9,026)**	(9,278)
Others	**2,565**	(4,877)
	118,498	56,385

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

– Unconditional subsidies

The entitlements to certain government grants amounting to RMB53,901,000 (2022: RMB16,275,000) were unconditional, which mainly consisted of the operating expenses subsidy and tax refund of the Chinese Mainland subsidiaries of the Group during the current or prior years.

– Conditional subsidies

The remaining government grants were conditional government grants and initially recorded as deferred income. The amount of conditional government grants charged to the consolidated statement of profit or loss for the year ended 31 December 2023 was RMB2,260,000 (2022: RMB2,241,000) (see note 20).

4 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**20,565**	10,271
Interest expenses on discounted bills	**1**	99
Interest on lease liabilities	**698**	563
	21,264	10,933

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages, bonuses and benefits	**463,536**	432,151
Contributions to defined contribution retirement schemes	**19,972**	15,302
Equity settled share-based transactions:		
Share Option Scheme	**–**	(1,784)
	483,508	445,669

Pursuant to the relevant labour rules and regulations in Chinese Mainland, the Chinese Mainland subsidiaries participate in defined contribution retirement schemes organised by the local government authorities, to which the Chinese Mainland subsidiaries are required to make contributions based on certain percentages of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollars ("**HKD**") 30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Note	2023 RMB'000	2022 RMB'000
Depreciation and amortisation charge			
– investment property	8	**493**	493
– property, plant and equipment	9	**41,327**	40,227
– right-of-use assets	10	**6,505**	5,875
– intangible assets	11	**29,764**	29,760
		78,089	76,355
Auditor's remuneration			
– audit services		**2,500**	2,300
– non-audit services		**500**	500
		3,000	2,800
Reversals of impairment loss on trade and other receivables		**(12,596)**	(32,493)
Leases charges	10	**4,657**	4,245
Research and development costs (i)		**108,535**	117,539
Cost of inventories (ii)	14	**668,437**	576,738

(i) During the year ended 31 December 2023, research and development costs included RMB23,268,000 (2022: RMB25,817,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in the note 4(b) for each of these types of expenses.

(ii) During the year ended 31 December 2023, cost of inventories included RMB119,169,000 (2022: RMB111,092,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in the note 4(b) for each of these types of expenses.

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provision for Chinese Mainland income tax for the year	**21,347**	19,826
Chinese Mainland dividend withholding tax (iv)	**34,839**	–
Under-provision for Chinese Mainland income tax in respect of prior years (vi)	**9,177**	23,735
	65,363	43,561
Deferred tax		
Origination and reversal of temporary differences	**46,625**	19,135
Effect on distribution of dividends (iv)	**(34,839)**	–
	11,786	19,135
	77,149	62,696

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

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the year ended 31 December 2023 (2022: Nil).

(iii) 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% from 2023 to 2025.

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. Inner Mongolia Consun was entitled to the preferential income tax rate of 15% from 2023 to 2030. Yulin Pharmaceutical and Yulin Capsule were entitled to the preferential income tax rate of 15% from 2011 to 2030.

Guangxi Yulin Pharmaceutical Group Yuming Chinese Traditional Medicine Co., Limited ("**Yuming Chinese Traditional Medicine**") and Guangxi Yulin Pharmaceutical Group Hongsheng Trading Co., Limited ("**Hongsheng Trading**") met the criteria for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to the preferential income tax rate of 20% in 2023 (2022: 10%).

Guangxi Yulin Pharmaceutical Group Yonglv Chinese Traditional Medicine Industry Co., Limited ("**Yonglv Chinese Traditional Medicine**") met the exemption criteria on income generated through planting of agricultural products and was exempted from Chinese Mainland income tax in 2022 and 2023.

Consun Pharmaceutical (Horgos) Co., Ltd. ("**Horgos Consun**") enjoyed the benefit of income tax exemption for five years from the financial year starting to generate operating revenue in 2021 under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang.

(iv) According to the relevant tax law and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The Group's Hong Kong subsidiaries have obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region 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.

As at 31 December 2023, deferred tax liabilities of RMB18,045,000 (31 December 2022: RMB19,915,000) have been provided for in this regard based on the expected dividends to be distributed from the Chinese Mainland subsidiaries in the foreseeable future.

(v) According to relevant tax law in Chinese Mainland, Chinese Mainland subsidiaries of the Group engaging in research and development activities are entitled to claim additional 100% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for each year ("**Super Deduction**"). The Group has made its best estimate for Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year.

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

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation for the year	**863,703**	746,393
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**233,220**	199,584
Effect of non-deductible expenses	**24,353**	18,038
Effect of tax concessions	**(226,201)**	(189,094)
Effect of Super Deduction of research and development expenses *(Note 5(a)(v))*	**(2,881)**	(3,225)
Reversal of tax losses previously recognised	**6,512**	–
Provision of withholding tax on undistributed profits retained by Chinese Mainland subsidiaries	**32,969**	13,658
Under-provision in respect of prior years	**9,177**	23,735
Actual tax expenses	**77,149**	62,696

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB784,534,000 (2022: RMB682,907,000) and the weighted average number of ordinary shares of 790,908,000 shares (2022: 790,627,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'000 shares	*'000 shares*
Issued ordinary shares at 1 January	**806,973**	824,218
Effect of shares repurchased and cancelled	**–**	(15,761)
Effect of share options exercised	**2,418**	653
Effect of treasury shares held under the Share Award Scheme	**(18,483)**	(18,483)
Weighted average number of ordinary shares at 31 December	**790,908**	790,627

