



福森藥業有限公司

FUSEN PHARMACEUTICAL COMPANY LIMITED

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

Stock Code : 1652



INTERIM REPORT

2024

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# Corporate Information

## EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sze Wing Chun  
Mr. Lee Kwok Tung, Louis  
Dr. To Kit Wa

## AUDIT COMMITTEE

Mr. Sze Wing Chun (*Chairman*)  
Mr. Lee Kwok Tung, Louis  
Dr. To Kit Wa

## NOMINATION COMMITTEE

Mr. Cao Changcheng (*Chairman*)  
Mr. Lee Kwok Tung, Louis  
Dr. To Kit Wa

## REMUNERATION COMMITTEE

Mr. Lee Kwok Tung, Louis (*Chairman*)  
Mr. Cao Changcheng  
Dr. To Kit Wa

## COMPANY SECRETARY

Mr. Wong Tik Man

## AUTHORIZED REPRESENTATIVES

Mr. Cao Zhiming  
Mr. Wong Tik Man

## AUDITOR

KPMG  
Public Interest Entity Auditor registered in accordance  
with the Accounting and Financial Reporting  
Council Ordinance  
8th Floor, Prince's Building  
10 Chater Road, Central  
Hong Kong

## COMPLIANCE ADVISER

Dakin Capital Limited

## LEGAL ADVISOR

D. S. Cheung & Co.

## REGISTERED OFFICE

Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

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

Workshop 05 & 06, 15/F  
Hundsun International Centre  
44 Heung Yip Road  
Aberdeen  
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  
Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands



# Corporate Information

## PRINCIPAL BANKERS

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

Bank of Pingdingshan Co., Ltd.  
Zhengzhou Branch  
1st Floor, Bank of Pingdingshan Building  
No. 6 Fung Yi Road  
Jinshui District, Zhengzhou City  
Henan Province  
China

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)



# Management Discussion and Analysis

## BUSINESS REVIEW AND FUTURE PROSPECTS

In the first half of 2024, the Group experienced an operating loss, with a net loss attributable to shareholders of the listed company amounting to approximately RMB36.9 million as compared to the net profit attributable to shareholders of the listed company of approximately RMB16.5 million for the corresponding period in 2023. The Group's operating revenue in the first half of 2024 only amounted to approximately RMB196.3 million, representing a decrease of approximately 41.6% as compared to RMB336.4 million in the corresponding period in 2023. Although the gross profit margin did not change significantly and remained at a relatively reasonable level, the substantial decrease in operating revenue resulted in an overall reduction in gross profit. The Group's gross profit margin for the first half of 2024 was 53.93%, compared to 53.24% in the first half of 2023. In addition, the Group continued to increase its investment in research and development (R&D) in line with its business strategy in 2023. R&D expenses for the first half of 2024 amounted to approximately RMB57.1 million, compared to RMB24.0 million in the corresponding period in the first half of 2023. The decrease in gross profit contribution due to the decline in revenue, coupled with the increased current expenses resulting from continued R&D investment, were the primary reasons for the operating loss in the first half of 2024.

Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司), a joint venture of the Group, reported a loss attributable to the listed company of approximately RMB0.36 million in the first half of 2024, representing a significant reduction in loss as compared to the loss of RMB12.81 million in the corresponding period in the first half of 2023.

\* For identification purposes only

## Management Discussion and Analysis

Despite the operating loss and the performance downturn to a historical low, the Group remains actively focused on identifying future growth opportunities. The Group's subsidiary, Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited\* (嘉亨(珠海橫琴)醫藥科技有限公司) ("**Jiaheng Zhuhai**"), as the Group's R&D platform, continued with investments and submitted new products based on our project progress. To date, Jiaheng has a total of 60 R&D projects in progress, including 43 pharmaceutical formulation projects, 14 chemical Active Pharmaceutical Ingredient (API) projects, and 3 traditional Chinese medicine projects. Currently, 7 projects are under review by the Centre for Drug Evaluation of National Medical Products Administration of the PRC (the "**Centre for Drug Evaluation**"), 6 of which were submitted for review between January and August this year. It is expected that an additional nine projects will be submitted to the Centre for Drug Evaluation by the end of this year. The Company believes that the Group's ongoing R&D investment will facilitate the launch of at least 20 new products over the next three years, rationalizing the Company's product and revenue structure. These products will cover key therapeutic areas in the current market, including but not limited to anti-infection and antiviral, cardiovascular, central nervous system, hematological diseases, and oncology, hence significantly diversifying the Company's operational risk.

While increasing its R&D investments, the Group believes that stable, reliable and efficient production remains a core competitive advantage for pharmaceutical companies. Over the past few years, the Group has upgraded and transformed its production equipment and reduced power consumption through projects such as photovoltaic power generation retrofits. The API production base of the Group's subsidiary, Henan Hengsheng Pharmaceutical Co., Ltd.\* (河南衡盛製藥有限公司), is expected to commence production in 2025, which will by then provide the Company with a stable and low-cost supply of APIs. The Group is committed to the concept of safe production and efficient, low-carbon development, laying a solid foundation and preparing for the launch of multiple sellable products and the expansion of production capacity.

Despite the Group's low performance for the first half of 2024, the Company's gross profit margin remains at a reasonable level and has not significantly decreased compared to the historical period, indicating that the Company's products still possess good profitability. As the results of R&D investments materialize, the Group expects to introduce an increasing number of new products to the market. The recovery of market demand will take time, which is a cyclical necessity that the industry must endure. As channel inventory diminishes and market channels and sales models evolve, the Group is confident in gradually increasing sales volumes and improving operating results.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Sales performance

	Unaudited				
	Six months ended 30 June				
	2024		2023		
	Revenue RMB'000	% of total	Revenue RMB'000	% of total	Growth rate %
<b>Manufacturing products</b>					
Shuanghuanglian Oral Solutions	83,900	42.7%	165,916	49.3%	-49.4%
Shuanghuanglian Injections	54,836	27.9%	51,201	15.2%	7.1%
Nicardipine Hydrochloride Injection	12,877	6.6%	14,617	4.3%	-11.9%
Heat Clearing and Detoxicating Oral Solutions	8,796	4.5%	33,453	9.9%	-73.7%
Other products	31,655	16.1%	53,620	15.9%	-41.0%
<b>Subtotal</b>	<b>192,064</b>	<b>97.8%</b>	318,807	94.8%	-39.8%
Third-party products	4,258	2.2%	17,630	5.2%	-75.8%
<b>Total</b>	<b>196,322</b>	<b>100.0%</b>	336,437	100.0%	-41.6%

Our revenue decreased by approximately 41.6% from approximately RMB336.4 million in the first half of 2023 to approximately RMB196.3 million in the first half of 2024, which was mainly due to the decrease in sales volume of our products. The direct reason of the decrease is the shortfall demand in weak market. The second is the sales in early 2023 was significantly higher than normal for the same period because of the ease of COVID-19 pandemic. The compared figure in the first half of 2023 is relative high.

