The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

9 December 2013

The Directors
Consun Pharmaceutical Group Limited

BOCI Asia Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Consun Pharmaceutical Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 9 December 2013 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 13 December 2010 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 24 December 2012 (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company, Brilliant Reach Group Limited and Immense Value Holdings Limited, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 1(b) of Section B below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") or the relevant accounting rules and regulations applicable to enterprises in the Peoples Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013 were audited by KPMG Huazhen (Special General Partnership) in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2013.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, 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.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A CONSOLIDATED FINANCIAL INFORMATION

1 Consolidated income statement

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	**2011**	**2012**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Turnover	2	303,713	389,305	457,801	181,919	228,390
Cost of sales		(63,728)	(95,507)	(111,112)	(46,455)	(50,023)
Gross profit		239,985	293,798	346,689	135,464	178,367
Other revenue	3(a)	40,043	17,221	20,517	18,704	1,082
Distribution costs		(127,642)	(116,141)	(135,496)	(53,673)	(73,327)
Administrative expenses		(48,989)	(49,368)	(50,721)	(22,640)	(25,421)
Other net (loss)/income	3(b)	(68)	(103)	(1,927)	690	(118)
Profit before taxation	4	103,329	145,407	179,062	78,545	80,583
Income tax	5(a)	(24,071)	(38,106)	(42,856)	(18,445)	(21,517)
Profit for the year/period		79,258	107,301	136,206	60,100	59,066
Attributable to:						
Equity shareholders of the Company		79,325	107,301	136,206	60,100	59,066
Non-controlling interest		(67)	–	–	–	–
Profit for the year/period		79,258	107,301	136,206	60,100	59,066

The accompanying notes form part of this Financial Information.

2 Consolidated statement of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period	79,258	107,301	136,206	60,100	59,066
Other comprehensive income					
Exchange differences on translation of financial statements of the Company and non-PRC subsidiaries	(220)	30	(23)	(1)	(4)
Total comprehensive income for the year/period	79,038	107,331	136,183	60,099	59,062
Attributable to:					
Equity shareholders of the Company	79,105	107,331	136,183	60,099	59,062
Non-controlling interest	(67)	–	–	–	–
Total comprehensive income for the year/period	79,038	107,331	136,183	60,099	59,062

The accompanying notes form part of this Financial Information.

3 Consolidated statements of financial position

	Section B Note	As at 31 December 2010	As at 31 December 2011	As at 31 December 2012	As at 30 June 2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*9*	127,212	150,902	171,497	201,723
Lease prepayments	*10*	22,736	22,234	21,681	21,404
Other investment	*11*	2,600	2,600	2,600	2,600
Deferred tax assets	*19*	7,968	5,334	5,171	5,143
Total non-current assets		160,516	181,070	200,949	230,870
Current assets					
Inventories	*12*	34,921	20,360	22,442	30,766
Trade and other receivables	*13*	204,755	230,720	264,391	244,105
Pledged deposits	*14*	–	–	76,470	–
Cash and cash equivalents	*15*	32,021	64,871	81,755	200,865
Current tax recoverable	*19*	–	–	–	8,860
Total current assets		271,697	315,951	445,058	484,596
Current liabilities					
Trade and other payables	*16*	148,929	186,147	249,899	215,603
Loans and borrowings	*17*	–	13,600	–	37,000
Deferred income	*18*	1,350	2,100	900	–
Current tax payable	*19*	24,122	33,452	9,548	6,969
Total current liabilities		174,401	235,299	260,347	259,572
Net current assets		97,296	80,652	184,711	225,024
Total assets less current liabilities		257,812	261,722	385,660	455,894
Non-current liabilities					
Deferred income	*18*	1,985	1,942	1,898	5,767
Deferred tax liabilities	*19*	8,144	13,760	28,584	35,887
Total non-current liabilities		10,129	15,702	30,482	41,654
Net assets		247,683	246,020	355,178	414,240
Capital and reserves					
Share capital	*20(a)*	80,770	80,770	1	1
Reserves	*20(b)*	166,913	165,250	355,177	414,239
Total equity attributable to equity shareholder of the Company		247,683	246,020	355,178	414,240
Non-controlling interest	*21*	–	–	–	–
Total equity		247,683	246,020	355,178	414,240

The accompanying notes form part of this Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Attributable to equity holders of the Company: Share capital	Exchange reserve	Other reserves	PRC statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010		80,770	23	–	56,107	43,926	180,826	2,144	182,970
Changes in equity for 2010									
Profit for the year		–	–	–	–	79,325	79,325	(67)	79,258
Other comprehensive income		–	(220)	–	–	–	(220)	–	(220)
Total comprehensive income for the year		–	(220)	–	–	79,325	79,105	(67)	79,038
Appropriations to statutory reserve		–	–	–	1,976	(1,976)	–	–	–
Acquisition of non-controlling interest	21	–	–	–	–	316	316	(2,077)	(1,761)
Dividend approved in respect of the previous years	20(e)	–	–	–	–	(12,564)	(12,564)	–	(12,564)
At 31 December 2010 and 1 January 2011		80,770	(197)	–	58,083	109,027	247,683	–	247,683
Changes in equity for 2011									
Profit for the year		–	–	–	–	107,301	107,301	–	107,301
Other comprehensive income		–	30	–	–	–	30	–	30
Total comprehensive income for the year		–	30	–	–	107,301	107,331	–	107,331
Dividend approved in respect of the previous years	20(e)	–	–	–	–	(108,994)	(108,994)	–	(108,994)
At 31 December 2011 and 1 January 2012		80,770	(167)	–	58,083	107,334	246,020	–	246,020
Changes in equity for 2012									
Profit for the year		–	–	–	–	136,206	136,206	–	136,206
Other comprehensive income		–	(23)	–	–	–	(23)	–	(23)
Total comprehensive income for the year		–	(23)	–	–	136,206	136,183	–	136,183
Dividend approved in respect of the previous years	20(e)	–	–	–	–	(27,025)	(27,025)	–	(27,025)
Arising from the Reorganisation		(80,769)	–	80,769	–	–	–	–	–
At 31 December 2012		1	(190)	80,769	58,083	216,515	355,178	–	355,178

The accompanying notes form part of the Financial Information.