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2023 is based on the profit attributable to equity shareholders of the Company of RMB784,534,000 (2022: RMB682,907,000) and the weighted average number of ordinary shares of 799,168,000 shares (2022: 791,997,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023	2022
	'000 shares	*'000 shares*
Weighted average number of ordinary shares at 31 December	**790,908**	790,627
Dilutive effect of deemed issue of shares under the Share Option Scheme	**8,260**	1,370
Weighted average number of ordinary shares (diluted) at 31 December	**799,168**	791,997

7 DIVIDENDS

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

	2023	2022
	RMB'000	*RMB'000*
Interim dividend of HKD0.15 per ordinary share declared and paid after the interim period (2022: Nil)	**109,068**	–
Final dividend proposed after the end of the year of HKD0.3 per ordinary share (2022: HKD0.30)	**221,122**	208,065
	330,190	208,065

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

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

	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HKD0.30 per ordinary share (2022: HKD0.20)	**208,065**	128,691
Less: Dividends for Buy-back Shares	**–**	(1,199)
	208,065	127,492

8 INVESTMENT PROPERTY

	Land use rights *RMB'000*	Buildings *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,004	13,886	18,890
Accumulated depreciation:			
At 1 January 2022	(743)	(2,527)	(3,270)
Charge for the year	(135)	(358)	(493)
At 31 December 2022	(878)	(2,885)	(3,763)
Charge for the year	(135)	(358)	(493)
At 31 December 2023	(1,013)	(3,243)	(4,256)
Net book value:			
At 31 December 2023	3,991	10,643	14,634
At 31 December 2022	4,126	11,001	15,127

The Group leases out investment property under operating leases. The leases typically run for an initial period ranging from 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments usually reflect market rentals. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within 1 year	**222**	653
After 1 year but within 2 years	**228**	222
After 2 years but within 3 years	**235**	228
After 3 years but within 4 years	**242**	235
After 4 years but within 5 years	**250**	242
After 5 years	**42**	292
	1,219	1,872

Investment properties of the Group were stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. The carrying amounts of the investment properties were not materially different from their fair value as at 31 December 2022 and 2023.

9 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2022	334,102	235,816	21,651	24,682	381,670	997,921
Transfer from construction in progress	2,059	10,625	7	943	(13,634)	–
Other additions	2,413	13,272	612	2,852	47,977	67,126
Disposals	(3,756)	(6,938)	(393)	(970)	–	(12,057)
At 31 December 2022 and 1 January 2023	334,818	252,775	21,877	27,507	416,013	1,052,990
Transfer from construction in progress	–	12,274	243	243	(12,760)	–
Other additions	3,465	14,300	4,124	96	13,176	35,161
Disposals	–	(5,894)	(1,855)	(829)	–	(8,578)
At 31 December 2023	338,283	273,455	24,389	27,017	416,429	1,079,573
Accumulated depreciation:						
At 1 January 2022	(129,161)	(116,182)	(10,848)	(17,097)	–	(273,288)
Charge for the year	(13,658)	(20,600)	(1,727)	(4,242)	–	(40,227)
Written back on disposal	850	4,955	59	874	–	6,738
At 31 December 2022 and 1 January 2023	(141,969)	(131,827)	(12,516)	(20,465)	–	(306,777)
Charge for the year	(12,740)	(22,822)	(4,440)	(1,325)	–	(41,327)
Written back on disposal	–	5,277	1,542	768	–	7,587
At 31 December 2023	(154,709)	(149,372)	(15,414)	(21,022)	–	(340,517)
Net book value:						
At 31 December 2023	183,574	124,083	8,975	5,995	416,429	739,056
At 31 December 2022	192,849	120,948	9,361	7,042	416,013	746,213

10 RIGHT-OF-USE ASSETS

	Land use rights *RMB'000* *Note (i)*	Buildings *RMB'000* *Note (ii)*	Total *RMB'000*
Cost:			
At 1 January 2022	143,799	14,601	158,400
Additions	–	846	846
At 31 December 2022	143,799	15,447	159,246
Additions	–	2,371	2,371
At 31 December 2023	143,799	17,818	161,617
Accumulated depreciation:			
At 1 January 2022	(23,257)	(1,328)	(24,585)
Charge for the year	(3,133)	(2,742)	(5,875)
At 31 December 2022	(26,390)	(4,070)	(30,460)
Charge for the year	(3,134)	(3,371)	(6,505)
At 31 December 2023	(29,524)	(7,441)	(36,965)
Net book value:			
At 31 December 2023	114,275	10,377	124,652
At 31 December 2022	117,409	11,377	128,786

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

	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets of underlying asset	**6,505**	5,875
Interest on lease liabilities *(note 4(a))*	**698**	563
Expense relating to short-term leases	**4,624**	4,210
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**33**	35

During the year, additions to right-of-use assets were RMB2,371,000 (2022: RMB846,000). This amount was related to the capitalised lease payments payable under new tenancy agreements.

(i) Land use rights

It represents prepayments for the land use rights which was identified as right-of-use assets under HKFRS 16 in Chinese Mainland paid to the Chinese Mainland authorities, on which the Group's manufacturing plants were built. The Group was granted land use rights for a period of 50 years initially and the remaining periods range from 26 to 44 years.

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

As at 31 December 2023, the development project was still in the initial planning stage and Parcel-1 was still being occupied and wholly owned by Yulin Pharmaceutical for its own use for production, office and storage purposes.

(ii) Buildings

The Group has obtained the right to use certain buildings through tenancy agreements. The leases typically run for an initial period of 5 years. Lease payments are usually increased to reflect market rentals.