# Management Discussion and Analysis

Among our product categories, revenue from sales of Shuanghuanglian Oral Solutions decreased by approximately 49.4% from approximately RMB165.9 million in the first half of 2023 to approximately RMB83.9 million in the first half of 2024, which was mainly due to the shortfall demand in market. Some of our customers minimized their inventory levels to improve cashflows, which led to purchase order decrease in the first half year of 2024. Our revenue from other products decreased by approximately 41.0% from approximately RMB53.6 million in the first half of 2023 to approximately RMB31.7 million in the first half of 2024, which was mainly due to the low performance of sales volume and decrease in market prompt expenses.

## Gross profit and margin

Our gross profit decreased by approximately 40.9% from approximately RMB179.1 million for the first half year of 2023 to approximately RMB105.9 million for the first half year of 2024. The decrease in gross profit is in line with the approximately 41.6% decrease in total revenue for the first half year of 2024. Meanwhile, gross profit margin slightly increased by 0.7 percentage points to approximately 53.9% for the first half year of 2024 (approximately 53.2% for the first half of 2023).

## Other net income/(loss)

Our other net income primarily consists of government grants, net realised and unrealised losses on derivative financial instruments and others. The increase in other net income is mainly due to the decrease in other expenses in 2024 which is under tight control.

## Selling and distribution expenses

Our selling and distribution expenses primarily consist of distribution expenses, wages and salaries, advertisement, logistics fee, promotion expenses and others. In the first half of 2023 and 2024, our selling and distribution expenses amounted to approximately RMB79.1 million and RMB52.2 million respectively, representing approximately 23.5% and 26.6% of our revenue for the respective periods. The decrease in selling and distribution expenses is in line with the decrease in revenue.

## General and administrative expenses

General and administrative expenses primarily consist of wages and salaries, credit losses, depreciation, professional fee, and others.

The general and administrative expenses increased by approximately RMB0.4 million from approximately RMB35.8 million for the first half year of 2023 to approximately RMB36.2 million for the first half year of 2024. General and administrative expenses did not change significantly in the first half of 2023 and 2024.





# Management Discussion and Analysis

## Research and development expenses

The research and development expenses in the first half year of 2024 is approximately RMB57.1 million, representing an increase by approximately RMB33.0 million compared to approximately RMB24.0 million of first half year of 2023. The increase is mainly due to research expenditures in the Group's subsidiary, Jiaheng Zhuhai. Jiaheng Zhuhai is the Group's R&D platform. It continued investing in R&D for new products based on approved plan.

## Net finance costs

Our net finance costs represent finance income, which includes interest income derived from bank deposits, less finance costs, interest on loans and foreign exchange loss.

The net finance costs increased from approximately RMB2.2 million in the first half year of 2023 to approximately RMB7.4 million in the first half year of 2024, mainly attributable to the increase in loan interests.

## SHARE OF LOSS OF A JOINT VENTURE

Share of loss of a joint venture representing the Group's interests decreased by approximately RMB12.4 million from approximately RMB12.8 million loss for the six months ended 30 June 2023 to approximately RMB0.4 million loss for the six months ended 30 June 2024. The operation result of Jiangxi Yongfeng Kangde significantly improved in the first half year of 2024. Some of the long aging inventories were disposed of by the end of 2023, and the cost of sales was under the tight control.

## INCOME TAX EXPENSES

Income tax primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Henan Fusen, 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%. Income tax expenses decreased from approximately RMB6.4 million in the first half year of 2023 to approximately negative RMB8.4 million in the first half of 2024. The decrease was mainly attributable to the recognition for deferred tax credit of RMB8.4 million and current tax had not been provided as there is no assessable profit for the six months ended 30 June 2024.

# Management Discussion and Analysis

## PREPAYMENTS AND OTHER RECEIVABLES

Among the prepayments and other receivables of the Group as at 30 June 2024, a net carrying amount of approximately RMB87.7 million was attributable to prepayments made to over 50 construction works subcontractors, suppliers of building materials, suppliers of steel and engineering service providers. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, (i) all the above service providers and suppliers are independent of and not connected with each other, and independent of and not connected with the Company and its connected persons under the Listing Rules; and (ii) each of the prepayments made to the independent suppliers and service providers is less than 5% of the applicable ratios under Chapter 14 of the Listing Rules.

In mid 2023, the Group, being a renowned enterprise based in Henan Province, was invited by the local government to tender for and undertake certain construction projects for the infrastructure, including roads and bridges, and public factories located in Henan Province as a construction works contractor. The Group is expected to take up the role of project coordination and supervision, and delegate the relevant construction works to the relevant subcontractors. The local government would like to leverage the high-quality management, financial resources and local reputation of the Group to facilitate the infrastructure and industrial development.

Although undertaking constructions works is not the Group's principal business at the moment, the Group accepted the invitation and undertook the construction projects in Henan Province because the management of the Company believes that (1) it will be conducive to maintaining a stable and good relationship with the local government which would be beneficial to the Group's long term business development; and (2) the Group, being a renowned enterprise based in Henan Province, possesses high-quality management, financial resources and high local reputation, which provide competitive edges for the Group to develop new streams of revenue from these construction works projects and enhance the Group's financial position.