	Section B Note	Attributable to equity holders of the Company							
		Share capital	Exchange reserve	Other reserves	PRC statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013		1	(190)	80,769	58,083	216,515	355,178	–	355,178
Changes in equity									
Profit for the period		–	–	–	–	59,066	59,066	–	59,066
Other comprehensive income		–	(4)	–	–	–	(4)	–	(4)
Total comprehensive income for the period		–	(4)	–	–	59,066	59,062	–	59,062
At 30 June 2013		1	(194)	80,769	58,083	275,581	414,240	–	414,240
(Unaudited)									
At 1 January 2012		80,770	(167)	–	58,083	107,334	246,020	–	246,020
Changes in equity									
Profit for the period		–	–	–	–	60,100	60,100	–	60,100
Other comprehensive income		–	(1)	–	–	–	(1)	–	(1)
Total comprehensive income for the period		–	(1)	–	–	60,100	60,099	–	60,099
Dividend approved in respect of the previous years	*20(e)*	–	–	–	–	(27,025)	(27,025)	–	(27,025)
At 30 June 2012		80,770	(168)	–	58,083	140,409	279,094	–	279,094

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities						
Cash generated from operations	*15(b)*	77,255	77,145	180,605	124,524	72,800
PRC income tax paid		(8,317)	(20,526)	(51,773)	(20,649)	(25,625)
Net cash generated from operating activities		68,938	56,619	128,832	103,875	47,175
Investing activities						
Payment for acquisition of a subsidiary (note (i))		(3,039)	–	–	–	–
Interest received		1,099	1,812	2,340	802	728
Payment for purchase of property, plant and equipment		(17,689)	(31,629)	(37,334)	(12,687)	(30,514)
Proceeds received from disposal of property, plant and equipment		3,359	–	–	–	–
Payment for pledged deposits		–	–	(76,470)	–	–
Proceed from pledged deposits		–	–	–	–	76,470
Net cash (used in)/generated from investing activities		(16,270)	(29,817)	(111,464)	(11,885)	46,684
Financing activities						
Proceeds/(repayments) of loans and borrowings		–	13,600	(13,600)	(13,600)	37,000
Proceeds from issuance of shares	*20(a)*	–	–	14,028	–	–
Dividend paid		(68,924)	(7,552)	(912)	–	(11,749)
Payment for acquisition of non-controlling interest	*21*	(1,761)	–	–	–	–
Net cash (used in)/generated from financing activities		(70,685)	6,048	(484)	(13,600)	25,251
Net (decrease)/increase in cash and cash equivalents		(18,017)	32,850	16,884	78,390	119,110
Cash and cash equivalents at 1 January		50,038	32,021	64,871	64,871	81,755
Cash and cash equivalents at 31 December/30 June		32,021	64,871	81,755	143,261	200,865

Note:

(i) The Group completed the acquisition of a subsidiary in October 2009 and settled the consideration in April 2010.

The accompanying notes form part of the Financial Information.

B NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2013 are set out in Note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2012 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Company was incorporated in the Cayman Islands on 13 December 2010 as part of the Reorganisation of Guangzhou Consun Pharmaceutical Co., Ltd. ("Guangzhou Consun") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. Prior to the Reorganisation, Guangzhou Consun was the holding company of the Group. Upon completion of the Reorganisation, the Company became the Group's new holding company and Guangzhou Consun became an intermediate holding company. The ultimate controlling shareholders of the Group are Mr. YOUNG Wai Po, Peter, Mr. AN Yu Bao and Ms. LI Qian (hereinafter collectively referred to as the "Controlling Shareholders").

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of Guangzhou Consun, which was the Group's sole holding company of operating entities during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in HKFRS 3, Business combinations, with Guangzhou Consun treated as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of Guangzhou Consun with the assets and liabilities of Guangzhou Consun recognized and measured at their historical carrying amounts prior to the Reorganization.

Intra-group balances and intra-group transactions are eliminated in full in preparing the Financial Information.

As of the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ establishment	Authorised and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Brilliant Reach Group Limited	The British Virgin Islands (the "BVI") 8 June 2010	United States Dollars ("US$")50,000/ US$1	100%	–	Investment holding
Immense Value Holdings Limited	BVI 28 February 2008	US$50,000/US$1	100%	–	Investment holding

Name of company	Place and date of incorporation/ establishment	Authorised and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Century International Develop Limited	Hong Kong 27 March 2012	Hong Kong Dollars ("HK$")10,000/ HK$1	–	100%	Investment holding
Grand Reach Company Limited	Hong Kong 22 April 2008	HK$10,000/ HK$1,000	–	100%	Investment holding
Guangzhou Consun (廣州康臣藥業有限公司)*	PRC 29 December 1997	Renminbi ("RMB")80,770,000/ RMB80,770,000	–	100%	Production and sales of pharmaceutical products
Guangzhou Consun Medicine Company Limited (廣州康臣醫藥有限公司)* ("Consun Medicine")*	PRC 1 December 2003	RMB3,000,000/ RMB3,000,000	–	100%	Trading of pharmaceutical products
Guangzhou Consun Pharmaceutical Research Company Limited (廣州康臣藥物研究有限公司)* ("Consun Pharmaceutical Research")*	PRC 28 September 2005	RMB10,000,000/ RMB10,000,000	–	100%	Research and development of pharmaceutical products
Consun Pharmaceutical (Inner Mongolia) Company Limited (康臣藥業(內蒙古)有限責任公司) ("Inner Mongolia Consun")*	PRC 29 December 2005	RMB25,000,000/ RMB25,000,000	–	100%	Production and sales of pharmaceutical products
Inner Mongolia Kangyuan Pharmaceutical Company Limited (內蒙古康源藥業有限公司) ("Inner Mongolia Kangyuan")*	PRC 13 June 2000	RMB19,161,000/ RMB19,161,000	–	100%	Production and sales of pharmaceutical products

* The official name of the entity is in Chinese. The English translation of the entity's name is for reference only.