11 INTANGIBLE ASSETS

	Patents *RMB'000*	Trademark *RMB'000*	Total *RMB'000*
Cost:			
At 31 December 2022	253,283	256,233	509,516
Addition	1,000	–	1,000
At 31 December 2023	254,283	256,233	510,516
Accumulated amortisation:			
At 1 January 2022	(162,363)	–	(162,363)
Charge for the year	(29,760)	–	(29,760)
At 31 December 2022	(192,123)	–	(192,123)
Charge for the year	(29,764)	–	(29,764)
At 31 December 2023	(221,887)	–	(221,887)
Accumulated impairment losses:			
At 1 January 2022, 31 December 2022 and 31 December 2023	–	(5,489)	(5,489)
Net book value:			
At 31 December 2023	32,396	250,744	283,140
At 31 December 2022	61,160	250,744	311,904

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

Four patents with an aggregate net book value of RMB1,897,000 (2022: Nil) were pledged as securities for bank loans of the Group as at 31 December 2023 (note 18(b)).

Trademark acquired through business combination is assessed to have indefinite useful lives when, based on an analysis of all of the relevant factors including beneficial pattern, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. The recoverable amount of the trademark that has indefinite useful life is estimated annually whether or not there is any indication of impairment. The amount is allocated to the Yulin CGU.

The recoverable amount of Yulin CGU was determined based on value-in-use calculations by the directors of the Company, with the reference to professional valuation reports issued by Jones Lang LaSalle Incorporated, independent firm of professionally qualified valuers. These calculations apply the cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted sales growth rate of the five-year period is 11.2% (2022: 11.6%). Cash flows beyond the aforementioned financial forecasts period are extrapolated using estimated sales growth rate of 2.5% (2022: 3%), which was estimated on the basis of the long-term inflation rate in Chinese Mainland. It is a commonly used valuation assumption that the long-term growth rate of a company will converge with the long-term growth rate of Chinese Mainland. The cash flows are discounted using a discount rate of 16.87% (2022: 16.97%). The discount rates used are pre-tax and reflect specific risks relating to the Yulin CGU.

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

No impairment loss was recognised during the year ended 31 December 2023 (2022: Nil).

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

Pre-tax discount rate increase to	18.70%
Average revenue growth rate decrease to	9.53%

12 FINANCIAL ASSETS MEASURED AT FVPL

	2023	2022
	RMB'000	*RMB'000*
Investments not held for trading		
– Unlisted investment fund	**9,230**	6,500

13 OTHER PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Prepayments for purchase of property, plant and equipment	**41,358**	24,747

14 INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Raw materials	**214,126**	192,200
Work in progress	**54,104**	37,794
Finished goods	**98,857**	46,086
	367,087	276,080

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

	2023 *RMB'000*	2022 *RMB'000*
Cost of inventories sold (note 4(c))	**668,437**	576,738
Write down of inventories	**12,329**	21,859
	680,766	598,597

All of the inventories are expected to be recovered within one year.

15 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables net of loss allowance (i)	**195,068**	163,237
Bills receivable (ii)	**60,770**	96,325
Interest receivables	**26,633**	14,956
Other debtors, net of loss allowance (iii)	**27,495**	21,145
	309,966	295,663

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group accepts bank acceptance bills from major banks in Chinese Mainland for settlement of trade debts. The management considered that the risk of these bills relates substantially to credit risk. Accordingly, when these bills were transferred by either discounting or endorsement, they were derecognised as a financial asset.

Ageing analysis

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**187,970**	187,762
3 to 12 months	**25,796**	39,605
Over 12 months	**42,072**	32,195
	255,838	259,562

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

(ii) Bills receivable are generally due within 90 to 180 days from the date of bills acceptance.

(iii) As at 31 December 2023, the Group's other receivables of RMB3,253,000 (31 December 2022: RMB524,000) were determined to be impaired in full.

(b) Prepayments

	2023	2022
	RMB'000	*RMB'000*
Prepayments for raw materials and others	**17,823**	11,583

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2023	2022
	RMB'000	*RMB'000*
Cash at bank and on hand	**2,748,262**	2,450,173

As at 31 December 2023, cash and cash equivalents situated in Chinese Mainland amounted to RMB1,953,944,000 (31 December 2022: RMB2,071,203,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

17 TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables (i)	**83,098**	59,891
Contract liabilities (ii)	**16,008**	37,714
Accrued expenses	**438,558**	380,176
Employee benefits payable	**200,199**	185,956
Payable for purchase of property, plant and equipment	**17,856**	17,648
Other payables	**70,377**	68,647
Project development deposits (iii)	**31,674**	31,674
Financial liabilities measured at amortised cost	857,770	781,706
Refund liabilities:		
– arising from sales rebates	84,659	79,403
Total	**942,429**	861,109

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**73,376**	43,405
1 to 12 months	**9,055**	14,882
Over 12 months	**667**	1,604
	83,098	59,891

(ii) As of the end of the reporting period, the contract liabilities are as follows:

	2023	2022
	RMB'000	*RMB'000*
Sales contracts		
– Billings in advance of performance	**16,008**	37,714

Movements in contract liabilities:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**37,714**	18,979
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(37,714)**	(18,979)
Increase in contract liabilities as a result of receiving advances from customers during the year	**16,008**	37,714
Balance at 31 December	**16,008**	37,714

All of the contract liabilities are expected to be recognised as income within one year.

(iii) As of 31 December 2023, project development deposits represented deposits received by the Group from Guangxi Huafa and Yulin Shunlang pursuant to a series of cooperative development agreements (see note 10(i)).

18 BANK LOANS

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**503,418**	450,521

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

At 31 December 2023, the bank loans were secured as follows:

	2023	2022
	RMB'000	*RMB'000*
Bank loans		
– secured	**30,000**	–
– unsecured	**473,418**	450,521
	503,418	450,521

At 31 December 2023, the loan of RMB30,000,000 were secured by four patents with an aggregate net book value of RMB1,897,000 as at 31 December 2023 (2022: Nil).

