



# 福森藥業有限公司

## FUSEN PHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1652



# 2020

## INTERIM REPORT

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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Cao Changcheng (*Chairman*)  
Mr. Cao Zhiming  
Mr. Hou Taisheng  
Ms. Meng Qingfeng  
Mr. Chi Yongsheng

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sze Wing Chun  
Mr. Lee Kwok Tung, Louis  
Mr. Ho Ka Chun (resigned on 10 July 2020)  
Dr. To Kit Wa (appointed on 13 August 2020)

## AUDIT COMMITTEE

Mr. Sze Wing Chun (*Chairman*)  
Mr. Ho Ka Chun (resigned on 10 July 2020)  
Mr. Lee Kwok Tung, Louis  
Dr. To Kit Wa (appointed on 13 August 2020)

## NOMINATION COMMITTEE

Mr. Cao Changcheng (*Chairman*)  
Mr. Ho Ka Chun (resigned on 10 July 2020)  
Mr. Lee Kwok Tung, Louis  
Dr. To Kit Wa (appointed on 13 August 2020)

## REMUNERATION COMMITTEE

Mr. Lee Kwok Tung, Louis (*Chairman*)  
Mr. Cao Changcheng  
Mr. Ho Ka Chun (resigned on 10 July 2020)  
Dr. To Kit Wa (appointed on 13 August 2020)

## COMPANY SECRETARY

Mr. Pang Wai Ching

## AUTHORIZED REPRESENTATIVES

Mr. Cao Zhiming  
Mr. Pang Wai Ching

## AUDITOR

KPMG  
Public Interest Entity Auditor registered in accordance  
with the Financial Reporting Council Ordinance

## COMPLIANCE ADVISER

Dakin Capital Limited

## LEGAL ADVISOR

D. S. Cheung & Co.

## REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Urban Industrial Zone  
Xichuan County, Henan Province  
China  
(中國河南省浙川縣城區工業園區)

## PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

29/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

## CAYMAN ISLANDS SHARE REGISTRAR

Ocorian Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

# Corporate Information

## PRINCIPAL BANKERS

Wing Lung Bank Ltd.  
45 Des Voeux Road Central  
Hong Kong

China Construction Bank Corporation  
Xichuan Branch  
Middle Section, Jiefang Road  
Chengguan Town, Xichuan County  
Henan Province  
China

## SHARE INFORMATION

Date of listing: 11 July 2018  
Place of incorporation: Cayman Islands  
Place of listing: Main Board of The Stock Exchange of  
Hong Kong Limited  
Stock Code: 1652  
Board lot: 1000 shares  
Financial year end: 31 December

## COMPANY'S WEBSITE

[www.fusenyy.com](http://www.fusenyy.com)

# Chairman's Statement

Dear Shareholders,

For the first half of 2020, the unexpected coronavirus pandemic has severe impacts on the economies of China and other countries around the world, which cast more uncertainties on the Chinese pharmaceutical market under reform and adjustment. During such special period, with joint efforts of our staff, Fusen Pharmaceutical has exercised caution and achieved significant increase in revenue and net profit for the first half of 2020 as compared to that of the corresponding period in 2019.

## INDUSTRY OVERVIEW

With the ongoing in-depth implementation of a series of measures, including the “two-invoices” system, the consistency evaluation, the volume-based procurement policy and the restrictions on adjuvant drugs, reform of pharmaceutical industry in the domestic market continued to be boosted. The new version of the Pharmaceutical Administration Law (《藥品管理法》) became effective in December 2019, and the Measures for the Supervision over and Administration of Pharmaceutical Production (《藥品生產監督管理辦法》) became effective in July 2020. The ongoing implementation of the volume-based procurement policy greatly reduced the profit margin of traditional generic drugs and imposed more stringent requirements on the pharmaceutical enterprises in terms of self-sufficiency of active pharmaceutical ingredients and control of production costs. This also encouraged enterprises to achieve breakthrough in more advanced formulation and to speed up the process of generic drugs so as to narrow down the quality gap between generic and original imported products. The restrictions on adjuvant drugs aimed at pharmaceutical products with uncertain efficacy and indications, minimal clinical value and prices at an artificially high level. The control on medical insurance fees has been achieved by limiting the scope of the use of adjuvant drugs and medical insurance coverage. Pharmaceutical enterprises therefore shall explore the clinical values of products through research and development and validate the reasonability of its pricing by passing the pharmacoeconomic evaluation if they want to preserve the qualification of their products being included in the coverage of medical insurance.

## PRODUCTION AND SALES OF PRODUCTS

Fusen Pharmaceutical Company Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) has never relaxed its stringent requirements on product quality. We always believe that products with reliable quality, controllable costs and stable efficacy will continuously bring profits to our Company. For the first half of 2020, the Company has upgraded and optimized certain existing production facilities, and we will still carry out ongoing reform and optimization of production lines in the future. In addition, we planned to rebuild and optimize certain plants and warehouses. The Company believes that upon the completion of these projects, our capacity will be significantly improved along with the production efficiency and product quality.

After our reform and optimization in respect of sales channels in 2019, the outcome has been gradually visible in 2020. Facing the coronavirus pandemic in the first half of 2020, the sales of the Company for the first half year still witnessed significant increase, with revenue increased and sales costs effectively controlled. This was one of the main reasons that the Company recorded profit for the first half of 2020.

## Chairman's Statement

In terms of prescription drugs, with in-depth implementation of the “two-invoices” system and tax enquiry, drug sales will be carried out in a more compliant, academic and professional manner. The Company is currently building a professional academic marketing team and platform to adapt to the changes of the market. In terms of non-prescription drugs, as the over the counter (“**OTC**”) market grows rapidly in the domestic market, our OTC business department is actively working with headquarters of major chain pharmacies in the domestic market so as to improve our market shares in the OTC market.

Looking forward to the second half of the year, the development of coronavirus pandemic and its impacts on the pharmaceutical market remained greatly uncertain. The Company will continuously monitor the development and changes in this regard, actively respond to the market and make ongoing adjustments on its sales policies and strategies. Through our staff's continuous effort, investment in research and development, and external collaboration such as acquisition, we strive to increase our values by enriching our pipelines, effectively controlling our risk exposure, seizing market opportunities and improving our sales.