Details of the Company and its subsidiaries that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out below:

Name of company	Financial period	Statutory auditors
Century International Develop Limited	Period from 27 March 2012 to 31 December 2012	Norman Chan & Company (陳業文會計師事務所)
Grand Reach Company Limited	Years ended 31 December 2010, 2011 and 2012	Norman Chan & Company (陳業文會計師事務所)
Guangzhou Consun	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Guangzhou Consun Medicine Company Limited	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Guangzhou Consun Pharmaceutical Research Company Limited	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Inner Mongolia Consun	Years ended 31 December 2010, 2011 and 2012	Guangdong TinWha Huayue Certified Public Accountants Co., Ltd (廣東天華華粵會計師事務所有限公司)
Inner Mongolia Kangyuan	Years ended 31 December 2010 and 2011	Tongliao Mingda Certified Public Accountants Co., Ltd (通遼明達會計師事務所有限公司)
	Year ended 31 December 2012	Tongliao Xinda Certified Public Accountants Co., Ltd (通遼信達會計師事務所有限公司)

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand and is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 26.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The income and expenses of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 1(f)).

(f) Other investment

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Other investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statements of financial position at cost less impairment losses (Note 1(j)).

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (Note 1(j)):

– Buildings held for own use which are situated on leasehold land classified as held under operating leases (Note 1(i)); and

– Other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

–	Machinery and equipment	10 years
–	Motor vehicles	5 years
–	Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses (Note 1(j)). Cost comprises direct costs of construction during the construction period. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially complete and ready for its intended use. No depreciation is provided in respect of construction in progress.

(h) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(i) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses (Note 1(j)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

– Property, plant and equipment, and

– Lease prepayment;

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, expect that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 1(j)).

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Annual contributions to retirement benefit schemes operated by the government in the PRC are recognised in the profit or loss as and when incurred.

(q) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of reduced depreciation expense.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) 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 on sales of pharmaceutical products. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8, *Operating Segments*. In this regard, no segment information is presented for the Relevant Periods.

No geographic information is shown as the Group's operating profit is entirely derived from activities of manufacture and sale of pharmaceutical products in the PRC.

2 Turnover

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

Revenue represents the sales value of goods supplied to customers. Revenue excludes sales taxes and surcharges and is after deduction of any trade discounts. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Kidney medicines	232,931	303,604	352,704	132,536	175,029
Contrast medium	43,520	51,662	65,272	30,701	40,347
Others	27,262	34,039	39,825	18,682	13,014
	303,713	389,305	457,801	181,919	228,390

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. Revenues from this customer amounted to approximately RMB42,494,000, RMB69,700,000, RMB82,041,000, RMB30,989,000 (unaudited) and RMB46,278,000 for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 respectively. Details of concentrations of credit risk arising from this customer are set out in Note 22(a).

3 Other revenue and other net (loss)/income

(a) Other revenue

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants					
– Unconditional subsidies (i)	38,724	10,405	16,930	16,680	323
– Conditional subsidies (Note 18)	43	1,543	1,244	1,222	31
Interest income	1,099	1,812	2,340	802	728
Others	177	3,461	3	–	–
	40,043	17,221	20,517	18,704	1,082

Note:

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

(b) Other net (loss)/income

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loss on disposal of fixed assets	(55)	–	(2,379)	(36)	(569)
Others	(13)	(103)	452	726	451
	(68)	(103)	(1,927)	690	(118)

4 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, wages, bonuses and benefits	54,644	56,321	72,452	30,604	41,182
Contribution to retirement schemes	2,047	1,801	1,991	723	1,529
	56,691	58,122	74,443	31,327	42,711

Staff costs includes directors' and senior management's remuneration (Note 6 and Note 7).

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

(b) Other items

		Year ended 31 December			Six months ended 30 June	
	Note	**2010**	**2011**	**2012**	**2012**	**2013**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Depreciation	9	10,409	10,066	11,161	5,464	6,139
Amortisation	10	553	553	553	277	277
Auditor's remuneration		320	103	354	312	75
Impairment losses for doubtful debts	13(b)	3,314	1,128	779	648	228
Operating lease charges		125	123	93	12	2
Research and development cost#		12,791	14,312	13,423	5,368	4,771
Cost of inventories*	12	63,728	95,507	111,112	46,455	50,023

\# During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, research and development cost include RMB6,180,000, RMB6,189,000, RMB6,953,000, RMB3,262,000 (unaudited) and RMB2,437,000 relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 4(a) for each of these types of expenses.

* During the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, cost of inventories include RMB16,069,000, RMB17,172,000, RMB22,472,000, RMB9,807,000 (unaudited) and RMB13,575,000 relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in the Note 4(a) for each of these types of expenses.

5 Income tax

(a) Taxation in consolidated statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current tax					
Provision for PRC income tax for the year/period	20,731	29,856	27,869	13,042	14,186
Deferred tax					
Origination of temporary differences	3,340	8,250	14,987	5,403	7,331
	24,071	38,106	42,856	18,445	21,517

(i) Pursuant to the rules and regulations of the Cayman Islands and 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 years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which was effective from 1 January 2008. As a result of the new tax law, taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified.