At 31 December 2023, the Group's banking facilities amounted to RMB1,450,526,000 (2022: RMB1,459,975,000) were utilised to the extent of RMB503,418,000 (2022: RMB450,521,000).

As at 31 December 2023, banking facilities of the Group amounted to RMB728,092,000 (31 December 2022: RMB591,315,000) are subject to the fulfilment of covenants relating to certain of the Group's or the subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Group 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 31 December 2023, none of the covenants relating to drawn down loans had been breached (31 December 2022: Nil)

19 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**4,218**	3,708
After 1 year but within 2 years	**3,680**	3,113
After 2 years but within 5 years	**218**	2,834
	3,898	5,947
	8,116	9,655

20 DEFERRED INCOME

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**21,190**	18,931
Additions	**1,800**	4,500
Credited to profit or loss *(note 3)*	**(2,260)**	(2,241)
At 31 December	**20,730**	21,190
Representing:		
Current portion	**1,551**	2,261
Non-current portion	**19,179**	18,929
	20,730	21,190

Deferred income of the Group mainly includes various conditional government grants for research and development projects of new or existing pharmaceutical products and subsidies relating to purchase of land use rights, which would be recognised as income on a systematic basis in the same periods in which the related costs of relevant activities are incurred or on straight-line basis over the expected useful life of the relevant assets.

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Consun Pharmaceutical Group Limited, I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2023.

I. Industrial and Business Review

In 2023, with the global pandemic subsiding, various industries, including the pharmaceutical industry, gradually returned to normal, but difficulties and trials remained. On the one hand, rising demand of people for health and medical care drove the consumption upgrade of the pharmaceutical market. On the other hand, the State continued to promote the normalization of centralized drug procurement, and accelerate the restructuring, transformation and upgrading of the pharmaceutical industry. Since the second half of the year, a compliance storm has swept across the industry. A number of ministries and commissions of the State have jointly carried out a one-year medical anti-corruption campaign with efforts of unprecedented strength, which has had a major impact on the industry. Despite the many challenges faced by the pharmaceutical industry, Consun Pharmaceutical is confidently embarking on its "next 25 years" of development. In the face of an external environment filled with uncertainties, we endeavored to create certainties for Consun Pharmaceutical by adopting a series of proactive countermeasures. As such, we still achieved encouraging results with sustained positive growth in both revenue and profits, maintaining our ongoing steady development trend. In 2023, the Group recorded sales revenue of approximately RMB2.59 billion, representing an increase of approximately 10.7% over last year, and its profit attributable to equity shareholders of the Company was approximately RMB0.78 billion, representing an increase of approximately 14.9% over last year.

1. In terms of business segments, sales revenue of Consun Pharmaceutical Segment amounted to approximately RMB2.2 billion in 2023, representing a year-on-year increase of approximately 10.8%, among which:

   1) The sales revenue of kidney medicines amounted to approximately RMB1.74 billion in 2023, representing a year-on-year increase of approximately 11.0%. The Uremic Clearance Granules (尿毒清顆粒), which is the Group's flagship product, continued to maintain a steady growth and achieved sales revenue of approximately RMB1.65 billion, representing a year-on-year increase of approximately 10.2%, securing the leading position in the category of orally consumed modern Chinese medicines for nephropathy. The official release of the Clinical Application Guidelines for the Treatment of Kidney Diseases with Uremic Clearance Granules (《尿毒清顆粒治療腎臟病臨床應用指南》), which was jointly formulated by a number of national experts in the field of kidney diseases organized by the Kidney Disease Branch of the Chinese Society of Traditional Chinese Medicine, also specified the clinical positioning and advantages of Uremic Clearance Granules, providing an important reference for the scientific and reasonable use of Uremic Clearance Granules in clinical practice. At the same time, in view of the continuous and in-depth promotion of the national centralized procurement and the growing numbers of the provinces implementing centralized procurement, we strengthened our understanding of market policies and opportunities, and explored new business models adaptable to the environment of centralized procurement, thereby minimising the negative impacts. As a result, we have achieved positive year-on-year sales growth in most of the provinces implementing centralized procurement. Besides, as a key product of the Group for incubation, the Kidney Repair and Edema Alleviation Granules (益腎化濕顆粒), a product with the efficacy of raising Yang and tonifying the spleen, transforming renal dampness and inducing diuresis to alleviate edema, has shown synergistic effect with the Uremic Clearance Granules in clinical promotion, which achieved approximately RMB90 million of sales revenue in 2023, representing a year-on-year increase of approximately 25.5%.

2) Sales revenue of medical contrast medium was approximately RMB1.56 billion in 2023, representing a year-on-year slight decrease of approximately 4.6%. In December 2023, the consistency evaluation of Iopamidol injection was passed and the consistency evaluation of Gadopentetate Glucosamine injection was pending the result of approval. Besides, a number of imaging products under R&D are progressing well, which is expected to bring new impetus to the development of the imaging product line of the Group.

3) Sales revenue of gynaecology and paediatrics drugs was approximately RMB0.29 billion in 2023, representing a year-on-year increase of approximately 22.7%. As the main product of gynecological and pediatric drugs, Yuanlikang® Iron-dextrin Oral Solution (源力康®右旋糖酐鐵口服液) has the advantages of moderate-size specification, good taste, high absorption rate and basic-drug catalogue access. In addition, after it was published in the new version of the National Medical Insurance Catalogue (NMC), the medical insurance reimbursement restriction on Iron-dextrin Oral Solution has been successfully removed, which will provide additional impetus for the market development after the conversion of large-size specification, opening up a promising future.