**Cao Changcheng**

*Chairman of the Board*

# Management Discussion and Analysis

## PRODUCT RESEARCH AND DEVELOPMENT

The Company continuously increased its investment in the research and development of pharmaceutical products. In terms of the research and development of chemical medicine, the projects under the ongoing consistency evaluation in the early phase went smoothly. Our ongoing projects include Flunarizine Hydrochloride Capsules (鹽酸氟桂利嗪膠囊), Metoprolol Tartrate Tablets (酒石酸美托洛爾片), Metformin Hydrochloride Sustained Release Tablets (二甲雙胍緩釋片); research and development projects including Metformin Hydrochloride Tablets (二甲雙胍片), Isosorbide dinitrate injection (硝酸異山梨酯注射液), Clindamycin injection (克林霉素酸酯注射液) and Zithromax for injection (注射用阿奇霉素) through Beijing Sanye Mingming Pharmaceutical Technology Company Limited\* (北京三也明明醫藥科技有限公司); and projects including Ceftazidime for Injection (注射液頭孢他啶) through Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司). The Company continued to keep abreast of national policies and guidance, track the trends of competitors and adjust its direction of research and development. In the future, we will focus on the products with little competition, certain market potentials and difficulties in volume-based procurement in the short term. At the same time, we will also focus on the advanced or first generic formulation, targeting at substitutes for imported pharmaceutical products. The Company has commenced its research and development in respect of the generic products of brivaracetam injection (布瓦西坦注射液) and ingredients (Chemical Drug Class III), and we will subsequently conduct more product research and development in the above fields. The Company mainly adopted the collaborative research and development model, in order to leverage the advantages of research institutes and contract research organisations (CRO) companies to conduct relevant works.

In terms of proprietary Chinese medicine products, the Company continued to carry out re-development of existing products, explore the clinical values from a medical perspective, conduct analysis and research on active ingredients, so as to improve the quality and safety of our products. In terms of the development of new proprietary Chinese medicine products, we have selected four classical Traditional Chinese Medicine (“TCM”) formula to conduct our development work in accordance with the requirements under the Validation principles for Key Information of Ancient Classical TCM formula (Consultation Paper)\* (《古代經典名方關鍵信息考證原則(徵求意見稿)》).

## Management Discussion and Analysis

The ongoing projects in respect of the research and development of proprietary Chinese medicine products include:

Product name	Research and development field	Collaborative entity
Shuanghuanglian Oral Solutions	Research on antiviral effects in vitro and in vivo and immune regulatory mechanisms	Guangzhou Institute of Respiratory Health
Shuanghuanglian Injections	Re-evaluation of Chinese medicine injections; research on antiviral effects in vitro and in vivo and immune regulatory mechanisms	Guangzhou Institute of Respiratory Health and College of Pharmaceutical Sciences at Zhejiang University
Yuanhu Zhitong Oral Solutions	Research on the mechanism of efficacy, clinical observation and trial, targeting at pain symptoms such as dysmenorrhea, migraine and stomachache	Tianjin University of Traditional Chinese Medicine
Tongmai Oral Solutions	Research on the mechanism of efficacy, analysis on active ingredients and clinical observation	College of Pharmaceutical Sciences at Zhejiang University
Classical TCM formula (four items)	Validation of Key Information of Ancient Classical TCM formula; research on decoction of compound formulation	State Key Laboratory of Quality Research in Chinese Medicines at the Macau University of Science and Technology

In terms of product acquisition, the Company continued to pay attention to the market opportunities in respect of marketed drugs and drugs candidates in the domestic and overseas markets, among which, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司) focused on the established imported drugs by sourcing the relevant products through agents or acquiring proprietary rights in the PRC. In the field of proprietary Chinese medicine, the Company targeted at products with clinical and market values, exclusive or little approval numbers and high alignment to our sales channel, and conducted negotiation and acquisition in this regard.



# Management Discussion and Analysis

## BUSINESS REVIEW

The revenue and gross profit were approximately RMB247.5 million and RMB132.8 million for the first half of 2020, representing an increase of approximately 26.0% and 24.3% respectively as compared with the corresponding period of 2019. The increase in revenue was mainly attributable to the increase in sales volume in the product named Shuanghuanglian Oral Solutions. The average gross profit margin ratio slightly decreased to approximately 53.7% for the first half of 2020 from approximately 54.4% for the first half of 2019 which was mainly attributable to increase in the cost of raw materials. The Group restructured the sales regime and optimised the distribution channels since 2019, thus the outcome of the reform has been gradually showing positive improvement. The selling and distribution expenses were approximately RMB56.4 million for the first half of 2020, which was similar to approximately RMB56.9 million for that of 2019. The significant increase in the general and administrative expenses was mainly due to the financial impact arising from an extension of the granted option to grantees. Excluding the impact of granted options to grantees, the general and administrative expenses were approximately RMB30.1 million for the first half of 2020, which was similar to approximately RMB25.9 million for that of 2019. The Group's profit attributable to the equity shareholders was approximately RMB34.9 million, representing an increase of approximately 47.7% as compared with the corresponding period of 2019, which was mainly attributable to the increase in the gross profit and the share of profit from a joint venture, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司).

## PROSPECTS

With the gradual implementation of a series of pharmaceutical reform policies, including the "two-invoices" system, the consistency evaluation of the quality and efficacy of generic drugs, the establishment of the national list of adjuvant drugs and the volume-based procurement policy, the structural adjustment and reform of pharmaceutical industry will take wider and deeper. As at 30 June 2020, the Group has four products under on-going consistency evaluation, namely, Metformin Hydrochloride Sustained Release Tablets (二甲雙胍緩釋片), Metformin Hydrochloride Tablets (二甲雙胍片), Metoprolol Tartrate Tablets (酒石酸美托洛爾片) and Flunarizine Hydrochloride Capsules (鹽酸氟桂利嗪膠囊) and none of the products of the Group is subject to volume-based procurement policy.

Even though the outbreak of novel coronavirus in 2020 has created great market uncertainties, the Group made a significant improvements both in revenue and net profit in the first half of 2020 compared with the first half of 2019. It is believed that pharmaceutical products with stable and reliable quality, controllable production costs and competitive advantages, still have broad market prospect and profitability. During the first half of 2020, the Group has upgraded some production facilities and optimised certain existing equipment, in order to improve production capacities with more competitive production costs. Further upgrade and optimisations are expected to be carried out in the future including production facilities, warehouse and processing facilities. The Group has adjusted and optimised its distribution channels, which enhanced the efficiency in commercial circulation and of the Group in the long run. The Group will closely monitor the performance of distributors and market demand, especially for the uncertainties arising from the pandemic. The Group will continue to cooperate with scientific research institutions in the field of proprietary Chinese medicine products and keep investing in product research and development, such as ongoing consistency. In addition, the Group will deploy and invest in first generic drugs in the future. The Group will continue to enrich the existing product portfolio for sales through various channels and leverage the sales network of the Group to increase the sales volume.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Sales performance