Prior to 1 January 2008, Inner Mongolia Consun, being a production-oriented foreign investment enterprise, was entitled to a two-year full exemption from income tax followed by a three-year 50% reduction in income tax rate (the "2+3 tax holiday") starting from the first profit-making year. Under the new tax law and its relevant regulations, the 2+3 tax holiday is subject to a grandfather arrangement until the original expiry on the condition that the first year of the 2+3 tax holiday must commence by 1 January 2008. Accordingly, Inner Mongolia Consun started to enjoy the 2+3 tax holidays in 2008 and was exempted from PRC income tax from 2008 to 2009. It is subject to PRC income tax at 12.5% from 2010 to 2012. As Inner Mongolia Consun was certified as an Advanced and New Technology Enterprise ("ANTE"), it was entitled to the preferential income tax rate of 15% from 2012 to 2014.

As Guangzhou Consun was certified as an ANTE, it was entitled to the preferential income tax rate of 15% from 2008 to 2010. In 2011, Guangzhou Consun successfully renewed its ANTE qualification and was entitled to the preferential income tax rate of 15% from 2011 to 2013.

(iv) According to the new 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.

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

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation for the year/period	103,329	145,407	179,062	78,545	80,583
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	25,834	36,363	44,769	19,633	20,635
Effect of non-deductible expenses	8,734	5,230	9,816	2,841	4,322
Effect of tax concession	(20,014)	(15,961)	(26,016)	(10,026)	(10,409)
PRC dividend withholding tax	9,517	12,474	14,287	5,997	6,969
Actual tax expenses	24,071	38,106	42,856	18,445	21,517

6 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	722	–	–	722
Ms. LI Qian	–	651	–	20	671
Mr. ZHU Quan	–	440	–	–	440
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,912	–	20	1,932

	Year ended 31 December 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	872	–	–	872
Ms. LI Qian	–	753	–	21	774
Mr. ZHU Quan	–	799	–	–	799
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	2,523	–	21	2,544

	Year ended 31 December 2012				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	1,082	–	–	1,082
Ms. LI Qian	–	973	–	21	994
Mr. ZHU Quan	–	773	–	–	773
Non-executive directors					
Mr. WANG Zi Han	–	99	–	–	99
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	2,927	–	21	2,948

	Six months ended 30 June 2013				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	540	–	–	540
Ms. LI Qian	–	486	–	10	496
Mr. ZHU Quan	–	371	–	–	371
Non-executive directors					
Mr. WANG Zi Han	–	50	–	–	50
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,447	–	10	1,457

	Six months ended 30 June 2012 (Unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. AN Yubao	–	541	–	–	541
Ms. LI Qian	–	487	–	10	497
Mr. ZHU Quan	–	383	–	–	383
Non-executive directors					
Mr. WANG Zi Han	–	50	–	–	50
Mr. YOUNG Wai Po, Peter	–	–	–	–	–
Mr. WANG Shunlong	–	–	–	–	–
Independent non-executive directors					
Mr. SU Yuanfu	–	–	–	–	–
Mr. FENG Zhongshi	–	–	–	–	–
Ms. CHENG Xinxin	–	–	–	–	–
	–	1,461	–	10	1,471

Mr. AN Yubao was appointed as executive director on 24 January 2011. Ms. LI Qian and Mr. ZHU Quan were appointed as executive directors on 24 December 2012.

Mr. WANG Zi Han, Mr. YOUNG Wai Po, Peter and WANG Shunlong were appointed as non-executive directors on 24 December 2012.

Mr. SU Yuanfu, Mr. FENG Zhongshi and Ms. CHENG Xinxin were appointed as independent non-executive directors on 2 December 2013.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

7 Individuals with highest emoluments

Of the five individuals with highest emoluments, three are directors of the Company during the Relevant Periods whose emoluments are disclosed in Note 6. The aggregate of the emoluments in respect of the other two individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowance and benefits in kind	990	1,039	1,369	550	824
Contributions to retirement scheme	19	19	23	10	5
	1,009	1,058	1,392	560	829

The emoluments of these remaining individuals with the highest emoluments are within the band HK$ Nil to HK$1,000,000 for the Relevant Periods.

8 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of the results for the Relevant Periods.

9 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2010	91,488	43,241	10,000	7,311	1,748	153,788
Transfer from CIP	1,914	–	–	–	(1,914)	–
Other additions	3,657	2,582	6	1,037	13,124	20,406
Disposals	(3,560)	(129)	(742)	(90)	–	(4,521)
At 31 December 2010 and 1 January 2011	93,499	45,694	9,264	8,258	12,958	169,673
Transfer from CIP	15,018	200	–	–	(15,218)	–
Other additions	3,297	5,711	387	993	23,368	33,756
At 31 December 2011 and 1 January 2012	111,814	51,605	9,651	9,251	21,108	203,429
Transfer from CIP	21,571	3,862	–	60	(25,493)	–
Other additions	2,849	4,802	819	3,434	22,231	34,135
Disposals	(1,073)	(6,814)	(1,152)	(2,306)	–	(11,345)
At 31 December 2012 and 1 January 2013	135,161	53,455	9,318	10,439	17,846	226,219
Other additions	211	561	38	1,167	34,957	36,934
Disposals	–	(2,118)	(316)	(1,042)	–	(3,476)
At 30 June 2013	135,372	51,898	9,040	10,564	52,803	259,677
Accumulated depreciation:						
At 1 January 2010	(11,688)	(12,065)	(5,848)	(3,558)	–	(33,159)
Charge for the year	(3,527)	(4,786)	(1,161)	(935)	–	(10,409)
Written back on disposals	244	114	668	81	–	1,107
At 31 December 2010 and 1 January 2011	(14,971)	(16,737)	(6,341)	(4,412)	–	(42,461)
Charge for the year	(3,636)	(4,489)	(904)	(1,037)	–	(10,066)
At 31 December 2011 and 1 January 2012	(18,607)	(21,226)	(7,245)	(5,449)	–	(52,527)
Charge for the year	(4,472)	(4,895)	(610)	(1,184)	–	(11,161)
Written back on disposal	316	5,714	1,042	1,894	–	8,966
At 31 December 2012 and 1 January 2013	(22,763)	(20,407)	(6,813)	(4,739)	–	(54,722)
Charge for the period	(2,597)	(2,583)	(294)	(665)	–	(6,139)
Written back on disposal	–	1,854	169	884	–	2,907
At 30 June 2013	(25,360)	(21,136)	(6,938)	(4,520)	–	(57,954)
Net book value:						
At 31 December 2010	78,528	28,957	2,923	3,846	12,958	127,212
At 31 December 2011	93,207	30,379	2,406	3,802	21,108	150,902
At 31 December 2012	112,398	33,048	2,505	5,700	17,846	171,497
At 30 June 2013	110,012	30,762	2,102	6,044	52,803	201,723