2. The Yulin Pharmaceutical Segment recorded sales revenue of approximately RMB0.4 billion for the year 2023, representing a year-on-year increase of approximately 10.2% as compared with last year, and profit of approximately RMB40 million. We have achieved a profit for three consecutive years upon the recovery. The OTC marketing team adhered to the general policy of "speaking for the brand, pipeline empowerment and terminal sales" and enhanced its brand awareness by linking internal and external resources such as sponsoring the first National Student (Youth) Games, attending the industry summits and organising exchanges with distributors and chain customers. Zheng Gu Shui (正骨水) and Shiduqing Capsule (濕毒清膠囊) were selected as the "2022-2023 China's Listed Brands of Household Generic Drugs". Meanwhile, Yulin Pharmaceutical has also stepped up the promotion of products in hospitals. In terms of foreign trade, Yulin Pharmaceutical Group has become one of the first batch of pilot enterprises for the promotion and implementation under the Regional Comprehensive Economic Partnership (RCEP) in Guangxi, and has actively explored the markets of, among others, Japan, South Korea, Australia and New Zealand. 15 products including Zheng Gu Shui have been granted the "Export Product Brand Certificate" for three consecutive years, which fully demonstrates the overseas influence of the Group's products.

II. Results and Progress of R&D and Innovation

The Group's research and development work adheres to the policy of equal importance on independent R&D and external cooperative R&D. We have made new progress in independent R&D, explored new opportunities in cooperative R&D and made significant progress in various R&D projects:

1. Independent R&D

1) Phase II clinical statistics was completed for Astragalus Powder Tiny Pill; 2) pharmacological research on perfluoropropane lipid microsphere injection was completed; 3) the consistency evaluation of Iopamidol injection was passed; 4) Lanthanum Carbonate, Iodixanol and Gadoteric Acid Glucosamine were in progress according to the schedule.

2. *Deepening cooperation in joint external R&D*

1) SK-07, a class I innovative drug in nephrology jointly developed with WuXi AppTec, obtained the notification of approval for drug clinical trial, and entered the phase I clinical stage several months ahead of the common cases; 2) Roxadustat capsule was successfully submitted for registration and filing; progress was made as scheduled for iopromide injection, Gd-EOB-DTPA (釓塞酸二鈉) injection and empagliflozin; 3) joining hands with Xinji Pharmaceutical to build a joint laboratory for innovative preparations; 4) The scientific research team of Dongzhimen Hospital of Beijing University of Chinese Medicine presented the latest research results of Canton Love-pes Vine Herb Capsules (雞骨草膠囊) for the treatment of alcoholic liver disease at the 58th International Congress of Liver Diseases of the European Association for the Study of the Liver, which showcased the brand of Chinese medicine and promoted the culture of Chinese medicine to the world.

III. Production and supply capacity continued to increase with improving comprehensive benefits of the four major bases

In 2023, the Group's production center completed the coordinated planning for the production of Uremic Clearance Granules in the first year of centralized procurement in a more effective manner, which ensured the smooth implementation of "price for quantity". The four major production bases successfully achieved quality improvement and efficiency enhancement in management, with significant improvement in benefits: among them, Guangzhou base carried out the relevant filing and technology transfer for a number of varieties; Inner Mongolia base completed the upgrading and renovation of the production line of the solid preparation workshop, and the automatic packaging team of the solid preparation workshop won the title of "Pioneer of Workers throughout China"; Yulin Base actively carried out improvement projects such as expanding batch size of granules to further tap the potential of technological renovation, and a number of cost-curbing and efficiency-enhancement initiatives to create considerable economic benefits; and Wang Yanhong of Renhou extraction workshop of Yulin Base was honored with the title of "Guangxi May 1st Labour Medal"; The construction of the phase II of the production line project of Horgos Base in Xinjiang commenced on schedule, which will significantly increase the production capacity of Uremic Clearance Granules upon its successful commencement of production. In December 2023, Horgos Base was honored with the title of the "Excellent Private Enterprise" by Horgos Municipal Government.

IV. Continuous enhancement of brand influence

Under the guidance of the Group's strategies, Consun Pharmaceutical and Yulin have won a number of accolades, and their brand influence continued to increase, including but not limited to:

1. Consun Pharmaceutical was honored to be listed among the "China's 500 Most Valuable Brands" with a brand value of RMB11.236 billion. At the same time, it was ranked 22nd in the "Top 100 Chinese Medicine Enterprises in China", ranked among the 200 "Top-performing publicly listed Small and Midsized Companies by Forbes Asia"; and was honored with the "Annual Investment Value Award" by Gelonghui.

2. Consun Pharmaceutical Group and Consun Yulin Pharmaceutical were both awarded the "Excellent Brand Enterprise of Chinese National Medicine in 2022-2023" and other honours.

3. Yulin Pharmaceutical passed the review of "China's Time-honored Brand" and was accredited with the "National Intellectual Property Model Enterprise".

4. Uremic Clearance Granules was awarded "CPEO Gold Award" and was honored to be selected in the "Chinese Pharmaceutical Brand List" for 7 times!

5. "Zheng Gu Shui preparation method" was selected in the catalogue of the representative projects of the ninth batch of intangible cultural heritage among the class of autonomous regions, Zheng Gu Shui was awarded as "The Most Popular Star Product in Pharmacies", and Shiduqing Capsule was selected in the "Listed Brands of Household Generic Medicine in China".

V. Return to shareholders with dividend

In order to recognize the full support of all shareholders, the Board of the Company proposed to pay a final dividend of HKD0.3 per share for the year ended 31 December 2023, which together with the interim dividend of HKD0.15 per share already paid, will result in a total dividend of HKD0.45, representing approximately 42% of profit for the year.

