

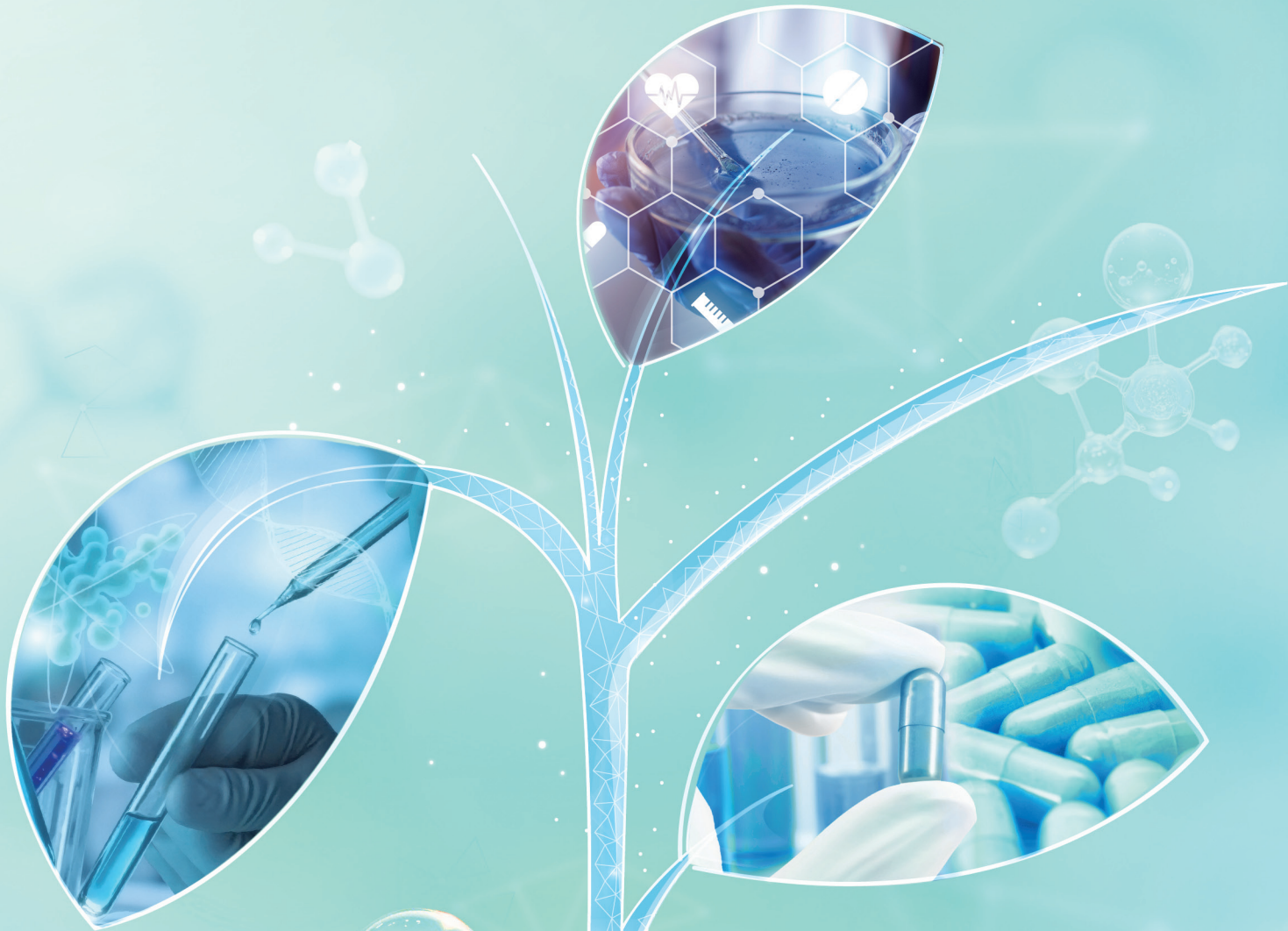


福森藥業有限公司

FUSEN PHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1652



2025

ANNUAL REPORT

Contents

Corporate Information	2
Financial Summary	4
Chairman’s Statement	5
Management Discussion and Analysis	6
Biographical Details of Directors, Senior Management and Company Secretary	18
Corporate Governance Report	22
Environmental, Social and Governance Report	38
Report of the Directors	109
Independent Auditor’s Report	130
Consolidated Statement of Profit or Loss and Other Comprehensive Income	137
Consolidated Statement of Financial Position	139
Consolidated Statement of Changes in Equity	141
Consolidated Statement of Cash Flows	142
Notes to the Consolidated Financial Statements	144



Corporate Information

EXECUTIVE DIRECTORS

Mr. Cao Zhiming (*Chairman and Chief Executive Officer*)
Mr. Hou Taisheng
Ms. Meng Qingfen
Mr. Chi Yongsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwok Tung Louis
Dr. To Kit Wa
Mr. Yu Ho Ming (*appointed on 30 September 2025*)
Mr. Sze Wing Chun (*resigned on 30 September 2025*)

AUDIT COMMITTEE

Mr. Lee Kwok Tung Louis (*Chairman*)
(*appointed on 30 September 2025*)
Dr. To Kit Wa
Mr. Sze Wing Chun
(*resigned on 30 September 2025*)
Mr. Yu Ho Ming (*appointed on 30 September 2025*)

NOMINATION COMMITTEE

Mr. Cao Zhiming (*Chairman*)
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

AUTHORISED REPRESENTATIVES

Mr. Cao Zhiming
Mr. Yeung Yuk Hong

INVESTOR RELATIONS

Mr. Cao Zhiming

AUDITOR

CCTH CPA Limited
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance
Unit 1510-1517, 15/F
Tower 2, Kowloon Commerce Centre
51 Kwai Cheong Road, Kwai Chung
New Territories Hong Kong

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

Corporate Information *(Continued)*

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS SHARE REGISTRAR

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

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

LISTING 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

Financial Summary

RESULTS

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	273,365	326,029	565,608	491,757	385,664
Cost of sales	(163,577)	(163,392)	(266,102)	(266,736)	(174,531)
Gross profit	109,788	162,637	299,506	225,021	211,133
Other income and other gains or losses, net	24,839	17,395	146	7,379	(2,815)
Selling and distribution expenses	(52,148)	(80,998)	(139,541)	(118,721)	(90,946)
General and administrative expenses	(44,973)	(51,204)	(74,898)	(44,929)	(48,324)
Research and development expenses	(13,289)	(106,260)	(65,197)	(24,992)	(16,911)
Impairment loss on goodwill and intangible assets	–	–	–	–	–
(Loss)/profit from operations	(1,721)	(67,511)	20,016	43,758	52,137
Net finance costs	(20,335)	(18,838)	(8,843)	(15,725)	(7,097)
Share of results of a joint venture and impairment and impairment loss on interest in a joint venture	19,485	(26,661)	(11,186)	(49,823)	(7,611)
Share of results of associates and impairment and impairment loss on interest in an associate	(5,032)	(77,436)	(29,435)	(9,203)	(13,638)
(Loss)/profit before taxation	(7,603)	(190,446)	(29,448)	(30,993)	23,791
Income tax (expense) credit	(4,198)	1,646	(6,847)	(3,661)	(7,178)
(Loss)/profit for the year	(11,801)	(188,800)	(36,295)	(34,654)	16,613

ASSETS AND LIABILITIES

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	1,263,140	1,238,161	1,343,745	1,350,268	1,239,336
Total liabilities	905,219	869,799	781,519	737,375	582,392
Total equity	357,921	368,362	562,226	612,893	656,944

Chairman's Statement

Dear Shareholders,

In 2025, affected by the dual impact of the economic downturn and medical insurance cost control policies, the Company's business operations and development are facing multiple challenges. In terms of product sales, the third-party terminal market was continuously affected by the diversion effect of medical insurance, resulting in overall weak performance. The sales growth of products that won centralized procurement bids for traditional Chinese medicines fell short of expectations. Although the products that won centralized procurement bids for chemical medicines achieved rapid growth in sales, their contribution to the Company's profit was limited due to the impact of price reductions exceeding expectations.

Facing the operating pressure of declining revenue, the Company has adopted multiple measures to strengthen internal control, revitalize assets, and broaden financing channels. In terms of human resources, we optimized the personnel structure; in terms of the supply chain, we strictly controlled the scale and cost of raw material procurement; and in terms of expenses, we minimized administrative and research and development expenses to reduce capital occupation. In terms of asset revitalization, the disposal of the non-core photovoltaic power generation business was completed in September 2025, with RMB72 million in funds recovered. Subsequently, the Company will continue to promote the disposal of non-core assets. In terms of financing, the Company is actively liaising with banks and various financial institutions, making every effort to seek new bank loans and other diversified financing methods to ensure the stability of the capital chain.

In terms of new product research and development ("R&D") and pipeline layout, the Company successfully obtained approval for five new products in 2025, and the relevant products have been gradually launched for sale, effectively diversifying the Company's revenue structure. In terms of R&D strategies, the Company will continue to invest in existing projects for high-end generic drugs, special APIs, and innovative Chinese medicine. For newly initiated projects, the Company will conduct rigorous comprehensive evaluations of R&D investment and potential rates of return to strictly control R&D risks. Meanwhile, the Company will continue to pay attention to opportunities for introducing high-quality products to further enrich its product pipeline and reserve momentum for subsequent development.

Looking ahead, the Company's operations will still face challenges in the short term, but we believe that the worst moment for the industry and the Company's operations has passed. As the Company's principal business gradually stabilizes, its cash flow position continues to improve, and various new products are successively launched and scaled up, the Company's operating conditions will steadily improve. I would like to express my sincere gratitude to all shareholders for their trust and continuous support.

Cao Zhiming

Chairman of the Board

31 March 2026

Management Discussion and Analysis

Overview

The Group recorded a net loss of approximately RMB11.8 million for the year ended 31 December 2025, representing a substantial narrowing of the loss compared to the net loss of RMB188.8 million for the year ended 31 December 2024. The narrowing of operating loss was primarily due to a sustained moderation in the Company's revenue declines, and the gradual effectiveness of various cost control measures throughout the year.

In terms of profitability indicators, for the year ended 31 December 2025, the Group achieved a gross profit of approximately RMB109.8 million, and the gross profit margin decreased from 49.9% in 2024 to 40.1% in 2025, representing a year-on-year decrease of 9.8%. The decline in gross profit margin was mainly attributable to a steeper decline in revenue than that of costs, reflecting a time lag in cost adjustments amid revenue pressure, and the Company's profitability is under temporary pressure.

The Group also underwent certain structural changes in expenses for the year ended 31 December 2025, the details of which are as follows:

1. R&D expenses of the Group: decreased significantly from RMB106 million for the year ended 31 December 2024 to RMB13.29 million in 2025, primarily because certain R&D projects were under review, while the Company conducted screening and optimization of R&D projects to precisely control R&D investment;
2. Administrative expenses of the Group: decreased from RMB51.2 million for the year ended 31 December 2024 to RMB45.0 million in 2025, which was primarily due to the cost saving policy being applied throughout the year;
3. Selling and distribution expenses of the Group: decreased from RMB81.0 million for the year ended 31 December 2024 to RMB52.1 million in 2025. The scale of expenses was basically in line with the downward trend in revenue, and cost control remained aligned with operations.

Business Review

The Group's operating loss for the year ended 31 December 2025 was approximately RMB11.8 million, which significantly narrowed compared with an operating loss of RMB188.8 million to the corresponding period in 2024, with operating fundamentals showing a trend of improvement. Among them, the operating results of Jiangxi Yongfeng Kangde Pharmaceutical Company Limited ("**Jiangxi Kangde**"), a joint venture of which the Group participates in, achieved a significant turnaround from loss to profit, turning from a loss of RMB22.3 million in 2024 to a profit of RMB55.4 million in 2025, bringing a profit contribution of approximately RMB19.5 million to the Group and becoming an important support for the improvement of the Company's results.

On the market side, the pharmaceutical industry in the PRC as a whole has entered a cycle of channel inventory digestion, and the adjustment of the terminal channel inventory structure has led to a short-term decrease in the Company's product sales shipment volume. Meanwhile, market uncertainties brought about by the centralized drug procurement policy in the PRC have caused customers to generally adopt a reserved position. These factors collectively resulted in a periodic decline in the Company's revenue.

Management Discussion and Analysis *(Continued)*

On the R&D side, while continuously advancing projects under development, the Company has deepened the review and optimization of R&D projects, selectively suspending or reallocating costs of certain inefficient projects to control the total R&D expenses within a reasonable range. For the year ended 31 December 2025, the Group recorded R&D expenses of approximately RMB13.3 million, representing a significant reduction as compared to approximately RMB106.3 million in 2024. In terms of product approvals, the Company successfully obtained approvals for five new products in 2025, of which two products have already been put on the market and have contributed to revenue, with new products gradually becoming new growth points for revenue.

On the production side, the Company maintained an overall safe and stable state of production and operation. However, affected by market demand, the decrease in sales orders resulted in production volume falling short of expectations, and production efficiency and cost advantages were not fully leveraged. The synergy between the production side and the market side remains to be further enhanced.

Outlook

2025 was a challenging year for the Group. The Company's operations exhibited a trough-like recovery trend, with revenue for the first half of the year decreasing compared to the same period in 2024, while revenue for the second half of the year achieved restorative growth, driving a gradual narrowing of the decline in annual revenue and indicating a clear trend of operational stabilization.

In terms of funding, although the Company's working capital still faces certain pressure in the short term, with the continuous improvement in the operating conditions of its principal business and the ongoing progress in the disposal of non-core assets, the Company's funding position is expected to improve significantly.

In terms of the product and profitability, the gross profit margins of the Company's core products remained basically stable, and the sales volume of products that won bids in centralized procurement achieved steady growth after the implementation of the policies, laying a solid foundation for the continuous growth of the Company's revenue. On the research and development side, the optimization and adjustment of projects have been completed, and the Company will subsequently focus on the assessment of returns on R&D investment, and strengthen the relevant risk control measures on this basis, so as to ensure that R&D expenses are maintained at a reasonable level, and achieve a positive interaction between R&D and operations.

Looking ahead, with the continuous stabilization and recovery of core product sales, the gradual formation of scalable sales for newly approved products, and the targeted launch of six to eight newly approved products in 2026, the Group's revenue is expected to gradually stabilize and recover. The overall operating conditions will achieve further improvement, and the Company's development will gradually enter a new stage of recovery and growth.

Management Discussion and Analysis *(Continued)*

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased by approximately RMB52.7 million, or 16.2%, from approximately RMB326.0 million for the year ended 31 December 2024 to approximately RMB273.4 million for the year ended 31 December 2025. The following table sets out a breakdown of the Group's revenue and the corresponding growth rate generated from principal products for the years ended 31 December 2025 and 2024 respectively:

	2025		Year ended 31 December 2024		
	Revenue RMB'000	% of total	Revenue RMB'000	% of total	Growth rate %
<i>Sales of products</i>					
Shuanghuanglian Oral Solutions	149,791	54.8%	146,663	45.0%	2.1%
Shuanghuanglian Injections	48,139	17.6%	78,326	24.0%	-38.5%
Heat-clearing and Detoxicating Oral Solutions	14,786	5.4%	12,052	3.7%	22.7%
Flunarizine Hydrochloride Capsules	13,296	4.9%	8,338	2.6%	59.5%
Sanhuang Tablets	12,878	4.7%	10,310	3.2%	24.9%
Compound Ferrous Sulfate Granules	10,766	3.9%	14,817	4.5%	-27.3%
Other pharmaceutical products	23,709	8.7%	55,223	17.0%	-57.3%
Total	273,365	100%	326,029	100%	-16.2%

The decrease in revenue of the Group was mainly due to the decrease in both selling prices and sales volume. The pharmaceutical industry in the PRC as a whole entered into a channel inventory destocking phase. The adjustment of inventory structure of the Group in terminal channels has led to a short-term decline in the Group's sales volume.

Cost of sales

Cost of sales of the Group was approximately RMB163.6 million for the year ended 31 December 2025, as compared to approximately RMB163.4 million for the year ended 31 December 2024.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately RMB52.8 million from approximately RMB162.6 million for the year ended 31 December 2024 to approximately RMB109.8 million for the year ended 31 December 2025. The Group's gross profit margin was approximately 40.2% and 49.9% for the years ended 31 December 2025 and 2024, respectively. The decrease in gross profit was mainly due to the decrease of the selling price during the year.

Management Discussion and Analysis *(Continued)*

Other income and other gains or losses, net

Other income and other gains or losses, net, of the Group for the year ended 31 December 2025 primarily consists of government grants, net gain on disposal of property, plant and equipment, and others. Other income and other gains or losses, net, of the Group increased by approximately RMB7.4 million from the other net income of approximately RMB17.4 million for the year ended 31 December 2024 to approximately RMB24.8 million for the year ended 31 December 2025, primarily due to the increase in gain on disposal of a subsidiary and net gain on disposal of property, plant and equipment.

Selling and distribution expenses

Our selling and distribution expenses of the Group primarily consist of wages and salaries, logistics charges, advertisement expenses, commission fee, service fee, business travel expenses and other miscellaneous expenses. The selling and distribution expenses decreased by approximately RMB28.9 million, or 35.6%, from approximately RMB81.0 million for the year ended 31 December 2024 to approximately RMB52.1 million for the year ended 31 December 2025. The decrease in selling and distribution expenses was correlated with the decline in revenue for the year ended 31 December 2025.

General and administrative expenses

General and administrative expenses of the Group decreased by approximately RMB6.2 million, or 12.2%, from approximately RMB51.2 million for the year ended 31 December 2024 to approximately RMB45.0 million for the year ended 31 December 2025, which was mainly attributable to the cost saving policy being applied throughout the year and the decrease in wages and salaries for the year ended 31 December 2025.

Research and development expenses

R&D expenses of the Group decreased by approximately RMB93.0 million from approximately RMB106.3 million for the year ended 31 December 2024 to approximately RMB13.3 million for the year ended 31 December 2025. The expenses were mainly for the research and development on new medicine products according to the work progress.

Net finance costs

Net finance costs of the Group for the year ended 31 December 2025 represent finance income, which includes interest income derived from bank deposits, less finance costs, interest on bank loans and foreign exchange loss.

The net finance costs increased from approximately RMB18.8 million for the year ended 31 December 2024 to approximately RMB20.3 million for the year ended 31 December 2025, mainly attributable to the increase in net foreign exchange loss and interest on bank and other loans.

Management Discussion and Analysis *(Continued)*

Interest in associates

Share of results and impairment loss on interest in an associate arose from the Group's associate, namely Weihai Rensheng Pharmaceutical Group Company Limited ("**Weihai Rensheng**") in 2024. No impairment on interest in an associate was recorded by the Group for the year ended 31 December 2025 (for the year ended 31 December 2024: RMB72.1 million). The management of the Group has carried out an impairment assessment on the cash generating unit ("**CGU**") of Weihai Rensheng at 31 December 2025 and no impairment loss is recognised for the year ended 31 December 2025. For further details, please refer to the section headed "Impairment on interest in an associate" below in this report.

Interest in a joint venture

Share of results and impairment loss of a joint venture of the Group increased by approximately RMB46.1 million from a loss of approximately RMB26.7 million for the year ended 31 December 2024 to a profit of approximately RMB19.5 million for the year ended 31 December 2025. Such interest of the Group is due from Jiangxi Kangde, where 35.8% of its shares are owned by the Group. The operation result of Jiangxi Kangde significantly improved for the year ended 31 December 2025 due to the co-operation between Jiangxi Kangde and Sunflower Pharmaceutical Group Company Limited.

Income tax expenses

For the year ended 31 December 2025, the Group recorded income tax expenses of approximately RMB4.2 million, as compared to income tax credit of approximately RMB1.6 million for the year ended 31 December 2024. Income tax primarily represents income tax payable by us under relevant PRC income tax rules and regulations. Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司) ("**Henan Fusen**") and Zhuhai Hengqin, our subsidiaries, were certified as High and New Technology Enterprise and have been entitled to a preferential income tax rate of 15%. The increase of income tax expense was mainly attributable to the decrease in the recognition of deferred tax for year ended 31 December 2025.

Receivables from government-related construction entities

In 2024 and 2025, 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 31 December 2025, a net carrying amount of approximately RMB204.3 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.