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group was applying for certificates of ownership for certain properties, with carrying value of RMB620,000, RMB12,726,000, RMB29,573,000 and RMB29,120,000 respectively. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

10 Lease prepayments

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
As at the beginning of the year/period	26,057	26,057	26,108	26,108
Other addition	–	51	–	–
As at the end of the year/period	26,057	26,108	26,108	26,108
Accumulated amortisation:				
As at the beginning of the year/period	(2,768)	(3,321)	(3,874)	(4,427)
Charge for the year/period	(553)	(553)	(553)	(277)
As at the end of the year/period	(3,321)	(3,874)	(4,427)	(4,704)
Net book value:				
As at the end of the year/period	22,736	22,234	21,681	21,404

Lease prepayments represent prepayments for land use rights paid to the PRC authorities. The leasehold lands are located in the PRC, on which the Group's manufacturing plants were built. The Group was granted land used rights for a period of 50 years initially and the remaining period range from 36 to 46 years.

11 Other investment

Other investment of the Group represents an investment in a domestic medicine manufacturer located in Inner Mongolia autonomous region of the PRC. The Group owns a 5% equity interest in the domestic medicine manufacturer. There is not a quoted market price in an active market for the investment. Quoted prices in active market for similar investment or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted other investment is stated at cost less impairment, if any, in the Financial Information.

12 Inventories

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	12,171	10,168	13,178	8,268
Work in progress	3,945	2,480	4,330	8,063
Finished goods	18,805	7,712	4,934	14,435
	34,921	20,360	22,442	30,766

The analysis of the amount of inventories recognised as an expense and included in the consolidated statements of comprehensive income is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold	62,333	95,102	109,447	49,694
Write down of inventories	1,395	405	1,665	329
	63,728	95,507	111,112	50,023

13 Trade and other receivables

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade debtors	26,465	66,625	64,492	25,602
Bills receivable	152,503	156,426	192,090	178,029
Less: Allowance for doubtful debtors	(6,227)	(7,328)	(8,107)	(5,913)
Trade receivables	172,741	215,723	248,475	197,718
Other receivables	25,666	7,774	4,992	26,776
Prepayments	6,348	7,223	10,924	19,611
	204,755	230,720	264,391	244,105

As at 31 December 2012, bills receivable with the carrying amounts of RMB63,351,000 were pledged to secure a financial guarantee issued to an entity controlled by a director (see Note 24).

(a) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	167,032	209,520	246,041	178,043
3 to 12 months	1,929	2,315	2,434	17,051
Over 12 months	3,780	3,888	–	2,624
	172,741	215,723	248,475	197,718

Trade receivables are due within 180 days from the date of billing.

(b) ***Impairment of trade debtors and bills receivable***

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (Note 1(j)).

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	3,075	6,227	7,328	8,107
Impairment loss recognized	3,314	1,128	779	228
Uncollectible amounts written off	(162)	(27)	–	(2,422)
At 31 December/30 June	6,227	7,328	8,107	5,913

The Group's trade debtors of RMB10,323,000, RMB10,337,000, RMB8,178,000 and RMB9,526,000 as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively 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.

(c) ***Trade debtors and bills receivable that are not impaired***

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	164,823	209,429	246,041	193,094
Less than 1 month past due	427	701	847	281
1 to 3 months past due	194	236	720	136
More than 3 months but less than 12 months past due	1,998	1,846	796	594
More than 12 months past due	1,203	502	–	–
	3,822	3,285	2,363	1,011
	168,645	212,714	248,404	194,105

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14 Pledged deposits

The amount represents bank deposits pledged to secure a financial guarantee issued to an entity controlled by a director as at 31 December 2012 (see Note 24).

15 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	31,934	64,834	81,736	200,855
Cash on hand	87	37	19	10
	32,021	64,871	81,755	200,865

(b) Reconciliation of profit before taxation to cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	103,329	145,407	179,062	78,545	80,583
Adjustments for					
Depreciation	10,409	10,066	11,161	5,464	6,139
Amortisation	553	553	553	277	277
Provision for doubtful debts	3,314	1,128	779	648	228
Interest income	(1,099)	(1,812)	(2,340)	(802)	(728)
Loss on disposal of property, plant and equipment	55	–	2,379	36	569
Adjustments for					
(Increase)/decrease in inventories	(15,453)	14,561	(2,082)	(2,089)	(8,324)
(Increase)/decrease in trade and other receivables	(48,152)	(28,855)	(31,546)	2,335	26,148
Increase/(decrease) in trade and other payables	24,342	(64,610)	23,883	41,332	(35,061)
(Decrease)/increase in deferred income	(43)	707	(1,244)	(1,222)	2,969
Cash generated from operations	77,255	77,145	180,605	124,524	72,800

16 Trade and other payables

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	32,025	16,269	31,976	24,495
Receipts in advance	42,159	8,142	5,770	4,826
Accrued expenses	27,539	25,658	24,810	18,914
Employee benefits payable	13,976	14,048	21,803	13,603
Dividends payable	2,500	104,239	130,352	118,603
Amount due to related parties	444	1,333	16,669	5,180
Other payables	30,286	16,458	18,519	29,982
	148,929	186,147	249,899	215,603

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	24,762	14,105	28,584	10,151
1 to 12 months	5,389	925	1,188	12,787
Over 12 months	1,874	1,239	2,204	1,557
	32,025	16,269	31,976	24,495

17 Loans and borrowings

The analysis of the carrying amount of loans and borrowings is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured loans from local government	–	13,600	–	37,000

During the year ended 31 December 2011, the Finance Bureau of Tongliao City had granted loans of RMB13,600,000 to Inner Mongolia Kangyuan. The loans are unsecured, interest-free and repayable on demand.