VI. Outlook

With the onset of the year 2024, Consun Pharmaceutical Group embraces a new year of development opportunities and challenges. We have devised the development philosophy of "Pursuing Integrity for Innovation, Building Team Spirit for Sustainability" and the Group's annual operation policy of "Stabilizing Growth, Strengthening Compliance and Training Internally" in order to maintain the sustained and healthy business growth, while ensuring compliance with the industry norms and regulations, and enhancing management and core competitiveness of the Company, so as to create growth momentum and strength for Consun Pharmaceutical in the next 25 years.

Pursuing Integrity for Innovation means not losing the original vision but actively innovating. By pursuing integrity, we secure the momentum to innovate, which in turn, introduces vigour to further pursue integrity. Why do enterprises need to innovate? This is no longer a question, but an answer: the only way to survive and live longer is to innovate. In addition to ground-breaking innovations, the innovations that we are seeking are more improvements, iterations and upgrades on the existing foundation. In addition to product innovations, there are also management innovations, marketing model innovations, incentive model innovations and digital transformation, as well as the day-to-day and long-lasting efforts of each employee after correctly analysing the situation and forming a strategic determination. We believe that through continuous technological innovation and management innovation, focused and detailed operation and meticulous business capabilities, Consun Pharmaceutical will be able to better respond to market demands.

As the saying goes, "More firewood are picked up by everyone, stronger is the campfire", "A building is not supported by a single log of wood, a grand enterprise is built with the wisdom of many", and "If you want to go fast, go alone, if you want to go far, go together". It tells the truth of "Building Team Spirit for Sustainability". Employees are the most valuable assets of Consun Pharmaceutical. We will give full play to the wisdom and creativity of all of them to realize, with joint efforts, the grand blueprint of "building the flagship of nephrology and becoming a first-class pharmaceutical enterprise with multi-specialty leadership".

Guided by the principle of "Strengthening Compliance", we will further improve our compliance system and ensure that the operations of the Company are transparent and standardised so as to win the trust of our investors and working partners. At the same time, we will also focus on "Training Internally", including upgrading the professional skills of our team, optimizing internal processes and strengthening risk control, thereby ensuring a more solid foundation for the sustainable development of the Company.

Looking into 2024, the economic restructuring will continue, the development of the pharmaceutical industry will undergo a series of changes, and the coverage of industrial centralized procurement for Chinese medicines will be further expanded. Nonetheless, the logic of China's long-term positive development will remain unchanged. The upward development trend of the pharmaceutical industry will stay unchanged accordingly. We will continue to monitor the market developments, flexibly adjust the business strategies and broaden the scope of business, striving to achieve even better results in the coming year!

An Meng
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year of 2023, the Group's revenue was RMB2,590,115,000, representing an increase of approximately 10.7% as compared with RMB2,339,650,000 for 2022. Categorized by product lines, sales of kidney medicines recorded an increase of approximately 11.0% as compared with last year, among which, Uremic Clearance Granules ("**UCG**") remained 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 approximately 22.7% and has become the second largest segment of the Group in terms of revenue contribution; sales of medical contrast medium recorded a decrease of approximately 4.6% as compared with last year; sales of orthopaedics medicines recorded a decrease of approximately 12.5%; sales of dermatologic medicines recorded an increase of approximately 11.6%; sales of hepatobiliary medicines recorded an increase of approximately 71.1%. The increase in overall sales revenue was mainly due to the Group's constant commitment to expanding product markets and developing sales network across China.

Gross Profit and Gross Profit Margin

For the year of 2023, the Group's gross profit was RMB1,921,678,000, representing an increase of approximately 9.0% as compared with RMB1,762,912,000 for 2022. The increase in gross profit was mainly attributable to the increase in sales. For the year of 2023, the Group's average gross profit margin was approximately 74.2%, representing a decrease of 1.1 percentage points as compared with 75.3% for last year, which was mainly attributable to the higher average procurement prices of raw materials and the lower quantity procurement price of UCG.

Other Income

For the year of 2023, the Group's other income was RMB118,498,000 which mainly included government grants, interest income and exchange loss. Compared with RMB56,385,000 for 2022, the increase was mainly due to the increase in government support fund and interest income.

Distribution Costs

For the year of 2023, the Group's distribution costs were RMB852,206,000, representing an increase of approximately 10.4% as compared with RMB771,960,000 for 2022. The rise in distribution costs was in line with the increase in sales.

Administrative Expenses

For the year of 2023, the Group's administrative expenses remained relatively stable at RMB315,599,000 as compared with RMB322,504,000 for 2022.

Reversals of Impairment Loss on Trade and Other Receivables

For the year of 2023, the Group's reversals of impairment loss on trade and other receivables were RMB12,596,000 as compared to RMB32,493,000 for 2022, the change was mainly due to enhanced management on trade debtors and the decrease in the gross carrying amount of trade receivables past due.

Finance Costs

For the year of 2023, finance costs were RMB21,264,000, representing an increase of approximately 94.5% as compared with RMB10,933,000 for 2022, which was mainly due to the increase in interest rate of bank borrowings.

Income Tax

For the year of 2023, the Group's income tax expenses were RMB77,149,000, representing an increase of approximately 23.1% as compared with RMB62,696,000 for 2022. The effective tax rate (income tax expenses divided by profit before taxation) increased by approximately 0.5% from 8.4% for 2022 to 8.9% for 2023.

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

For the year of 2023, the Group's annual profit attributable to equity shareholders of the Company was RMB784,534,000, representing an increase of approximately 14.9% as compared with RMB682,907,000 for 2022. The basic earnings per share increased by approximately 15.1% from RMB0.86 for 2022 to RMB0.99 for 2023. The diluted earnings per share increased by approximately 14.0% from RMB0.86 for 2022 to RMB0.98 for 2023.