IMPAIRMENT ON INTEREST IN AN ASSOCIATE

The impairment on interest in an associate, namely Weihai Rensheng, was approximately RMB nil for the year ended 31 December 2025 (for the year ended 31 December 2024: RMB72.1 million).

Management Discussion and Analysis *(Continued)*

Reasons for and circumstances leading to the impairment

Weihai Rensheng is a limited company established in 2014. It is primarily engaged in the research and development (R&D), production, and sales of proprietary Chinese medicines. It is a key manufacturer of proprietary Chinese medicine in the Shandong Province, PRC. It is positioned to create “specialized proprietary Chinese medicines”, with its major strengths including pediatrics, orthopedics, and dermatology. Its main customer base consists of major pharmaceutical companies, medicine manufacturers, hospitals, and end users across China.

At the end of 2025, the Company reviewed the actual financial performance of Weihai Rensheng for the year ended 31 December 2025 (“**FY2025**”). According to the information provided by Weihai Rensheng, its total revenue for FY2025 amounted to RMB135.3 million, whereas the management of Weihai Rensheng had estimated the total revenue for FY2025 in the amount of RMB158.4 million at the end of 2024. This represents a shortfall of approximately RMB23.1 million, or a 14.6% decrease, indicating signs of impairment.

To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, the main reasons why the amount of sales revenue of Weihai Rensheng in FY2025 was less than expected are as follows:

- (a) The major factors in terms of market environment can be summarised as follows:
 - (i) The industry as a whole entered into a channel inventory destocking phase in 2025. The adjustment of inventory structure in terminal channels has led to a decline in sales volume. Affected by the centralized procurement policy, the prices of proprietary Chinese medicines were under downward pressure, and competition among companies has become more intense, the future market trend is fraught with uncertainties, and customers generally held a wait-and-see attitude, which was also one of the reasons for the decline in revenue of Weihai Rensheng.
 - (ii) Medical insurance payment policies were further implemented in the PRC in 2025. Following the opening of medical insurance payment policies to drugstores, those drugstores which were not under the unified management scheme of medical insurance system recorded decrease in sales. Meanwhile, customer traffic at the other chain drugstores and independent drugstores declined, and the chain drugstore industry was hit by waves of business closures. The judgment of the management of Weihai Rensheng on this policy change is worse than originally expected. Nevertheless, during the new round of deep industry consolidation, large chain drugstores and some independent drugstores can seize opportunities to increase their market share, continuously integrate advantageous resources, and further enhance the chainization rate and concentration of the industry. Weihai Rensheng anticipates that the average number of customers served per store and revenue will also recover in the future.
- (b) In response to the current market environment, adjustments were made to Weihai Rensheng’s credit policies, with stricter controls on credit limits for accounts receivables. Moreover, inventory management in the market was tightened, with Weihai Rensheng requiring prepayment from customers or shorter credit terms. Such market environment has impacted sales revenue.

Management Discussion and Analysis *(Continued)*

Since the end of 2021, the Company has engaged an external valuer to assist in estimating the recoverable amount of the Company's interest in Weihai Rensheng annually. At the end of 2024, the Company recorded impairment loss of Weihai Rensheng approximately RMB72.1 million. When preparing the Company's financial statements for the year ended 31 December 2025, the Company noted that Weihai Rensheng's results were worse than the full-year performance budget previously made, prompting a detailed impairment assessment.

Valuation methods

The Company performs impairment assessment by comparing the carrying amount of an asset to its recoverable amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised. The recoverable amount of an asset is the greater of its value in use (VIU) and its fair value less costs of disposals (FVLCD).

The management of the Company engaged an external valuer to assist with the impairment assessment. With the assistance of the external valuer, the management of the Company has determined that the FVLCD of Weihai Rensheng exceeds its VIU. Hence, the FVLCD of Weihai Rensheng was used to determine the recoverable amount of the Company's interest in Weihai Rensheng.

As stipulated in the independent valuation report, when determining the recoverable amount using FVLCD, for operating business of Weihai Rensheng (the "**Operating Business**"), the Income Approach was applied, with key assumptions including discount rate and financial projections, for the following reasons:

- (a) The underlying company, Weihai Rensheng, has the foundation and conditions for continuous operation on a going concern basis. Weihai Rensheng also has sufficient historical operational and financial data that provides the basis for income projections. There is also a stable correlation between operations and income. Future income and risks can be reasonably projected and quantified.
- (b) The market approach was considered to be inappropriate due to the lack of comparable companies in terms of business operation stage, business structure, and operational risk.
- (c) The cost approach was also considered to be inappropriate as it is based on data from the underlying company's balance sheet, which may have not taken into consideration off-balance-sheet intangible assets (such as trademarks, technology, goodwill), and would hence be unable to reflect Weihai Rensheng's future profitability and growth potential.

Management Discussion and Analysis *(Continued)*

For non-operating assets of Weihai Rensheng (primarily drug licenses) (the “**Non-Operating Assets**”), the market approach was adopted, using historical transaction prices of comparable drug licenses as the primary parameters, for the following reasons:

- (a) Weihai Rensheng had conducted a series of transactions involving drug licences in the past, with such drug licences being similar to the types of drug licences currently held by Weihai Rensheng. Therefore, the market approach was adopted to estimate the fair value of the non-operating drug licences.
- (b) As the management does not have detailed business plans for the non-operating drug licences, it would not be possible to provide reasonable and detailed financial projections, making it inappropriate to adopt the income approach.
- (c) The cost approach is primarily based on analysing data from the underlying company’s balance sheet, and would be unable to reflect the future profitability and commercial value of drug licences held by Weihai Rensheng. Furthermore, the management of Weihai Rensheng was unable to provide sufficient data regarding the historical research and development costs of the drug licences. Therefore, it was considered inappropriate to adopt the cost approach.

There were no subsequent changes in the valuation method used.

Values of inputs used together with basis and assumptions

The key input underlying the income approach to valuation for the Operating Business included Weihai Rensheng’s current year results. The key assumptions underlying the income approach to valuation for the Operating Business are as follows:

1. Discount Rate: 20%, determined by applying the Capital Asset Pricing Model (CAPM). The comparable companies identified and the methodology for applying the model were consistent with 2024 and 2025.
2. Financial Projections:
 - (a) Revenue: 5-year CAGR of approximately 17% from 2026 to 2030 (the “**Projection Period**”).
 - (b) Gross Margin: Expected range of 54%–58% for the Projection Period.
 - (c) Terminal Growth Rate: 2.2%.

Management Discussion and Analysis *(Continued)*

Changes in value of inputs or assumptions

Based on the information provided by Weihai Rensheng, the changes in the value of inputs and assumptions from those previously adopted, and the underlying reasons are summarised as follows:

	Valuation as of December 31, 2025	Valuation as of December 31, 2024
Revenue	FY2025: 135.25 million	FY2024: 158.39 million
Gross Profit	FY2025: 76.89 million	FY2024: 101.22 million

	Valuation as of 31 December, 2025	Valuation as of 31 December, 2024
5-Year CAGR of Revenue:	17%	18%
Gross Margin Range:	55% to 59%	60% to 64%
Terminal Growth Rate:	2.2%	2.0%
Discount Rate:	18%	20%

The discount rate in 2025 is the same as 2024.

Terminal Growth Rate was adjusted based on third-party macroeconomic data.

Reasons for changes in revenue projection

Weihai Rensheng, based on the current market environment and its existing business strategy, has made a forecast for the next five years' revenue using the revenue data from the current year. Overall, the actual input revenue data for the past two years has decreased by approximately 14.6%, and the 5-Year CAGR of Revenue has also decreased by about 1%. Weihai Rensheng's management believes that despite the impact of the aforementioned market environment, with the continuous integration of advantageous resources within the industry, the overall market trend remains positive, and there is still potential for revenue growth in the future.

Management Discussion and Analysis *(Continued)*

Reasons for changes in gross margin projection

The changes in gross margin are primarily influenced by Weihai Rensheng's fixed shared cost and expenses. Initially, the sales projection was optimistic, expecting a steady increase in revenue. With growth in revenue, production volume would rise, leading to a reduction in fixed shared costs, which in turn was expected to increase gross margin.

In 2025, Weihai Rensheng revised its financial projection. Since sales projections had declined compared to previous estimates, fixed shared costs increased, causing the actual gross margin to decrease.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had net current liabilities of approximately RMB382.0 million (2024: RMB312.8 million) and cash and cash equivalents of approximately RMB83.8 million (2024: RMB21.1 million).

As at 31 December 2025, the Group's total equity attributable to equity shareholders of the Company amounted to approximately RMB359.2 million (2024: RMB369.7 million), and the Group's total debt amounted to approximately RMB300.3 million (2024: RMB382.6 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

GEARING RATIO

As at 31 December 2025, the gearing ratio of the Group, which is calculated as the total debt divided by the total equity, was approximately 83.9% (2024: 103.9%).

COMMITMENTS

Contract commitments outstanding at 31 December 2025 and 2024 not provided for in the consolidated financial statements were as follows, which are mainly related to research and development activities, government related projects and equipment procurement:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Contracted for	234,447	352,328

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2025 (2024: Nil).

Management Discussion and Analysis *(Continued)*

INFORMATION ON EMPLOYEES

As at 31 December 2025, the Group employed 1,005 employees (2024: 1,131 employees). Employees are remunerated based on their qualifications, position and performance. 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 year ended 31 December 2025, the total staff costs (including Directors' emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB47.9 million (2024: RMB78.3 million).

CAPITAL STRUCTURE

The Group's capital structure consists of equity interest attributable to Shareholders and liabilities. As at 31 December 2025, the Group's equity interest attributable to shareholders amounted to approximately RMB357.9 million (31 December 2024: approximately RMB368.4 million) and total liabilities amounted to approximately RMB905.5 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.

CHARGE ON GROUP ASSETS

As at 31 December 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 RMB55.3 million (31 December 2024: RMB95.8 million).

As at 31 December 2025, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB80.3 million (2024: RMB82.7 million).

As at 31 December 2025, no inventories were pledged as security by the Group (2024: RMB35.0 million).

FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in the PRC 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 *(Continued)*

DISPOSAL OF A SUBSIDIARY

On 19 September 2025, Henan Fusen (an indirect wholly-owned subsidiary of the Company) as vendor (“**Vendor**”) entered into a sale and purchase agreement with an independent third party as purchaser (“**Purchaser**”) to dispose of the entire equity interests in Henan Fusen Intelligent Energy Conservation Technology Company Limited* (河南福森智慧節能科技有限公司) (“**Intelligent Energy**”), a wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company, at a cash consideration of approximately RMB73,000,000 (the “**Disposal**”). Upon completion of the Disposal, Intelligent Energy ceased to be a subsidiary of the Company, and the financial results of Intelligent Energy will cease to be consolidated into the consolidated financial statements of the Group. Please refer to the announcements of the Company dated 22 September 2025 and 27 October 2025 for further details of the Disposal.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 December 2025 and up to the date of this report which would materially affect the Group’s operations and financial performance.

Biographical Details of Directors, Senior Management and Company Secretary

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) (曹智銘先生) (前稱曹篤篤先生), aged 41, is the chairman of the Board, an executive Director and the chief executive officer of the Company who is primarily responsible for the general management, supervising day-to-day operation, overseeing the investor relations and advising on corporate strategy of the Group. Mr. Cao Zhiming joined the Group in January 2013 as a Director of the Company and in March 2013 as an executive assistant of the chairman of the board of Henan Fusen. He has over 13 years of working experience in securities and corporate finance. Mr. Cao Zhiming's previous working experience includes the following:

Name of companies	Principal business activities	Latest position	Period of services
Essence International Securities (Hong Kong) Limited (安信國際證券(香港)有限公司)	Dealing in and advising on securities	Licensed representative (dealing in securities and futures contracts)	July 2012– February 2013
Haitong International Securities Group Limited (海通國際證券集團有限公司) (stock code: 665)	Dealing in and advising on securities; leveraged foreign exchange trading	Licensed representative (dealing in securities and futures contracts)	April 2010– June 2012
Haitong Securities (HK) Brokerage Limited (海通證券(香港)經紀有限公司)	Dealing in and advising on futures contracts and securities	Licensed representative (dealing in securities and futures contracts)	March 2010– May 2011
Okasan International (Asia) Limited (岡三國際(亞洲)有限公司)	Dealing in futures contracts and securities; advising on securities and corporate finance; asset management	Licensed representative (dealing in securities and futures contracts)	March 2009– December 2009
Core Pacific-Yamaichi Securities (H.K.) Limited (京華山一國際(香港)有限公司)	Dealing in and advising on securities; advising in corporate finance; providing automated trading service; asset management	Licensed representative (dealing in securities and futures contracts)	August 2007– February 2009

Mr. Cao Zhiming obtained a Bachelor of Business Administration in Business Economics from the City University of Hong Kong (香港城市大學) in November 2007 and a master degree of Science in Finance from the Chinese University of Hong Kong (香港中文大學) in November 2012. Mr. Cao Zhiming had also obtained licenses for carrying on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO for his employers during the period from August 2007 to February 2013.

Biographical Details of Directors, Senior Management and Company Secretary *(Continued)*

Mr. Hou Taisheng (侯太生先生), aged 64, is an executive Director of the Company. Mr. Hou joined the Group in October 2003 as a director and vice president of Henan Fusen. Mr. Hou is primarily responsible for general management and overseeing the sales and marketing of the Group. He has over 22 years of experience in the pharmaceutical industry in the PRC. Prior to joining the Group, Mr. Hou was the deputy general manager of Henan Xichuan Pharmaceutical, a state-owned enterprise established in the PRC principally carrying on the pharmaceutical business, from March 2002 to October 2003.

He was also a sales representative in charge of the sales and marketing of our products in Nanyang city and Henan Province from 2003 to 2007. Under the leadership of Mr. Hou, Henan Fusen has developed extensive nationwide sales and distribution network covering each of the 31 provinces, autonomous regions and centrally administered municipalities in the PRC since 2016.

Mr. Hou obtained an Associate Degree of Business Administration from the Party School of the Henan Provincial Committee of CPC (河南省委黨校) in July 1982 through long distance learning.

Mr. Chi Yongsheng (遲永勝先生), aged 65, is an executive Director. Mr. Chi joined the Group in October 2003 as a director and vice president of Henan Fusen. Mr. Chi is primarily responsible for overseeing the financial operation of the Group. He has over 25 years of experience in the pharmaceutical industry in PRC. Prior to joining the Group, Mr. Chi worked in Henan Xichuan Pharmaceutical, a state-owned enterprise established in the PRC principally carrying on the pharmaceutical business, from 1995 to October 2003. Mr. Chi was responsible for the audit work in Henan Xichuan Pharmaceutical and he was promoted to manage the finance department in 2000.

Mr. Chi obtained an Associate Degree of Business Management from the Henan Agricultural University (河南農業大學) in July 1994 through an off-the-job learning programme.

Ms. Meng Qingfen (孟慶芬女士), aged 62, is an executive Director. Ms. Meng joined the Group in October 2003 as a director and vice president of Henan Fusen. Ms. Meng is primarily responsible for overseeing the research, development and quality control of our products and the production of the Group. She has over 29 years of experience in the pharmaceutical industry in the PRC. Prior to joining the Group, Ms. Meng worked in Henan Xichuan Pharmaceutical, a state-owned enterprise established in the PRC principally carrying on the pharmaceutical business, from 1988 to October 2003 with her latest position as deputy general manager. Ms. Meng was the supervisor of the production line for extraction of traditional Chinese medicine (提取車間) in 1993 and she was also in charge of the quality control system in 1998 during her time in Henan Xichuan Pharmaceutical. Ms. Meng has been the head of the Group's production house since 2003 responsible for ensuring the safety and quality of the Group's products. With her help, Henan Fusen was able to obtain the GMP certifications for five dosage forms, including small volume injection, oral solution, tablet, capsule and granule (including pre-treatment and extraction of traditional Chinese medicine) in 2008. Ms. Meng has also been appointed as the head of our Group's research and development team in 2013 to strengthen our research and development effort and broaden our product offering.

Ms. Meng obtained a Diploma in Animal Husbandry from Zhengzhou Animal Husbandry and Veterinary College (鄭州畜牧獸醫專科學校) in July 1986 and an Associate Degree of Pharmacy from the Pharmaceutical College of Henan University (河南大學藥學院) in July 2006 through long distance learning.

Biographical Details of Directors, Senior Management and Company Secretary *(Continued)*

Independent Non-Executive Directors

Mr. Yu Ho Ming (余浩銘先生), aged 48, was appointed as our independent non-executive Director on 30 September 2025. Mr. Yu has over 23 years of experience in auditing, advisory accounting and financial management. Mr. Yu is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He obtained his Honours Diploma in Accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in 2001. He further obtained a master of finance degree from Curtin University, Australia in 2015.

Mr. Yu went on to work at Zhong Ao Home Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1538) from April 2015 to October 2019, with his final positions being chief financial officer and company secretary. Mr. Yu has served as the company secretary, financial controller and authorised representative of Ever Harvest Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1549) since July 2020.

Mr. Lee Kwok Tung Louis (李國棟先生), aged 58, was appointed as an independent non-executive Director on 15 April 2019. Mr. Lee graduated from Macquarie University in Australia with a Bachelor of Economics in 1992. Mr. Lee was admitted as a Certified Practising Accountant of the CPA Australia in June 1996 and a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) in October 1999. Mr. Lee is currently a Fellow Certified Practising Accountant of the CPA Australia and a Fellow Certified Public Accountant of HKICPA. Mr. Lee has accumulated and possessed extensive experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993.

Mr. Lee is currently an independent non-executive director of Redsun Properties Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1996), ZONQING Environmental Limited (listed on the Main Board of the Stock Exchange, stock code: 1855) and Dongiang Environmental Company Limited (listed on the Main Board of the Stock Exchange, stock code: 895).

Mr. Lee was also an independent non-executive director of Winto Group (Holdings) Limited (listed on GEM of the Stock Exchange, stock code: 8238) from January 2015 to May 2016, Zhong Ao Home Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1538) from November 2015 to July 2017, Worldgate Global Logistics Ltd. (listed on GEM of the Stock Exchange, stock code: 8292) from June 2016 to June 2019, China Singyes New Materials Holdings Limited (listed on GEM of the Stock Exchange, stock code: 8073) from June 2017 to December 2019, Windmill Group Limited (listed on the Main Board of the Stock Exchange, stock code: 1850) from March 2017 to November 2021, Titan Invo Technology Limited (listed on the Main Board of the Stock Exchange, stock code: 872) from August 2020 to April 2023, CGN Mining Company Limited (listed on the Main Board of the Stock Exchange, stock code: 1164) from August 2014 to August 2023 and Zhengwei Group Holdings Company Limited (listed on the Main Board of the Stock Exchange, stock code: 2147) from December 2022 to February 2024.

Biographical Details of Directors, Senior Management and Company Secretary *(Continued)*

Dr. To Kit Wa (杜潔華博士), aged 52, was appointed as an independent non-executive Director on 13 August 2020. Dr. To obtained a Bachelor of Science in General Biology in 1996, a Master of Philosophy in 2002 and a Doctor of Philosophy in Cancer Biology in 2007 from The University of Hong Kong. She also received the Certificate and the Diploma of Marketing from HKU School of Professional and Continuing Education in 2000 and 2001 respectively. She also obtained Master of Corporate Governance from Hong Kong Metropolitan University in 2022. She also obtained associateship of the Hong Kong Chartered Governance Institute in February 2024.

Dr. To joined Winsor (Hong Kong) Limited as an assistant manager to supervise a group of research assistants for the daily operation of a laboratory from 2010 to 2013. Dr. To conducted research in the Laboratory of Biomedical Imaging and Signal Processing in the Department of Electrical and Electronic Engineering, The University of Hong Kong from 2015 to 15 June 2020.

Dr. To has also been appointed as independent director of Garden Stage Limited (listed on the NASDAQ stock exchange, ticker: GSIW) on 1 December 2023 and SuperX AI Technology Limited (listed on the NASDAQ stock exchange, ticker: SUPX) on 17 April 2024. On 31 March 2025, her independent directorship at SuperX AI Technology Limited was terminated pursuant to a reorganization of board structure of the company.

SENIOR MANAGEMENT

Mr. Fu Jiancheng (付建成先生), aged 67, is the vice president of the Company. Mr. Fu joined the Group in October 2003 as a supervisor of Henan Fusen. Mr. Fu is primarily responsible for the human resources and administrative management of the Group. He has over 19 years of experience in the pharmaceutical industry in PRC.