During the six months ended 30 June 2013, the Finance Bureau of Tongliao City had granted loans of RMB37,000,000 to Inner Mongolia Consun. The loans are unsecured, interest-free and repayable in September 2013.

18 Deferred income

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	3,378	3,335	4,042	2,798
Additions	–	2,250	–	3,000
Credited to profit or loss	(43)	(1,543)	(1,244)	(31)
At 31 December/30 June	3,335	4,042	2,798	5,767
Represented:				
Current portion	1,350	2,100	900	–
Non-current portion	1,985	1,942	1,898	5,767
	3,335	4,042	2,798	5,767

As at 31 December 2010, 2011 and 2012 and 30 June 2013, 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.

Deferred government grants relating to research and development projects will be recognised as income in the same periods in which the expenses for the development project are incurred. Deferred government grants relating to purchase of land use rights will be recognised as income on a straight-line basis over the expected useful life of the relevant land use rights.

19 Income tax in the consolidated statements of financial position

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	11,708	24,122	33,452	9,548
Provision of PRC income tax for the year/period	20,731	29,856	27,869	14,186
PRC income tax paid during the year/period	(8,317)	(20,526)	(51,773)	(25,625)
At 31 December/30 June*	24,122	33,452	9,548	(1,891)
Represented:				
Current tax recoverable	–	–	–	(8,860)
Current tax payable	24,122	33,452	9,548	6,969
	24,122	33,452	9,548	(1,891)

* As at 30 June 2013, the tax recoverable of RMB8,860,000 represents the PRC income tax paid in advance by Inner Mongolia Consun. As agreed with the local tax authority, it can be utilized to offset the future tax payable.

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax assets/(liabilities) arising from:	Withholding tax on future dividend income from PRC subsidiaries	Unused tax losses#	Provisions and accruals	Fair value adjustment from business acquisition	Intra group unrealised profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	(8,037)	3,533	1,292	(2,117)	8,493	3,164
Credited/(charged) to profit or loss	(9,517)	2,232	911	(393)	3,427	(3,340)
At 31 December 2010 and 1 January 2011	(17,554)	5,765	2,203	(2,510)	11,920	(176)
Credited/(charged) to profit or loss	1,638*	(3,744)	1,110	113	(7,367)	(8,250)
At 31 December 2011 and 1 January 2012	(15,916)	2,021	3,313	(2,397)	4,553	(8,426)
Credited/(charged) to profit or loss	(14,287)	(729)	566	114	(651)	(14,987)
At 31 December 2012 and 1 January 2013	(30,203)	1,292	3,879	(2,283)	3,902	(23,413)
Credited/(charged) to profit or loss	(6,969)	682	(710)	56	(390)	(7,331)
At 30 June 2013	(37,172)	1,974	3,169	(2,227)	3,512	(30,744)

* These amounts include the provision of withholding tax on profits of the PRC subsidiaries amounting to RMB12,474,000 for the year ended 31 December 2011, and the reversal of deferred tax liabilities on withholding tax upon distribution of dividends amounting to RMB14,112,000 during the year ended 31 December 2011. Upon the distribution of dividends, the Group is required to pay income tax.

Deferred tax assets are recognised on unused tax losses of certain subsidiaries of the Group. They are now progressing to their normal operation stage and are deriving profits. Accordingly, it is considered probable that sufficient taxable profits will be available in the future to utilize their unused tax losses before they expire.

(c) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax asset recognised in the consolidated statements of financial position	7,968	5,334	5,171	5,143
Net deferred tax liability recognised in the consolidated statements of financial position	(8,144)	(13,760)	(28,584)	(35,887)
At 31 December/30 June	(176)	(8,426)	(23,413)	(30,744)

20 Capital, reserve and dividends

(a) Share capital

For the purpose of the Financial Information, as at 31 December 2010 and 2011, the share capital represented share capital of Guangzhou Consun, which was the holding company of the Group before the completion of the Reorganisation.

The Company was incorporated in the Cayman Islands on 13 December 2010 as part of the Group's Reorganisation which was completed on 24 December 2012 and became the holding company of the Group since then. Share capital as at 31 December 2012 and 30 June 2013 represented the share capital of the Company.

Authorised shares of the Company

	No. of shares	Amount
		HK$'000
Ordinary share of HK$0.10 each	1,000,000	100,000

Ordinary shares of the Company

	Number of shares	Nominal value of fully paid shares	Nominal value of fully paid shares
		HK$'000	*RMB'000*
At 13 December 2010 (date of incorporation) issue of one ordinary share of HK$0.10 each	1	–	–
Shares issued upon Reorganisation	9,999	1	1
As at 31 December 2012 and 30 June 2013	10,000	1	1

As part of the Reorganisation, the Company allotted and issued 6,899 shares to Cannopus Investments Limited, a company controlled by the Controlling Shareholders, for a consideration of RMB161,319,000 on 29 March 2012.

On the same date, the Company allotted and issued 600 shares to Double Grace International Limited, Assets Builder Consultants Limited, Wealthy Hero Limited and Loyal Team Management Limited for aggregated considerations of RMB14,028,000. The consideration was received by Century International Develop Limited, a wholly owned subsidiary, on behalf of the Company.