Since it needs time for the Group to apply for the funding budget from the local government, to facilitate the work progress of the construction projects, the Group was required to make upfront payments to various independent construction works subcontractors and raw material suppliers as upfront cost to kick start the construction projects. The Group has been closely monitoring the prepayments made by the Group in respect of the construction work projects to safeguard the liquidity and profitability of the Group. Since 30 June 2024 and up to the date of this report, the Group has received reimbursements in the total amount of approximately RMB22.2 million.



# Management Discussion and Analysis

## CAPITAL EXPENDITURES

The Group's capital expenditures primarily consist of payments and deposits for purchase of property, plant and equipment, right-of-use assets and intangible assets. In the first half year of 2024, the total capital expenditure was approximately RMB46.0 million (the first half year of 2023: approximately RMB73.3 million). The capital expenditures during the period were mainly incurred for the lease payment for a land use right, the enhancement of energy equipment in existing production process and the acquisition of licence of drugs under research.

## CAPITAL STRUCTURE

The Group's capital structure consists of equity interest attributable to shareholders and liabilities. As at 30 June 2024, the Group's equity interest attributable to shareholders amounted to approximately RMB520.5 million (31 December 2023: approximately RMB563.5 million) in aggregate and total liabilities amounted to approximately RMB818.2 million (31 December 2023: approximately RMB781.5 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.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had net current liabilities of approximately RMB186.6 million (31 December 2023: net current liabilities of approximately RMB97.7 million), which included cash and cash equivalents of approximately RMB2.8 million (31 December 2023: approximately RMB34.8 million) and the short-term bank and other loans amounting to approximately RMB240.6 million (31 December 2023: approximately RMB236.6 million).

The Directors have confirmed that the Group will have sufficient financial resources to meet its financial obligations as they all due in the foreseeable future.

## GEARING RATIO

As at 30 June 2024, the gearing ratio of the Group, which is calculated by dividing total bank and other loans by total equity, increased to 67.0% from 60.9% as at 31 December 2023. The increase was primarily due to the increase in the bank loans borrowed by the Group.

## 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.

# Management Discussion and Analysis

## HUMAN RESOURCES

As at 30 June 2024, the Group had a total of 1,140 employees (31 December 2023: 1,154 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 year of 2024, the total staff cost (including Director's emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB41.4 million (six months ended 30 June 2023: RMB57.6 million).

## COMMITMENT

Capital commitments of the Group outstanding as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Contracted for	250,597	82,205

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2024.

## PLEDGE OF ASSETS

As at 30 June 2024, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment, investment property and land use rights, which had an aggregate carrying amount of approximately RMB147.0 million as of 30 June 2024 (31 December 2023: approximately RMB148.7 million).



# Disclosure of Interests

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

### Disclosure of interests

As at 30 June 2024, 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 (Notes 1, 2 and 3)	Interest of a controlled corporation	541,288,000	72.18%
Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) (Note 2)	Interest of a controlled corporation	154,651,000	20.62%
Mr. Hou Taisheng (Note 4)	Beneficiary of a trust	13,399,165	1.79%
Ms. Meng Qingfen (Note 4)	Beneficiary of a trust	11,809,433	1.57%
Mr. Chi Yongsheng (Note 4)	Beneficiary of a trust	12,944,956	1.73%

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 206,457,000 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 154,651,000 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 541,288,000 Shares, representing 72.18% of our issued share capital 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 2024, 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	206,457,000	27.53%
Rayford	Beneficial owner	180,180,000	24.03%
TCT (BVI) Limited <sup>(Note 1)</sup>	Nominee of a trustee	180,180,000	24.03%
THE CORE TRUST COMPANY LIMITED <sup>(Note 1)</sup>	Trustee	180,180,000	24.03%
Ms. Quan Xiufeng <sup>(Note 2)</sup>	Interest of spouse	541,288,000	72.18%
One Victory	Beneficial owner	154,651,000	20.62%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) <sup>(Note 3)</sup>	Interest of spouse	154,651,000	20.62%

Notes:

1. The Core Trust Company 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. TCT (BVI) Limited acts as the nominee to the trustee of the Fusen Trust, and holds 100% of the issued shares of Rayford. TCT (BVI) Limited is wholly owned by The Core Trust Company Limited. As such, The Core Trust Company Limited and TCT (BVI) Limited are deemed to be interested in 180,180,000 Shares held by Rayford pursuant to the SFO.
2. Ms. Quan Xiufeng is Mr. Cao Changcheng's spouse and is deemed to be interested in the 541,288,000 Shares in which Mr. Cao Changcheng is interested for the purpose of the SFO.
3. Ms. Zhou Peilin is Mr. Cao Zhiming (formerly known as Mr. Cao Dudu)'s spouse and is deemed to be interested in the 154,651,000 Shares in which Mr. Cao Zhiming 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 2024:

Name/category of participants	At 1 January 2024	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 2024	Vesting period of share options	Exercise period (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>	16,000,000	19 July 2019	–	–	–	–	16,000,000 in total	All of the share options granted have been vested on 19 October 2019	19 October 2019–13 June 2028	3.098	3.04

During the six months ended 30 June 2024, no share options were granted under the Share Option Scheme.

As at the date of approval of this interim report, there were 16,000,000 outstanding share options granted under the Share Option Scheme, representing approximately 2.13% of the issued share capital of the Company. As at 1 January 2024 and 30 June 2024, the number of share options that may be granted under the Share Option Scheme was 64,000,000 and 64,000,000, respectively, the underlying Shares for which represent approximately 8.53% of the total issued share capital of the Company as at the date of this report.

In order to encourage long-term commitment to the Company and to align the interests of the eligible grantees with the Company’s development, the Board proposed to extend the exercise period of the outstanding options granted under the Share Option Scheme, such that those options may be exercised over a period of not more than 10 years from the date of grant. The annual general meeting held on 30 June 2020 approved the proposed amendment of terms of share options granted, extending the exercise period of the outstanding options for the period from the previous expiry date, being 19 July 2020, to 13 June 2028. The modification took effect on 30 June 2020.