	Unaudited				
	Six months ended 30 June				
	2020		2019		Changes %
Revenue RMB'000	% of total	Revenue RMB'000	% of total		
Shuanghuanglian Oral Solutions (10 ml)	<b>112,636</b>	<b>45.5%</b>	72,043	36.7%	56.3%
Shuanghuanglian Oral Solutions (20 ml)	<b>42,199</b>	<b>17.0%</b>	27,848	14.2%	51.5%
Subtotal	<b>154,835</b>	<b>62.6%</b>	99,891	50.9%	55.0%
Shuanghuanglian Injections	<b>24,551</b>	<b>9.9%</b>	36,879	18.8%	-33.4%
Compound Ferrous Sulfate Granules	<b>10,044</b>	<b>4.1%</b>	9,580	4.9%	4.8%
Flunarizine Hydrochloride Capsules	<b>9,202</b>	<b>3.7%</b>	7,118	3.6%	29.3%
Others products	<b>48,870</b>	<b>19.7%</b>	42,969	21.9%	13.7%
Subtotal	<b>92,667</b>	<b>37.4%</b>	96,546	49.1%	-4.0%
Total	<b>247,502</b>	<b>100%</b>	196,437	100%	26.0%

Our revenue increased by approximately 26.0% from approximately RMB196.4 million in the first half of 2019 to approximately RMB247.5 million in the first half of 2020, primarily due to the increase in sales volume.

Among our product categories, revenue from sales of Shuanghuanglian Oral Solutions increased by approximately 55% from approximately RMB99.9 million in the first half of 2019 to approximately RMB154.8 million in the first half of 2020, was mainly attributable to demand soared in the Chinese domestic market. Revenue from sales of Shuanghuanglian Injections decreased by approximately 33.4% from approximately RMB36.9 million in the first half of 2019 to approximately RMB24.6 million in the first half of 2020, was mainly attributable to the continuing impact of medicine regulations on injections. Our revenue from other products slightly increased by approximately 13.7% from approximately RMB43.0 million in the first half of 2019 to approximately RMB48.9 million in the first half of 2020, was mainly attributable to our continuous promotions.

# Management Discussion and Analysis

## Gross profit and margin

Our gross profit increased by approximately 24.3% from approximately RMB106.8 million for the first half of 2019 to approximately RMB132.8 million for the first half of 2020. The increase in gross profit is in line with the approximately 26.0% increase in total revenue for the first half of 2020 and the slight decrease in gross profit margin of approximately 53.7% for the first half of 2020 (approximately 54.4% for the first half of 2019).

## Other net income

Our other net income primarily consists of net material and scrap sales income, rental income, government grants and others.

## Selling and distribution expenses

Our selling and distribution expenses primarily consist of commission, advertisement, wages and salaries, promotion expenses, distribution expenses and others. In the first half of 2019 and 2020, our selling and distribution expenses amounted to approximately RMB56.9 million and RMB56.4 million respectively, representing approximately 29.0% and 22.8% of our revenue for the respective periods. Since 2019, the Group restructured sales regime and optimised the distribution channels, which led to an increase in distribution efficiency and sales capabilities. Thus, the selling and distribution expenses were decreased slightly.

## General and administrative expenses

General and administrative expenses primarily consist of wages and salaries, depreciation, professional fee, research and development costs, and others.

The increase of general and administrative expenses by approximately RMB21.8 million was mainly attributable to the financial impact of the extension of granted options to grantees. Excluding the impact of granted option, the amount of general and administrative expenses is slightly increase by approximately RMB4.2 million in the first half year of 2020 compared with that of 2019. Such increase was mainly attributable to an increase in research expenses and depreciation. The Group carried out expenditure control grimly, especially during the pandemic period.

## Net finance costs

Our net finance costs represent interest expenses on bank loans and foreign exchange loss less interest income from bank deposits, less finance costs (interest on bank loans and foreign exchange loss).

The net finance costs decreased from approximately RMB4.9 million in the first half of 2019 to approximately RMB4.0 million in the first half of 2020 respectively, mainly attributable to the decrease in net foreign exchange loss, offset by the increase in average bank loan balance.

# Management Discussion and Analysis

## Income tax expenses

Income tax primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Henan Fusen Pharmaceutical Company Limited (“**Henan Fusen Pharmaceutical**”), our subsidiary, was certified as a High New Technology Enterprise in Henan province and has been entitled to a preferential income tax rate of 15%. In the first half of 2019 and 2020, our effective tax rate was 13.9% and 20.2%, respectively. Such increase was mainly due to the non tax deductible expense relating to the extension of granted share options.

## CAPITAL EXPENDITURES

The Group’s capital expenditures primarily consist of payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets. In the first half of 2020, the total capital expenditure was approximately RMB53.6 million (the first half of 2019: approximately RMB140.2 million). The capital expenditures during the period were mainly incurred for the construction of new production facilities.

## BANK AND OTHER LOANS

As at 30 June 2020, the Group’s short-term borrowings and long-term borrowings amounted to approximately RMB229.3 million (31 December 2019: approximately RMB210.0 million).

	As at 30 June 2020 RMB’000	As at 31 December 2019 RMB’000
Short-term borrowings	209,290	190,000
Long-term borrowings	20,000	20,000
Total	229,290	210,000

The increase in bank and other loans primarily represented loan proceeds made during the first half of 2020.

## CAPITAL STRUCTURE

The Group’s capital structure consists of equity interest attributable to shareholders and liabilities. As at 30 June 2020, the Group’s equity interest attributable to shareholders amounted to approximately RMB669.1 million (31 December 2019: approximately RMB673.4 million) in aggregate and total liabilities amounted to approximately RMB548.8 million (31 December 2019: approximately RMB494.7 million). The Group is committed to maintaining an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for shareholders.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had net current assets of approximately RMB180.1 million (31 December 2019: approximately RMB213.6 million), which included cash and cash equivalents of approximately RMB402.6 million (31 December 2019: approximately RMB331.0 million) and the bank and other loans amounting to approximately RMB229.3 million (31 December 2019: approximately RMB210.0 million).

## GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group, which is calculated by dividing total bank and other loans by total equity, increased to 34.0% from 30.8% as at 31 December 2019. The increase was primarily due to (1) the increase in the bank loans borrowed by the Group and (2) the repurchase of shares during the period.

## EXCHANGE RISK

The Group conducts business primarily in China with most of its transactions denominated and settled in Renminbi. The Group monitors foreign exchange exposure regularly and considers if there is a need to hedge against significant foreign currency exposure when necessary.

## HUMAN RESOURCES

As at 30 June 2020, the Group had a total of 1,209 employees (31 December 2019: 1,214 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's and individual's performance.

For the first half of 2020, the total staff cost (including Director's emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB43.1 million (six months ended 30 June 2019: RMB33.0 million).

## COMMITMENT

Capital commitments of the Group outstanding as at 30 June 2020 and 31 December 2019 were as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted for	111,834	131,938

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020.

## PLEDGE OF ASSETS

As at 30 June 2020, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment and land use rights, which had an aggregate carrying amount of approximately RMB162.7 million as of 30 June 2020 (31 December 2019: approximately RMB167.0 million), respectively.