On the same date, the Company allotted and issued 2,500 shares, credited as fully paid, to Ample Wise Holdings and First Kind International Limited, in consideration for the 100% equity interests of Ample On Investment Limited and Immense Value Holdings Limited. Ample On Investment Limited and Immense Value Holdings Limited indirectly owns 25% equity interest of Guangzhou Consun.

On 19 November 2012, Century International Develop Limited acquired 69% equity interest in Guangzhou Consun for a consideration of RMB161,319,000. The consideration was set off pursuant to a set-off agreement dated 24 December 2012, entered into among Cannopus Investments Limited, Century International Develop Limited and the Company. On 19 November 2012, Century International Develop Limited further acquired 6% equity interest in Guangzhou Consun for aggregated considerations of RMB14,028,000. Upon the completion of Reorganisation, the Company and Century International Develop Limited indirectly and directly owns 100% and 75% equity interest of Guangzhou Consun respectively.

(b) Nature and purpose of reserves

(i) PRC statutory reserves

Pursuant to the articles of association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC, until the general reserve fund was equal to 50% of the entity's registered capital. The percentage for this appropriation was decided by the directors of the respective subsidiaries. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

As at 31 December 2010, the surplus reserve balances of Guangzhou Consun and Inner Mongolia Consun had reached 50% of their registered capital respectively, and no further appropriation was made as of 31 December 2011 and 2012. Other PRC subsidiaries of the Group had made losses during the Relevant Periods or had accumulated losses, no appropriation was made accordingly.

(c) Distributability of reserves

The Company was incorporated on 13 December 2010 and has not carried out any business since the date on incorporation. Accordingly, there was no reserve available for distribution to equity holders as of 31 December 2010, 2011 and 2012 and 30 June 2013.

(d) Other reserves

The other reserves of the Group represent the difference between (a) the nominal value of share capital of Guangzhou Consun; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group completed on 24 December 2012.

The other reserves of the Company represent the difference between (a) the consolidated net assets of the subsidiaries acquired; and (b) the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group.

(e) Dividends

Dividends payable to equity holders attributable to the previous financial years, approved and paid during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Dividends declared and approved to equity holders of the Group....	12,564	108,994	27,025	27,025	–

On 14 December 2010, 18 October 2011 and 28 March 2012, the Group declared dividends of RMB12,564,000, RMB108,994,000 and RMB27,025,000 to its equity holders. All dividends declared during the Relevant Period represent dividends attributable to previous financial years.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity. The Group did not have adjusted net debt during the Relevant Periods.

During the Relevant Periods, the Group's strategy was to maintain the debt-to-equity ratio at a level considered reasonable by the Group's management from time to time with reference to the prevailing market conditions. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares or raise new debt financing.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

21 Acquisition of non-controlling interests

On 19 March 2010, the Group acquired 36.68% equity interests in Inner Mongolia Kangyuan with a cash consideration of RMB1,761,000. Through the acquisition, the Group increased its effective equity interests in Inner Mongolia Kangyuan from 63.32% to 100%. The carrying amount of Inner Mongolia Kangyuan's net assets in the consolidated financial statements on the date of the acquisition was RMB5,662,000. The Group recognised a decrease in non-controlling interests of RMB2,077,000 and an increase in retained earnings of RMB316,000.

The following table summarises the effect of changes in the Group's equity interest in Inner Mongolia Kangyuan:

	The year ended 31 December 2010
	RMB'000
Equity interest in Inner Mongolia Kangyuan as at 1 January 2010	3,702
Effect of increase in Inner Mongolia Kangyuan's equity interest	2,077
Share of comprehensive income during the year ended 31 December 2010	210
Equity interest in Inner Mongolia Kangyuan as at 31 December 2010	5,989

22 Financial risk management and fair values

Exposure to credit and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 180 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2010, 2011 and 2012 and 30 June 2013, 14%, 31%, 26% and 25% of the total trade receivables were due from the Group's largest customer and 19%, 44%, 48% and 47% of the total trade receivables were due from the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 13.

(b) Liquidity risk

The Group's approach in managing liquidity is to ensure, as far as possible, that the Group maintains sufficient reserves of liquid funds to meet its liabilities when they fall due, under both normal and stressed conditions.

The following are the contractual maturities of financial liabilities (exclude receipts in advance), which are based on contractual undiscounted cash flows (including interest payments computed at contracted rates) and the earliest date the Group can be required to repay:

	At 31 December 2010 Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	106,770	–	106,770	106,770

	At 31 December 2011 Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	13,600	–	13,600	13,600
Trade and other payables	178,005	–	178,005	178,005
Total	191,605	–	191,605	191,605

	At 31 December 2012 Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	244,129	–	244,129	244,129

	At 30 June 2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	37,000	–	37,000	37,000
Trade and other payables	210,777	–	210,777	210,777
Total	247,777	–	247,777	247,777

(c) Fair values

The carrying amounts of all financial assets and liabilities carried at amortised cost approximate their respective fair values as at 31 December 2010, 2011 and 2012 and 30 June 2013 due to the short maturities of these instruments. The fair value of the loans and borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(d) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(ii) Loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

23 Capital commitments

Capital commitments outstanding at each end of the reporting period not provided for in the Financial Information were as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	4,489	4,203	23,387	13,539

24 Contingent liabilities

As at 31 December 2012, Guangzhou Consun issued a financial guarantee to Central Success Developments Limited, a related party, in connection with a banking facility granted by a bank, which was secured by pledged deposits and bills receivable of Guangzhou Consun of RMB76,470,000 (Note 14) and RMB63,351,000 (Note 13) respectively.

As at 31 December 2012, the directors do not consider it probable that a claim will be made against Guangzhou Consun under the guarantee. The maximum liability of Guangzhou Consun under the guarantee issued is the facility drawn down by Central Success Developments Limited of RMB118,000,000. The financial guarantee was released by the bank in March 2013.