LIQUIDITY AND FINANCIAL RESOURCES

Trade Debtors and Bills Receivable

As at 31 December 2023, the balance of trade debtors and bills receivable was RMB255,838,000, representing a decrease of approximately 1.4% as compared with the balance of RMB259,562,000 as at 31 December 2022. Trade receivables turnover days for 2023 were 36.3 days, decreased by 11.3 days from 47.6 days for 2022, which was mainly due to enhanced management in trade debtors.

Inventories

As at 31 December 2023, the balance of inventories was RMB367,087,000, representing an increase of approximately 33.0% as compared with the balance of RMB276,080,000 as at 31 December 2022. Inventory turnover days for 2023 were 175.6 days, increased by 11.3 days from 164.3 days for 2022, which was mainly due to the increase in inventory reserve in storage in response to the expected increase in the market demand during the year.

Trade Payables

As at 31 December 2023, the balance of trade payables was RMB83,098,000, representing an increase of approximately 38.7% as compared with the balance of RMB59,891,000 as at 31 December 2022. Trade payables turnover days for 2023 were 39.0 days, which remained relatively stable as compared with 40.0 days for 2022.

Cash Flows

For the year of 2023, the Group's net cash generated from operating activities was RMB818,973,000, representing a decrease of approximately 13.6% as compared with RMB947,679,000 for 2022, which was mainly attributable to the increase in wages and salaries expenses, payment for operational procurement and tax expenses. For the year of 2023, the Group's net cash used in investing activities was RMB231,772,000, representing a decrease of approximately 37.2% as compared with the net cash used in investing activities of RMB368,804,000 for 2022, which was mainly due to the drawn–down of deposits with banks with original maturity date over three months and the increase in interest income during the year. For the year of 2023, the Group's net cash used in financing activities was RMB280,100,000, representing a decrease of approximately 18.1% as compared with the net cash used in financing activities of RMB342,205,000 for 2022. The change was mainly due to the increase in net addition of bank loans during the year.

Cash and Bank Balances and Borrowings

As at 31 December 2023, the Group's cash and bank balances, which were mainly denominated in RMB and HKD, were RMB2,748,262,000, representing an increase of approximately 12.2% as compared with RMB2,450,173,000 as at 31 December 2022. At 31 December 2023, the Group's banking facilities amounted to RMB1,450,526,000 (2022: RMB1,459,975,000) were utilised to the extent of RMB503,418,000 (2022: RMB450,521,000). As at 31 December 2023, the Group's total loans and borrowings were RMB503,418,000, which were mainly denominated in RMB and HKD, repayable within 1 year or on demand and RMB150,000,000 of which were fixed rate borrowings with interest rate ranging from 3.15% to 3.40%, representing an increase of approximately 11.7% as compared with RMB450,521,000 as at 31 December 2022 (mainly denominated in RMB and HKD, repayable within 1 year or on demand and RMB120,000,000 of which were fixed rate borrowings with interest rate ranging from 0.65% to 3.65%). There were no material seasonality of a borrowing requirements for the Group.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year of 2023. 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.

GEARING RATIO

The gearing ratio of the Group, representing the total interest bearing borrowings divided by total equity attributable to equity shareholders of the Company as at 31 December 2023 was 13.9% (31 December 2022: 14.3%). The decrease in gearing ratio was mainly due to the increase in total equity attributable to equity shareholders as a result of the increase in operating profit during the year.

EXCHANGE RATE RISKS

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

CAPITAL STRUCTURE

In 2023, the Company issued 4,044,154 ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme (adopted on 2 December 2013) (2022: 866,608 ordinary shares).

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

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments of approximately RMB532,903,000 (31 December 2022: RMB450,758,000).

INFORMATION ON EMPLOYEES

As at 31 December 2023, the Group hired a total of 3,127 employees (31 December 2022: 3,009 employees). The total staff costs (including the directors' remuneration) for the year ended 31 December 2023 was RMB483,508,000 (2022: RMB445,669,000). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

On top of basic salaries, bonus is payable by reference to the Group's performance as well as individual's performance. Other staff benefits include contributions to Mandatory Provident Fund in Hong Kong and various retirement benefits schemes and other relevant insurance, including pension funds, medical insurance and unemployment insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the prevailing regulatory requirements of the PRC. Save as disclosed above, the Group has not set up or participated in any other pension scheme(s). The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Group on 2 December 2013 (the "**Share Option Scheme**") and a share award scheme adopted on 21 July 2014 (the "**Share Award Scheme**"), where options to subscribe for shares and share awards may be granted to the Directors and employees of the Group.

The Group made considerable efforts in continuing education and training programs for its staff, to continuously enhance their knowledge, skills and team spirit. The Group regularly provided internal and external training courses for relevant staff according to their needs.

SIGNIFICANT INVESTMENTS HELD

Except for investments in its subsidiaries, during the year ended 31 December 2023, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

PLEDGE OF ASSETS

As at 31 December 2023, four of the Group's patents with a carrying amount of approximately RMB1,897,000 were pledged as collateral for the Group's borrowings (31 December 2022: Nil).

CONTINGENT LIABILITIES

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

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 year ended 31 December 2023, there was no incidence of significant non-compliance of laws and regulations that is relevant to the Group's operations.

KEY INDUSTRY POLICIES AND IMPLICATIONS

In 2023, a number of policies for the pharmaceutical sector were introduced with focuses on deepening healthcare reform, improving the medical insurance system, optimizing the healthcare system, strengthening disease prevention and treatment, promoting the development of traditional Chinese medicine, guaranteeing the safety of medicines and industry regulation, etc., thus promoting the synergistic development and governance of medical insurance, health service and medicine as well as facilitating the high-quality development of the pharmaceutical industry. The medical insurance catalogue is dynamically adjusted on a yearly basis. Centralized quantity procurement has become normalized and institutionalized, and the Chinese medicine industry has continued to develop under a favourable policy environment.