# Management Discussion and Analysis

## COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The shares of the Company (the “**Share(s)**”) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 July 2018. The Group is implementing its business objectives and strategies as disclosed in the prospectus of the Company dated 28 June 2018 (the “**Prospectus**”) and will strive to achieve the milestone events as stated in the Prospectus.

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group’s actual business progress and up to 30 June 2020 (the “**Reporting Period**”).

Business strategies as stated in the Prospectus	Actual business progress up to 30 June 2020
Establishment of production facilities, warehouse, processing facilities	The Group has further upgraded and optimised certain existing production facilities and equipment.
Advertising and marketing of the Group’s products	The Group has strengthened brand promotion through media channel such as TV and road side billboards to highlight its market reputation gained over the years.
Expansion of distribution and marketing network	The Group started to set up its own sales team to strengthen the development and management of medical institutions and chain pharmacies to gradually develop end-sales market.
Research and development activities	The Group continued to cooperate with scientific research institutions in the field of proprietary Chinese medicine products, focused on the mechanism of efficacy and effect. The Group also kept investing in generic drugs research and development, such as ongoing consistency.
Potential merger and acquisition	There was no merger and acquisition during the Reporting Period.
Acquisition of production permits of new types of products	The pharmaceutical industry of China is still relatively fragmented. Given the gradual implementation of marketing authorisation holder regime, there are lots of opportunities for acquisition and merger. The Group will take advantage of the post-listing capital platform to make greater efforts in acquisition. In terms of choice of product, the Group will concentrate on clinical essential drugs and OTC products. During the Reporting Period, the Group did not enter into any formal acquisition agreement.
Working capital and general corporate purposes	Items for replenishment of working capital of the Group mainly represent the legal and other professional service charge.

# Management Discussion and Analysis

## USE OF PROCEEDS

The net proceeds from the Global Offering (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HKD397.0 million (the “**Actual Net Proceeds**”) which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

The table below sets out an allocation and the actual use of the Actual Net Proceeds as follows:

Business strategies as set out in the Prospectus	%	The Actual Net Proceeds HK\$ million	Actual use of the Actual Net Proceeds as at 30 June 2020 HK\$ million	Remaining balance as at 30 June 2020 HK\$ million	Expected timeframe for the remaining utilising net proceeds
Establishment of production facilities, warehouse, processing facilities	30%	119.0	41.7	77.3	By 30 June 2021
Advertising and marketing of the Group’s products	10%	39.7	20.2	19.5	By 30 June 2021
Expansion of distribution and marketing network	10%	39.7	11.1	28.6	By 31 December 2020
Research and development activities	10%	39.7	19.3	20.4	By 31 December 2021
Potential merger and acquisition	15%	59.6	59.6	–	–
Acquisition of production permits of new types of products	15%	59.6	–	59.6	By 31 December 2021
Working capital and general corporate purposes	10%	39.7	31.4	8.3	By 31 December 2020
	100%	397.0	183.3	213.7	

# Disclosure of Interests

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

### Disclosure of interests

As at 30 June 2020, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571) (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are as follows.

### Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Mr. Cao Changcheng <sup>(Notes 1, 2 and 3)</sup>	Interest of a controlled corporation	487,200,000	61.99%
Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) <sup>(Note 2)</sup>	Interest of a controlled corporation	126,840,000	16.14%
Mr. Hou Taisheng <sup>(Note 4)</sup>	Beneficiary of a trust	13,399,165	1.70%
Ms. Meng Qingfen <sup>(Note 4)</sup>	Beneficiary of a trust	11,809,433	1.50%
Mr. Chi Yongsheng <sup>(Note 4)</sup>	Beneficiary of a trust	12,944,956	1.65%

Notes:

1. Full Bliss Holdings Limited (the "Full Bliss") is wholly-owned by Mr. Cao Changcheng. As Mr. Cao Changcheng beneficially owns 100% of the issued shares of Full Bliss, Mr. Cao Changcheng is deemed to be interested in 180,180,000 Shares held by Full Bliss pursuant to the SFO.
2. Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) is the beneficial owner of the entire issued share capital of One Victory Investments Limited (the "One Victory") and is therefore deemed to be interested in the 126,840,000 Shares held by One Victory pursuant to the SFO. Furthermore, pursuant to the Second Deed of Confirmation dated 18 August 2017 entered into between Mr. Cao Changcheng, Mr. Cao Zhiming and One Victory, Mr. Cao Changcheng is entrusted to exercise all voting rights attaching to the Shares owned by One Victory and direct One Victory to vote accordingly.
3. Mr. Cao Changcheng is the protector of the Fusen Trust who has the power to remove the trustee and appoint new trustee for the Fusen Trust. Mr. Cao Changcheng is also the investment manager of the Fusen Trust, who is entitled to carry out the investment and management functions of the Fusen Trust, including the exercise of all voting rights attaching to the Shares owned by Rayford Global Limited (the "Rayford") and direct the trustee of the Fusen Trust to vote accordingly. Mr. Cao Changcheng, through Full Bliss, Rayford and One Victory, is therefore interested in an aggregate of 487,200,000 Shares, representing 60.90% of our issued share capital upon completion of the Global Offering and the capitalisation issue under the SFO.
4. Each of Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, who is our executive Director, is a beneficiary under the Fusen Trust.



# Disclosure of Interests

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, as far as the Directors aware, the following persons (not being a Director or chief executive of our Company) have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

### Our Company

Name	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Full Bliss	Beneficial owner	180,180,000	22.92%
Rayford	Beneficial owner	180,180,000	22.92%
Vistra Trust (Labuan) Limited <sup>(Note 1)</sup>	Interest of a trustee	180,180,000	22.92%
Ms. Quan Xiufeng <sup>(Note 2)</sup>	Interest of spouse	487,200,000	61.99%
One Victory	Beneficial owner	126,840,000	16.14%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) <sup>(Note 3)</sup>	Interest of spouse	126,840,000	16.14%
First Joint Elegant Limited	Beneficial owner	39,960,000	5.08%
Mr. Lam Yiu Por <sup>(Note 4)</sup>	Interest of a controlled corporation	39,960,000	5.08%
Ms. Fung Wai Sze <sup>(Note 5)</sup>	Interest of spouse	39,960,000	5.08%

Notes:

- Vistra Trust (Labuan) Limited is a trustee of the Fusen Trust, whereby Mr. Hou Taisheng, Ms. Meng Qingfen, Mr. Fu Jiancheng, Mr. Chi Yongsheng and 43 other individuals are the beneficiaries under the Fusen Trust. As Vistra Trust (Labuan) Limited holds 100% of the issued shares of Rayford in the capacity of a trustee, Vistra Trust (Labuan) Limited is deemed to be interested in 180,180,000 Shares held by Rayford pursuant to the SFO.
- Ms. Quan Xiufeng is Mr. Cao Changcheng's spouse and is deemed to be interested in the 487,200,000 Shares in which Mr. Cao Changcheng is interested for the purpose of the SFO.
- Ms. Zhou Peilin is Mr. Cao Zhiming (formerly known as Mr. Cao Dudu)'s spouse and is deemed to be interested in the 126,840,000 Shares in which Mr. Cao Zhiming is interested for the purpose of the SFO.
- First Joint Elegant Limited ("First Joint Elegant") is wholly owned by Mr. Lam Yiu Por. As Mr. Lam Yiu Por beneficially owns 100% of the issued shares of First Joint Elegant, Mr. Lam Yiu Por is deemed to be interested in 39,960,000 shares held by First Joint Elegant pursuant to the SFO.
- Ms. Fung Wai Sze is Mr. Lam Yiu Por's spouse and is deemed to be interested in the 39,960,000 shares in which Mr. Lam Yiu Por is interested for the purpose of the SFO.

# Disclosure of Interests

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018 (the “**Adoption Date**”).

The following table discloses movements in the Company’s share options outstanding under the Share Option Scheme during the period ended 30 June 2020:

Name/category of participants	At 31 December 2019	Date of grant of share options	Exercised during the period	Granted during the period	Lapsed during the period	Canceled during the period	At 30 June 2020	Vesting period of share options	Exercise period (Note) (both days inclusive)	Exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
<b>Two employees of the Group</b>	8,000,000	19 July 2019	-	-	-	-	16,000,000	All of the share options in total granted have been vested on 19 October 2019	19 October 2019–13 June 2028	3.098	3.04

As at 30 June 2020, there were 16,000,000 outstanding share options granted under the Share Option Scheme, representing approximately 2.04% of the issued share capital of the Company.

Please refer to Note 16 to the unaudited interim financial report for further information of the Share Option Scheme and the value of share options granted.

Note: The Company granted 16,000,000 share options on 19 July 2019 (the “**Grant**”). Please refer to the announcement of the Company dated 19 July 2019. The exercise period of the Grant has been extended from 19 July 2020 to 13 June 2028 by the approval of the Shareholders at the annual general meeting held on 30 June 2020. For details, please refer to the announcement and the circular both dated 22 May 2020 and the poll results announcement dated 30 June 2020.

The Company did not grant any more option during the 6 months ended 30 June 2020. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe for Shares.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

## Disclosure of Interests

Unless approval of the Shareholders in general meeting is granted, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date must not in aggregate exceed 10% of our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares to the participants under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date unless terminated earlier by the Shareholders in general meeting.

# Corporate Governance and Other Information

## CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions stated in the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules. Throughout the period from 1 January 2020 to 30 June 2020, the Company has complied with all applicable code provisions set out in the Code, except for the matters disclosed in our announcement dated 23 March 2020 and dated 10 July 2020 and in this report.

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 14 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Code. During the six months ended 30 June 2020, the Audit Committee consisted of three independent non-executive Directors, Mr. Sze Wing Chun (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Ho Ka Chun (resigned on 10 July 2020) and Mr. Lee Kwok Tung, Louis. Subsequent to the resignation of Mr. Ho Ka Chun on 10 July 2020, the Company was not in compliance with Rule 3.21 of the Listing Rules. Upon the appointment of Dr. To Kit Wa as a member of the Audit Committee on 13 August 2020, the Company is in compliance with Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the Group’s policies and to perform other duties and responsibilities as assigned by our Board. The Audit Committee discussed the accounting principles and policies adopted by the Group together with the management.

## REVIEW OF THE INTERIM REPORT

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed interim financial report for the six months ended 30 June 2020. It has also reviewed the unaudited condensed interim financial report for the six months ended 30 June 2020 with the management and the auditor of the Company and recommended them to the Board for approval.

The interim financial report for the six months ended 30 June 2020 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included on pages 23 to 24.

## THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code for the six months ended 30 June 2020.

# Corporate Governance and Other Information

## CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Pursuant to Rule 13.51B of the Listing Rules, changes in the information of directors of the Company subsequent to the date of the 2019 annual report of the Company are as follows:

- (1) Mr. Ho Ka Chun has resigned as independent non-executive Director and the member of each of the Audit Committee, the remuneration committee of the Company (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) with effect from 10 July 2020. For details please refer to the announcement dated 10 July 2020.
- (2) Dr. To Kit Wa has been appointed as independent non-executive Director and member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 13 August 2020. For details and the biography of Dr. To Kit Wa, please refer to the announcement dated 13 August 2020.

Save as disclosed above, there is no other change in the Director’s information required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the date of the 2019 annual report of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased a total of 18,124,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) HK\$61.4 million. Among those repurchased shares, 6,602,000 Shares and 7,404,000 Shares were cancelled during the six months ended 30 June 2020 on 2 June 2020 and 17 June 2020 respectively, and 4,118,000 Shares were subsequently cancelled on 31 August 2020. The issued share capital of the Company was reduced by the par value thereof. Details of the repurchases of shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$’000
		Highest HK\$	Lowest HK\$	
May 2020	7,701,000	3.53	3.27	26,349
June 2020	10,423,000	3.47	3.21	35,037

## Corporate Governance and Other Information

Subsequent to the end of the reporting period and up to 31 August 2020, the Company has repurchased a total of 6,775,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) of HK\$22.5 million (approximately RMB20.3 million equivalent). Such repurchased shares, 3,413,000 Shares were subsequently cancelled on 31 August 2020.

As at 31 August 2020, the issued share capital of the Company was reduced by the par value thereof. Details of the repurchase of shares after the end of the reporting period are as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
July 2020	6,775,000	3.51	3.14	22,473

The repurchase of shares was made by the Directors, pursuant to the general mandate granted by the Shareholders at the respective annual general meeting held on 28 June 2019 and 30 June 2020 with a view to benefiting the Shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020 and up to the date of this report.

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

#### Interim Dividend

In view of the performance of the Group and our dividend policy, on 31 August 2020, the directors of the Company declared an interim dividends of RMB0.45 cent per ordinary share for the six months ended 30 June 2020, which has not been recognised as a liability as at 30 June 2020.

#### Resignation of Independent non-executive Director and non-compliance of the Listing Rules

On 10 July 2020, Mr. Ho Ka Chun ("Mr. Ho") tendered his resignation as an independent non-executive Director, member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee due to his other personal commitments.

Following the resignation of Mr. Ho as an independent non-executive Director, the number of independent non-executive Directors and the members of Audit Committee fell below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the terms of reference of the Audit Committee. In addition, the number of members of each of the Remuneration Committee and the Nomination Committee no longer comprise a majority of independent non-executive directors required under Rule 3.25 of the Listing Rules and under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## Corporate Governance and Other Information

On 13 August 2020, Dr. To Kit Wa (“**Dr. To**”) has been appointed as an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Following the appointment of Dr. To, the Company has fulfilled the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Except as disclosed above, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors.