As it is expected that the proposed extension of exercise period would induce and incentivise the holders of the outstanding options to contribute to the growth, development and success of the Group, the Board considers that the proposed extension of exercise period of the outstanding options is in line with the objective of the Share Option Scheme, which also closely aligns the interests of such holders with that of the Shareholders to promote the long-term development and financial performance of the Company.

Please refer to Note 18 to the financial statements for further information of the Share Option Scheme and the value of share options granted.

# Disclosure of Interests

## RESTRICTED SHARE UNIT SCHEME

The Company adopted a restricted share unit scheme (the “**RSU Scheme**” or “**Restricted Share Unit Scheme**”) on 8 November 2021 (the “**Adoption Date**”), the details of which are set out as follows:

### 1. Purpose of the RSU Scheme

The purposes of the RSU Scheme are to incentivise persons who are eligible to receive restricted share unit(s) (“**RSU(s)**”) (“**Eligible Persons**”) for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

### 2. Participants of the RSU Scheme

Eligible Persons who may participate in the RSU Scheme include (i) employees or officers of the Group including (without limitation to) any executive or non-executive Directors in the employment of or holding office in the Group, research and development personnel, new product introduction personnel, sales and marketing personnel, medical aesthetic professional personnel and other professional personnel of the Group, and (ii) certain consultants or advisors to the Group.

The Board may select any Eligible Person for participation in the RSU Scheme. Unless so selected, no Eligible Person shall be entitled to participate in the RSU Scheme. The basis of eligibility of any person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

### 3. Total number of shares available for issue

The maximum number of RSUs which may be granted under the RSU Scheme shall be such number of Shares held or to be held by the trustee for the purpose of the RSU Scheme from time to time, and which shall in any event, be no more than 10% of the Company’s issued share capital as at the Adoption Date, being 76,993,400 Shares.

As at 30 June 2024, the total number of RSUs available for grant under the RSU Scheme was 71,993,400, the underlying shares for which (if issued) representing approximately 9.74% of the total number of issued shares of the Company as at the date of this report.



# Disclosure of Interests

## 4. Details of the RSUs granted under the RSU Scheme

The number of RSUs available for grant under the RSU Scheme was 71,993,400 and 71,993,400 as at 1 January 2024 and 30 June 2024, respectively. Details of the outstanding RSUs granted under the RSU Scheme and the movements during the six months ended 30 June 2024 are set out as follows:

Name/category of Grantee	Date of Grant	Number of Shares underlying the RSUs outstanding as of the date of grant (Note 1)	Number of Shares underlying the RSUs outstanding as of 1 January 2024	Number of RSUs granted during the Reporting Period	Closing price of the Shares immediately before the date on which the RSUs were granted	Weighted average closing price of the Shares immediately before the vesting date	Vested during the Reporting Period	Lapsed during the Reporting Period (Note 2)	Number of Shares underlying the RSUs outstanding as of 30 June 2024	Vesting period (subject to vesting conditions)	Approximate percentage of total number of Shares in issue as of 30 June 2024
Two employees of the Group (Note 3)	8 July 2022	5,000,000	4,000,000	–	HK\$0.97	–	–	–	4,000,000	(Note 4)	0.66%
Total		5,000,000	4,000,000	–	HK\$0.97	–	–	–	4,000,000	(Note 4)	0.66%

Notes:

- Grantees are not required to make any payment in respect of grant of RSUs. Subject to the terms of the RSU Scheme, RSUs held by an Eligible Person that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the Eligible Person serving an exercise notice in writing on the trustee and copied to the Company. On 29 July 2022, the Company allotted and issued to Global Talent Alliance Limited, a wholly-owned subsidiary of the trustee appointed by the Board to administer the RSU Scheme (the “**RSU Nominee**”), 5,000,000 new shares (the “**RSU Shares**”), which are the underlying shares of the Company in respect of the 5,000,000 RSUs granted to the two grantees. The RSU Shares are held on trust by the RSU Nominee for the two grantees until the relevant RSUs have been exercised, upon which the RSU Shares will be transferred to the two grantees.
- During the Reporting Period, (i) no RSUs were granted under the RSU Scheme; and (ii) no RSU granted under the RSU Scheme was cancelled, vested or lapsed.
- The two grantees, each granted 2,500,000 RSUs, are business development staff of the Group and are third parties independent of and not connected with the Company, its subsidiaries and its connected persons.
- Subject to the vesting criteria and conditions having been met, the 2,500,000 RSU granted to each of the two Grantees shall vest equally (i.e. 500,000 RSUs) on 8 July 2023, 2024, 2025, 2026 and 2027, respectively. The vesting of the RSUs shall be subject to the satisfaction of the following performance targets: (i) the number of business partners being introduced by the relevant grantee; (ii) number of products being introduced and launched by the Group successfully on such grantee’s effort and (iii) the cost of introducing and launching the relevant products. The RSUs shall be exercised no earlier than 12 months after the respective vesting dates.
- For details of the fair value of the granted RSUs and the basis of the measurement of fair value of RSUs, please refer to Note 18 to the financial statements in this report.
- The number of RSUs which may be granted under the RSU Scheme as at 30 June 2024 was 71,993,400 RSUs.

# Disclosure of Interests

## 5. Maximum Entitlement of each Eligible Person under the Scheme

The total number of Shares granted and to be granted under the RSU Scheme and any other share scheme(s) of the Company to each Eligible Person (excluding any options and awards lapsed in accordance with the terms of the scheme) in any 12-month period up to and including the date of such grant shall not exceed in aggregate 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant to Eligible Persons in excess of the Individual Limit shall be subject to separate approval of the Shareholders in general meeting with such grantees and their associates abstaining from voting.

## 6. Vesting period

Details of the vesting period of the RSUs granted under the RSU Scheme are set out in the table in the section headed “4. Details of the RSUs granted under the RSU Scheme” above in this report.

## 7. Subscription Money for Shares issued under the RSU Scheme

The Board shall cause to be paid the subscription money for the underlying Shares in respect of the RSUs granted to an Eligible Person, representing the nominal value of a Share multiplied by the number of Shares to be issued, from the Company’s internal resources. Grantees are not required to make any payment in respect of grant of RSUs.

## 8. Duration

Subject to any early termination as may be determined by the Board pursuant to the rules relating to the RSU Scheme as amended from time to time, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of the first grant of the RSUs.

As no share options or RSUs were granted under all share schemes of the Company during the six months ended 30 June 2024, the number of Shares which were issued or may be issued in respect of options and awards granted under all share schemes of the Company during the six months ended 30 June 2024 divided by the weighted average number of shares of the relevant class in issue for the six months ended 30 June 2024 is nil.



# 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 C1 to the Listing Rules. Throughout the period from 1 January 2024 to 30 June 2024, save for code provision C.6.1 of the Code, the Company has complied with all applicable code provisions set out in the Code.

Code provision C.6.1 of the Code requires that the company secretary should be an employee of the Company and have day-to-day knowledge of the Company’s affairs. Mr. Wong Tik Man (“**Mr. Wong**”) was appointed as the company secretary of the Company with effect from 29 January 2021. He is an external service provider and he is not an employee of the Company. The Company has thus assigned Mr. Li Zhen, the chief financial officer of the Company, as the primary contact person with Mr. Wong. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Wong through the contact person assigned. Having in place a mechanism that Mr. Wong will get hold of the Group’s development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Wong as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

## 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 D.3 of the Code. During the six months ended 30 June 2024, 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. Lee Kwok Tung, Louis and Dr. To Kit Wa.

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 RESULTS

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 2024. It has also reviewed the unaudited condensed interim financial report for the six months ended 30 June 2024 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 2024 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 page 20.

## Corporate Governance and Other Information

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, KPMG did not express an audit opinion.

As such, the figures disclosed herein are for investors' reference only. Investors are advised to exercise caution and not to place undue reliance on such information when dealing in the securities of the Company. If in doubt, investors are advised to seek professional advice from professional or financial advisers.

### THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 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 2024.

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

During the six months ended 30 June 2024, the Company repurchased a total of 5,734,000 shares of the Company (the "Shares") on the Stock Exchange at an aggregate consideration of (excluding expenses) approximately HK\$7.1 million. No repurchased Shares were cancelled during the six months ended 30 June 2024. 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	Number of Shares cancelled
		Highest	Lowest		
		HK\$	HK\$		
January and April 2024	5,734,000	1.39	0.83	7,117	–

The repurchases of Shares were made by the Directors, pursuant to the general mandates granted by the Shareholders at the annual general meetings held on 30 May 2023 and 28 May 2024 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 2024.

### INTERIM DIVIDEND

The directors of the Company do not recommend the payment of a dividend in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: RMBNil).

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2024 and up to the date of this report which would materially affect the Group's operations and financial performance.



# 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 21 to 42 which comprises the consolidated statement of financial position of Fusen Pharmaceutical Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, 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 report 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 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

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

29 August 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Revenue</b>	4	<b>196,322</b>	336,437
Cost of sales		<b>(90,450)</b>	(157,319)
<b>Gross profit</b>		<b>105,872</b>	179,118
Other net income/(loss)	5	<b>3,080</b>	(1,443)
Selling and distribution expenses		<b>(52,218)</b>	(79,091)
General and administrative expenses		<b>(36,214)</b>	(35,755)
Research and development expenses		<b>(57,059)</b>	(24,028)
<b>(Loss)/profit from operations</b>		<b>(36,539)</b>	38,801
Finance income		<b>19</b>	752
Finance costs		<b>(7,375)</b>	(2,993)
Net finance costs	6	<b>(7,356)</b>	(2,241)
Share of loss of a joint venture		<b>(361)</b>	(12,805)
Share of loss of an associate		<b>(1,069)</b>	(859)
<b>(Loss)/profit before taxation</b>	7	<b>(45,325)</b>	22,896
Income tax expenses	8	<b>8,376</b>	(6,449)
<b>(Loss)/profit for the period</b>		<b>(36,949)</b>	16,447
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(36,941)</b>	16,456
Non-controlling interests		<b>(8)</b>	(9)
<b>(Loss)/profit for the period</b>		<b>(36,949)</b>	16,447

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

For the six months ended 30 June 2024 — unaudited  
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 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		(106)	(87)
<b>Other comprehensive income for the period</b>		(106)	(87)
<b>Total comprehensive income for the period</b>		(37,055)	16,360
<b>Attributable to:</b>			
Equity shareholders of the Company		(37,047)	16,369
Non-controlling interests		(8)	(9)
<b>Total comprehensive income for the period</b>		(37,055)	16,360
<b>(Loss)/earnings per share</b>	9		
Basic (RMB cents)		(5)	2
Diluted (RMB cents)		(5)	2

The accompanying notes form part of this interim financial report.

# Consolidated Statement of Financial Position

As at 30 June 2024 — unaudited  
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Non-current assets</b>			
Investment property	10	14,834	15,388
Other property, plant and equipment	10	389,056	350,264
Right-of-use assets	11	241,709	211,918
Intangible assets		28,379	22,551
Interest in a joint venture		36,954	37,302
Interest in an associate		99,590	100,659
Financial assets measured at fair value through profit or loss ("FVPL")		9,446	11,013
Deferred tax assets		13,211	5,021
Other assets		—	22,827
		<b>833,179</b>	776,943
<b>Current assets</b>			
Other financial assets	23	—	1,279
Inventories	12	140,835	161,718
Trade receivables	13	155,749	183,482
Prepayments and other receivables	14	204,751	185,474
Restricted bank deposit		36	—
Cash and cash equivalents	15	2,823	34,849
		<b>504,194</b>	566,802
<b>Current liabilities</b>			
Trade and bills payables	16	133,604	167,545
Lease liabilities		1,632	1,087
Contract liabilities		1,485	3,895
Accruals and other payables		308,269	249,351
Bank and other loans	17	240,644	236,556
Current taxation		5,174	6,086
		<b>690,808</b>	664,520
<b>Net current liabilities</b>		<b>(186,614)</b>	(97,718)
<b>Total assets less current liabilities</b>		<b>646,565</b>	679,225



# Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2024 — unaudited  
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Non-current liabilities</b>			
Deferred income		18,937	10,231
Lease liabilities		1,057	772
Bank and other loans	17	107,300	105,700
Deferred tax liabilities		111	296
		127,405	116,999
<b>NET ASSETS</b>		519,160	562,226
<b>CAPITAL AND RESERVES</b>			
Share capital	19	6,310	6,310
Reserves		514,150	557,208
<b>Total equity attributable to equity shareholders of the Company</b>		520,460	563,518
<b>Non-controlling interests</b>		(1,300)	(1,292)
<b>TOTAL EQUITY</b>		519,160	562,226

The accompanying notes form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited  
(Expressed in RMB'000 unless otherwise indicated)

Note	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Capital redemption reserve	Statutory surplus reserves	Share option reserve	Other reserves	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2024</b>	6,310	230,776	(83)	465	54,071	29,261	(11,198)	15,380	238,536	563,518	(1,292)	562,226
Loss for the period	-	-	-	-	-	-	-	-	(36,941)	(36,941)	(8)	(36,949)
Other comprehensive income	-	-	-	-	-	-	-	(106)	-	(106)	-	(106)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	(106)	(36,941)	(37,047)	(8)	(37,055)
Equity settled share-based transactions	-	-	-	-	-	454	-	-	-	454	-	454
Purchase of own shares	18	(6,417)	(48)	-	-	-	-	-	-	(6,465)	-	(6,465)
<b>Balance at 30 June 2024</b>	6,310	224,359	(131)	465	54,071	29,715	(11,198)	15,274	201,595	520,460	(1,300)	519,160

Note	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Capital redemption reserve	Statutory surplus reserves	Share option reserve	Other reserves	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2023</b>	6,383	246,726	(45)	392	54,071	27,808	(11,415)	15,434	274,813	614,167	(1,274)	612,893
Profit for the period	-	-	-	-	-	-	-	-	16,456	16,456	(9)	16,447
Other comprehensive income	-	-	-	-	-	-	-	(87)	-	(87)	-	(87)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	-	(87)	16,456	16,369	(9)	16,360
Equity settled share-based transactions	-	-	-	-	-	861	-	-	-	861	-	861
Purchase of own shares	18	(9,641)	(69)	-	-	-	-	-	-	(9,710)	-	(9,710)
Share of other reserves of an associate	-	-	-	-	-	-	551	-	-	551	-	551
<b>Balance at 30 June 2023</b>	6,383	237,085	(114)	392	54,071	28,669	(10,864)	15,347	291,269	622,238	(1,283)	620,955

The accompanying notes form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 — unaudited  
(Expressed in RMB'000 unless otherwise indicated)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Operating activities</b>		
Cash used in operations	(5,351)	(37,665)
Income tax paid	(912)	(8,683)
<b>Net cash used in operating activities</b>	<b>(6,263)</b>	<b>(46,348)</b>
<b>Investing activities</b>		
Repayments from a joint venture	3,500	8,000
Payment for the purchase of property, plant and equipment	(45,992)	(42,037)
Payment for the purchase of intangible assets	(854)	–
Payment for the financial assets measured at FVPL	(1,000)	(9,625)
Payment for the other assets	–	(31,255)
Other cash flow generated from investing activities	–	500
<b>Net cash used in investing activities</b>	<b>(44,346)</b>	<b>(74,417)</b>
<b>Financing activities</b>		
Borrowing costs paid	(8,595)	(5,213)
Decrease in restricted bank deposits	–	20,151
Capital element of lease rentals paid	(9,961)	(1,329)
Interest element of lease rentals paid	(59)	(77)
Proceeds from bank and other loans	426,140	194,233
Repayment of bank and other loans	(382,357)	(127,247)
Payment for purchase of own shares	(6,465)	(9,710)
<b>Net cash generated from financing activities</b>	<b>18,703</b>	<b>70,808</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(31,906)</b>	<b>(49,957)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>34,849</b>	<b>128,106</b>
<b>Effect of foreign exchange rate changes</b>	<b>(120)</b>	<b>150</b>
<b>Cash and cash equivalents at 30 June</b>	<b>2,823</b>	<b>78,299</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.

## 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 29 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 interim financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of 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 consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRS**”) Accounting Standards issued by the International Accounting Standards Board (“**IASB**”).

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 report 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 page 20.

The financial report relating to the financial year ended 31 December 2023 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 2023 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2024.

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

(Expressed in RMB'000 unless otherwise indicated)

## 2 BASIS OF PREPARATION *(Continued)*

### Material uncertainty related to going concern

Due to the impact of market demand and intense competition, revenue of the Group dropped sharply. Meanwhile, the Group continued to increase its investment in research and development (R&D). As a result, the Group experienced an operating loss in the first half of 2024. As at 30 June 2024, net current liabilities of the Group amounted to RMB186,614,000. In particular, the Group only had cash and cash equivalents of RMB2,823,000, which may not be sufficient to meet its working capital and financing requirements in the next twelve months.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company have been undertaking a number of measures to mitigate the Group's liquidity pressure, which include, but not limited to, the following:

- Negotiating with banks to raise new long-term bank loans and renew existing loans. As at the date of approval of this interim financial report, the Group has successfully renewed a bank loan of RMB20,000,000;
- Putting extra efforts on the collection of other receivables from government-related entities;
- Negotiating with creditors and lenders to restructure the terms and settlement schedules of existing payables and borrowings with a view to alleviate the liquidity pressure of the Group; and
- The ultimate controlling party, Henan Fusen Shiye Group Limited, has undertaken to provide continuing financial support and also to assist the Group in obtaining additional sources of financing from banks and other financial institutions, as and when needed, to ensure the Group's continuing operation for a period of at least twelve months from 30 June 2024.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, and adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the interim financial report.



# 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 this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("**2020 amendments**")
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("**2022 amendments**")
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures Supplier finance arrangements*

None of these amendments have had a material effect on how the Group's results and financial position for the current period 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	
	2024 RMB'000	2023 RMB'000
<b>Manufacturing products</b>		
Shuanghuanglian Oral Solutions	<b>83,900</b>	165,916
Shuanghuanglian Injections	<b>54,836</b>	51,201
Others	<b>53,328</b>	101,690
	<b>192,064</b>	318,807
Third party products	<b>4,258</b>	17,630
	<b>196,322</b>	336,437

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

(Expressed in RMB'000 unless otherwise indicated)

## 4 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (a) Revenue *(Continued)*

Revenue is recognised at point in time.

During the six months ended 30 June 2024, two of the Group's customers (2023: two customer) with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of pharmaceutical products to these two customers amounted to RMB29,398,000 and RMB21,405,000 respectively (2023: RMB49,317,000 and RMB39,925,000).

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 and does not disclose the remaining performance obligation under existing contracts as the performance obligations under the Group's existing contracts has an original expected duration of one year or less.

### (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.

## 5 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants	3,976	3,608
Net realised and unrealised losses on derivative financial instruments	(1,279)	(2,314)
Others	383	(2,737)
	3,080	(1,443)

## 6 NET FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Finance income	19	752
Less: Finance costs		
— Interest on bank loans	8,654	5,289
— Net foreign exchange gains	(1,279)	(2,296)
Net finance costs	(7,356)	(2,241)

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

(Expressed in RMB'000 unless otherwise indicated)

## 7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventories	91,552	158,310
Research and development costs	57,059	24,028
Depreciation of investment property and other property, plant and equipment	16,891	12,883
Depreciation of right-of-use assets	3,827	3,866
Amortisation of intangible assets	112	100
Recognition of credit losses on trade and other receivables	11,593	2,953

## 8 INCOME TAX EXPENSES

Amounts recognised in profit or loss:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Current tax — the PRC Enterprise Income Tax</b>	—	8,796
<b>Deferred tax</b>	(8,376)	(2,347)
	(8,376)	6,449

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

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 2024 is 25% (2023: 25%).

According to the Income Tax Law, the Company’s subsidiary, Henan Fusen Pharmaceutical Company Limited (“Henan Fusen”) was certified as a New and High Technology Enterprise in Henan since 2012 and is entitled to a preferential income tax rate of 15%, which has been applied for each of the six months ended 30 June 2024 and 2023. The current certification of New and High Technology Enterprise held by Henan Fusen will expire on 27 October 2024.

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.

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

(Expressed in RMB'000 unless otherwise indicated)

## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB36,941,000 (six months ended 30 June 2023: earnings of RMB16,456,000) and the weighted average of 740,670,000 ordinary shares (2023: 754,902,000) in issue during the reporting period, calculated as follows:

	Six months ended 30 June	
	2024 '000	2023 '000
Issued ordinary shares at 1 January	749,956	758,439
Effect of purchase of own shares (Note 20)	(9,286)	(3,537)
Weighted average number of ordinary shares at 30 June	740,670	754,902

### (b) Diluted (loss)/earnings per share

The basic and diluted (loss)/earnings per share are the same as the effects of all dilutive potential ordinary shares are anti-dilutive for the six months ended 30 June 2024 and 2023.

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

During the six months ended 30 June 2024, the addition for the Group on plant and acquired items of equipment amounted to RMB57,276,000 (six months ended 30 June 2023: RMB47,168,000).

As at 30 June 2024, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment and investment property, which had an aggregate carrying amount of RMB63,075,000 as of 30 June 2024 (31 December 2023: RMB63,564,000).

## 11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, the Group entered into a number of lease agreements for leasehold properties and therefore recognised the additions to right-of-use assets of RMB33,618,000 (six months ended 30 June 2023: RMB1,780,000).

As at 30 June 2024, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB83,949,000 as at 30 June 2024 (31 December 2023: RMB85,167,000).

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

(Expressed in RMB'000 unless otherwise indicated)

## 12 INVENTORIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Raw materials	62,206	79,817
Work in progress	19,233	20,105
Finished goods	59,396	61,796
	140,835	161,718

## 13 TRADE RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bills receivable*	84,255	117,505
Trade debtors	89,552	84,711
Less: allowance for credit loss	(18,058)	(18,734)
	71,494	65,977
	155,749	183,482

- \* At 30 June 2024, the Group's bills receivable of RMB52,039,000 and RMB30,344,000 (31 December 2023: RMB76,781,000 and RMB12,677,000) were endorsed to suppliers and discounted to banks, respectively. As the Group has not transferred the substantial risks and rewards relating to these bills, the Group's management determined not to de-recognise the carrying amounts of these bills and the associated trade payables.



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

(Expressed in RMB'000 unless otherwise indicated)

## 13 TRADE RECEIVABLES *(Continued)*

### Ageing analysis

Bills receivable are bank acceptance bills received from customers, maturity dates within 6 months to 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 2024 RMB'000	At 31 December 2023 RMB'000
Current to 3 months	38,520	50,473
4 to 6 months	29,294	7,255
7 to 12 months	3,220	6,805
Over 12 months	460	1,444
	<b>71,494</b>	65,977

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

## 14 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Receivables in connection with compensation for relocation of production facilities from local government	40,607	42,744
Prepayments for raw material and service charges	25,029	22,481
Deposit for raw material	—	18,000
Advances to a joint venture and accrued interests	9,321	12,821
Deductible input VAT	18,491	12,530
Prepayments to related parties	4,741	5,494
Other receivables from government-related construction entities	87,729	53,158
Others	18,833	18,246
	<b>204,751</b>	185,474

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

(Expressed in RMB'000 unless otherwise indicated)

## 15 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bank deposits	2,823	34,849

## 16 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 2024 RMB'000	At 31 December 2023 RMB'000
Current to 3 months	61,663	129,463
4 to 6 months	11,972	15,710
7 to 12 months	52,378	4,919
Over 12 months	7,591	17,453
	133,604	167,545

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)

## 17 BANK AND OTHER LOANS

	Note	At 30 June 2024		At 31 December 2023	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
Bank borrowings					
— secured	(i)	4.10%–5.20%	104,850	4.00%–5.20%	110,000
— guaranteed	(ii)	4.90%–5.05%	178,000	4.99%–5.05%	179,579
— pledged and guaranteed		4.22%–4.60%	30,000	4.21%–4.60%	40,000
— unsecured		3.05%	4,750	N.A	—
Proceeds from discounted bills		2.06%	30,344	1.42%	12,677
Total			347,944		342,256

Notes:

- (i) As at 30 June 2024, these loans are secured by the Group's property, plant and equipment, investment property and right-of-use asset.
- (ii) These loans are guaranteed by entities controlled by Mr. Cao Changcheng ("Mr. Cao"), the ultimate controlling party of the Company.

As of the end of the reporting period, the borrowings were repayable within one year or on demand.

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

(Expressed in RMB'000 unless otherwise indicated)

## 18 EQUITY SETTLED SHARE-BASED TRANSACTIONS

### (a) Share option scheme adopted on 14 June 2018

On 14 June 2018 (the “**Adoption Date**”), the Company adopted the Share Option Scheme whereby the Board are authorised, at their discretion, to invite employee, 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.

In order to encourage long-term commitment to the Company and to align the interests of the eligible grantees with the Company’s development, the exercise period of the outstanding options granted under the Share Option Scheme was extended and the expiry date deferred from 19 July 2020 to 13 June 2028 (“**Modification**”). The Modification took effect on 30 June 2020.

For the six months ended 30 June 2024 and 2023, no share-based payment expenses were recognised.

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

(Expressed in RMB'000 unless otherwise indicated)

## 18 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

### (b) Restricted share unit scheme adopted in July 2022

On 8 July 2022, the Company adopted a restricted share unit scheme (the “**RSU Scheme**”) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group through granting restricted share units (“**RSUs**”). The Company may allot and issue shares of the Company to the trustee to be held by the trustee and which will be used to satisfy the RSUs upon exercise. The maximum number of shares to be subscribed for and/or purchased by trustee for the purpose of the scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

On 8 July 2022, the Company granted 5,000,000 shares to two of the Group’s employees with a fair value of RMB4,147,000. The RSUs granted shall vest annually on an equal basis within five years with 500,000 shares each year from the grant date of the RSUs. Moreover, up to 300,000 additional RSUs may be granted to each employee at the Board’s discretion upon achievement of certain performance target.

The fair value of the employee services received in exchange for the grant of shares is measured based on the grant date share price of the Company. Accordingly, a total amount of RMB454,000 was charged as an equity settled share-based payment to profit or loss with a corresponding increase in share-based payment reserve for the six months ended 30 June 2024.

## 19 SHARE CAPITAL

	2024		2023	
	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	2,000,000,000	16,354	2,000,000,000	16,354
Ordinary shares, issued and fully paid: At 1 January and 30 June	749,956,000	6,310	758,439,000	6,383

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)

## 20 PURCHASE OF OWN SHARES

When the Company's shares 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 paid to acquire the shares is shown as an adjustment to share premium. Upon cancellation of the repurchased shares, the par value of the cancelled shares shall be transferred to "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	Number of shares cancelled	Number of treasury shares
March 2023	1,718,000	1.35	1.25	2,285	–	1,947,000
April 2023	4,756,000	1.35	1.25	6,406	–	6,703,000
May 2023	976,000	1.37	1.28	1,319	–	7,679,000
June 2023	780,000	1.35	1.24	1,018	–	8,459,000
July 2023	24,000	1.30	1.25	30	–	8,483,000
September 2023	–	–	–	–	(8,483,000)	–
November 2023	2,585,000	1.50	1.31	3,672	–	2,585,000
December 2023	2,336,000	1.40	1.28	3,180	–	4,921,000
	13,175,000			17,910	(8,483,000)	
January 2024	4,410,000	1.39	1.29	5,984	–	9,331,000
April 2024	1,324,000	0.89	0.83	1,133	–	10,655,000
	5,734,000			7,117	–	

The amount paid for the repurchase 5,734,000 shares during the six months ended 30 June 2024 was paid out of share premium. The aggregate price paid was HKD7,117,000 (equivalent to approximately RMB6,465,000). No repurchased shares were cancelled during the six months ended 30 June 2024.

As at 30 June 2024, the Group held 10,655,000 of the Company's shares (31 December 2023: 4,921,000). Treasury shares are not entitled for dividends.

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

(Expressed in RMB'000 unless otherwise indicated)

## 21 COMMITMENTS

Commitments outstanding at 30 June 2024 not provided for in the interim financial report:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for	250,597	82,205

## 22 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2024, the Group has entered into the following material related party transactions:

	Note	Six months ended 30 June 2024 RMB'000	2023 RMB'000
Sale of goods	(i)	817	8,017
Purchase of goods	(ii)	7,198	14,431
Receiving ancillary services	(iii)	145	145
Repayment from a joint venture	(iv)	3,500	8,000
Net (withdrawal)/deposit of a related party	(v)	(23)	232

- (i) Represent the pharmaceutical products sold to its joint venture, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited (江西永豐康德醫藥有限公司).
- (ii) Mainly represent medicinal herbs (lonicera japonica and baikal skullcap root), steams, packaging materials and construction materials from entities controlled by Mr. Cao.
- (iii) Represent amounts paid and payable to entities controlled by Mr. Cao in respect of ancillary services such as short-term leases of premises, accommodation, catering and other services.
- (iv) Represent repayment by the joint venture of the Group. Certain advances bore interest of 5.22% per annum for the six months ended 30 June 2023.
- (v) Represent net deposits placed in the bank which Mr. Cao can exercise significant influence.

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

(Expressed in RMB'000 unless otherwise indicated)

## 23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2024 RMB'000	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets measured at FVPL	9,446	–	–	9,446

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets measured at FVPL	11,013	–	–	11,013
Capped cross currency swap	1,279	–	1,279	–
	12,292	–	1,279	11,013



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

(Expressed in RMB'000 unless otherwise indicated)

## **23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS** *(Continued)*

### **Financial assets and liabilities measured at fair value** *(Continued)*

The fair value of capped cross currency swap is the estimated amount that the Group would receive or pay to transfer the swap at the end of the reporting period, taking into account the spot exchange rate as at the period end.

The fair value of the financial assets measured at FVPL is approximate to the investment cost due to short duration from the transaction date to the end of the reporting period.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 31 December 2023.

## **24 EVENTS AFTER THE REPORTING PERIOD**

As of the date of the report, there was no material event occurred for the Group after the reporting period.