1. The Heritage and Innovative Development of Traditional Chinese Medicine Supported by the State with a Promising Future

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

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

2. Normalised Adjustment of Medical Insurance Catalogue

For several consecutive years, the medical insurance catalogue has been adjusted to list and include, amongst others, new drugs, drugs for rare diseases, national essential drugs, as well as drugs on the list of pediatric drugs encouraged for R&D and registration and the list of encouraged generic drugs, which reflected China's policy directions of encouraging innovation, staying abreast of the current demand for clinical drugs and prioritizing appropriate resources for patients with rare diseases, children and other special populations. On 13 December 2023, the National Healthcare Security Administration (the「NHSA」) issued the National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2023) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2023年)》), which shall be officially implemented from 1 January 2024.

3. Pricing Administration

In recent years, the NHSA carried out extensive works related to drug pricing. By normalizing and institutionalizing centralized quantity procurement of drugs, carrying out negotiation on the medical insurance catalogue, implementing a national pharmaceutical price monitoring project and credit evaluation system for pharmaceutical prices and tender-based procurement, it supported and facilitated fair, open and lawful market competition to maintain the normal order of pricing.

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價格公平誠信、透明均衡的通知》) at the end of December 2023. For the「drugs with four similarities」(四同藥品), i.e. drugs with the same generic names, dosage forms, specifications and manufacturers, the local authorities are required to compare the prices listed on the local network with the monitoring results, to check and identify any significant deviations from the monitoring result, and to urge and guide the enterprises to rectify the unfair and discriminatory high prices, in a bid to bring the prices back to a fairer range.

4. Centralised Quantity Drug Procurement

In 2023, quantity procurement and its supporting policies remained as the focus of centralized quantity drug procurement policies, which covered launching centralized quantity procurement on a regular basis, optimizing and improving the procurement rules continuously, strengthening the security of drug supply and quality supervision, and standardizing the continuation of national quantity procurement.

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.

The Company has adopted and complied with the code provisions (the "**Code Provisions**") as set out in Appendix C1, Corporate Governance Code, to the Listing Rules during the year ended 31 December 2023.

With effect from 17 January 2024, Ms. Li Qian has resigned from the position of an executive Director, Vice Chairlady of the Board and the Chief Executive Officer and 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 as an independent non-executive Director and ceased to be the chairman of the nomination committee of the Company, and a member of each of the audit committee of the Company and the remuneration committee of the Company as he would like to devote more time to his other personal commitments.

Following the resignation of Mr. Su, the number of the Board's independent non-executive Directors has fallen below the minimum requirement of three under Rule 3.10(1) of the Listing Rules. The Board is in the process of identifying the suitable candidate to fill the vacancy of the positions of an independent non-executive Director as soon as possible during the period of three months from the date of the resignation of Mr. Su in accordance with Rule 3.11 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 year ended 31 December 2023.

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, two of them are independent non-executive Directors, namely Ms. Chen Yujun and Mr. Feng Zhongshi, and an non-executive Director, namely Doctor Zhang Lihua. 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 Audit Committee has reviewed the Group's financial controls, risk management and internal control systems and discussed with management to ensure that management has performed its duty to have effective systems and has provided sufficient resources to financial reporting function and internal audit function. The Audit Committee has met with the Company's external auditor to ensure the effectiveness of the audit process, and has reviewed this annual results announcement, including the Company's financial information contained therein.

Scope of work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 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 audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

During the year ended 31 December 2023, the Company issued a total of 4,044,154 ordinary shares pursuant to employees' exercise of share options granted under the Share Option Scheme (adopted on 2 December 2013) at consideration ranging from HKD3.28 to HKD4.476 per share (aggregate consideration approximately: HKD15,872,000 (equivalent to approximately RMB14,202,000)). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD5.27.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeem any of the Company's listed securities during the year ended 31 December 2023.

Non-adjusting Events After the Reporting Period

After the end of the reporting period, the Directors proposed to declare a final dividend of HKD0.3 per share for the year ended 31 December 2023. Further details are disclosed in note 7 of this announcement.

After the end of the reporting period and up to the date of this announcement, the Company issued a total of 970,200 ordinary shares pursuant to employees' exercise of share options at consideration of HKD3.28 to HKD4.476 per share (aggregate consideration approximately: HKD3,843,000 (equivalent to approximately RMB3,495,000)). The weighted average closing price of the Company's shares immediately before the dates on which such share options were exercised is approximately HKD5.01.

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

Annual General Meeting

The annual general meeting will be held on Friday, 31 May 2024. Shareholders should refer to details regarding the annual general meeting in the circular of the Company to be issued in due course and the notice of the annual general meeting and form of proxy accompanying thereto.

Dividends

The Board proposed to declare a final dividend of HKD0.3 per share for the year ended 31 December 2023. The proposed final dividend is subject to approval by the shareholders of the Company at the annual general meeting to be held on Friday, 31 May 2024 and, if approved, is expected to be paid on or about Friday, 21 June 2024 to shareholders whose names appear on the register of members of the Company on Wednesday, 12 June 2024. The final dividend is declared and will be paid in HKD.

Closure of the Register of Members

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Friday, 31 May 2024, the Company's register of members will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024.

In addition, in order to qualify for the entitlements to the final dividend, all completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on Wednesday, 12 June 2024.

Publication of information on the Stock Exchange's website

This announcement is published on the websites of the Company (www.chinaconsun.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2023 will be despatched to shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 28 March 2024

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