### INTERIM DIVIDEND

Pursuant to our dividend policy, the Board declared an interim dividend of RMB0.45 cents (equivalent to HK\$0.51 cents, by adopting the prevailing exchange rate on 31 August 2020 set by the People’s Bank of China) per ordinary share (interim dividend for the first half of 2019: RMB0.30 cents (equivalent to HK\$0.33 cents) per ordinary share).

The interim dividend will be payable on 27 November 2020 to the Shareholders of the Company whose names appear on the register of members of the Company on 19 September 2020.

### CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 September 2020, to Saturday, 19 September 2020, both dates inclusive, during which period no transfer of Shares will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 16 September 2020.

### PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules is to be dispatched to the Shareholders of the Company and made available for review on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.fusenyy.com](http://www.fusenyy.com) by September 2020.

# Review Report



## Review report to the board of directors of Fusen Pharmaceutical Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 25 to 44 which comprises the consolidated statement of financial position of Fusen Pharmaceutical Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report 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.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.



# Review Report *(Continued)*

## OTHER MATTER

Without modifying our review conclusion, we draw your attention that the comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended 30 June 2019 and the related notes disclosed in the interim financial report have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410.

## KPMG

*Certified Public Accountants*

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

31 August 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi (“RMB”)’000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2020 RMB’000	2019 RMB’000
<b>Revenue</b>	4	<b>247,502</b>	196,437
Cost of sales		<b>(114,671)</b>	(89,616)
<b>Gross profit</b>		<b>132,831</b>	106,821
Other net income		<b>5,028</b>	8,489
Selling and distribution expenses		<b>(56,421)</b>	(56,891)
General and administrative expenses		<b>(47,758)</b>	(25,915)
<b>Profit from operations</b>		<b>33,680</b>	32,504
Finance income		<b>799</b>	884
Finance costs		<b>(4,833)</b>	(5,814)
Net finance costs	5	<b>(4,034)</b>	(4,930)
Share of profit of a joint venture		<b>12,231</b>	–
<b>Profit before taxation</b>	6	<b>41,877</b>	27,574
Income tax expenses	7	<b>(8,447)</b>	(3,842)
<b>Profit for the period</b>		<b>33,430</b>	23,732
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>34,934</b>	23,655
Non-controlling interests		<b>(1,504)</b>	77
<b>Profit for the period</b>		<b>33,430</b>	23,732

# Consolidated Statement of Profit or Loss and Other Comprehensive Income *(Continued)*

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi (“RMB”)’000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2020 RMB’000	2019 RMB’000
<b>Other comprehensive income for the period (after tax)</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translation of financial statements of the Company and overseas subsidiaries		<b>841</b>	625
<b>Total comprehensive income for the period</b>		<b>34,271</b>	24,357
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>35,775</b>	24,280
Non-controlling interests		<b>(1,504)</b>	77
<b>Total comprehensive income for the period</b>		<b>34,271</b>	24,357
<b>Earnings per share</b>			
Basic (RMB cents)	8(a)	<b>4</b>	3
Diluted (RMB cents)	8(b)	<b>4</b>	3

The accompanying notes form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Non-current assets</b>			
Investment property	9	19,267	19,821
Other property, plant and equipment	9	170,214	124,676
Right-of-use assets	10	250,838	253,980
Intangible assets		16,968	16,666
Goodwill		7,054	7,054
Interest in a joint venture		55,628	72,103
Deferred tax assets		5,469	5,408
Other assets		5,228	2,126
		<b>530,666</b>	501,834
<b>Current assets</b>			
Inventories	11	93,370	88,404
Trade receivables	12	133,628	170,164
Prepayments and other receivables		62,418	84,783
Cash and cash equivalents	13	402,629	331,044
		<b>692,045</b>	674,395
<b>Current liabilities</b>			
Trade and bills payables	14	75,577	68,898
Contract liabilities		5,118	3,796
Accruals and other payables		219,934	194,614
Bank and other loans	15	209,290	190,000
Current taxation		1,990	3,498
		<b>511,909</b>	460,806
<b>Net current assets</b>		<b>180,136</b>	213,589
<b>Total assets less current liabilities</b>		<b>710,802</b>	715,423

## Consolidated Statement of Financial Position *(Continued)*

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
<b>Non-current liabilities</b>			
Deferred income		<b>7,818</b>	6,752
Bank and other loans	15	<b>20,000</b>	20,000
Deferred tax liabilities		<b>9,098</b>	7,131
		<b>36,916</b>	33,883
<b>NET ASSETS</b>			
		<b>673,886</b>	681,540
<b>CAPITAL AND RESERVES</b>			
Share capital	17	<b>6,614</b>	6,732
Reserves		<b>662,506</b>	666,713
Total equity attributable to equity shareholders of the Company		<b>669,120</b>	673,445
Non-controlling interests		<b>4,766</b>	8,095
<b>TOTAL EQUITY</b>		<b>673,886</b>	681,540

The accompanying notes form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares reserve RMB'000	Capital redemption reserve RMB'000 (Note)	Statutory surplus reserves RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>Balance at 1 January 2020</b>		6,732	375,943	-	-	54,071	9,023	(12,626)	17,660	222,642	673,445	8,095	681,540
Profit for the period		-	-	-	-	-	-	-	-	34,934	34,934	(1,504)	33,430
Other comprehensive income		-	-	-	-	-	-	841	-	-	841	-	841
<b>Total comprehensive income for the period</b>		-	-	-	-	-	-	841	34,934	35,775	(1,504)	34,271	
Acquisition of non-controlling interests in a subsidiary		-	-	-	-	-	-	1,495	-	-	1,495	(1,825)	(330)
Equity settled share-based transactions	16	-	-	-	-	-	17,632	-	-	-	17,632	-	17,632
Dividends approved in respect of the previous year	19(b)	-	(2,908)	-	-	-	-	-	-	-	(2,908)	-	(2,908)
Purchase of own shares	18	-	(56,166)	(153)	-	-	-	-	-	-	(56,319)	-	(56,319)
Cancellation of treasury shares	18												
— Par value		(118)	-	118	-	-	-	-	-	-	-	-	-
— Transfer between reserves		-	(118)	-	118	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>		6,614	316,751	(35)	118	54,071	26,655	(11,131)	18,501	257,576	669,120	4,766	673,886

Note: The capital redemption reserve comprises the par value of the cancelled shares of the Company transferred from share premium pursuant to Companies Law (2020 Revision) of the Cayman Islands.

The accompanying notes form part of this interim financial report.

# Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Note	Share capital	Share premium	Statutory surplus reserves	Other reserves	Exchange reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2019</b>		6,732	384,263	54,071	(12,769)	12,430	169,208	613,935	2,164	616,099
Profit for the period		-	-	-	-	-	23,655	23,655	77	23,732
Other comprehensive income		-	-	-	-	625	-	625	-	625
Total comprehensive income for the period		-	-	-	-	625	23,655	24,280	77	24,357
Acquisition of non-controlling interests in a subsidiary		-	-	-	144	-	-	144	(174)	(30)
Acquisition of a subsidiary		-	-	-	-	-	-	-	5,074	5,074
Dividends approved in respect of the previous year	19(b)	-	(5,920)	-	-	-	-	(5,920)	-	(5,920)
Distribution to non-controlling interests		-	-	-	-	-	-	-	(42)	(42)
<b>Balance at 30 June 2019</b>		6,732	378,343	54,071	(12,625)	13,055	192,863	632,439	7,099	639,538

The accompanying notes form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Operating activities</b>		
Cash generated from/(used in) operations	113,821	(12,430)
The People's Republic of China ("PRC") income tax paid	(8,050)	(15,525)
<b>Net cash generated from/(used in) operating activities</b>	<b>105,771</b>	<b>(27,955)</b>
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(46,465)	(3,555)
Payment for the addition of right-of-use assets	–	(136,680)
Purchases of trading securities	(19,254)	–
Proceeds from sale of trading securities	22,123	–
Other cash flow generated from/(used in) investing activities	50,342	(47,492)
<b>Net cash generated from/(used in) investing activities</b>	<b>6,746</b>	<b>(187,727)</b>
<b>Financing activities</b>		
Borrowing costs paid	(4,920)	(4,016)
Distribution to non-controlling interests	–	(42)
Dividends paid	–	(1,235)
Proceeds from bank and other Loans	209,290	80,000
Repayment of bank and other Loans	(190,000)	(100,000)
Payment for purchase of own shares	(56,319)	–
<b>Net cash used in financing activities</b>	<b>(41,949)</b>	<b>(25,293)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>70,568</b>	<b>(240,975)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>331,044</b>	<b>561,108</b>
<b>Effect of foreign exchange rate changes</b>	<b>1,017</b>	<b>625</b>
<b>Cash and cash equivalents at 30 June</b>	<b>402,629</b>	<b>320,758</b>

The accompanying notes form part of this interim financial report.



# Notes to the Unaudited Interim Financial Report

(Expressed in RMB'000 unless otherwise indicated)

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

Fusen Pharmaceutical Company Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 January 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (together, “**the Group**”) are principally engaged in manufacturing and sale of pharmaceutical products.

On 11 July 2018, the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## 2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange (the “**Listing Rules**”), including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 31 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). KPMG’s independent review report to the Board of Directors of the Company is included on pages 23 to 24.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s annual consolidated financial statements for the year ended 31 December 2019 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 May 2020.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material

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

## 4 REVENUE AND SEGMENT INFORMATION

### (a) Revenue

The principal activities of the Group are the manufacturing and sale of pharmaceutical products.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Shuanghuanglian Oral Solutions	154,835	99,891
Shuanghuanglian Injections	24,551	36,879
Others	68,116	59,667
	247,502	196,437

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue during the six months ended 30 June 2020 and 2019.

### (b) Segment information

The Group has one reportable segment. The Group's revenue is substantially generated from the sales of Shuanghuanglian Oral Solutions, Shuanghuanglian Injections and other pharmaceutical products to customers in the PRC. The Group's operating assets and non-current assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 5 NET FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance income	799	884
Less: Finance costs		
— Interest on bank loans	4,920	3,982
— Net foreign exchange (gain)/loss	(87)	1,832
Net finance costs	<b>(4,034)</b>	(4,930)

## 6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Cost of inventories	115,402	90,083
Research and development costs	7,321	6,496
Depreciation of investment property and other property, plant and equipment	8,135	7,941
Depreciation of right-of-use assets	3,141	1,524
Amortisation of intangible assets	100	100
Net reversal of credit losses on trade and other receivables	<b>(147)</b>	(690)

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 7 INCOME TAX EXPENSES

Amounts recognised in profit or loss:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
<b>Current tax — the PRC Enterprise Income Tax</b>		
Provision for the period	<b>6,541</b>	3,139
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>1,906</b>	703
	<b>8,447</b>	3,842

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HKD2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

In accordance with the Enterprise Income Tax Law of the PRC (“**the Income Tax Law**”), enterprise income tax rate for the Group’s PRC subsidiaries during the six months ended 30 June 2020 is 25% (2019: 25%).

According to the Income Tax Law, the Company’s subsidiary, Henan Fusen Pharmaceutical Company Limited (“**Henan Fusen Pharmaceutical**”) was certified as a New and High Technology Enterprise in Henan since 2012, and is entitled to a preferential income tax rate of 15% (2019: 15%), which has been applied for each of the six months ended 30 June 2020 and 2019. The current certification of New and High Technology Enterprise held by Henan Fusen Pharmaceutical will expire on 12 September 2021.

According to the Income Tax Law and its implementation rules, dividends receivable by non-PRC resident investors from PRC entities are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. Cloud Dollar Investments Limited and Wealth Depot (Hong Kong) Limited, subsidiaries of the Company, are subject to PRC dividend withholding tax at 10% on dividends receivables from PRC subsidiaries and investees.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB34,934,000 (six months ended 30 June 2019: RMB23,655,000) and the weighted average of 797,212,602 ordinary shares (2019: 800,000,000) in issue during the reporting period, calculated as follows:

	Six months ended 30 June	
	2020 '000	2019 '000
Issued ordinary shares at 1 January	800,000	800,000
Effect of purchase of own shares (Note 18)	(2,787)	–
Weighted average number of ordinary shares at 30 June	797,213	800,000

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB34,934,000 (six months ended 30 June 2019: RMB23,655,000) and the weighted average number of 800,863,369 (2019: 800,000,000) ordinary shares after adjusting the effects of dilutive potential ordinary shares during the reporting period, calculated as follows:

	Six months ended 30 June	
	2020 '000	2019 '000
Weighted average number of ordinary shares at 30 June	797,213	800,000
Effect of deemed issue of shares under the Company's Share Option Scheme (Note 16)	3,650	–
Weighted average number of ordinary shares (diluted) at 30 June	800,863	800,000

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 9 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred expenditure on construction of production plant and acquired items of equipment with a cost of RMB53,225,000 (six months ended 30 June 2019: RMB2,544,000). Other property, plant and equipment with a cost of RMB1,222,000 (six months ended 30 June 2019: Nil) was disposed of during the six months ended 30 June 2020.

Certain of the Group's bank borrowings were secured by the Group's property, plant and equipment, which had an aggregate carrying amount of RMB46,520,000 as at 30 June 2020 (31 December 2019: RMB48,779,000).

## 10 RIGHT-OF-USE ASSETS

As at 30 June 2020 and 31 December 2019, right-of-use assets mainly represent lease prepayment for land use rights in the PRC.

As at 30 June 2020, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB116,160,000 as at 30 June 2020 (31 December 2019: RMB118,202,000).

## 11 INVENTORIES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Raw materials	34,547	46,199
Work in progress	12,098	8,750
Finished goods	46,725	33,455
	<b>93,370</b>	88,404

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 12 TRADE RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bills receivable*	68,545	102,517
Trade debtors	69,935	72,656
Less: allowance for credit loss	(4,852)	(5,009)
	<b>65,083</b>	67,647
	<b>133,628</b>	170,164

- \* At 30 June 2020 and 31 December 2019, the Group's bills receivable of RMB19,820,000 and RMB23,974,000 were endorsed to suppliers, which were included in the balances, respectively. As the Group has not transferred the substantial risks and rewards relating to these bills, the Group's management determined not to derecognise the carrying amounts of these bills and the associated trade payables.

### Ageing analysis

Bills receivable are bank acceptance bills received from customers, with maturity dates within 12 months.

As of the end of the reporting period, the ageing analysis of trade debtors based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for credit loss, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current to 3 months	33,692	57,691
3 to 6 months	29,259	7,746
6 to 12 months	1,714	1,855
Over 12 months	418	355
	<b>65,083</b>	67,647

Trade debtors are due within 1 month to 6 months from the date of billing. No interest is charged on the trade receivables.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 13 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank deposits	<b>402,629</b>	331,044
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	<b>402,629</b>	331,044

## 14 TRADE AND BILLS PAYABLES

As of the end of the reporting period, the ageing analysis of trade and bills payables, based on the date of goods or services that have been acquired in the ordinary course of business from suppliers, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current to 3 months	<b>35,049</b>	48,454
3 to 6 months	<b>27,149</b>	4,864
6 to 12 months	<b>3,664</b>	5,959
Over 12 months	<b>9,715</b>	9,621
	<b>75,577</b>	68,898

All trade payables are expected to be settled within one year.



# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 15 BANK AND OTHER LOANS

	Note	At 30 June 2020		At 31 December 2019	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
<b>Current</b>					
Borrowings from banks					
— secured	(i)	4.79%	95,000	4.79%	100,000
— unsecured		4.20%–4.79%	108,569	N/A	–
Add: current portion of non-current borrowings		–	–	5.15%	90,000
Other borrowings		–	5,721	–	–
<b>Total</b>			<b>209,290</b>		<b>190,000</b>
<b>Non-current</b>					
Borrowings from banks					
— secured	(i)	6.98%	20,000	6.98%	20,000
<b>Total</b>			<b>20,000</b>		<b>20,000</b>

(i) These borrowings were secured by the Group and related party's property, plant and equipment and right-of-use assets.

As of the end of the reporting period, the borrowings were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year or on demand	209,290	190,000
After 1 year but within 5 years	20,000	20,000
	<b>229,290</b>	<b>210,000</b>

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 16 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 14 June 2018 (the “**Adoption Date**”), the Company adopted the Share Option Scheme whereby the Board are authorised, at their discretion, to invite employees, director, consultant, adviser and distributor, contractor, business partner or service provider of the Group, to take up options subscribe for shares of the Company. The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the Shareholders in general meeting. The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of 800,000,000 share.

On 19 July 2019, the Company granted 16,000,000 share options to eligible persons (the “**Grantees**”) under the Share Option Scheme. The options vest after three months from the date of grant and are then exercisable within a period of nine months. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

On 30 June 2020, the Annual General Meeting approved the proposed amendment of terms of share options granted, extending the exercise period of the outstanding options for the period from the current expiry date, being 19 July 2020, to 13 June 2028.

For the six months ended 30 June 2020, the Group recognised share-based payment expenses and other reserve of RMB17,632,000 (for the six months ended 30 June 2019: Nil).

No share options mentioned above have been exercised, forfeited or expired during the six months ended 30 June 2020.

## 17 SHARE CAPITAL

	2020		2019	
	No. of shares	Amount RMB'000	No. of shares	Amount RMB'000
Authorised-ordinary shares of HKD0.01 each:				
At 1 January and 30 June	<b>2,000,000,000</b>	<b>16,354</b>	2,000,000,000	16,354
Ordinary shares, issued and fully paid:				
At 1 January	<b>800,000,000</b>	<b>6,732</b>	800,000,000	6,732
Cancellation of treasury shares (Note 18)	<b>(14,006,000)</b>	<b>(118)</b>	–	–
At 30 June	<b>785,994,000</b>	<b>6,614</b>	800,000,000	6,732

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 18 PURCHASE OF OWN SHARES

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. The repurchased shares are classified as treasury shares. The par value of treasury shares purchased is debited to a reserve called “treasury shares reserve” and the premium to par value is shown as an adjustment to share premium. The cancellation of the shares shall be transferred to a reserve called the “capital redemption reserve”, with share premium adjusted accordingly.

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
May 2020	7,701,000	3.53	3.27	26,349
June 2020	10,423,000	3.47	3.21	35,037
				61,386

The total amount paid on the repurchased shares of 18,124,000 was paid wholly out of share premium. On 2 and 17 June 2020, the Company cancelled 6,602,000 and 7,404,000 of the repurchased shares, respectively.

As at 30 June 2020, the Group held 4,118,000 of the Company's shares (2019: Nil). Treasury shares are not entitled for dividends and are recognised as deduction from equity in the Group's consolidated statement of financial position.

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 19 DIVIDENDS

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

	2020 RMB'000	2019 RMB'000
Interim dividend declared after the interim period of RMB0.45 cents (equivalent to HKD0.51 cents) per ordinary share (2019: RMB0.30 cents (equivalent to HKD0.33 cents) per ordinary share)	<b>3,493</b>	2,400

The interim dividend has not been recognised as a liability at the end of the reporting period.

### (b) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.37 cents (equivalent to HKD0.40 cents) per ordinary share (2019: RMB0.74 cents (equivalent to HKD0.86 cents) per ordinary share)	<b>2,908</b>	5,920

## 20 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	<b>111,834</b>	131,938

# Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

## 21 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020, there is no material related party transaction except for the purchase of medicinal herbs (lonicera japonica and baikal skullcap root) from Xichuan Fusen Chinese Medicine Raw Material Plant and Development Limited\* (浙川縣福森中藥材種植開發有限公司) of RMB17,142,000.

## 22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

There is no financial instrument measured at fair value as at 30 June 2020 (31 December 2019: Nil).

All financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

\* *For identification purpose only*