25 Material related party transactions

During the Relevant Periods, the directors are of the view that related parties of the Group include the following companies:

Name of related party	Relationship with the Group
Cannopus Investments Limited	An entity controlled by a director
Central Success Developments Limited	An entity controlled by a director
Faithful Gain Investments Limited ("Faithful Gain")	An entity controlled by a director
Guangzhou Qian'an Investment Co., Ltd. ("Qian'an")	An entity controlled by a director
First Kind International Limited ("First Kind")	An entity controlled by a shareholder
Hony Capital Fund III, L.P ("Hony Capital")	An intermediate shareholder of the Group
Guangzhou Kangsheng Investment Consultancy Co., Ltd. ("Kangsheng")	An entity controlled by key management personnel
Guangzhou Kangli Investment Consultancy Co., Ltd. ("Kangli")	An entity controlled by key management personnel
Guangzhou Kangji Investment Consultancy Co., Ltd. ("Kangji")	An entity controlled by key management personnel
Assets Builder Consultants Limited ("Assets Builder")	An entity controlled by a director
Double Grace International Limited ("Double Grace")	An entity controlled by a director
Wealthy Hero Limited ("Wealthy Hero")	An entity controlled by key management personnel
Loyal Team Management Limited ("Loyal Team")	An entity controlled by key management personnel

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 6 and certain of the highest paid employees as disclosed in Note 7, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other benefits	3,281	4,006	4,822	2,282	2,875
Retirement scheme of defined contribution...............................	54	55	62	28	35
	3,335	4,061	4,884	2,310	2,910

Total remuneration is included in "staff costs" (see Note 4(a)).

(b) Financial guarantees

As at 31 December 2012, a financial guarantee amounted to RMB118 million was issued by Guangzhou Consun to Central Success Developments Limited in connection with a banking facility granted by a bank. The financial guarantee was released by the bank in March 2013.

(c) ***Balances with other related parties***

As at the end of the reporting period, the Group had the following balances with related parties:

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable				
– Cannopus Investments Limited	2,350	94,691	94,691	84,051
– Hony Capital	150	150	26,323	26,317
– Faithful Gain	–	6,756	6,756	6,163
– Kangsheng	–	1,429	1,409	1,129
– Kangli	–	683	663	533
– Kangji	–	530	510	410
	2,500	104,239	130,352	118,603
Other payables				
– Cannopus Investments Limited	444	1,333	1,333	1,896
– First Kind	–	–	1,135	3,111
– Assets Builder	–	–	24	24
– Wealthy Hero	–	–	37	37
– Double Grace	–	–	88	88
– Loyal Team	–	–	24	24
– Qian'an*	–	–	9,913	–
– Kangsheng*	–	–	2,226	–
– Kangli*	–	–	1,063	–
– Kangji*	–	–	826	–
	444	1,333	16,669	5,180

* As part of the Reorganization, the Group acquired 6% equity interest in Guangzhou Consun from Qian'an, Kangsheng, Kangli and Kangji for considerations of RMB14,028,000 in aggregate. The considerations were settled in March 2013.

The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment. The balances will be settled prior to the listing of Company's shares on the Stock Exchange.

26 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value.

The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future years is adjusted if there are significant changes from previous estimation.

(b) Impairments

(i) In considering the impairment losses that may be required for certain property, plant and equipment and lease prepayments, recoverable amount of these assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

(ii) Impairment losses for investment in equity securities and doubtful debts are assessed and provided based on the directors' regular review of aging analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment losses would affect the net profit or loss in future years.

27 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued of a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in these financial statements. There include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities	1 January 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9, Financial instruments (2009)	1 January 2015
HKFRS 9, Financial instruments (2010)	1 January 2015
Amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: Disclosures – Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact of the Group's results of operations and financial position.

C FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the Cayman Islands on 13 December 2010 with the authorised share capital of HK$100,000 divided into 1,000,000 Shares of HK$0.10 each. The Company has not carried on any business since the date of incorporation to 30 June 2013.

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investment in subsidiaries	–	–	342,444	342,444
Current assets				
Amount due from a subsidiary	–	–	14,028	14,028
Other receivables	–	–	1,135	3,062
Total current assets	–	–	15,163	17,090
Current liabilities				
Other payables	341	614	2,429	4,405
Net current (liabilities)/assets	(341)	(614)	12,734	12,685
Total assets less current (liabilities)/assets	(341)	(614)	355,178	355,129
Capital and reserves				
Share capital	–	–	1	1
Reserves	(341)	(614)	355,177	355,128
Total equity	(341)	(614)	355,178	355,129

Capital and reserves

Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Other reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shares issued on 13 December 2010	–	–	–	–
Total comprehensive income for the year	–	–	(341)	(341)
At 31 December 2010 and 1 January 2011	–	–	(341)	(341)
Total comprehensive income for the year	–	–	(273)	(273)
At 31 December 2011 and 1 January 2012	–	–	(614)	(614)
Shares issued upon Reorganisation (Note 20(a) and (d) of Section B)	1	356,472	–	356,473
Total comprehensive income for the year	–	–	(681)	(681)
At 31 December 2012 and 1 January 2013	1	356,472	(1,295)	355,178
Total comprehensive income for the period	–	–	(49)	(49)
At 30 June 2013	1	356,472	(1,344)	355,129

D SUBSEQUENT EVENTS

(a) Dividends appropriation

On 20 October 2013, the Company declared a special dividend of RMB51,555,000. The dividend declared after the end of Relevant Period has not been recognised as a liability as at 30 June 2013.

(b) Capitalisation issue

Pursuant to written resolution of the Company's shareholders passed on 2 December 2013, conditional upon the crediting of the share premium account of the Company as a result of the issue of the shares pursuant to the global offering set out in the section headed "STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING" in the Prospectus, the Company capitalises an amount of HK$74,999,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par of 749,990,000 shares, each of which will be allotted and issued to the shareholder of the Company.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2013.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong