



福森藥業有限公司

FUSEN PHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1652

2025

INTERIM REPORT



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Corporate Information

EXECUTIVE DIRECTORS

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 Zhiming
Mr. Lee Kwok Tung, Louis
Dr. To Kit Wa

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Yeung Yuk Hong

AUTHORIZED REPRESENTATIVES

Mr. Cao Zhiming
Mr. Yeung Yuk Hong

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

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

The Group's operating revenue for the first half of 2025 was approximately RMB111.3 million, representing a decrease of approximately 43.3% compared to RMB196.3 million for the corresponding period in 2024. The net loss attributable to shareholders of the Company for the period was approximately RMB23.1 million, which was reduced by approximately 37.4% compared to the net loss of approximately RMB36.9 million for the corresponding period in 2024. The Group's gross profit margin for the first half of 2025 was approximately 38.6%, representing a decrease of approximately 15.3% compared to the gross profit margin of approximately 53.9% for the corresponding period in 2024, primarily due to an increase in the proportion of giveaways in product promotions and sales discounts, which resulted in revenue reductions.

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 profit of approximately RMB26.3 million for the first half of 2025, with a profit attributable to shareholders of the Company of approximately RMB9.4 million, representing a significant improvement compared to a loss of approximately RMB0.36 million for the corresponding period in 2024.

Although the Group's performance in the first half of the year was at a relatively low level, there were several positive factors:

First, the Company's core products, including Shuanghuanglian Oral Solutions and Shuanghuanglian Injections, have successfully won the bids for the third batch of National Volume-Based Procurement (VBP) for proprietary Chinese medicines, with relatively favourable bidding prices. The scope of this VBP covers 31 provinces and regions nationwide, creating favourable conditions for the Company's revenue growth over the next three years. Since the majority of provinces and regions began formally implementing the third batch of VBP lists in June this year, the positive impact of the VBP has not yet been reflected in the first half of the year's revenue. It is expected to gradually materialise in the second half of the year;

* For identification purposes only

Management Discussion and Analysis

Second, in terms of stabilizing its cash flow, the Group has reassessed its research and development (R&D) pipeline, focusing on R&D of core product projects while reducing expenses for non-core R&D projects and controlling overall R&D expenses. The Company has also strictly controlled other administrative expenses and promotional expenses, such as advertising costs and staff costs, to improve its cash flow. Additionally, the Company is looking into possible opportunities for disposal of idle land and non-core assets to enhance cash recovery.

Third, Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited* (嘉亨(珠海横琴)醫藥科技有限公司) (“**Zhuhai Hengqin**”), a subsidiary of the Group, serves as the Group’s R&D platform. It currently has a total of 44 R&D projects in progress, including 24 pharmaceutical formulation projects, 14 chemical Active Pharmaceutical Ingredient (API) projects, and 6 traditional Chinese medicine projects. Among these, 15 projects are currently 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 two projects will be submitted to the Centre for Drug Evaluation by the end of this year. It is anticipated that at least 20 new products will be launched over the next three years, covering areas such as anti-infection and antiviral, cardiovascular, central nervous and hematological diseases, which will help optimise the Company’s product portfolio and revenue streams.

The Group believes that with the increased volume of VBP products and the gradual revenue growth from newly launched products, the Company’s revenue and gross profit margin will gradually return to reasonable levels. The Company maintains a cautiously optimistic outlook on its operational performance for the second half of the year, with expectations of continued improvement in operational results.

Management Discussion and Analysis

FINANCIAL REVIEW

Sales performance

	Unaudited				
	Six months ended 30 June				
	2025		2024		
	Revenue RMB'000	% of total	Revenue RMB'000	% of total	Growth rate %
Manufacturing products					
Shuanghuanglian Oral Solutions	56,119	50.4%	83,900	42.7%	-33.1%
Shuanghuanglian Injections	16,159	14.5%	54,836	27.9%	-70.5%
Nicardipine Hydrochloride Injection	2,603	2.4%	12,877	6.6%	-79.8%
Heat Clearing and Detoxicating Oral Solutions	5,253	4.7%	8,796	4.5%	-40.3%
Other products	31,152	28.0%	31,655	16.1%	-1.6%
Subtotal	111,286	100.0%	192,064	97.8%	-42.1%
Third-party products	—	0.0%	4,258	2.2%	-100.0%
Total	111,286	100.0%	196,322	100.0%	-43.3%

Our revenue decreased by approximately 43.3% from approximately RMB196.3 million in the first half of 2024 to approximately RMB111.3 million in the first half of 2025, which was mainly due to the decrease in sales volume of our products. The direct reason of the decrease is the demand shortfall in weak market.

Among our product categories, revenue from sales of Shuanghuanglian Oral Solutions decreased by approximately 33.1% from approximately RMB83.9 million in the first half of 2024 to approximately RMB56.1 million in the first half of 2025, which was mainly due to the demand shortfall in market. Some of our customers minimised their inventory levels to improve cashflows, which led to purchase order decrease in the first half year of 2025. Our revenue from sales of Shuanghuanglian Injections decreased by approximately 70.5% from approximately RMB54.8 million in the first half of 2024 to approximately RMB16.2 million in the first half of 2025, which was mainly due to the low performance of sales volume and decrease in market demand.

Management Discussion and Analysis

Gross profit and margin

Our gross profit decreased by approximately 59.4% from approximately RMB105.9 million for the first half year of 2024 to approximately RMB43.0 million for the first half year of 2025. The decrease in gross profit is in line with the approximately 43.3% decrease in total revenue for the first half year of 2025. Meanwhile, gross profit margin slightly decreased by 15.3 percentage points to approximately 38.6% for the first half year of 2025 (approximately 53.9% for the first half of 2024) primarily due to an increase in the proportion of giveaways in product promotions and sales discounts.

Other net (loss)/income

Our other net loss primarily consists of government grants and others. The increase in other net loss is mainly due to the decrease in government grants.

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 2024 and 2025, our selling and distribution expenses amounted to approximately RMB52.2 million and RMB30.6 million respectively, representing approximately 26.6% and 27.5% 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 decreased by approximately RMB21.5 million from approximately RMB36.2 million for the first half year of 2024 to approximately RMB14.7 million for the first half year of 2025. General and administrative expenses decreased significantly in the first half of 2025 due to the decrease in credit losses on trade and other receivables.

Research and development expenses

The research and development expenses in the first half year of 2025 is approximately RMB14.9 million, representing a decrease by approximately RMB42.2 million compared to approximately RMB57.1 million of first half year of 2024. The decrease is mainly due to the decrease in investing in non-core product's projects and the termination of some non-core R&D projects.

Management Discussion and Analysis

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 RMB7.4 million in the first half year of 2024 to approximately RMB7.8 million in the first half year of 2025, mainly attributable to the decrease of net foreign exchange gains.

SHARE OF EARNINGS/(LOSS) OF A JOINT VENTURE

Share of earnings of a joint venture representing the Group's interests increased by approximately RMB9.8 million from approximately RMB0.4 million loss for the six months ended 30 June 2024 to approximately RMB9.4 million earnings for the six months ended 30 June 2025. The operation result of Jiangxi Yongfeng Kangde significantly improved in the first half year of 2025 due to the co-operation between Jiangxi Yongfeng Kangde and Sunflower Pharmaceutical Group Company Limited.

INCOME TAX EXPENSES

Income tax primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Henan Fusen and Zhuhai Hengqin, our subsidiaries, were certified as a High New Technology Enterprise and has been entitled to a preferential income tax rate of 15%. Income tax expenses increased from approximately RMB8.4 million tax credit in the first half year of 2024 to approximately RMB0.4 million tax expense in the first half of 2025. The increase was mainly attributable to the decrease in the recognition of deferred tax for the six months ended 30 June 2025.

RECEIVABLES FROM GOVERNMENT-RELATED CONSTRUCTION ENTITIES

In 2023 and 2024, the Group, being a renowned enterprise based in Henan Province, was invited by the local government to participate in certain construction projects for the infrastructure, including roads and bridges, and public factories located in Henan Province. As at 30 June 2025, a net carrying amount of approximately RMB100.6 million was attributable to (a) prepayments made to a contractor appointed by government-related construction entities, which were used to settle the prepayments to construction work subcontractors and suppliers as directed by the Group, and (b) other prepayments made to various construction work subcontractors and materials suppliers, for the purpose of carrying out these government projects.

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 2025, the total capital expenditure was approximately RMB7.3 million (the first half year of 2024: approximately RMB46.0 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 2025, the Group's equity interest attributable to shareholders amounted to approximately RMB346.6 million (31 December 2024: approximately RMB369.7 million) in aggregate and total liabilities amounted to approximately RMB887.4 million (31 December 2024: approximately RMB869.8 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 2025, the Group had net current liabilities of approximately RMB340.9 million (31 December 2024: net current liabilities of approximately RMB312.8 million), which included cash and cash equivalents of approximately RMB76.0 million (31 December 2024: approximately RMB21.1 million) and the short-term bank and other loans amounting to approximately RMB283.4 million (31 December 2024: approximately RMB303.5 million).

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

GEARING RATIO

As at 30 June 2025, the gearing ratio of the Group, which is calculated by dividing total bank and other loans by total equity, increased to 105.4% from 103.9% as at 31 December 2024.

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 2025, the Group had a total of 1,045 employees (31 December 2024: 1,131 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 2025, the total staff cost (including Director's emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB31.0 million (six months ended 30 June 2024: RMB41.4 million).

COMMITMENT

Capital commitments of the Group outstanding as at 30 June 2025 and 31 December 2024 are as follows:

	30 June 2025 RMB'000	31 December 2024 RMB'000
Contracted for	275,450	352,328

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2025.

PLEDGE OF ASSETS

As at 30 June 2025, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment, investment property, land use rights and inventories, which had an aggregate carrying amount of approximately RMB145.9 million as at 30 June 2025 (31 December 2024: approximately RMB213.6 million).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 June 2025.

Disclosure of Interests

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

Disclosure of interests

As at 30 June 2025, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in the shares of the Company ("**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 Zhiming (formerly known as Mr. Cao Dudu) ^(Note 1)	Interest of a controlled corporation	334,831,000	45.29%
Mr. Hou Taisheng ^(Note 2)	Beneficiary of a trust	13,399,165	1.81%
Ms. Meng Qingfen ^(Note 2)	Beneficiary of a trust	11,809,433	1.60%
Mr. Chi Yongsheng ^(Note 2)	Beneficiary of a trust	12,944,956	1.75%

Notes:

- 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 vesting arrangement in relation to the voting rights attaching to the 180,180,000 Shares held by Fusen Trust (the "**Fusen Trust Shares**") which became effective on 23 May 2025, Mr. Cao Zhiming was vested with the protector's power to direct the trustee of the Fusen Trust to vote, with respect to the voting rights attaching to the Fusen Trust Shares, accordingly. Mr. Cao Zhiming is therefore also deemed to be interested in the 180,180,000 Shares held by Fusen Trust. Please refer to the announcement of the Company dated 26 May 2025 for further details.
- 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 2025, 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 ^(Note 1)	Beneficial owner	206,457,000	27.93%
Rayford	Beneficial owner	180,180,000	24.37%
TCT (BVI) Limited ^(Note 2)	Nominee of a trustee	185,180,000	25.05%
THE CORE TRUST COMPANY LIMITED ^(Note 2)	Trustee	185,180,000	25.05%
One Victory	Beneficial owner	154,651,000	20.92%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) ^(Note 3)	Interest of spouse	154,651,000	20.92%

Notes:

1. Full Bliss Holdings Limited ("Full Bliss") is wholly-owned by the estate of the late Mr. Cao Changcheng, who passed away on 31 October 2024. Mr. Cao Changcheng was the former chairman of the Board, a former executive Director and the father of Mr. Cao Zhiming.
2. The Core Trust Company Limited is the trustee of Fusen Trust, whereby Mr. Hou Taisheng, Ms. Meng Qingfen, Mr. Fu Jiancheng, Mr. Chi Yongsheng and 43 other individuals are the beneficiaries under Fusen Trust. TCT (BVI) Limited acts as the nominee to the trustee of Fusen Trust, and holds 100% of the issued shares of Rayford. TCT (BVI) Limited is wholly owned by The Core Trust Company Limited. Furthermore, Global Talent Alliance Limited, the nominee of the trustee (namely The Core Trust Company Limited) under the restricted share unit scheme of the Company approved and adopted by the Board on 8 November 2021, holds 5,000,000 Shares. Global Talent Alliance Limited is wholly owned by TCT (BVI) Limited, which in turn 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 (i) 180,180,000 Shares held by Rayford; and (ii) the 5,000,000 Shares held by Global Talent Alliance Limited, pursuant to 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 2025:

Name/category of participants	At 1 January 2025	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 2025	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
Two employees of the Group	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 2025, 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 2.16% of the issued share capital of the Company. As at 1 January 2025 and 30 June 2025, 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 8.66% 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 19 to the financial statements for further information of the Share Option Scheme.

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 2025, 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 2025 and 30 June 2025, respectively. Details of the outstanding RSUs granted under the RSU Scheme and the movements during the six months ended 30 June 2025 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 2025	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 2025	Vesting period (subject to vesting conditions)	Approximate percentage of total number of Shares in issue as of 30 June 2025
Two employees of the Group (Note 3)	8 July 2022	5,000,000	3,000,000	–	HK\$0.97	–	–	–	3,000,000	(Note 4)	0.406%
Total		5,000,000	3,000,000	–	HK\$0.97	–	–	–	3,000,000	(Note 4)	0.406%

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 19 to the financial statements in this report.
- The number of RSUs which may be granted under the RSU Scheme as at 30 June 2025 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 2025, 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 2025 divided by the weighted average number of shares of the relevant class in issue for the six months ended 30 June 2025 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 2025 to 30 June 2025, save for code provisions C.2.1 and C.6.1 of the Code, the Company has complied with all applicable code provisions set out in the Code.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Following the passing of Mr. Cao Changcheng (former chairman of the Board and an executive Director), on 31 October 2024, Mr. Cao Zhiming (“**Mr. Cao**”), an executive Director, the chief executive officer of the Company and the son of the late Mr. Cao Changcheng, was appointed the chairman of the Board with effect from 4 November 2024. For further details of the appointment of Mr. Cao as the chairman of the Board, please refer to the Company’s announcement dated 4 November 2024.

In view of Mr. Cao’s extensive experience in the pharmaceutical industry, and considering his roles in the general management and supervising day-to-day management operations of the Group, the Board believes that it is in the best interests of the Group for Mr. Cao to take up the dual roles of chairman of the Board and chief executive officer, as it has the benefit of ensuring consistent leadership within the Group and enables effective and efficient overall strategic planning for the Group. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstances and that there are sufficient checks and balances in place, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

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. Yeung Yuk Hong (“**Mr. Yeung**”) was appointed as the company secretary of the Company with effect from 30 September 2024. He is an external service provider and he is not an employee of the Company. The Company has thus assigned the chief financial officer of the Company as the primary contact person with Mr. Yeung. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Yeung through the contact person assigned. Having in place a mechanism that Mr. Yeung 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. Yeung 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 2025, 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.

Corporate Governance and Other Information

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 2025. It has also reviewed the unaudited condensed interim financial report for the six months ended 30 June 2025 with the management and recommended them to the Board for approval.

The interim report of the Group for the six months ended 30 June 2025 has also been reviewed and approved by the Audit Committee.

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 2025.

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

During the six months ended 30 June 2025, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of a dividend in respect of the six months ended 30 June 2025 (six months ended 30 June 2024: RMBNil).

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2025 and up to the date of this report which would materially affect the Group's operations and financial performance.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2025 — unaudited
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Revenue	4	111,286	196,322
Cost of sales		(68,296)	(90,450)
Gross profit		42,990	105,872
Other net (loss)/income	5	(2,970)	3,080
Selling and distribution expenses		(30,595)	(52,218)
General and administrative expenses		(14,736)	(36,214)
Research and development expenses		(14,883)	(57,059)
Loss from operations		(20,194)	(36,539)
Finance income		587	19
Finance costs		(8,403)	(7,375)
Net finance costs	6	(7,816)	(7,356)
Share of earnings/(loss) of a joint venture		9,396	(361)
Share of loss of associates		(4,111)	(1,069)
Loss before taxation	7	(22,725)	(45,325)
Income tax expenses	8	(411)	8,376
Loss for the period		(23,136)	(36,949)
Attributable to:			
Equity shareholders of the Company		(23,136)	(36,941)
Non-controlling interests		—	(8)
Loss for the period		(23,136)	(36,949)

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

For the six months ended 30 June 2025 — unaudited
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Other comprehensive income for the period (after tax)			
<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		15	(106)
Other comprehensive income for the period		15	(106)
Total comprehensive income for the period		(23,121)	(37,055)
Attributable to:			
Equity shareholders of the Company		(23,121)	(37,047)
Non-controlling interests		—	(8)
Total comprehensive income for the period		(23,121)	(37,055)
Loss per share	9		
Basic (RMB cents)		(3)	(5)
Diluted (RMB cents)		(3)	(5)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2025 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2025 RMB'000	31 December 2024 RMB'000
Non-current assets			
Investment property	10	13,726	14,280
Other property, plant and equipment	10	380,402	383,655
Right-of-use assets	11	234,314	237,675
Intangible assets		26,023	28,135
Interest in a joint venture		20,055	10,659
Interest in associates		19,171	23,942
Financial assets measured at fair value through profit or loss ("FVPL")		9,243	9,275
Deferred tax assets		6,197	6,637
Other assets	12	75,095	64,291
		784,226	778,549
Current assets			
Inventories	13	113,691	137,082
Trade receivables	14	104,701	113,878
Prepayments and other receivables	15	154,071	187,596
Cash and cash equivalents	16	75,988	21,056
		448,451	459,612
Current liabilities			
Trade and bills payables	17	136,846	123,466
Lease liabilities		578	924
Contract liabilities		12,667	8,940
Accruals and other payables		349,989	330,069
Bank and other loans	18	283,352	303,540
Current taxation		5,957	5,506
		789,389	772,445
Net current liabilities		(340,938)	(312,833)
Total assets less current liabilities		443,288	465,716

Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2025 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2025 RMB'000	31 December 2024 RMB'000
Non-current liabilities			
Deferred income		17,311	18,124
Lease liabilities		164	130
Bank and other loans	18	80,572	79,100
		98,047	97,354
NET ASSETS		345,241	368,362
CAPITAL AND RESERVES			
Share capital	20	6,179	6,179
Reserves		340,371	363,492
Total equity attributable to equity shareholders of the Company		346,550	369,671
Non-controlling interests		(1,309)	(1,309)
TOTAL EQUITY		345,241	368,362

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025 — 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	Share-based payment 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	RMB'000
Balance at 1 January 2025	6,179	224,229	–	596	54,071	–	30,066	(10,528)	15,305	49,753	369,671	(1,309)	368,362
Loss for the period	–	–	–	–	–	–	–	–	–	(23,136)	(23,136)	–	(23,136)
Other comprehensive income	–	–	–	–	–	–	–	–	15	–	15	–	15
Total comprehensive income for the period	–	–	–	–	–	–	–	–	15	(23,136)	(23,121)	–	(23,121)
Balance at 30 June 2025	6,179	224,229	–	596	54,071	–	30,066	(10,528)	15,320	26,617	346,550	(1,309)	345,241

Attributable to equity shareholders of the Company												
Note	Share capital RMB'000	Share premium RMB'000	Treasury shares reserve RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserves RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2024	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)
Total comprehensive income for the period	–	–	–	–	–	–	–	(106)	(36,941)	(37,047)	(8)	(37,055)
Equity settled share-based transactions	–	–	–	–	–	454	–	–	–	454	–	454
Purchase of own shares	19	(6,417)	(48)	–	–	–	–	–	–	(6,465)	–	(6,465)
Balance at 30 June 2024	6,310	224,359	(131)	465	54,071	29,715	(11,198)	15,274	201,595	520,460	(1,300)	519,160

The accompanying notes form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2025 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Six months ended 30 June	
	2025 RMB'000	2024 RMB'000
Operating activities		
Cash generated from operations	31,058	33,837
Income tax paid	—	(912)
Net cash used in operating activities	31,058	32,925
Investing activities		
Advanced to government-related construction entities	(55,802)	(39,188)
Repayments from government-related construction entities	90,570	—
Advance to other Entities	(161,328)	—
Repayments from other entities	155,336	—
Repayments from a joint venture	—	3,500
Payment for the purchase of property, plant and equipment	(7,317)	(45,992)
Payment for the purchase of intangible assets	—	(854)
Payment for the financial assets measured at FVPL	(1,000)	(1,000)
Payment for an associate	(191)	—
Interest received from an associate	851	—
Proceeds from financial assets measured at FVPL	1,000	—
Net cash used in/(generated from) investing activities	22,119	(83,534)
Financing activities		
Borrowing costs paid	(7,986)	(8,595)
Capital element of lease rentals paid	(269)	(9,961)
Interest element of lease rentals paid	(15)	(59)
Proceeds from bank and other loans	356,880	426,140
Repayment of bank and other loans	(346,870)	(382,357)
Payment for purchase of own shares	—	(6,465)
Net cash generated from financing activities	1,740	18,703
Net increase/(decrease) in cash and cash equivalents	54,917	(31,906)
Cash and cash equivalents at 1 January	21,056	34,849
Effect of foreign exchange rate changes	15	(120)
Cash and cash equivalents at 30 June	75,988	2,823

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 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 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 2024 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 IFRS Accounting Standards.

The financial report relating to the financial year ended 31 December 2024 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 2024 are available from the Company’s registered office.

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. As a result, the Group experienced an operating loss in the first half of 2025. As at 30 June 2025, net current liabilities of the Group amounted to RMB340,938,000. In addition, the Group is committed to repay bank and other loans amounting to RMB283,352,000 within one year, of which bank and other loans of RMB178,596,000 will be due for repayment in the next six months from the end of the reporting period.

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;
- Putting extra efforts on the collection of other receivables from government-related entities;
- Actively looking into possible opportunities for disposal of idle land and non-core assets to enhance cash recovery.
- 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 2025.

Assuming the 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.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to IAS 21, The effects of changes in foreign exchange rates — Lack of exchangeability issued by the IASB to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

(Expressed in RMB'000 unless otherwise indicated)

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	
	2025	2024
	RMB'000	RMB'000
Manufacturing products		
Shuanghuanglian Oral Solutions	56,119	83,900
Shuanghuanglian Injections	16,159	54,836
Others	39,008	53,328
	111,286	192,064
Third party products	—	4,258
	111,286	196,322

Revenue is recognised at point in time.

During the six months ended 30 June 2025, one of the Group's customers (2024: two customers) with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of pharmaceutical products to this customer amounted to RMB12,048,000 (2024: RMB29,398,000 and RMB21,405,000).

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.

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

(Expressed in RMB'000 unless otherwise indicated)

5 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Government grants	1,192	3,976
Net realised and unrealised losses on derivative financial instruments	—	(1,279)
Others	(4,162)	383
	(2,970)	3,080

6 NET FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Finance income	587	19
Less: Finance costs		
— Interest on bank loans and other borrowings	8,403	8,654
— Net foreign exchange gains	—	(1,279)
Net finance costs	(7,816)	(7,356)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Cost of inventories	68,474	91,552
Research and development costs	14,883	57,059
Depreciation of investment property and other property, plant and equipment	18,129	16,891
Depreciation of right-of-use assets	3,319	3,827
Amortisation of intangible assets	2,112	112
(Reversal)/recognition of credit losses on trade and other receivables	(4,195)	11,593

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

(Expressed in RMB'000 unless otherwise indicated)

8 INCOME TAX EXPENSES

Amounts recognised in profit or loss:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Current tax — the PRC Enterprise Income Tax	(29)	—
Deferred tax	440	(8,376)
	411	(8,376)

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 2025 is 25% (2024: 25%).

According to the Income Tax Law, the Company's subsidiaries, Henan Fusen Pharmaceutical Company Limited ("**Henan Fusen**") and Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited ("**Zhuhai Hengqin**") were certified as New and High Technology Enterprises, and were entitled to a preferential income tax rate of 15%, which have been applied for each of the six months ended 30 June 2025 and 2024. The current certification of New and High Technology Enterprise held by Henan Fusen and Zhuhai Hengqin will expire on 28 October 2027 and 28 December 2026 respectively.

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 PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB23,136,000 (six months ended 30 June 2024: loss of RMB36,941,000) and the weighted average of 739,301,000 ordinary shares (2024: 740,670,000) in issue during the reporting period, calculated as follows:

	Six months ended 30 June	
	2025 '000	2024 '000
Issued ordinary shares at 1 January	739,301	749,956
Effect of purchase of own shares (Note 20)	–	(9,286)
Weighted average number of ordinary shares at 30 June	739,301	740,670

(b) Diluted loss per share

The basic and diluted loss per share are the same as the effects of all dilutive potential ordinary shares are anti-dilutive for the six months ended 30 June 2025 and 2024.

10 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the addition for the Group on plant and acquired items of equipment amounted to RMB14,322,000 (six months ended 30 June 2024: RMB57,276,000).

As at 30 June 2025, 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 RMB107,053,000 as of 30 June 2025 (31 December 2024: RMB95,828,000)

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2025, the Group had no addition in right-of-use assets (six months ended 30 June 2024: RMB33,618,000).

As at 30 June 2025, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB3,795,000 as at 30 June 2025 (31 December 2024: RMB82,730,000).

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

(Expressed in RMB'000 unless otherwise indicated)

12 OTHER ASSETS

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Other receivables from government-related construction entities*	72,093	62,234
Prepayment for technological know-how	1,100	1,100
Prepayment for equipment	1,902	957
	75,095	64,291

* The amounts represent receivables from government related construction entities in respect of certain government projects.

13 INVENTORIES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Raw materials	44,504	46,197
Work in progress	17,636	23,764
Finished goods	48,544	64,114
Contract costs	3,007	3,007
	113,691	137,082

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

(Expressed in RMB'000 unless otherwise indicated)

14 TRADE RECEIVABLES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Bills receivable*	57,197	52,617
Trade debtors	60,650	75,842
Less: allowance for credit loss	(13,146)	(14,581)
	47,504	61,261
	104,701	113,878

* At 30 June 2025, the Group's bills receivable of RMB48,040,000 and RMB9,008,000 (31 December 2024: RMB29,127,000 and RMB21,835,000) 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.

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 2025 RMB'000	At 31 December 2024 RMB'000
Current to 3 months	31,351	30,593
4 to 6 months	11,235	20,969
7 to 12 months	4,274	9,480
Over 12 months	644	219
	47,504	61,261

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

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

(Expressed in RMB'000 unless otherwise indicated)

15 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Receivables in connection with compensation for relocation of production facilities from local government	40,607	40,607
Prepayments for raw material and service charges	13,243	16,264
Deductible input VAT	15,385	17,388
Prepayments to related parties	24,851	8,556
Other receivables from government-related construction entities (note 12)	28,500	81,223
Others	31,485	23,558
	154,071	187,596

16 CASH AND CASH EQUIVALENTS

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Bank deposits	75,988	21,056

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

(Expressed in RMB'000 unless otherwise indicated)

17 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 2025 RMB'000	At 31 December 2024 RMB'000
Current to 3 months	52,056	56,377
4 to 6 months	14,525	8,298
7 to 12 months	21,294	19,198
Over 12 months	48,971	39,593
	136,846	123,466

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

18 BANK AND OTHER LOANS

	Note	At 30 June 2025		At 31 December 2024	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
Bank borrowings					
— secured	(i)	3.80%–5.50%	88,450	3.75%–5.50%	128,650
— guaranteed	(ii)	3.30%–5.05%	204,000	4.90%–5.05%	176,000
— unsecured		3.05%–4.50%	23,722	3.05%–4.50%	24,250
Other borrowings		2.02%–3.34%	47,752	0.94%–9.00%	53,740
Total			363,924		382,640

Notes:

- (i) As at 30 June 2025, 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 ZhiMing ("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. As at 30 June 2025, inventories pledged as security by the Group amounted to RMB35,007,000 (31 December 2024: RMB35,007,000).

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

(Expressed in RMB'000 unless otherwise indicated)

19 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 2025 and 2024, no share-based payment expenses were recognised.

(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. No amounts were incurred in share-based payment reserve for the six months ended 30 June 2025.

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

(Expressed in RMB'000 unless otherwise indicated)

20 SHARE CAPITAL

	2025		2024	
	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	739,301,000	6,179	749,956,000	6,310

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.

21 COMMITMENTS

Contract commitments outstanding at 30 June 2025 not provided for in the interim financial report were as follows, which is mainly related to research and development activities, government related projects and equipment procurement:

	At 30 June 2025 RMB'000	At 31 December 2024 RMB'000
Contracted for	275,450	352,328

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

(Expressed in RMB'000 unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2025, the Group has entered into the following material related party transactions:

	Note	Six months ended 30 June	
		2025 RMB'000	2024 RMB'000
Sale of goods	(i)	656	817
Purchase of goods	(ii)	7,318	7,198
Receiving ancillary services	(iii)	207	145
Repayment from a joint venture	(iv)	–	3,500
Net withdrawal of a related party	(v)	–	(23)

Notes:

- (i) Represent the electricity sold to a company controlled by a director.
- (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 ancillary services such as short-term leases of premises, accommodation, catering and other services acquired from entities controlled by the ultimate controlling party of the Company.
- (iv) Represent repayment by the joint venture of the Group.
- (v) Represent net withdrawal placed in the bank which Mr Cao can exercise significant influence.

23 COMPARATIVE FIGURES

Certain comparative figures on the consolidated cash flow statement have been re-presented to conform to the presentation for the year.

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

(Expressed in RMB'000 unless otherwise indicated)

24 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 2025 RMB'000	Fair value measurements as at 30 June 2025 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets measured at FVPL	9,243	–	–	9,243

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets measured at FVPL	9,275	–	–	9,275

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 2025 and 31 December 2024.

25 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.