Mr. Fu obtained an Associate Degree of Sales Management from the Henan Institute of Coal Industry Management (河南煤炭管理幹部學院) in July 1980 through long distance learning.

COMPANY SECRETARY

Mr. Yeung Yuk Hong (楊育康), aged 36, was appointed as our company secretary on 30 September 2024. Mr. Yeung is responsible for overseeing the compliance and company secretarial matters of our Group. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University.

Mr. Yeung has more than 13 years of experience in auditing, accounting, initial public offering and company secretarial matters.

Corporate Governance Report

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 principles and code provisions stated in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules, save for code provisions C.2.1 and C.6.1 of the CG Code. Please refer to the paragraphs headed “Chairman and Chief Executive” and “Company Secretary” on pages 25 and 21 of this report for details.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the year ended 31 December 2025.

NON-COMPETITION UNDERTAKING

During the year ended 31 December 2025, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

Up until the passing of Mr. Cao Changcheng on 31 October 2024, each of Mr. Cao Changcheng and Full Bliss Holdings Limited were the controlling shareholders (as defined in the Listing Rules) of the Company (collectively referred to as the “**Controlling Shareholders**”). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the deed of non-competition dated 14 June 2018 (the “**Deed of Non-competition**”) provided to the Company by the Controlling Shareholders had been complied with by the Controlling Shareholders and duly enforced for the year ended 31 December 2025 (up until the passing of Mr. Cao Changcheng).

Corporate Governance Report *(Continued)*

ROLE AND FUNCTION OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company overseeing the Group's businesses, strategic decisions, risk management, internal control systems and performance. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors make decisions objectively in the interests of the Company and its Shareholders.

According to the code provision D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. For the year ended 31 December 2025, the executive Directors have provided to all other members of the Board updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the performance of the Group, position and prospects to the Board members and allow them to give a balanced and understandable assessment of the same.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

DIRECTORS' RESPONSIBILITIES

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the development and reviewing the Company's policies and practices on corporate governance.

Liability insurance for the Directors and senior management officers of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

The Directors acknowledge their responsibility for preparing the Company's consolidated financial statements for the year ended 31 December 2025. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate Governance Report *(Continued)*

COMPOSITION

The composition of the Board as at the date of this report is set out as follows:

Executive Directors

Mr. Cao Zhiming (*Chairman and Chief Executive Officer*)

Mr. Hou Taisheng

Ms. Meng Qingfen

Mr. Chi Yongsheng

Independent Non-executive Directors

Mr. Lee Kwok Tung Louis

Dr. To Kit Wa

Mr. Yu Ho Ming (*appointed on 30 September 2025*)

Mr. Sze Wing Chun (*resigned on 30 September 2025*)

Biographical details of the Directors and the relationship between the Directors are set out in the section headed “Biographical Details of Directors, Senior Management and Company Secretary” of this report.

The proportion of independent non-executive Directors complies with the requirement as set out in the Rules 3.10(1) and (2), and 3.10A of the Listing Rules whereby independent non-executive Directors of a listed issuer represent at least one-third of the board of directors. The three independent non-executive Directors represent one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. With the various experience of both the executive Directors and independent non-executive Directors and the nature of the Group’s business, the Board considered that the Directors have a balance of skills and experience for the business of the Group. The Board regularly reviews whether a Director performs his or her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Mr. Sze Wing Chun has resigned as independent non-executive Director with effect from 30 September 2025. The reasons for aforesaid resignations were due to his respective other engagements. The Board expressed its gratitude to Mr. Sze Wing Chun for his valuable contribution to the Company during his term of office as an independent non-executive Director. Mr. Yu Ho Ming was appointed as independent non-executive Director with effect from 30 September 2025.

A training was provided for Mr. Yu Ho Ming upon his appointment, to ensure he would understand the operation and business of the Company and be fully aware of his responsibilities and obligations as a Director. Prior to his appointment, Mr. Yu Ho Ming had obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules on 30 September 2025, and confirmed that he understood his obligations as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

The Company has received an annual confirmation of independence from each independent non-executive Director and the Company considers such Directors to be independent in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report *(Continued)*

CHAIRMAN AND CHIEF EXECUTIVE

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. During the year ended 31 December 2025, the positions of chairman and chief executive officer of the Company were held by Mr. Cao Zhiming. The chairman provides leadership for the Board and is responsible for formulation of overall business development strategy and major business decision of the Group. The chief executive officer focuses on general management and day-to-day operation, oversees the investor relations and advise on corporate strategy of the Group. Their respective responsibilities are clearly defined and set out in writing.

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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to article 108 of the Company's memorandum and articles of association, one-third of the Directors for the time being shall retire from office by rotation at every annual general meeting of the Company, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Each of Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming will retire from office as Directors at the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2026 ("**AGM**"), Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming, being eligible, will offer themselves for re-election at the forthcoming AGM.

According to the Listing Rules and the board diversity policy (the "**Board Diversity Policy**") adopted by the Company on 14 June 2018, the Nomination Committee will, among other things, undertake the nomination and selection of the independent non-executive Director candidates on the completion of his specified terms, and make relevant recommendations to the Board.

Corporate Governance Report *(Continued)*

Furthermore, when changes to the members or composition of the Board or its Committees are required or when casual vacancies arise, the Nomination Committee shall adhere to the principles stated in the Board Diversity Policy and take into account the existing composition of the Board and its Committees, as well as the business requirements of the Group, and nominate potential candidates by reference to their capacity and the selection criteria to the Board for approval.

Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming have met the independence criteria under the Listing Rules. Moreover, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming have given confirmation of independence to the Company. With due consideration on the above factors, the Board believes that Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming are independent.

Biographical details of Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming, are set out in the section headed “Biographical Details of Directors, Senior Management and Company Secretary” of this report. Based on their diversified background including, but not limited to, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors, the Board believes that (i) Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming can contribute to the diversity of the Board; and (ii) their expertise will enable them to fulfill their roles as executive Director or independent non-executive Director effectively, and provide useful and constructive opinion and make contribution to the Board and the development of the Company.

Having considered the above aspects and in view of the contribution that Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming, are able to make to the Board, their re-election will be in the best interests of the Company and its Shareholders as a whole.

At the AGM, separate ordinary resolutions will be put forward to the Shareholders in relation to the proposed re-election of Mr. Cao Zhiming and Ms. Meng Qingfen as executive Directors and Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming as independent non-executive Director, respectively.

DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

In compliance with the code provision C.1.4 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that they keep abreast of the current requirements. The Company has arranged regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company’s performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Group has also provided reading materials including the CG Code, the Inside Information Provision (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to all Directors to develop and refresh the Directors’ knowledge and skills.

Corporate Governance Report *(Continued)*

The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors during the year ended 31 December 2025 are summarised as follows:

Directors	Type of training (Note)
Executive Director	
Mr. Cao Zhiming	A,B
Mr. Hou Taisheng	A,B
Ms. Meng Qingfen	A,B
Mr. Chi Yongsheng	A,B
Independent Non-executive Director	
Mr. Yu Ho Ming (<i>appointed on 30 September 2025</i>)	A,B
Mr. Lee Kwok Tung Louis	A,B
Dr. To Kit Wa	A,B

Notes:

Types of training

- A: Attending training sessions, including but not limited to, briefing, seminars, conferences, forums and workshops
- B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications relating to the latest development of the Listing Rules, other applicable regulatory requirements and directors' duties and responsibilities

BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee (the "**Audit Committee**"), the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**"), for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's website at "www.hkexnews.hk" and the Company's website at "www.fusenpharma.com". All Board committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out above.

Corporate Governance Report *(Continued)*

Directors are encouraged to make a full and active contribution to the Board's affairs to voice out their views and concerns. A culture of openness and debate is promoted to facilitate the effective contribution of independent non-executive Directors and ensure constructive relations between executive and independent non-executive Directors.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The Company established the Audit Committee on 14 June 2018 with written terms of reference (which had been amended and restated with effect from 1 January 2019) in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three independent non-executive Directors, Mr. Lee Kwok Tung Louis (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Yu Ho Ming 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 procedures 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 the Board. The Audit Committee is also responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal. The Audit Committee discussed the accounting principles and policies adopted by the Group together with the management and the external auditors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The work performed by the Audit Committee for the financial year ended 31 December 2025 included the following:

- reviewing and recommending to the Board the resignation (and the reasons therefor) of KPMG, then-external auditors of the Company, on 24 December 2025;
- reviewing and considering terms of engagement (including any non-audit functions to be performed) of CCTH, and recommending to the Board the appointment of CCTH as external auditor of the Company with effect from 24 December 2025 until the conclusion of the AGM;
- The Group's consolidated financial statements for the year ended 31 December 2025 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2025 comply with applicable accounting standards and the Listing Rules and that adequate disclosures have been made;
- reviewing the accounting principles and practices adopted by the Group; and
- reviewing the annual results announcement of the Group for the year ended 31 December 2025.

Corporate Governance Report *(Continued)*

Nomination Committee

The Company established the Nomination Committee on 14 June 2018 with written terms of reference (had been amended and restated with effect from 1 January 2019) in compliance with the CG Code. The Nomination Committee comprises an executive Director, Mr. Cao Zhiming, (being the chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Lee Kwok Tung Louis and Dr. To Kit Wa. The primary duties and responsibilities of the Nomination Committee are to review and assess the composition of the Board and the independence of the independent non-executive Directors, identify individuals suitably qualified to become board members and make recommendations to the Board on appointment of new Directors. The nomination policy of the Company aims to lay down a formal, considered and transparent nomination procedure for new members of the Board to ensure orderly succession for appointments and that the Board consists of members who are balanced in skill, experience and diversity in perspectives and satisfy the business requirements of the Company.

In selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, as well as his time commitment. The Nomination Committee will nominate candidates it considers appropriate with reference to the standards of the Board Diversity Policy, including but not limited to, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, lengths of service, other qualities and factors relating to its own business model and specific needs from time to time. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board. For details of the Board Diversity Policy, please refer to the paragraph headed "Board Diversity Policy" in this section.

According to the Company's nomination procedure, a Nomination Committee meeting will be convened and Board members will be invited to nominate candidates, while candidates recommended by senior management or controlling shareholder of the Company will also be considered. Suitable candidates will then be recommended by the Nomination Committee to the Board for consideration and approval. Directors appointed by the Board will retire and are eligible for re-election at the forthcoming annual general meeting after their appointment. A circular containing information of the directors to be re-elected will be sent to shareholders for their reference in relation to their voting as required by Rule 13.51(2) of the Listing Rules.

The work performed by the Nomination Committee for the year ended 31 December 2025 included the following:

- reviewing the structure, size, composition and diversity of the Board;
- assessing the independence of the independent non-executive Directors; and
- considering the qualifications of the retiring Directors, namely Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming, standing for re-election at the forthcoming AGM.

The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board was maintained. For details of the appointment and re-election of Directors, please refer to paragraph headed "Appointment and Re-election of Directors" in this section.

Corporate Governance Report *(Continued)*

Remuneration Committee

The Company established the Remuneration Committee on 14 June 2018 with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises two independent non-executive Directors, Mr. Lee Kwok Tung Louis (being the chairman of the Remuneration Committee) and Dr. To Kit Wa and an executive Director, Mr. Cao Zhiming. The primary duties and responsibilities of the Remuneration Committee include, among other things, to make recommendations to the Board on the appropriate policy and structure for all aspects for the Directors' and senior management's remuneration, to consider the performance bonus (if any) for executive directors, senior management and general staff (if applicable), having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board, and to review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The written terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The work performed by the Remuneration Committee since its establishment and up to the date of this report included the following:

- reviewing the Company's emolument policy and structure for all Directors and senior management of the Company;
- determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive directors' service contracts; and
- considering and making recommendations to the Board on the grant of Restricted Share Units to employees of the Group.

The Remuneration Committee has reviewed the remuneration packages and emoluments of the Directors and senior management and considered that they are fair and reasonable during the year ended 31 December 2025. No Director nor any of his associates is involved in deciding his own remuneration.

The Remuneration Committee has adopted the manner set out under the code provision E.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration package of individual executive Director and senior management.

Details of the Director's remuneration and five individuals with highest emoluments are set out in Notes 9 and 10 to the consolidated financial statements.

Corporate Governance Report *(Continued)*

ATTENDANCE RECORDS OF MEETINGS

The Board meets regularly for considering, reviewing and/or approving matters relating to, among others, the financial and operating performance, as well as, the overall strategies and policies of the Company. The company secretary is responsible for preparing the agenda for each meeting after consulting with the chairman, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary sends notice of the Board meeting to the Directors before the meeting is held in accordance with the CG Code and articles of association of the Company. The company secretary also sends the agenda, board papers and relevant information in relation to the Group to the Directors at least 3 days before each Board meeting and committee meeting, and keeps the Directors updated on the Group's performance and latest developments. If any Director raises any queries, steps will be taken to respond to such queries as promptly and fully as possible. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

Five Board meetings and two Audit Committee meetings, one Remuneration Committee meetings and one Nomination Committee meeting were held during the year ended 31 December 2025. The individual attendance records of the meetings are set out as follows:

	No. of meetings attended during the year ended 31 December 2025				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
<i>Executive Directors</i>					
Mr. Cao Zhiming	4/4	–	–	–	1/1
Mr. Hou Taisheng	3/4	–	–	–	1/1
Ms. Meng Qingfen	3/4	–	–	–	1/1
Mr. Chi Yongsheng	3/4	–	–	–	1/1
<i>Independent non-executive Directors</i>					
Mr. Yu Ho Ming (appointed on 30 September 2025)	1/1	–	–	–	–
Mr. Lee Kwok Tung Louis	5/5	2/2	2/2	2/2	1/1
Dr. To Kit Wa	5/5	2/2	2/2	2/2	1/1
Mr. Sze Wing Chun (resigned on 30 September 2025)	4/4	2/2	–	–	1/1

Under the code provision C.5.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. The Directors consider that they have met regularly for the year ended 31 December 2025.

The chairman also held a meeting with independent non-executive Directors without presence of other Directors for the year ended 31 December 2025.

Corporate Governance Report *(Continued)*

BOARD DIVERSITY POLICY

The Board recognises and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Board also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company. Therefore, the Company has adopted a board diversity policy on 14 June 2018 to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of the selection criteria (the “**Selection Criteria**”) based on a range of diversity perspectives including, among other things, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors. All appointments by the Board will be based on meritocracy, and candidates will be considered against the Selection Criteria. The Board is committed to achieving gender diversity and other diversity perspectives, with the ultimate goal of achieving gender parity on the Board. To ensure gender diversity of the Board, in selecting candidates for new directors or filling casual vacancies of the Board, the Nomination Committee will continue to identify suitable candidates of both genders to the Board to be appointed as Directors based on the Selection Criteria.

As at the date of this report, the Board comprises seven Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. Five of our Directors are male and two of our Directors are female. The Board is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service. The Board targets to maintain at least the current level of female representation and this target, along with other matters related to diversity, will be reviewed on an annual basis by the Board.

As at 31 December 2025, the workforce (including senior management) comprised of 50.91% female and 49.09% male. The Company is determined to and will continue to achieve and maintain gender diversity and equality in terms of the Board and the general workforce.

Company secretary

Mr. Yeung Yuk Hong was appointed as the company secretary of the Company on 30 September 2024. He is an external service provider to the Company and his primary corporate contact person is the chief financial officer of the Company, for the purpose of code provision of C.6.1 of the CG code. 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. The biographical details of Mr. Yeung are set out under the section headed “Biographical Details of Directors, Senior Management and Company Secretary”.

In accordance with Rule 3.29 of the Listing Rules. Mr. Yeung has taken no less than 15 hours of relevant professional training during the year ended 31 December 2025.

Corporate Governance Report *(Continued)*

BOARD INDEPENDENCE

The Company has mechanisms in place to ensure independent views are available to the Board. The Board endeavours for having a balanced composition of executive Directors and independent non-executive Directors to maintain a strong independent element on the Board and to bring independent view and inputs from the Directors. The majority of the members of the Audit, Remuneration and Nomination Committees is independent non-executive Directors. The Audit and Remuneration Committees are chaired by an independent non-executive Director.

The Nomination Committee shall assess the independence of the candidates who are to be appointed as independent non-executive Directors as well as the independent non-executive Directors who are to be re-elected with reference to the independence guidelines set out in Rule 3.13 of the Listing Rules (the “**Independence Guidelines**”) to ensure that they can exercise independent judgment and fulfil their roles as independent non-executive Directors.

The independent non-executive Directors shall not have any financial or family relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Fees to independent non-executive Directors are in the form of cash payment with additional fees payable to reflect membership or chairmanship of the Board Committees. None of the independent non-executive Directors receives equity-based remuneration with performance-related elements.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company’s expenses for discharging their duties to the Company.

The Company’s mechanisms in ensuring the availability of independent views to the Board are kept under regular review (at least on an annual basis) to ensure their effectiveness. At the Board meeting, the Board conducted a review and considered that such mechanisms were properly implemented and were effective.

During the year ended 31 December 2025, the chairman of the Board held a meeting with the independent non-executive Directors without the presence of the other Directors, in which the independent non-executive Directors could share their views and raise any issues in the absence of other Directors and the management.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company’s policies and practices on corporate governance and code of conduct applicable to employees and the Directors, reviewing and monitoring training and continuous professional development of the Directors and senior management and the Company’s policies and practices on compliance with legal and regulatory requirements, as well as reviewing the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

Corporate Governance Report *(Continued)*

INDEPENDENT AUDITORS' REMUNERATION

During the year ended 31 December 2025, the remuneration paid and payable to the external auditors of the Company, CCTH, in respect of the audit services was as follow:

Services rendered	Remuneration paid/payable RMB'000
Audit services	2,650

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard Shareholders' interest and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant Shareholders' meeting. To ensure that the shareholders are familiar with the detailed procedures for conducting poll, detailed procedures for conducting a poll are explained at the commencement of the general meetings, and all questions from shareholders on the voting procedures will be answered before the poll voting starts.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

Procedures for Putting Forward Proposals at Shareholders' Meeting

There are no provisions under the articles of association of the Company regarding procedures for the Shareholders to put forward proposals at general meetings. However, Shareholders who wish to propose resolutions may follow the procedures set out above to requisition for an extraordinary general meeting and include a resolution at such meeting.

Corporate Governance Report *(Continued)*

RISK MANAGEMENT AND INTERNAL CONTROL

The Board continuously supervises the effectiveness of the Company's risk management and internal control system with the assistance of the Audit Committee, so as to protect the Company's assets and the interests of Shareholders. The Company's risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established its internal audit function, which is responsible for independently reviewing the adequacy and effectiveness of the Company's risk management and internal control system on an annual basis and reporting the results to the Audit Committee. In addition to the internal audit function, all employees are accountable for risk management and internal control within their business scope. Business departments actively cooperate with internal control and internal audit functions, report to the management team on any important business development and how policies and strategies established by the Company are implemented within the department, and timely identify, assess and manage major risks.

The Company has formulated risk management and internal control management policies to construct a fundamental environment for risk management and internal control. In addition, the Company has set up the internal control framework, which relates to business processes such as procurement, sales, human resources and payroll, capital, intellectual property rights, financial reporting and disclosure. The Board has conducted yearly review of the effectiveness of the internal control system of the Company and its subsidiaries and has planned to further develop the risk management and internal control system to ensure its effective operation.

Furthermore, in light of the Company's non-compliance records with certain Listing Rule requirements under Chapters 13, 14 and 14A of the Listing Rules in 2019 and 2020, the Company has since taken steps to improve its internal control system accordingly. Please refer to the announcement of the Company dated 5 July 2024 for further details.

For the year ended 31 December 2025, the Company has collected information and carried out investigations in respect of risk management and internal control issues for its subsidiaries. No material deviation in the compliance guidance on risk management and internal controls by the subsidiaries was reported; all subsidiaries have complied with the relevant laws and industry regulations in respect of financial reporting and legal compliance; and no material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue.

For the year ended 31 December 2025, the Board have complied with the code provisions on risk management and internal control as set out in the CG Code.

Internal control on connected transaction

As a general control, the Group maintained a list of connected persons and entities for the monitoring and identification of connected transaction. In particular, the list should set out the connected persons' corresponding relationships with the Group and details of any transactions with such connected persons and keep updating the list in a timely manner. The list shall be provided to the management of the Company periodically and the Board shall be notified before any proposed transactions are entered into between the Group and such connected persons.

Corporate Governance Report *(Continued)*

The Company will also review the connected transaction ledger on a frequent basis. Confirmation on monthly reconciliation records shall be obtained from the relevant connected persons. If there is any discrepancy, investigation shall be carried out by the Finance Department and the Chief Financial Officer to clarify the discrepancy.

In addition, the risk management and internal control of the Group were reviewed by the external professional consultants for the year ended 31 December 2025. Where appropriate, their recommendations are adopted and enhancements to the risk management and internal controls will be made.

The Board and the Audit Committee considered that (i) the risk management and internal control system of the Company was adequate and efficient; and (ii) the resources allocated, staff qualifications and experience in respect of the accounting, internal auditing and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

Independent non-executive directors' view on internal control for connected transactions

The management and independent non-executive Directors will continue to monitor connected transactions of the Company. The management and independent non-executive Directors consider that information provided by the Company's management to assist independent non-executive Directors in their annual review of connected transaction is fair and sufficient. The independent non-executive Directors also made regular enquiries upon whether there is any continuing connected transaction exceeding the proposed annual caps to ensure that continuing connected transaction was identified timely. The independent non-executive Directors have not encountered any challenges or difficulties in their annual review of connected transaction of the Company.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy. Whistleblowing channels are published in all workplace. The policy is to facilitate employees, partners and customers to report complaints and internal malpractices to the finance department of the Company, who will review, investigate and follow up these complaints. Once cases are verified, investigation results will be announced within the Company as warnings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted shareholders communication policy with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

According to CG Code Provision F.2.2, the chairman of the Board and all board committees should attend the annual general meeting. The chairman of the board, along with all board committees, have attended the annual general meeting held on 29 May 2025.

The Company also encourages shareholders' active participation in annual general meetings and other general meetings. Notices to shareholders for shareholders' meetings are sent to shareholders before the meetings in accordance with the CG Code and articles of association of the Company to allow sufficient time for their consideration of the proposed resolutions.

Corporate Governance Report *(Continued)*

The Company has established several channels to communicate with the Shareholders as follows:

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website and the Company's website;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;
- (iv) annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong. The Company has reviewed the shareholders communication policy conducted for the year ended 31 December 2025. Having considered the different channels of communication with the Shareholders and that the shareholders' communication policy is able to facilitate an open and ongoing communication with the Shareholders on a fair disclosure basis, the Board considered that the shareholders communication policy has been well implemented and effective.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's memorandum and articles of association during the year ended 31 December 2025.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary and the head of investor relations of the Company are authorised to communicate with parties outside the Group.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This is the 2025 Environmental, Social and Governance Report released by Fusen Pharmaceutical Company Limited (stock code: 01652.HK) to the general public. This is the sixth Environmental, Social and Governance Report issued by the Company, which covers the period from 1 January 2025 to 31 December 2025.

The Report, prepared under the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, complies with the “comply or explain” principle and represents the disclosure or explanation of the Company’s sustainable operation activities for the year ended 31 December 2025 with reference to the Company’s actual situation.

During the process of identifying the scope of the reporting boundary, we ensure that the report reflects our ESG impact and performance. Unless otherwise specified, the report covers the ESG performance of the business activities directly operated and managed by the Company for the year ended 31 December 2025.

The Report is prepared in strict accordance with the principles of “materiality”, “quantitative” and “consistency” as set out in the Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong, with specific details as follows:

Materiality

We have carried out systematic stakeholder communication and issue assessment work, accurately identifying and deeply assessing key ESG issues that have a material impact on the Group’s business operations and internal and external stakeholders. Based on the assessment results, we have prioritized the issues and used this as the basis for defining the scope and core content of the Report. For the specific process, methodology and matrix analysis of the issues materiality assessment, please refer to the section headed “(3) Issues Materiality Assessment” of the Report.

Quantitative

We have provided quantitative disclosure of key environmental and social performance indicators and, where applicable, have set clear quantitative performance targets. With respect to the key performance indicators involved in the Report, we have explained their measurement standards, calculation methodologies, key assumptions, estimation tools and data sources in detail in the corresponding sections or appendices to ensure the traceability and transparency of the data.

Consistency

The preparation of ESG Report for the Year remains consistent with previous years in terms of statistical methods, data collection processes and reporting boundaries, ensuring the longitudinal comparability of historical data. If any material changes occurred during the Year that may affect meaningful comparisons with previous reports (such as adjustments to statistical scope or optimization of calculation models), we have provided clear descriptions and explanations in the relevant sections.

2. ESG MANAGEMENT STATEMENT OF THE BOARD OF DIRECTORS

In 2025, marking the concluding year of the “14th Five-Year Plan” and a pivotal juncture in the advancement of Chinese-style modernization, the global pharmaceutical industry is undergoing profound structural transformation. Against the dual backdrop of intensifying climate-related risks and industry-wide innovation-driven transition, sustainable development is no longer an “elective course” for enterprises, but a “compulsory course” for navigating economic cycles and delivering long-term value creation. The Board of Directors of Fusen Pharmaceutical has always firmly believed that excellence in ESG governance serves as the bedrock for enduring corporate success. During the Year, we have moved beyond regarding ESG as mere compliance disclosure, and instead deeply embedded it into the Company’s top-level design and operational DNA, committing ourselves to achieving breakthrough progress in ecological protection, social welfare and governance effectiveness.

Governance upgrade: from compliance to strategic leadership

We strictly adhered to the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange and proactively bench-marked against leading international standards to establish a more robust ESG governance framework. The Board of Directors, as the highest decision-making body on ESG matters, assumes full responsibility for oversight and management. By enhancing our internal control mechanisms, we ensure that every strategic decision undergoes prudent assessment from an ESG perspective. Through a scientific and transparent governance logic, we address the deep concerns of shareholders and stakeholders, thereby reinforcing the defense of investor confidence.

Environmental responsibility: addressing climate challenges with green resilience

In response to the severe challenges posed by climate change, we actively uphold our commitment to “green pharmaceuticals” by integrating climate risk management into our core operational processes. Through the establishment of a dedicated climate governance framework, we continuously drive the low-carbon transformation of our production processes and deepen energy conservation and emission reduction measures, striving to achieve a harmonious balance between economic and ecological benefits at every stage of our operations. We closely monitor global environmental trends, explore pathways for the green transformation of the traditional Chinese medicine industry, and are dedicated to becoming a pioneer in ecological civilization within the pharmaceutical sector.

Environmental, Social and Governance Report *(Continued)*

Environmental responsibility: safeguarding life and health with craftsmanship quality

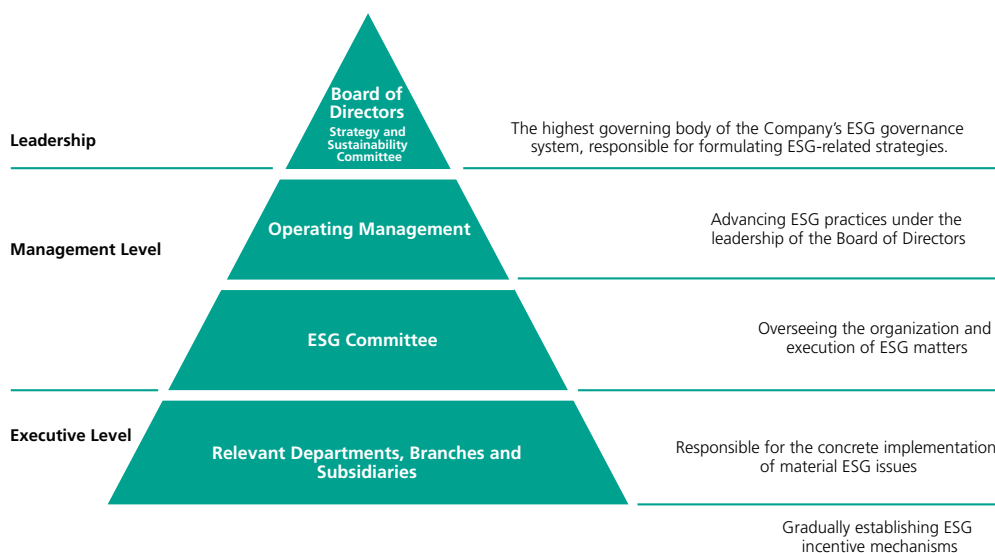
Quality is the lifeline of Fusen and the very foundation of how we give back to society. We strictly adhere to the Good Manufacturing Practice (GMP) for pharmaceutical products, ensuring that every tablet and every oral liquid embodies our reverence for life. In 2025, thanks to its outstanding quality and reputation, Fusen Shuanghuanglian Oral Liquid has been listed on the “Family Maintenance Drugs” for three consecutive years. This recognition not only reflects market endorsement but also serves as a testament to our fulfillment of social responsibility. At the same time, we regard our employees as the most valuable asset of the Company. Through a comprehensive occupational health and safety system and diverse talent development mechanisms, we empower our people to grow. We also actively engage in public welfare initiatives, demonstrating through concrete actions our warm commitment to being a “health partner”.

Looking ahead: building a resilient pharmaceutical ecosystem together

Those who strive forward lead; those who innovate grow stronger. Looking ahead to 2026, Fusen Pharmaceutical will continue to uphold the principles of sustainable development, embedding ESG considerations into every facet of our strategic planning and day-to-day operations. We will further increase investment in research and development, leveraging technological innovation to drive our core competitiveness, optimize our product mix in a complex and ever-changing market, and expand our growth horizons. We look forward to collaborating with all stakeholders to co-create a more resilient and inclusive pharmaceutical ecosystem, contributing to the “Fusen Resolution” for a healthier China and sustainable development on a global scale.

3. ESG GOVERNANCE AND STRATEGY

3.1 ESG Governance Structure:



▲ Integrating the implementation of material ESG issues into the Company's performance appraisal system

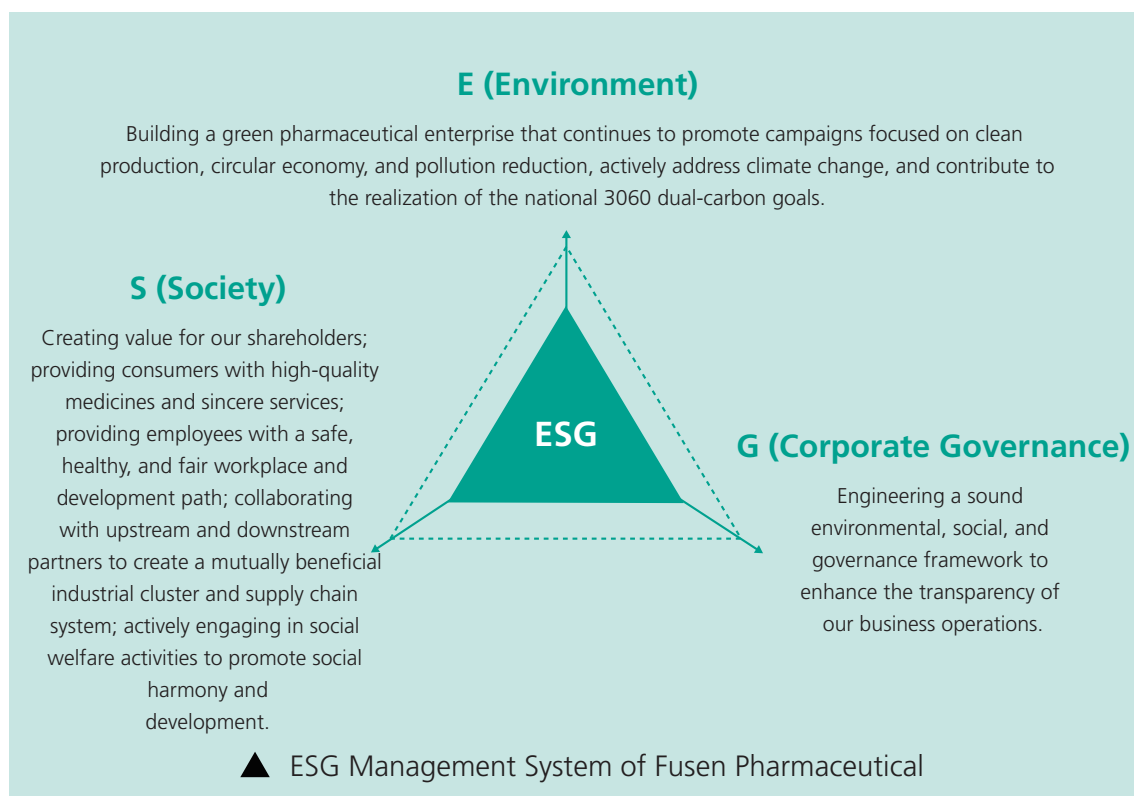
Environmental, Social and Governance Report *(Continued)*

The Board of Directors of the Company consists of three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Among them, the Audit Committee is mainly responsible for the Company's ESG matters and assists the Board in providing independent advice on the effectiveness of the Group's ESG reporting process, internal control procedures and ESG risk management system.

The Corporate Management Department, the General Office, the Production Equipment Safety Management Department, the Quality Assurance Department, the Supplies Department, the Sales Department and the Brand Department of the Company are responsible for the compilation of information and data such as the annual ESG report, as well as the planning and execution of major ESG issues as the specific executive departments of ESG affairs.

3.2 ESG Management Guidelines and Strategy

The Company pursues the business philosophy of "craftsmanship quality, health is happiness", and upholds the core values of "honest and trustworthy, adherence to tradition and innovation, quality is paramount, and steady progress". Based on the Chinese herbal medicine industry, we are committed to building a health industry group integrating traditional Chinese medicine, chemical medicine and bio-pharmaceuticals, while providing high-quality safeguards for public health. Furthermore, we will strive to promote environmental sustainability, and social harmony and prosperity.



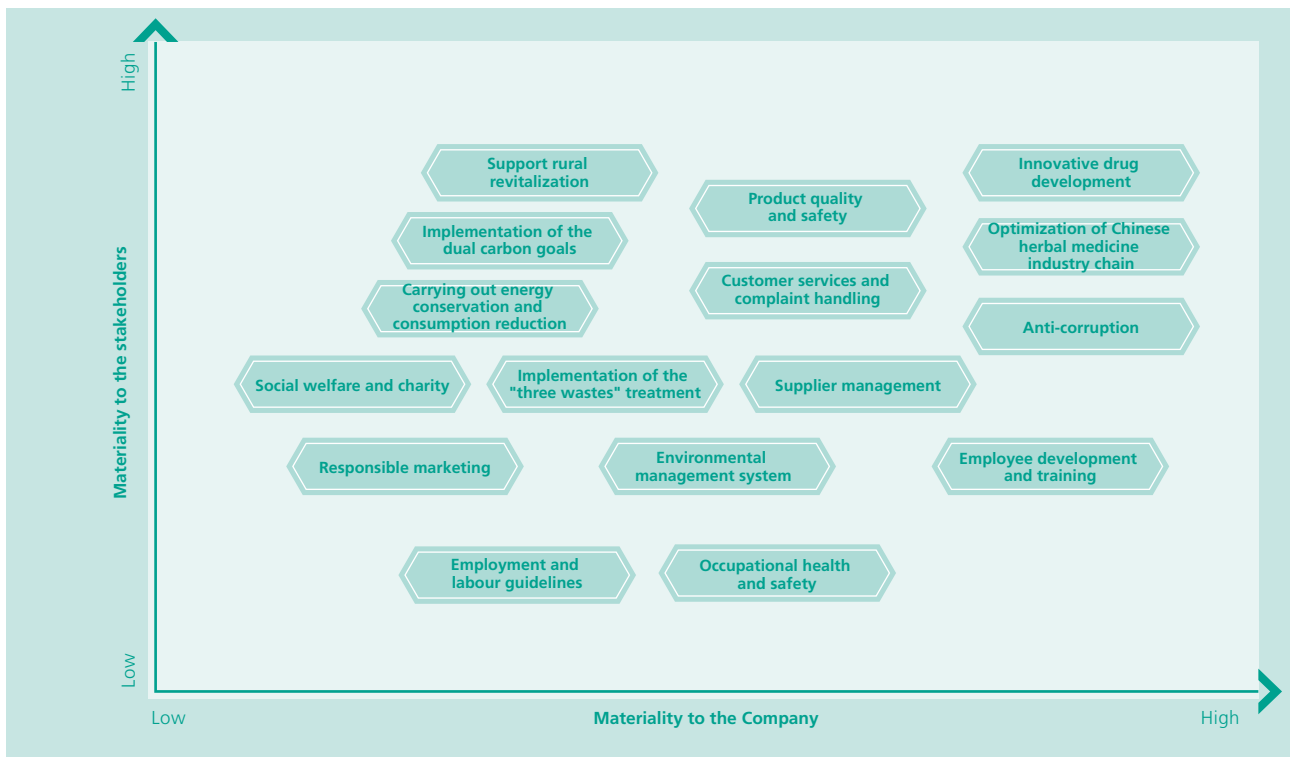
Environmental, Social and Governance Report *(Continued)*

3.3 ESG Issues Materiality Assessment

We have identified our core issues through a double materiality assessment: product quality and safety, supply chain resilience (Chinese herbal medicine plantation), climate change, anti-corruption, and employee occupational health and provide responses and disclosures in the relevant sections.

▼ Process of ESG issues materiality assessment

Selection of issues	Select the social, environmental and management factors that the Company is involved in, i.e. ESG issues, through ESG standard approach, peer benchmarking and corporate social responsibility (“CSR”) experts’ judgments
Research and analysis	Conduct interviews and research on ESG issues with relevant departments and stakeholders to understand the key concerns of internal and external parties
Confirmation of materiality	Formulate materiality analysis matrix for ESG issues based on our internal and external research and experts’ judgements and opinion, based on which the corresponding resources and attention will be prioritized



▲ Fusen’s Pharmaceutical ESG Materiality Assessment Matrix

Environmental, Social and Governance Report *(Continued)*

3.4 Stakeholders Communication

Fusen Pharmaceutical recognizes that transparent and efficient communication is fundamental to building mutual trust. We have identified seven core stakeholder groups, including employees, consumers, suppliers, distributors, shareholders and investors, government and regulatory authorities, as well as the community and the public.

To address the concerns of various parties, we have established a diversified communication matrix (see table below) encompassing channels such as our official WeChat account, corporate website, investor hotline, and general meetings, ensuring the timeliness and accuracy of information dissemination.

We are committed to continuously enhancing our communication mechanisms and actively listening to the opinions and suggestions of all stakeholders in environmental, social and governance (ESG) matters. By integrating such feedback into our decision-making processes, we aim to assess our ESG performance more objectively, drive the Company's sustainable growth, and jointly create social value with our stakeholders.

▼ Fusen Pharmaceutical Stakeholder Communication Matrix

Stakeholders	Issues of Concern	Communication Channels and Methods	Company's Response
Government	Implement the national strategy Support medical and health system reform Conduct technology Innovation Pay attention to climate change Corporate compliance operation	Attend meetings organized by the government Report on work conditions Invite visits and inspections Invite experts for training	Compliance operation Anti-corruption Expand social employment Pay taxes by laws Reduce carbon emissions Support rural revitalization and common prosperity
Shareholders and investors	Investment income Asset preservation and appreciation Regulatory governance Going concern	Shareholder general meetings Daily communication and report Financial statements Special audit reports	Improve corporate governance Achieve stable returns Strengthen internal control and risk management

Environmental, Social and Governance Report *(Continued)*

Stakeholders	Issues of Concern	Communication Channels and Methods	Company's Response
Consumers	<p>Safe and effective drugs</p> <p>Product quality and after-sales service</p> <p>Customer privacy protection</p>	<p>Organize exchange events</p> <p>Customer service hotline</p> <p>Set up official WeChat and official website</p> <p>Public email account</p>	<p>Accelerate innovative product development</p> <p>Reinforce quality control</p> <p>Reasonable product prices</p> <p>After-sales and complaint management</p> <p>Responsible marketing</p>
Employees	<p>Employee rights protection</p> <p>Training and development</p> <p>Occupational health and safety</p> <p>Democratic management</p>	<p>Staff representatives meetings</p> <p>Cultural and sports activities</p> <p>Rationalize proposed communication channels</p> <p>Organize various kinds of training</p>	<p>Establish a standardized employment mechanism</p> <p>Improve the income distribution and welfare mechanism</p> <p>Construct a safe and healthy working environment</p> <p>Strengthen staff training</p>
Business partners (suppliers, distributors, etc.)	<p>Supply chain optimization</p> <p>Innovative research collaboration</p>	<p>Project cooperation</p> <p>Training and exchange</p> <p>Visits evaluation</p>	<p>Equal and mutually beneficial cooperation</p> <p>Building Chinese medicine industry collectives</p> <p>Enhancing supplier management</p> <p>Sustainable procurement</p>
Community and public	<p>Environmental protection</p> <p>Resources conservation</p> <p>Pollution prevention and control</p> <p>Community welfare and charity</p> <p>Information communication</p>	<p>Engagement in organizational events</p> <p>Release of ESG reports</p> <p>Social supervision hotline</p>	<p>Protect the ecological environment</p> <p>Organize social welfare and charity activities</p> <p>Implement rural revitalization</p> <p>Strengthen publicity and brand building</p>

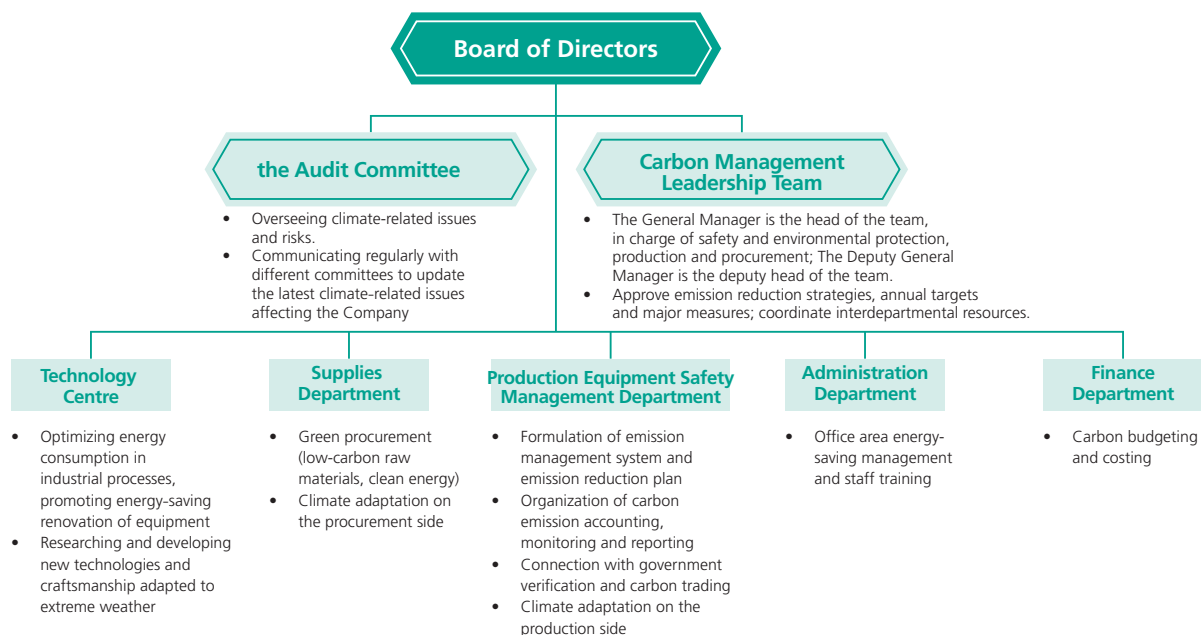
4. ADDRESSING CLIMATE CHANGE: BUILDING RESILIENCE IN THE PHARMACEUTICAL SUPPLY CHAIN

4.1. Climate-related Risks and Resilience Building

The pharmaceutical industry is highly sensitive to climate. We have identified two core risks-climate risks and opportunities-and adopted a dual-pronged strategy emphasizing both “mitigation” and “adaptation”. Accordingly, we have formulated specific action plans to address the identified physical risks and transition risks.

4.1.1 Governance

In accordance with the requirements of the HKEx’s “Guidelines on Climate Disclosure”, the Company has established a governance organization to address climate change, with the Audit Committee of the Board of Directors responsible for the strategic planning, risk control and management on climate change issues, the Carbon Emission Management Leadership Team led by the General Manager, and the Production Equipment Safety Management Department as the standing organization to address climate change, together with the Technology Centre, the Supplies Department, the Administration Department and the Finance Department, to conduct work relating to carbon emission reduction and climate adaptation. The Company has formulated the “Management System of Greenhouse Gas Emission of Henan Fusen Pharmaceutical Co., Ltd.” and the “Response Plan of Henan Fusen Pharmaceutical Co., Ltd. in case of Extreme Weather” to materialize standardized management for addressing climate change.



▲ Fusen Pharmaceutical Climate Governance Structure

4.1.2 Strategies

4.1.2.1 Physical Risk Response: Strengthening Supply Chain Resilience

Physical risks primarily arise from extreme weather events and long-term shifts in climate patterns.

(1) In response to the risk of “disruption in supply and quality fluctuation of raw materials”

Risk description: late spring cold snaps, droughts, or floods may lead to reduced yields or lower active pharmaceutical ingredient content in core medicinal herbs such as Lianqiao and honeysuckle. Extreme high temperatures could affect the stability of medicinal herbs in storage.

Adaptation strategies: establishment of “climate-smart” herb plantation bases; promoting the adoption of new, high-resilience varieties (e.g., “Fujin No.1” honeysuckle) in key production areas such as Xichuan County, Henan Province, and Shanxi Province to enhance crop tolerance to extreme weather events.

Geographically diversified sourcing: implementing a multi-sourcing strategy to mitigate supply disruption risks caused by climate-induced disasters in any single production region; developing cross-provincial cooperative planting bases for medicinal herbs to geographically disperse risks.

Strategic reserve mechanism: establishing a dynamic inventory warning system for climate-sensitive, high-demand herbs, maintaining a safety stock equivalent to 6–12 months of consumption to stabilize market fluctuations.

(2) In response to the risk of “damage to production facilities and logistics”

Risk description: rainstorms and floods may threaten the safety of our plants; extreme high temperatures may lead to the failure of pharmaceutical products during cold chain logistics and transportation.

Response strategies (adaptive): infrastructure reinforcement: conducting flood prevention renovations and upgrading drainage systems for warehouses located in low-lying areas; carrying out thermal insulation renovations for production workshops to reduce the impact of extreme temperatures on the production environment.

Smart cold chain logistics: introducing Internet of Things (IoT) temperature monitoring systems to achieve full-process visualization of pharmaceutical transportation. In response to extreme high-temperature weather, we optimize transportation routes and time slots to ensure the quality and safety of pharmaceutical products.

4.2 Carbon Neutrality Pathway: Transition Risks Driving Green and Low-Carbon Transformation

Transition risks arise from policy and legal changes, technological iterations, and shifts in market preferences during the process of society's transition to a low-carbon economy.

(1) In response to the risk of “increasingly stringent policies and regulations (carbon tariffs/dual control of energy consumption)”

Risk description: dual control policies on energy consumption under the national “dual carbon” goals may lead to production restrictions; the raising of environmental protection standards may increase compliance costs.

Response strategies (mitigation): optimization of energy structure: vigorously developing distributed photovoltaics and utilizing factory rooftops to construct 6MW photovoltaic power generation projects, so as to increase the proportion of clean energy use and reduce reliance on fossil fuels.

Energy efficiency improvement project: implementing waste heat recovery transformation in the traditional Chinese medicine extraction and concentration stages, promoting the use of high-efficiency energy-saving motors, reducing energy consumption per unit of output value, and ensuring greater production flexibility under the “dual control of energy consumption”.

(2) In response to the risk of “shifts in technology and market preferences”

Risk description: increased preference for “green products” among investors and consumers; pharmaceutical processes with high carbon emissions facing the risk of being phased out by the market.

Response strategies (mitigation): green process innovation: we research, develop and apply advanced pharmaceutical technologies with low energy consumption and low emissions, such as low-temperature vacuum drying and supercritical extraction, to replace traditional high-energy-consuming processes.

Product carbon footprint management: we carry out life cycle carbon footprint assessments for core products (such as Shuanghuanglian Oral Liquid), apply for “Green Design Product” certification, and enhance the green competitiveness of products in domestic and international markets.

Environmental, Social and Governance Report *(Continued)*

▼ List of Climate-Related Risks Assessment and Response

Risks Type	Impact of Risks	Response Strategy
Physical Risk	Impact of extreme weather on the supply chain	Fusen Pharmaceutical's core products involve raw materials of Chinese herbal medicines (e.g. Shuanghuanglian cold medicine) , and extreme weather conditions may lead to a reduction in the production of Chinese herbal medicines in the main production areas (e.g. Lianqiao is affected by the cold spells of the spring and honeysuckle is affected by waterlogging, which may lead to an unstable supply of raw materials or an increase in costs)
	Production disruption risk	Establishing strategic reserves in regions prone to extreme weather conditions, such as Lianqiao and honeysuckle; co-operating with herbal medicine bases in Shanxi and Henan to diversify procurement risks; utilizing the platform of the "National Engineering Research Centre for the Modernization of Chinese Medicines" to carry out research on the breeding of honeysuckle and other herbs for their resistance to adversity (e.g. "Fujin No.1"), so as to ensure a stable supply of core raw materials
		Low-temperature rain and snow may lead to freezing and cracking of plants and equipment or clogging of pipelines, resulting in material leakage or production stoppage; heavy rain and flooding may cause water ingress into warehouses and moisture deterioration of pharmaceutical raw materials and finished products; and lightning may cause electrical equipment failure or even fires. In addition, extreme high temperatures may cause equipment overheating, increasing the risk of fire and explosion
		Relying on the EU CGMP standard intelligent factory, materializing the automation of entire production process of core products such as Shuanghuanglian injections, to ensure the supply capacity under extreme weather; and taking out property insurance and business interruption insurance covering risks such as heavy rain, flood and low temperature freezing to enhance the risk-resisting capability

Environmental, Social and Governance Report *(Continued)*

Risks Type	Impact of Risks	Response Strategy
Risk of damage to equipment and facilities	Heavy winds and snowstorms may damage the structure of the plant, especially in old buildings or large-span workshops, posing a potential risk of collapse; heavy rainfall may lead to the failure of the drainage system, causing water to accumulate in the plant, damaging production equipment and power supply facilities and increasing maintenance costs	Regularly inspecting production equipment for frost and corrosion protection, identifying areas prone to leakage, and equipping them with thermal insulation or heat tracing devices; conducting structural assessments of old plants and warehouses, reinforcing roofs and walls, installing additional lightning protection devices, and ensuring smooth drainage systems; optimizing the layout of the stockpile, and storing drugs susceptible to dampness in areas with higher topography, and equipping them with damp-proofing facilities
Disruption of transport and logistics	Extreme weather conditions may cause disruption of transport routes, affecting the procurement of raw materials and distribution of finished products, especially for drugs dependent on cold chain transport, which may cause quality losses due to logistics delays	In respect of special products such as summer medicine and vaccines, co-operating with a third-party logistics company to build a cold chain distribution system covering the rural area to ensure the quality of medicine under high temperature weather

Environmental, Social and Governance Report *(Continued)*

Risks Type		Impact of Risks	Response Strategy
	Financial and market risk	Production interruptions, equipment maintenance and loss of raw materials will directly increase operating costs, which, together with delays in product delivery, may give rise to the risk of contractual default. In the event of fluctuations in market demand due to extreme weather conditions (e.g. a surge in demand for pharmaceutical products during an epidemic but with logistical constraints), the Company will need to balance its production capacity with its ability to respond to the market	Deploying the Internet of Things (IoT) system to track the inventory of raw materials and logistics status in real time, combining it with AI prediction models to optimize production scheduling and reduce mismatches between supply and demand caused by extreme weather; establishing a “temperature — sales volume” model and deploying resources to high-temperature warning zones 2 weeks in advance
Transitional Risks	Policy and regulatory pressure	The pharmaceutical industry may face more stringent carbon regulations as the global “dual-carbon” target is pushed forward, and Fusen Pharmaceutical may face fines or market entry restrictions if it fails to effectively reduce energy consumption or greenhouse gas emissions in its manufacturing processes (Scope 1, Scope 2)	Short-term energy-saving modifications to high-energy-consuming equipment (e.g. extraction and drying processes) and introduction of residual heat recovery technology; long-term gradual replacement of fossil fuels with biomass or green power to reduce Scope 1 and Scope 2 carbon emissions
	Changes in market demand	Increased consumer and investor preference for green products, which may affect market share if Fusen Pharmaceutical fails to launch low-carbon or eco-friendly packaging for its pharmaceutical products	Requiring suppliers of APIs and packaging materials to provide carbon footprint reports, and prioritize partners that use recycled materials or clean energy, so as to jointly reduce carbon emissions in the supply chain

Environmental, Social and Governance Report *(Continued)*

▼ List of Climate-Related Opportunities Analysis and Response

Opportunity Type		Opportunity Analysis	Response Strategy
Development Opportunities under Extreme Weather	Surging demand for specific drugs	Extreme weather (e.g. cold spells, high temperature) often triggers a high incidence of seasonal illnesses. For example, cold spells may lead to an increase in the incidence of respiratory tract infections and cardiovascular diseases, while high temperatures generate demand for heatstroke and heat-expelling and detoxifying medicines	Fusen Pharmaceutical has responded to the market demand quickly with its existing product lines, developing new products such as portable summer packs and herbal mosquito repellent patches for high temperature and high humidity environments, and exploring the incorporation of Shuanghuanglian into daily protective products (e.g., masks, hand sanitizers), to expand the consumer market
	Brand and social responsibility image enhancement	Being proactive in caring for the health of the population under extreme weather conditions, and doing a good job in energy saving and carbon reduction as well as sustainable development will help enhance corporate brand awareness and social reputation, and attract investors and partners who focus on sustainable development	Strengthened public awareness through public service promotion (e.g. publishing health protection guidelines), donation of medicines, etc. During the cold wave in 2023, the Company's products were listed as recommended medicines by medical institutions in many places; through live broadcasting to disseminate knowledge on health protection, which led to an increase of 40% in online sales of Shuanghuanglian oral liquid

Environmental, Social and Governance Report *(Continued)*

Opportunity Type	Opportunity Analysis	Response Strategy
Policy-driven market expansion	Henan Province and Nanyang City have launched a number of supportive policies in response to extreme weather, such as tax incentives and green lanes for the production of emergency supplies by pharmaceutical enterprises, etc. Fusen Pharmaceutical, as a leading local enterprise, can rely on the “Stronger Traditional Chinese Medicine Province” strategy to take on more social responsibilities in public health incidents and expand the incremental space for the government’s emergency purchasing and the primary healthcare market	The Company has signed an agreement with the Nanyang Municipal Government on emergency material reserve, and included products such as Shuanghuanglian injections in the municipal pharmaceutical reserve catalogue, with priority for policy support; made use of Henan Province’s energy-saving and emission-reduction subsidy policy, and applied for a special loan for the construction of distributed photovoltaic projects, which lowered the energy cost and at the same time addressing the “dual-carbon” goal
Development Opportunities under Greenhouse Gas Emission Reduction	Energy efficiency and cost savings Reducing energy consumption and carbon emissions by improving production processes (e.g. using renewable energy or energy-saving equipment) not only meets policy guidelines, but also reduces long-term operating costs	Using the roof of the factory building to build a distributed photovoltaic power station, reducing carbon dioxide emissions by about 500 tonnes per year; gradually introducing biomass or hydrogen energy on the basis of the existing gas boilers; carrying out intelligent modification of the ethanol recycling system in the extraction workshop of traditional Chinese medicines and increasing the processing efficiency from 90% to 95%; adopting low-temperature freeze-drying technology to reduce energy consumption by 30%

Environmental, Social and Governance Report *(Continued)*

Opportunity Type	Opportunity Analysis	Response Strategy
Technology and innovation-driven industrial upgrading	The demand for emission reduction is forcing enterprises to increase investment in technology research and development, and these technological upgrades not only reduce carbon emissions, but also improve product quality and enhance the ability of enterprises to achieve sustainable development	Optimization of production processes through intelligent modifications (e.g. dust collection system in solid preparations workshop), introduction of AI energy consumption monitoring platform to enhance energy efficiency
Policy support and financial incentives	The Nanyang City Pilot Policy on Pollution and Carbon Reduction Collaboration and Innovation clearly states that financial subsidies, green credits and tax incentives will be provided to key enterprises. Fusen Pharmaceuticals can apply to be included in the municipal pollution reduction and carbon reduction project database, and make use of the financial support to upgrade production equipment or invest in distributed photovoltaic power generation projects, so as to reduce the cost of energy consumption and at the same time obtain policy dividends	Utilizing the Nanyang carbon emission management platform to account for the carbon emissions of the whole industrial chain of the enterprise, and accumulating carbon credits through technical emission reduction, so that it can participate in carbon trading to gain revenue in the future; combining with Nanyang’s agricultural pollution reduction and carbon reduction model (e.g., the “Muyuan Green and Low-Carbon Model”), and investing in forestry carbon sinks or biogas synthesis projects to offset its own carbon emissions and achieve the goal of “Zero-Carbon Factory”

Environmental, Social and Governance Report *(Continued)*

Opportunity Type

Opportunity Analysis

Response Strategy

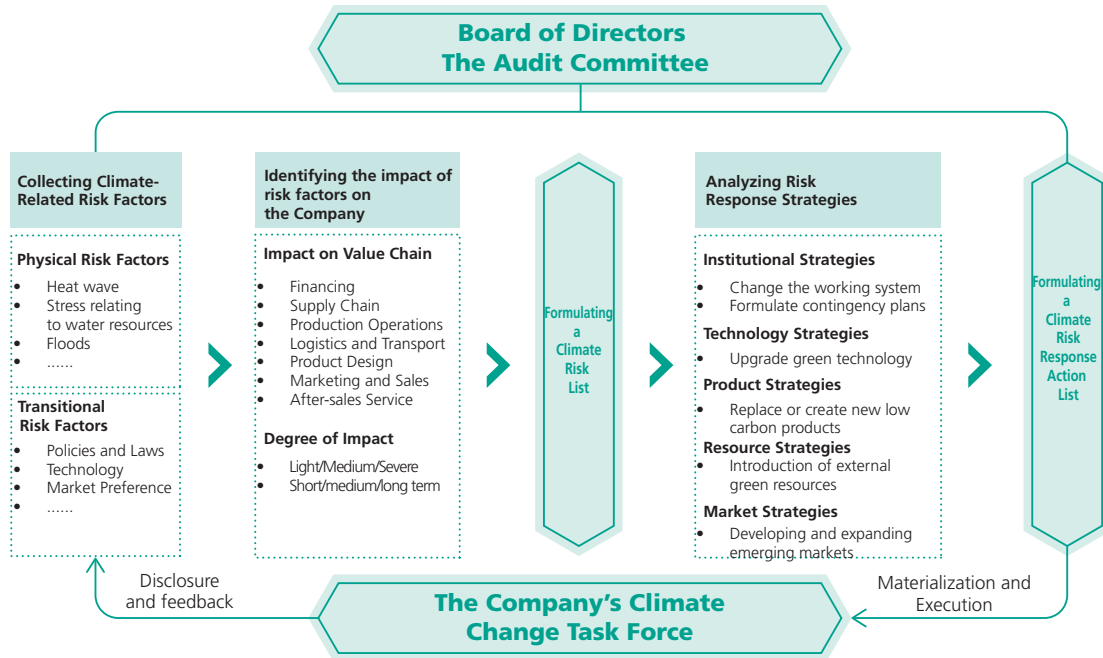
Market access and international competitiveness

With the advancement of the EU's Carbon Boundary Adjustment Mechanism (CBAM), pharmaceutical companies exporting to Europe are required to meet stringent carbon emission standards, and Fusen Pharmaceutical, as a key pharmaceutical company in Henan Province, will be able to gain an advantage in international market competition if it can plan its carbon emission reduction technology in advance and pass the international carbon neutrality certification (e.g., DEKRA's verification service).

The Carbon Management Team was jointly established by the technical, financial and legal departments to track domestic and international policy dynamics, regularly assess the costs and benefits of emission reduction, and formulate a roadmap for emission reduction in phases; incorporate greenhouse gas emission reduction into the ISO 14001 environmental management system, and pass third-party certification (e.g., DEKRA Carbon Neutral Certification), to ensure that production is in line with international standards.

4.3 Risk Management

The Company has established a climate-related risk identification and management process, which operates annually within the governance structure of the Board of Directors. The Audit Committee is responsible for identifying and analyzing climate risks, discussing and formulating risk response strategies, and effectively implementing them within the various departments involved in the Climate Change Task Force, so as to realize the permanent management of climate risks.



▲ Fusen Pharmaceutical's Climate Risk Management Process

Environmental, Social and Governance Report *(Continued)*

4.4 Indicator and Target

▼ Fusen Pharmaceutical's GHG Emissions and Reduction Targets for the Past Three Years

Performance Indicator	Unit	2023	2024	2025	Reduction Target
GHG emissions	tCO ₂	6,948.888	4,414.297	3,097.283	Carbon emission intensity to be reduced by 55% in 2025 compared to 2023

▼ Fusen Pharmaceutical's main GHG emission sources and emissions in 2025

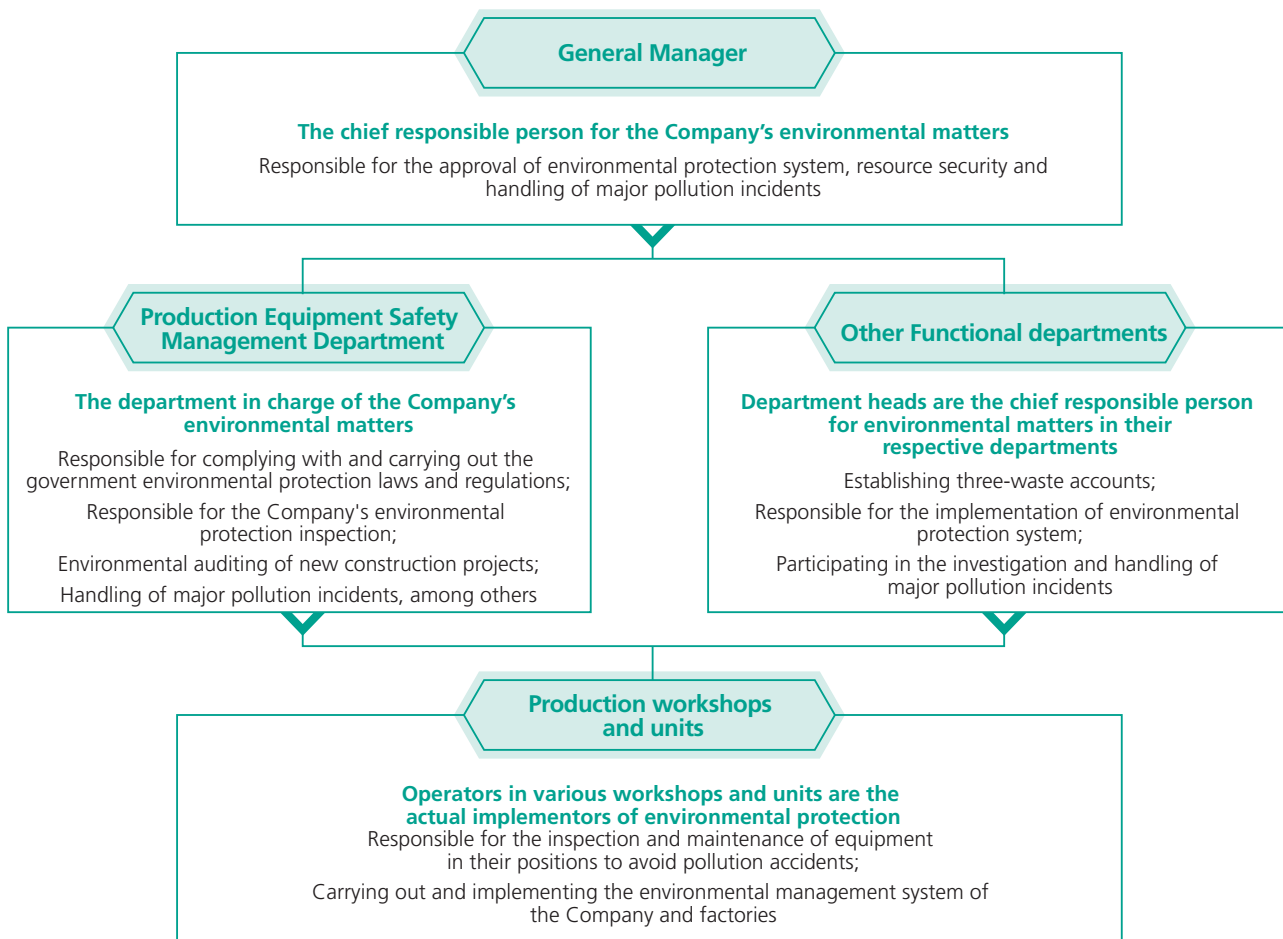
Type of Emission	Energy/Material	Emission Facility	GHG Emissions (tCO ₂)
Scope 1	Fuel emissions	Liquefied petroleum gas	2,745.215
		Natural gas	
	Wastewater discharge	Industrial wastewater	31.028
Scope 2	Emissions from net purchased electricity	Purchased electricity	321.04
		Electric motors, water pumps, fans, centrifuges and other production electrical equipment	
		Total	3,097.283

5. ENVIRONMENTAL RESPONSIBILITIES: FROM GREEN MANUFACTURING TO GENUINE MEDICINAL HERBS

5.1 Environment Management System

5.1.1. Comprehensive environment management organization

The general manager of the Company is directly in charge of environmental protection work, and sets up the “Production Equipment Safety Management Department” as the functional department of environmental protection management, specifically responsible for the Company’s environmental issues. Other departments of the Company shall assist the Environmental Protection Department in environmental efforts and are accountable to the General Manager. Department heads are the chief responsible persons for environmental matters in their respective departments and shall report directly to the general manager of the Company. The on-site manager is responsible for the environmental protection work of each workshop; the team leader of each operation team is the responsible person for environmental protection of his/her respective teams; and operators are the actual implementors of environmental protection work.



▲ Fusen Pharmaceutical's Environmental Management Organization

5.1.2. Sound environmental management system

The Company strictly adheres to various requirements such as the Environmental Protection Law of the People’s Republic of China, the Atmospheric Pollution Prevention and Control Law of the People’s Republic of China, the Water Pollution Prevention and Control Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, and establish its own environmental protection management system on such basis, forming a environmental management system with four categories, including the management system, operating process, responsibilities for positions, and emergency plans.

▼ Fusen Pharmaceutical’s Environmental Management System

Category of System	Content
Management system	<ul style="list-style-type: none"> ➤ Environmental Protection Management System for Henan Fusen Pharmaceutical Company Limited ➤ Solid Waste Management System, VOCs pollution prevention and control management system, and Hazardous Waste Management System ➤ Equipment Site Management System and Hygiene System, and Equipment Maintenance and Service Management System ➤ Factory Environmental Health Management System and Environmental Management Ledger System for Henan Fusen Pharmaceutical Company Limited
Operational process	<ul style="list-style-type: none"> ➤ Equipment Operation Safety Procedures, and Operating Procedures for Water Quality Inspection and Sampling ➤ Operating Procedures for Water Quality Inspection in Sewage Treatment Station, and Operating Procedures for Pulsed Hydrolysis Tank Process ➤ Operating Procedures for Aeration Tanks, Sedimentation Tanks, Plate and Frame Filter Presses, Roots Blowers, and Chlorine Dioxide Generators ➤ Operating Procedures of Sewage Treatment Station Pump, and Operating Procedures for Operation Inspections
Responsibility for positions	<ul style="list-style-type: none"> ➤ Safety Responsibility System, and Position Responsibility System ➤ Sewage Treatment Station Duties, and Job Responsibilities for Section Chiefs ➤ Equipment Maintenance Worker Duties, and Sewage Treatment Station Operators’ Duties
Emergency plans	<ul style="list-style-type: none"> ➤ Self-Monitoring Program for Henan Fusen Pharmaceutical Company Limited ➤ “A Particular Policy for A Particular Plant (一廠一策)” Implementation Plan under Heavy Pollution Weather Emergency Response Measures ➤ Emergency Plan for Hazardous Waste

5.1.3 Striving for Environmental Management System Certification

The Company continues to use various environmental management certifications as a starting point to build environmental protection and low carbon into the Company's core competitiveness. In 2017, the Company passed the clean production audit and acceptance in Nanyang City, Henan Province. In 2022, the Company obtained the ISO14000 environmental management system certification from the International Organization for Standardization and obtained the review certification in 2025. In 2023, the Company was selected as a national "Green Factory" recognized by the Ministry of Industry and Information Technology. In 2025, the Company obtained the ISO50001 energy management system certification, adding a new stamp to its efforts to build a green, environmentally friendly and smart factory.



▲ Fusen Pharmaceutical Environmental Management System Certificates



▲ Fusen Pharmaceutical Energy Management System Certificates

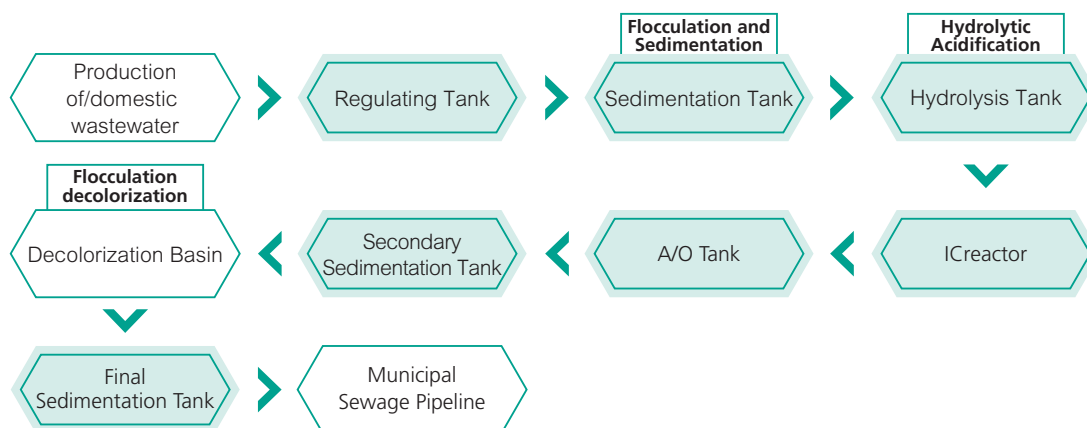
Environmental, Social and Governance Report *(Continued)*

5.2 Pollution Prevention and Control

5.2.1. Water pollution control

The Company's wastewater mainly comes from the cleaning of medicinal materials in the pre-treatment and extraction production lines of Chinese medicines, the extraction process of Chinese medicines, the cleaning of equipment and floors, the cleaning of bottles (oral liquid and injectable bottles), laboratory testing, preparation of purified water, operation of boiler rooms, drainage of the cooling system, and the sewage from the daily lives of its employees.

To effectively treat those wastewater, the Company has built a dedicated wastewater treatment plant with a 1,800 cubic metre regulating incident tank. In terms of treatment technology, advanced IC reactor and other technologies are used to ensure that the wastewater treatment meets the standards and is then transported to the Xichuan County Sewage Treatment Plant through the Binhe Road municipal sewage pipeline network for secondary treatment. In recent years, the Company's wastewater discharge has been on a downward trend year by year, and has not caused any pollution or adverse impact on the surrounding water system.



▲ Factory sewage treatment process of Fusen Pharmaceutical

▼ Wastewater treatment facility treatment efficiency of Fusen Pharmaceutical

Unit %

Removal Efficiency	Pollutants	5-day					Total Nitrogen	Total Phosphorus	Animal and Vegetable Oils
		Suspended Substance	Biochemical Oxygen Demand	Chemical Oxygen Demand	Ammonia Nitrogen	Total Nitrogen			
	After hydrolysis acidification tank	8.1	55.2	37.9	44.0	20.4	12.9	2.0	
	After IC anaerobic reactor	4.4	30.0	83.7	89.4	80.3	9.3	2.0	
	After A/O	96.6	71.8	84.3	89.4	62.1	77.5	75.4	
	Total exports	38.7	76.3	0.75	62.6	24.2	44.2	9.1	
	Total efficiency	98.2	97.8	99.6	99.8	95.5	90.1	78.5	

▼ Wastewater discharge of Fusen Pharmaceutical in the past three years

Performance Indicator	Unit	2023	2024	2025
Total amount of wastewater discharged	tonnes/year	195,285.9	120,749.72	105,094.044
COD emissions	tonnes/year	2.272	1.03	0.9

5.2.2. Air pollution control

The Company's exhaust gas mainly comes from boiler combustion, traditional Chinese medicine extraction process, production process dust of traditional Chinese medicine pre-treatment workshop and solid preparation workshop, sewage station odor, experimental animal room odor and oil smoke from staff canteen.

In order to ensure that the exhaust gas is discharged up to the standard, the company strictly follows the standards such as the Comprehensive Emission Standard for Air Pollutants, the Emission Standard of Air Pollutants for Pharmaceutical Industry, the Emission Standard for Air Pollutants for Boilers, the Emission Standard for Odor Pollutants and the Emission Standard for Oily Fume Pollutants in the Catering Industry, and has installed dust removal, deodorization and other pollution control devices at each exhaust gas discharge port. The treated exhaust gas is discharged at high altitude through exhaust cylinders of more than 15 meters.

After professional acceptance and monitoring, the ambient air quality of Wangjiazhuang Village, Zhongwudian Village and Houying Village around the factory is good. The maximum concentration of total suspended particulate matter is 0.171 mg/m³, which meets the limit requirements of the Ambient Air Quality Standards. The concentrations of nitrogen oxides, hydrogen sulfide and non methane total hydrocarbons were 0.03 mg/m³, 0.004 mg/m³ and 0.58 mg/m³, respectively, which met the standard limit requirements of Appendix D of the Technical Guidelines for Environmental Impact Assessment — Atmospheric Environment (HJ2.2-2018) and did not cause adverse effects on the surrounding air quality.

Environmental, Social and Governance Report *(Continued)*

▼ Exhaust gas treatment process of Fusen Pharmaceutical

Exhaust Gas Outlet	Exhaust Gas Treatment Process
Boiler Exhaust Gas	“Low-NOx combustion + FGR flue gas circulation” treatment process
Chinese medicine extraction exhaust gas	Ethanol Recovery Device Water Absorption + UV Light Oxygen Treatment Facilities
Dust-related processes in each workshop	Centrifugal Separator + Bag Filter Dust Collector (5 Sets)
Sewage station odor	Installation of Collection Devices + Alkali Spraying + Activated Carbon Adsorption
Animal room odor	Installation of collection device + activated carbon adsorption + leading to the sewage station for biological filter treatment after negative pressure ventilation
Oil smoke from staff canteen	Oil Smoke Purifier

▼ Exhaust gas emission of Fusen Pharmaceutical for the past three years

Performance Indicator	Unit	2023	2024	2025
Emission of exhaust gas	Cubic metres/year	58,789,680	21,763,300	18,477,350
Emission of nitrogen oxide	Tonnes/year	1.063	0.256	0.063
Emission of sulfur oxides	Tonnes/year	0.386	0.245	0.172
Emission of particulate matter	Tonnes/year	0	0.057	0.021

5.2.3. Solid waste treatment

During the production process, solid waste generated by the Company includes general solid waste and hazardous waste, both of which are stored in designated storage facilities so required in strict compliance with the requirements of the General Industrial Solid Waste Storage and Landfill Pollution Control Standards (《一般工業固體廢物貯存和填埋污染控制標準》) and the Hazardous Waste Storage Pollution Control Standards (《危險廢物貯存污染控制標準》) (GB18599-2020) (GB18597-2001). Pursuant to the circular economy principle of reduction, recycling, and reuse, stringent classification and disposal of solid wastes are implemented according to law to minimize waste generation and ensure clean and orderly plant premises, effectively avoiding pollution to the surrounding environment.

▼ Solid waste emissions of Fusen Pharmaceutical in the past three years

Performance Indicator	Unit	2023	2024	2025
Hazardous waste discharge	tons/year	0.362	0.572	0.26038
Non-hazardous waste discharge	tons/year	3,215.2	2,104.87	1,433.97

Environmental, Social and Governance Report *(Continued)*

▼ Overview of Generation and Treatment of Solid Waste at our Entire Plant

Nature of Solid Waste	Location Where Waste is Generated	Type of Solid Waste	Treatment Destination
General Solid Waste	Extraction Process	Impurities in Chinese medicinal materials	Landfill
		Chinese medicine residue	Organic fertilizer production
	Oral solution and injection filing production	Impurities from filtration	Landfill
		Unqualified products	Bottled liquid medicines crushed and transported into the sewage treatment facility, and bottles residue transported to landfill
	Workshop for pre-treatment, extraction, and solid formation of Chinese medicine	Dust collected by dust collectors	Landfill
		Packaging process	External packaging materials
	Sewage treatment facility	Sludge	Organic fertilizer production
	Plant premises	Domestic waste	Landfill
	IC reactor dry desulfurization	Waste desulfurization agents	External sale for comprehensive use
	Purified water preparation system	Reverse osmosis membrane	Returned to suppliers
Animal laboratory	Animal carcasses	Nanyang Kangwei Environmental Protection Co., Ltd. (南陽康衛環保有限公司) appointed for treatment	
Hazardous Solid Waste	Animal laboratory, and sewage treatment facility	Waste activated carbon	Handled by CEP Environmental Protection Co., Ltd. (中環信環保有限公司)
	Purified water preparation system	Waste ion exchange resin	
	Chemical pharmaceutical solid formation workshop	Dust collected by dust collectors	
	Sewage treatment facility	Liquid waste generated during the operation of online monitoring equipment	

5.3 Reducing Resource Consumption

5.3.1. Reducing energy consumption

The Company has an energy-saving management team to implement three-level energy management of the company, departments and workshops. The Company's general manager serves as the team leader, the deputy general manager in charge of production serves as the deputy team leader, the leaders of various functional departments serve as team members, and the Production Equipment Safety Management Department is the company's permanent agency for energy management.

The Company formulates energy consumption quotas for major energy-consuming products, processes, equipment and positions, regularly assesses the completion of quotas, and combines them with reward and punishment measures. At the same time, we actively adopt new energy-saving technologies, new processes, new equipment and new materials. Since 2020, the Company has changed its coal-fired boiler to a natural gas boiler, and at the same time implemented a low-nitrogen combustion and steam condensate recovery process, reducing natural gas consumption by 10% per ton of steam.

▼ Major energy consumed by Fusen Pharmaceutical in the past three years

Performance Indicator	Unit	2023	2024	2025
Electricity consumption	degree/year	8,900,000	6,036,836	5,525,647
Natural gas usage	cubic/year	3,213,919	2,041,648	1,432,007

Factory rooftop "transformed" into green power station

In 2024, the Company used the roof of about 58,000 square meters of the factory to build a 6MW distributed photovoltaic power station project, which is invested by Henan Fusen Group and EPC of Luoyang Ziguang Solar Energy Application Technology Research Institute. The project can save about 2,206 tons of coal, reduce carbon emissions by about 5,191 tons, sulfides by about 183 tons, nitrogen oxides by about 92 tons, and dust by about 167 tons each year. The completion of the project has not only rationally utilized idle rooftop resources, but also reduced the company's electricity costs.



5.3.2. Reduce water consumption

The water resources consumed by the company are mainly used in manufacturing, business and office, environmental management and fire emergency water. In terms of water management, the Company implements water quota management, whereby monthly water consumption is strictly in accordance with the water consumption plan issued by the competent department of the Water Conservancy Bureau, and excess water consumption is prohibited. In daily production, the company actively adopts the water recycling process to improve water efficiency. At the same time, the Company has established a water conservation responsibility system, and the leaders of each department and workshop are responsible for water conservation, so as to strengthen the supervision, inspection and assessment of rewards and punishments for water conservation work. In addition, the Company also actively carries out water conservation education to enhance the water conservation awareness of all employees, advocates “turning off the water when leaving” and “turning off the water when leaving”, puts an end to the phenomenon of “constant running water”, and prohibits the waste of water resources.

▼ Water consumed by Fusen Pharmaceutical in the past three years

Performance Indicator	Unit	2023	2024	2025
Total water consumption	tonnes/year	240,000	147,085	139,865

5.3.3. Reducing the consumption of packaging consumables

The Company’s product packaging consumables include glass, plastic, paper, PVC, aluminum foil and other materials. In product packaging design, the Company focuses on the principle of reduction, uses “double easy” (easy to recycle and easy to regenerate) packaging materials as much as possible, and reduces the use of plastic products; in daily office work, we advocate electronic office work, double-sided printing, etc. to reduce paper consumption as much as possible.

▼ Packaging material consumed by Fusen Pharmaceutical in the past three years

Performance Indicator	Unit	2023	2024	2025
Packaging materials	tonnes/year	5,458	2,823	2,225
Office paper	tonnes/year	7.03	6.76	6.23

5.4 Conservation of Biodiversity

The Company attaches great importance to the conservation of biodiversity at the source of the industrial chain, and adopts the model of “company + base + farmer” through self-built and co-built bases. In 2010, the Company established a honeysuckle GAP planting base around the water source area of the middle route of the South-to-North Water Diversion Project, in 2025, the Company and co-built forsythia and baikal skullcap root (*Scutellaria baicalensis*) GAP planting bases in Jiang County, Shanxi Province. By controlling the quality of medicinal materials at the source, the Company ensures their uniformity and safety, thereby providing Fusen Pharmaceutical Company Limited with high-quality raw materials for its production need.

The Company promotes the “Ecological Planting” model. In the 10,000-mu honeysuckle base, chemical herbicides are not used; instead, biological control is adopted, which both protects the water quality of the Danjiangkou Reservoir and ensures the genuineness of the medicinal materials. The base not only achieves an annual output value of RMB300 million, but also effectively prevents soil erosion, thereby realizing “Ecological Industrialisation and Industrial Ecologisation”.

Fusen honeysuckle plantation base has been awarded the honours of “honeysuckle standardised plantation demonstration base in Henan Province”, “seedling breeding and standardised production base in Henan Province”, and “standardised production base for Taoist herbs in Henan Province”.





▲ Honeysuckle GAP Planting Base of Fusen Pharmaceutical



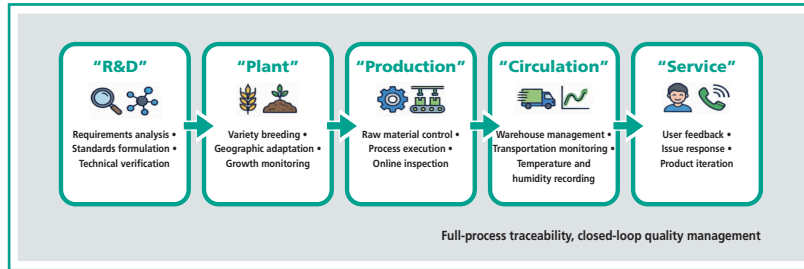
▲ Fusen Pharmaceutical and Shanxi Deji Pharmaceutical jointly establish a Forsythia GAP Planting Base



▲ Fusen Pharmaceutical and Shanxi Deji Pharmaceutical jointly establish a Baikal Skullcap Root GAP Planting Base

6. PRODUCT RESPONSIBILITY: DELIVERING EXCEPTIONAL QUALITY FOR THE BLESSING OF HEALTH

6.1 Quality as the Top Priority and Full Life Cycle Management



6.1.1 Innovative R&D: dual-engine drive towards a sustainable innovation ecosystem



The Company always stands at the forefront of medical technology. Following the research and development philosophy of "attaching equal importance to Chinese and Western medicines, and combining imitation and innovation, and combining long and short", the Company systematically develops the step-by-step research and development strategy of "generation of production, generation of reserves, generation of research and innovation" to ensure the continuous iteration of the product pipeline and the steady improvement of market competitiveness.

Environmental, Social and Governance Report *(Continued)*

In the field of chemical drugs, the Company focuses on the development of high-quality generic drugs with high clinical value and significant market potential. Through process optimization, crystal form research and innovation in formulation technology, the Company continuously enhances product quality and consistency evaluation standards, thereby strengthening its differentiated competitive advantages.

In the field of traditional Chinese medicine, the Company has deepened its commitment to the development philosophy of “preserving the essence of heritage while pursuing innovation with integrity.” On the one hand, it has advanced the secondary development of existing traditional Chinese medicine varieties, exploring the modern clinical value of classic prescriptions through evidence-based medical research, enhancement of quality standards and expansion of indications. On the other hand, it has systematically laid out the screening, optimization and industrialization of “two prescriptions and one preparation” (classic prescriptions, hospital preparations and characteristic Chinese patent medicines), thereby promoting the modernisation, standardization and internationalization of traditional Chinese medicine.

Through the collaborative innovation of chemical drugs and traditional Chinese medicine, the Company has not only formed a product portfolio that “balances generic and innovative medicines while leveraging the complementary strengths of Chinese and Western pharmaceuticals,” but has also built an innovation system that spans the entire R&D value chain — providing a powerful dual engine to drive the Company’s high-quality development.

The Company attaches great importance to fostering a culture of innovation and has established a leading group for patent administration, headed by the president of the Group to coordinate intellectual property strategy, planning, and portfolio development. The Company has set up a “patent work award”, which will provide assessment every three years and individuals who demonstrate exceptional performance in technological innovation, commercialization of research outcomes, and socio-economic impact. These initiatives fully stimulate employees’ initiative and creativity in invention and creation, cultivating a corporate atmosphere defined by “respect for knowledge and encouragement of innovation.”

▼ Company Patent Status List of Fusen Pharmaceutical

Indicators	Unit	2024	2025
Cumulative number of patents	Items	66	70
Number of new patents	Items	7	5

Environmental, Social and Governance Report *(Continued)*

The Company adheres to an innovation way of open cooperation and resource sharing, establishing deep industry-university-research cooperation mechanisms with various well-known domestic universities and scientific research institutions to construct a multi-level drug R&D platform. Based on its wholly-owned subsidiary Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited* (嘉亨(珠海横琴)醫藥科技有限公司), the Company has been successively approved to establish R&D platforms at or above the provincial level, such as the National Engineering Research Center for Modernization of Traditional Chinese Medicine and the Guangdong Disease Susceptibility and Traditional Chinese Medicine R&D Engineering Technology Research Center. It has been awarded qualifications such as national high-tech enterprise, a branch of the Hengqin New Area Postdoctoral Research Station, and specialized and new small and medium sized “Little Giant” enterprises.

By integrating external intellectual resources with its internal R&D capabilities, the Company is focusing on three strategic priorities: chemical generic drugs, innovative traditional Chinese medicine (TCM), and the secondary development of existing TCM products. It continues to drive breakthroughs in key technologies and the commercialization of research outcomes, progressively establishing a new collaborative innovation framework that is “enterprise-led, market-oriented, and characterized by deep integration across industry, academia, and research” — thereby injecting sustained momentum into the modernization and internationalization of traditional Chinese medicine.

▼ List of R&D cooperation of Fusen Pharmaceutical

R&D Platform	Partnering Institutions	Cooperation Direction
Research Platform for Secondary Development of Proprietary Chinese Medicines	Macau University of Science and Technology, China Academy of Chinese Medical Sciences, Zhejiang University, Tianjin University of Traditional Chinese Medicine, University of Macau, Sun Yat-sen University, Guangzhou Institute of Respiratory Health, etc.	To enhance the technological content of Fusen Pharmaceuticals’ key varieties in the light of clinical needs, and to realise R&D-driven and value enhancement
Research and Development Platform for special APIs	China Pharmaceutical University, Shenyang Pharmaceutical University, and research institutes in the Guangdong-Hong Kong-Macao Greater Bay Area	Research and development of special antiviral APIs

6.1.2 Quality and safety: building foundations at the source with full-chain control — establishing a “zero return” quality benchmark

The Company has always upheld “honesty and trustworthiness, integrity and innovation, quality first, and steady progress” as its core principles for development, based on its industrial foundation and resource advantages to deeply promote the integration of the innovation chain and the industrial chain. The Company is committed to becoming a leader in the high-quality development of the provincial pharmaceutical and health industry.

At the upstream of the supply chain, the Company constructs GAP (Good Agricultural Practices) planting bases for Chinese medicinal materials and modern processing centres to the highest standards, establishing a fully traceable quality management system that spans “from field to clinic.” Through rigorous end-to-end control, the Company ensures the authenticity and safety of every medicinal ingredient, building a solid defence for consumer health. Driven by an uncompromising commitment to quality, the Company has maintained an exceptional track record of a 0% product return rate for consecutive years — demonstrating through concrete results that “quality is life.”

The Company strictly adheres to GMP (Good Manufacturing Practice of Medical Products) standards and has established a quality management system with a clear structure and well-defined responsibilities to ensure that the entire production process is standardized, controllable, and efficient.

Led by an Elite Team: The quality management team is spearheaded by seasoned experts. Both the head of production management and the head of quality assurance bring over 25 years of industry experience, leveraging their deep expertise to safeguard product quality.

Enhancing Company-Wide Competence: The Company has established a systematic training framework covering core areas such as relevant laws and regulations, GMP standards, microbiological fundamentals, and job-specific Standard Operating Procedures (SOPs) — comprehensively strengthening employees’ quality awareness and professional capabilities.

Hardware and Process Assurance: State-of-the-art equipment and precision instruments are deployed across production and inspection stages to meet high manufacturing and testing standards. Standardized operating procedures have been developed for key equipment to regulate usage and maintenance, ensuring stable and reliable performance. The management of materials and products strictly follows a tiered control system, achieving full traceability from procurement and storage through to distribution.

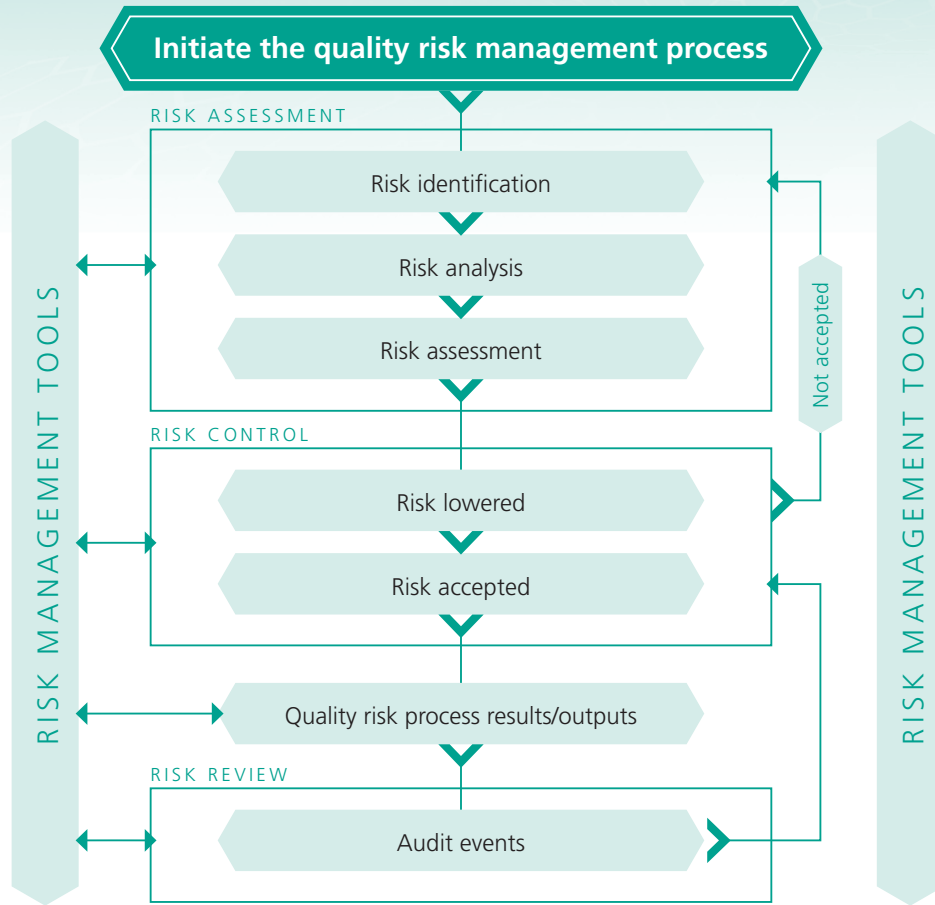
Environmental, Social and Governance Report *(Continued)*

Dynamic Optimization Mechanism: Through dynamic control tools — including change control, deviation management, OOS (Out of Specification) investigations, CAPA (Corrective Action and Preventive Action) implementation, and annual quality review analyses — the Company has formed a closed-loop management mechanism of “problem identification, root cause analysis, corrective action, and continuous improvement.” This mechanism drives the Company’s quality management towards greater leanness and scientific rigour.

The Company has formulated and implemented the “Quality Risk Management Procedure”, embedding risk management principles throughout the entire life-cycle of pharmaceutical R&D, production, and sales. By systematically assessing, scientifically controlling, and periodically reviewing risk factors that could affect product quality, the Company has achieved “early identification, early warning, and early mitigation” of quality risks — ensuring that product quality remains under control at all times and providing comprehensive protection for patient medication safety.

▼ List of Shuanghuanglian Oral Liquid Quality Control of Fusen Pharmaceutical

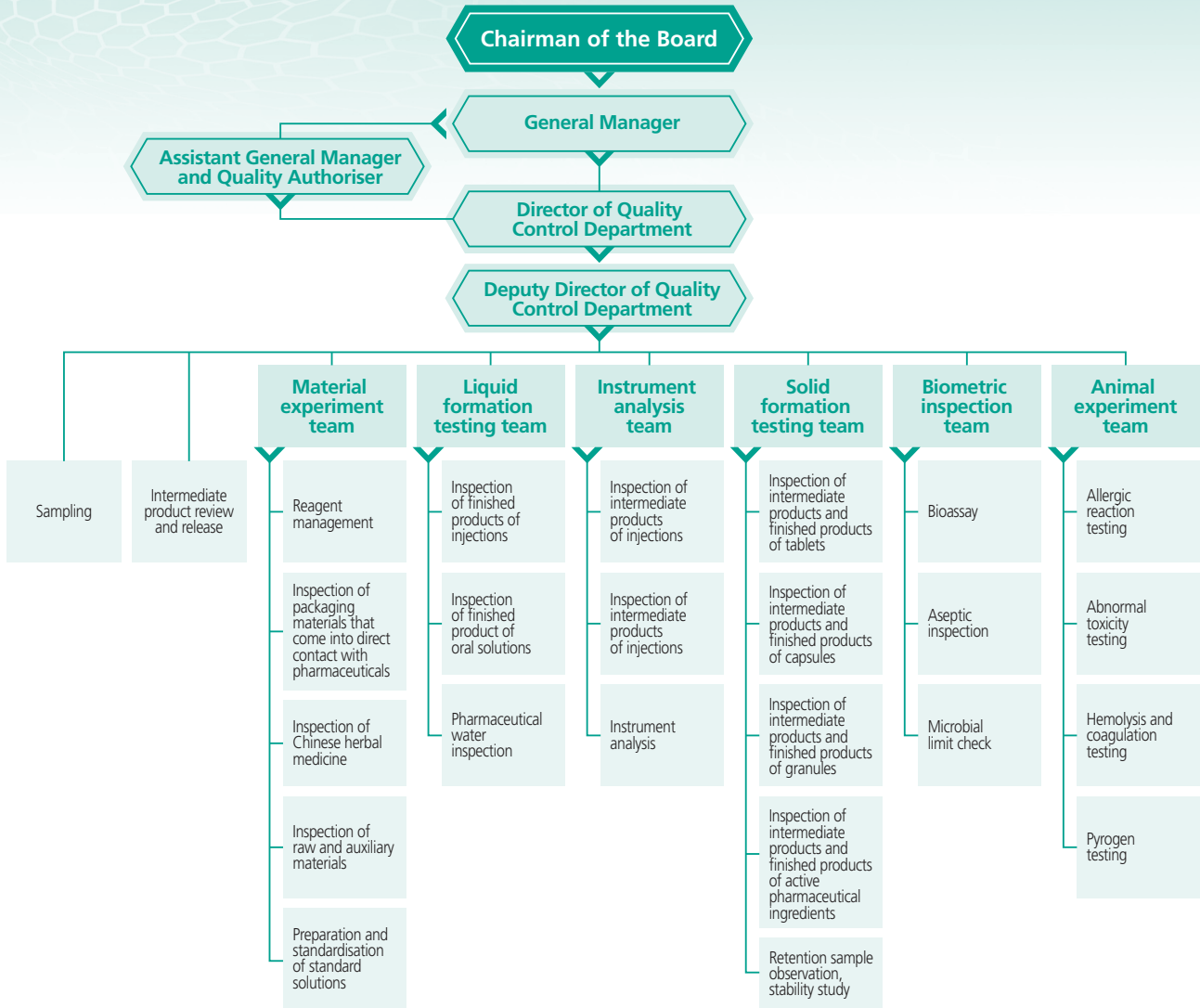
Source control	<ul style="list-style-type: none">✓ Self-built 10,000-mu honeysuckle GAP planting base, and co-built forsythia and scutellaria GAP planting bases in authentic production areas✓ The water from the Funiu Mountain National First-Class Water Source Protection Area, the source of the middle route of the South-to-North Water Diversion Project, is used
Exquisite workmanship	<ul style="list-style-type: none">✓ Establishing a Chinese herbal medicine processing center to strictly control the quality from planting to processing✓ Combined with scientific technology to extract active ingredients (chlorogenic acid, forsythiaside, baicalin), the content far exceeds the national standard
Significant efficacy	<ul style="list-style-type: none">✓ Used for wind-heat cold, relieve fever, cough, sore throat✓ It has been on the market for many years and has been verified by doctors and consumers for a long time, and its efficacy is definite
Market Recognition	<ul style="list-style-type: none">✓ Ranked among the top three in national sales for 5 consecutive years, and was selected among the “Familiar Drugs Frequently Used by Chinese Families”✓ Obtained import license from the National Health Surveillance Agency of Brazil and marketing approval in Mozambique



▲ Quality Risk Management Flowchart of Fusen Pharmaceutical

The Company also formulates the Quality Objectives Management Regulations to ensure that the Company's quality policy and objectives are achieved through the management of quality objectives; establishes the Quality Assurance System to form an organic whole of quality management with clear tasks, responsibilities, authority, coordination and mutual promotion to ensure that products and services meet the required quality requirements; establishes the Quality Control System to ensure that the necessary inspections are completed before the release of materials or products to confirm that their quality meets the requirements.

Environmental, Social and Governance Report *(Continued)*



▲ Quality Control System of Fusen Pharmaceutical

6.1.3 Customer service: zero-distance response, zero safety hazards

The Company consistently adheres to a customer-centric approach, integrating the service philosophy of “rapid response, standardized handling and safety first” throughout the entire customer service life-cycle. By establishing an efficient complaint handling mechanism and a rigorous product recall defense line, the Company not only committed to addressing every customer concern, but also demonstrate its ultimate commitment to public medication safety through the outstanding achievement of “zero recalls for six consecutive years”.

1. Closed-loop Complaint Management: From “Listening” to “Improvement”

The Company places great importance on customer feedback and has established a complaint handling responsibility system led by the deputy general manager in charge of quality and marketing, with the Pharmacovigilance Department and the Quality Assurance Department working in close coordination.

Institutional Safeguards and Standardized Disposal: Establishing and strictly implementing core systems such as the Complaint Handling Management Regulations and the Procedures for Handling Medical Consultations and Complaints to ensure that both product quality objections and medical consultations are brought into a standardized and procedural handling track.

Multi-Dimensional Synergy and Efficient Response: By breaking down departmental silos and enabling seamless information exchange between quality and marketing functions, the Company ensures that customer concerns receive professional responses and appropriate action at the earliest opportunity.

Continuous Improvement and Value Creation: Treating complaint handling as an opportunity for quality enhancement, the Company conducts in-depth analysis of complaint data and feeds the insights back into R&D and production — forming a virtuous closed loop of “complaint → analysis → improvement → enhancement” that consistently exceeds customer expectations.

Environmental, Social and Governance Report *(Continued)*

2. Stringent Risk Control: Building a Robust Defense Line for Medication Safety

The Company strictly complies with laws and regulations such as the Pharmaceutical Administration Law of the People’s Republic of China and the Measures for the Administration of Drug Recall, prioritizes risk prevention and control, and has established a sensitive and efficient emergency recall mechanism.

Comprehensive Systems with Clear Protocols: The Drug Recall Management Regulations and Drug Return Management Regulations have been formulated to clarify recall classifications, initiation processes and disposal standards, ensuring that the risk chain can be swiftly severed under extreme circumstances.

End-to-End Control to Eliminate Hidden Risks: In response to potential quality defects, the Company has established a fully traceable and controllable system spanning from market feedback to product recovery, resolutely preventing any hidden risks from entering the distribution chain and making every effort to safeguard public medication safety.

Excellence in Quality, Demonstrated Accountability: Backed by superior product quality and rigorous factory release testing, the Company has experienced no product recall incidents for six consecutive years — earning market trust and a strong reputation through its proven “zero recall” track record.

▼ List of product complaints in the past three years of Fusen Pharmaceutical

Performance Indicator	Unit	2023	2024	2025
Number of product complaints	Items	8	8	5

▼ Complaint handling process of Fusen Pharmaceutical

Complaint Accepted	<p>Responsible Department: Pharmacovigilance Department to receive and record the complaints, other departments need to refer the complaints immediately</p> <p>Record content: Complainant's information (name, contact information), product name, batch number, complaint content, etc.</p> <p>Complete information: If the information is incomplete, you need to proactively contact the customer to supplement it (such as test results, physical evidence, etc.)</p> <p>Registration ledger: Fill in the "Product Quality Complaint Information and Handling Registration Form"</p>
Complaint Assessment and Verification	<p>Preliminary screening: Assess the authenticity of the complaint and confirm whether it is the Company's product (check batch number, production records)</p> <p>Fact-finding: Check batch production records, inspection records, sample quality, production process and equipment status, etc. re-inspect products when necessary, analyze samples sent back by customers, or conduct joint investigations with customers and regulatory authorities</p> <p>Conclusion: Facts not established: Close the complaint after communicating with the customer; if the customer objects, re-investigate Facts established: Processing process initiated (medical complaints transferred to dedicated procedures)</p>
Complaint Handling Corrective Action	<p>Impact assessment: Analyze the impact on the complained batch, other batches/products, and assess whether recall or return is necessary</p> <p>CAPA formulation: Corrective and preventive measures are proposed by the Pharmacovigilance Department and the Quality Assurance Department</p>

Environmental, Social and Governance Report *(Continued)*

Customer Response and Closure

Time limit requirements:

Written confirmation of acceptance within 2 working days, commitment to investigate and notification of estimated response time

Feedback the investigation results and handling opinions to customers within 5 working days

Customer satisfaction:

Satisfactory: CAPA executed and complaint closed

Unsatisfactory: Restart the investigation and CAPA process

Data Archiving

Preserved content: original complaint records, handling process documents, final decisions and enforcement measures

Ledger management: Regularly summarize to the “Product Quality Complaint Information Registration Ledger”

▼ Fusen Pharmaceuticals’ Three-level Drug Recall Procedure

1. Quality Issue Investigation Conduct investigation and analysis of quality issues from complaints, reports and proactive collection
2. Recall Level Assessment **Level 1 Recall:** Involves drugs that may or have already posed serious health risks
Level 2 Recall: Involves drugs that may or have already caused temporary or reversible health hazards
Level 3 Recall: Involves drugs that generally do not pose health hazards but require recall due to other reasons
3. Recall Notification Issuance Issue recall notifications to pharmaceutical distributors, retailers, drug users, and other relevant parties
(Level 1: within 1 day; Level 2: within 3 days; Level 3: within 7 days)
4. Recall Implementation Process Compile daily summaries of drug quantities and statistics on recalls
5. Recall Progress Reporting Provide periodic reports on the recall progress to the provincial drug regulatory authority
(daily for level 1; every 3 days for level 2; every 7 days for level 3)
6. Recall Progress Reporting Affix non-compliant labels and store in a designated area for non-compliant products; and carry out destruction according to the prescribed procedures

6.2 Inclusive Health: Building Foundations with Ingenuity, Integrating Chinese and Western Medicine and Safeguarding the Well-being of Every Household

The Company has always adhered the core business philosophy of “craftsmanship quality, health is happiness”, with the traditional Chinese medicine health industry as the leader, and firmly implements the strategic layout of “traditional Chinese medicine as the core business and coordinated development of chemical medicines”, and is committed to building a comprehensive health industry group integrating traditional Chinese medicine, chemical medicine and biopharmaceuticals.

On the R&D front, the Company adheres to the innovation path of “giving equal importance to Chinese and Western medicines, and combining generic and innovative products”, with a strategic focus on enhancing the quality and efficiency of chemical generic drugs, achieving breakthroughs in innovative TCM drug R&D, and advancing the secondary development of existing TCM products. Through evidence-based medical research and process optimization, the Company continues to unlock the modern clinical value inherent in traditional Chinese medicine.

On the product front, the Company has built a diversified product portfolio that addresses a full spectrum of health needs, spanning seven core areas: heat-clearing and detoxification, cardiovascular and cerebrovascular, antihypertensive and hypoglycemic, tonifying, qi-regulating, anti-anemia, antibacterial and anti-inflammatory treatments. With high-quality, high-efficacy medicines, the Company meets the multi-level medication needs of patients.

On the market front, the Company’s products are not only deeply embedded in the domestic market but are also exported overseas, backed by superior quality. They provide safe, effective, and accessible pharmaceutical options for families around the world — allowing the wisdom of traditional Chinese medicine and the achievements of modern pharmaceuticals to benefit a broader population, and fulfilling the Company’s mission of “inclusive health for all.”

▼ List of health value of key products of Fusen Pharmaceutical

Key Products	Health Value	Annual Sales	Benefited Users
Shuanghuanglian Injection	Used for fever, cough and sore throat caused by exogenous wind-heat. Suitable for upper respiratory tract infections, pneumonia, tonsillitis, pharyngitis, etc. caused by viruses and bacteria.	23,394,600 vials	5.85 million people
Shuanghuanglian Oral Solution	It is used for colds caused by exogenous wind-heat, with symptoms such as fever, cough and sore throat.	160,208,104 vials	32.04 million people
Sanhuang Tablet	It is used for red and swollen eyes, mouth and nose ulcers, sore throat, swollen and painful gums, irritability and thirst, yellow urine and constipation caused by excessive heat in the triple burner.	187,914,240 tablets	7.51 million people

6.3 Responsible Marketing: Compliance-Driven, Transparent Communication, Safeguarding Medication Safety

The Company has always regarded “responsible marketing” as a vital expression of its core corporate values, adhering to the marketing philosophy of “scientific rigour, truthfulness and transparency, and putting users first.” By establishing a comprehensive, multi-dimensional marketing management system that spans the entire process, the Company ensures the accuracy and safety of pharmaceutical information transmission, thereby effectively safeguarding the right to know and their health interests of consumers.

In drug labelling and advertising, the Company strictly adheres to four fundamental principles: authenticity, accuracy, legality, and completeness. All marketing content is grounded in scientific research, clinical trial data, and the approved labelling from national drug regulatory authorities, truthfully presenting key information such as ingredients, indications, usage and dosage, and adverse reactions. The Company employs a combination of precise, unambiguous professional terminology and plain language to ensure data accuracy and logical clarity. It strictly complies with laws and regulations, including the Pharmaceutical Administration Law and the Advertising Law. All drug advertisements obtain legally required review and approval numbers before publication, and any content that has not been reviewed or has failed review is resolutely withheld. The Company also ensures comprehensive coverage of core drug information, omitting no critical risk warnings — including contraindications, adverse reactions, and drug interactions — so that consumers have access to complete, systematic drug knowledge and a sound basis for making informed medication decisions.

To prevent false claims about drug efficacy, the Company has established an internal control mechanism based on “dedicated personnel for each function, multi-tiered review, and full-process traceability.” A specialised review panel, comprising representatives from quality management, medical affairs, and legal compliance, conducts cross-functional reviews of drug labelling and advertising content to ensure full alignment with actual drug efficacy, clinical data, and approved labelling. All efficacy communications are rooted in the approved labelling as the core reference, supported by authoritative medical literature, evidence-based research, and clinical trial results. Exaggeration of indications, fabrication of cure rates, and improper comparisons with other drugs are strictly prohibited. The Company regularly provides legal and compliance training for marketing, planning, and review personnel, clarifying the legal consequences and corporate responsibilities associated with false claims, and enhancing legal awareness and professional ethics across the workforce. It also actively welcomes oversight from drug regulatory authorities, industry associations, the media, and consumers, and has established a rapid response mechanism to investigate any reports or feedback concerning false claims at the earliest opportunity — making timely corrections and public disclosures to uphold market fairness and consumer trust.

With respect to communicating drug side effects, the Company follows the principle of “right-to-know first” and ensures that risk information is conveyed clearly through multi-dimensional, visual means. On the front page or other prominent locations of drug labelling, the Company uses larger fonts and contrasting colours to highlight core risk information such as “contraindications” and “major adverse reactions,” ensuring that consumers’ attention is drawn to them immediately. A dedicated section of the labelling systematically lists various types of adverse reactions, including their frequency (e.g., “common,” “occasional,” “rare”), clinical manifestations, severity grading, and recommended responses — helping consumers understand risks in a balanced and informed manner. In drug advertising, non-prescription (OTC) products prominently display the OTC logo and the advisory statement: “Please purchase and use in accordance with the package insert or under the guidance of a pharmacist.” For prescription drugs, advertisements clearly state: “This advertisement is intended for medical and pharmaceutical professionals only.” In video advertisements, side-effect warnings are presented as continuous subtitles or voice-overs, ensuring that no critical information is omitted.

To guide consumers in the safe use of medications, the Company is committed to improving medication adherence and safety through accessible, easy-to-understand means. In its package inserts, it adopts a “text-plus-graphics, step-by-step” format to explain usage and dosage in detail, including timing (e.g., “before meals,” “after meals,” “at bedtime”), dosage conversion (e.g., weight-based calculations for children), and treatment course recommendations, supplemented by flowcharts and diagrams where needed. The Company has also established a 24-hour medication consultation hotline, online customer service, and a pharmacist Q&A platform to provide consumers with personalised guidance — answering questions about drug interactions and medication for special populations (such as pregnant women, children, and the elderly). Furthermore, through official social media accounts, educational articles, short videos, and other formats, the Company regularly publishes knowledge on rational drug use — covering topics such as “How to Read a Package Insert” and “Common Medication Misconceptions Explained” — helping consumers build a scientific approach to medication and transition from “passively receiving information” to “proactively managing their own health.”

7. SUPPLY CHAIN MANAGEMENT: BUILDING A RESILIENT AND EQUITABLE TRADITIONAL CHINESE MEDICINE INDUSTRY CHAIN

Against the backdrop of an era defined by the inheritance, innovation, and development of traditional Chinese medicine (TCM), the TCM industry chain is undergoing a critical transformation — shifting from “scale expansion” to “quality-driven growth.” Building a supply chain system that is both resilient and equitable is not only an essential prerequisite for safeguarding the quality and safety of TCM and meeting the health needs of the population, but also a cornerstone of support for driving high-quality industrial development and realising the “Healthy China” strategy.

7.1 Optimizing the Chinese Medicine Industry Chain

Fusen Pharmaceutical is deeply aligned with the national strategies, with the goal of building a leading enterprise in the modern Chinese medicine industry, promoting the upgrading and restructuring of the entire industry chain through big data and intelligent technologies. Driven by technological innovation, the Company are transforming into a diversified ecological system of “Chinese Medicine +”:

Environmental, Social and Governance Report *(Continued)*

By developing the new business models such as Chinese herbal health tourism bases and towns characterized by Chinese herbal medicine, Fusen Pharmaceutical deeply integrates health and wellness concepts and authentic medicinal resources, cultivating an industry cluster characterized by “Chinese medicine + cultural tourism” and “Chinese medicine + wellness”. This promotes the expansion of the Chinese medicine industry into a universal “sizeable healthcare” sector that benefits people’s livelihood.

In collaboration with Henan Technology Investment Co., Ltd. and the Zhumadian Huanghuai Industrial Investment Fund (駐馬店市黃淮產業投資基金), Fusen Pharmaceutical jointly established the special fund coined as “China Medicine Valley”. This industrial-financial integration model has facilitated the coordination between the pharmaceutical industry’s innovation chain and capital chain, injecting strong impetus for the sustainable development of the industry.

Fusen Pharmaceutical has cultivated over 80 operating entities including Chinese herbal medicine plantation enterprises, cooperatives in Xichuan County, and has established 5 major standardized plantation bases to strengthen the quality foundation of the raw material side. The Chinese herbal medicine enterprises across the county, led by Fusen Pharmaceutical, achieved an annual output value of RMB4.218 billion, establishing a whole-chain industry system characterized by “scientific business positioning, standardized planting, modern production, high-end products, and brand effect”, setting a benchmark for modern Chinese medicine industry clusters.

7.2 Supplier Admittance and Audit Management

The Company complies with the Company Law of the People’s Republic of China, the Tendering and Bidding Law of the People’s Republic of China and other relevant regulations and is committed to building stable relationships with suppliers while meeting social, environmental, legal and ethical standards. The Company pays the goods strictly in accordance with the contract, and the on-time payment rate reaches 100%. We negotiate the quality and price of raw materials in a fair and just manner, establishing a long term and stable supply relationship with a supplier satisfaction rate of 98%.

Performance Indicator	Unit	Southwest China	Northern China	Northeast China	Central China	Southern China	Northwest China
Number of suppliers in different regions	numbers	5	128	15	364	331	77

The Company has established a management system covering the entire life cycle of its suppliers in strict compliance with the requirements of the Pharmaceutical Administration Law of the People's Republic of China, the Good Manufacturing Practice for Pharmaceutical Products (GMP) and other relevant laws and regulations. We issued the Supplier and Procurement Management System (《供貨商及採購管理制度》), which specifies admittance standards for supplier, periodic evaluation mechanism and the material quality risk assessment criteria, in order to systematically regulate the supplier selection process. At the same time, the Supplier Audit and Approval Management Procedures (《供應商的審計和批准管理規程》) are implemented to implement differentiated audit strategies for suppliers based on material risk levels (A/B/C) — including qualification review, on-site verification and dynamic quality monitoring, to ensure the compliance, stability and traceability of raw materials, auxiliary materials and packaging materials. Through hierarchical control and closed-loop management, the quality of drug production is guaranteed at the source and a solid line of defense for product safety is established.

▼ Fusen Pharmaceutical's Standards for Supplier Classification and Audit

A-level (High-risk materials): Raw materials that directly affect drug quality, key auxiliary materials, and packaging materials that are in direct contact with drugs.

Audit content:

Quality audit: Business license, production/operation permit, registration approval, quality standards, etc.

On-site audit: Covering all aspects of institutions and personnel, plant facilities, equipment, production management and quality management.

Audit frequency: On-site audit is required for the first time, followed by regular audits every two years.

B-level (Medium-risk materials): Auxiliary materials with certain impact on drug quality.

Audit content: Mainly qualification audit, on-site audit when necessary.

Audit frequency: Qualification review every two years.

C-level (Low-risk materials): Materials that do not directly impact drug quality, such as packaging tape, cardboard boxes, etc.

Audit content: Qualification audit only.

Audit frequency: Regularly updated verification of qualification documents.

Imported materials: Additional documents such as import registration certificates, customs clearances, certificates of origin, etc. are required.

▼ Fusen Pharmaceutical's Supplier Audit Process

1. Initial Audit

Pre-qualification: The Quality Assurance Department conducts a preliminary assessment of documents such as business licenses and production permits provided by suppliers.

On-site audit (A-level only):

Audit team: Led by the Quality Assurance Department, in conjunction with the Material Supply Department and the Production Equipment Safety Management Department.

Audit steps:

Initial meeting: Clarify the audit scope and process.

On-site verification: Inspect plant, equipment, production records, quality management documents, etc.

Final meeting: Feedback on problems, and propose rectification requirements.

Audit report: Develop a Supplier On-site Audit Report to record defects and corrective action plans.

Sample trial (if necessary): Conduct small batch trial production of key materials to verify quality stability.

Approval and filing: Suppliers that pass the review will be included in the Qualified Supplier List and a quality file will be established.

2. Daily Audit

Quality control: Pay close attention to the quality of material acceptance and daily usage, and provide timely feedback to suppliers for corrective actions.

Problem handling: Suspension of procurement for continuous quality problems, and cancellation of supplier qualification for serious problems.

3. Regular Audit

Cycle: Comprehensive review every two years to assess suppliers' qualifications, quality complaints, handling of deviations, etc.

Focus: Track the status of rectification of historical problems and reassess the risk level.

4. Special Circumstances Triggering an Audit

The supplier has changed its production address, process and quality standards.

Three consecutive batches fail inspection or have potential quality problems.

Risks are identified during stability inspections or quality reviews.

7.3 ESG Risk Management in the Supply Chain

The Company strengthens ESG risk management in the supply chain by encouraging suppliers to obtain environmental management system certification and implement GAP, so as to control the drug quality and operational risks at the source. The Company's key suppliers including Anhui Shanhe Pharmaceutical Excipients Co., Ltd. and Shandong Zhongping Pharmaceutical Co., Ltd. have both obtained ISO140000 Environmental Management System Certification. Notably, Shandong Zhongping's bases of *Ionicera japonica* (Japanese Honeysuckle) is ahead of other herbal medicine bases in the country, taking the lead in passing the revised GAP compliance inspection. All these have established a full-process traceability system covering standardized planting, large-scale operations, and regulated management.

▼ Fusen Pharmaceutical's Supply Chain Risk Management Overview

<p>Supply chain risk management system and strategy</p>	<p>Supply chain risk management policy: Specify the risk identification, assessment, response and monitoring process to ensure the stability and security of the supply chain</p> <p>Diversified supply strategy: Reduce reliance on a single supplier or region to minimise the risk of supply chain disruption</p>
<p>Supply chain risk management mechanism</p>	<p>Risk alert mechanism: Establish supply chain risk alert measures</p> <p>Contingency response mechanism: Formulate contingency plans for supply chain disruptions to ensure that contingency measures can be activated promptly in case of emergency as well as secure the continuity of drug production and supply</p> <p>Information sharing mechanism: Establish an information sharing platform with suppliers to ensure information transparency and timely communication in all segments of the supply chain and enhance collaborative response</p>
<p>Supply chain risk management measures</p>	<p>Digital supply chain management: Introduce supply chain management software and data analysis tools to enhance supply chain visibility and forecasting capabilities as well as optimise inventory management and logistics scheduling</p> <p>Supply chain financial support: Provide financial services to key suppliers to alleviate their financial pressure and ensure the stability of the supply chain</p> <p>Develop green supply chain: Promote green supply chain development and require suppliers to comply with environmental standards to reduce the impact of environmental risks on the supply chain</p>

Supply chain risk management outcomes

Enhance supply chain resilience: The risk of supply chain disruption is significantly reduced through diversified supply strategies and contingency response mechanism

Improve supplier relations: Facilitate closer co-operation with suppliers and enhance supplier stability and loyalty through information sharing and supply chain financial support

Cost control and efficiency improvement: The implementation of digital supply chain management has enabled the Company to be more efficient in inventory management and logistics scheduling, and effectively control its operating costs

7.4 Sustainable Procurement: Responsibility as the Link, Driving a Greener Future

The Company deeply integrates ESG concepts into its procurement strategy, and has established a responsibility management system covering the entire life-cycle of suppliers. By establishing a biennial comprehensive assessment mechanism, the Company conducts quantitative evaluations of suppliers across key dimensions such as product quality, credit performance, and environmental protection and safety, and offers priority procurement incentives to those consistently rated as excellent. This approach fosters a virtuous cycle of “assessment, improvement, and mutual benefit”, driving the supply chain’s transformation toward greater environmental responsibility, standardization, and long-term sustainability.

1. Practicing Fair Trade to Build a Solid Foundation for Shared Industry Prosperity

The Company promotes regional coordinated development through industrial empowerment by constructing standardized Chinese herbal medicine plantation bases in Xichuan County and nurturing more than 80 local planting enterprises and cooperatives. It ensures fair incomes for farmers through equitable pricing mechanisms, protects ecological balance with sustainable cultivation practices, and injects lasting momentum into the rural economy. The Co-establishment of the “China Medicine Valley” special fund has promoted collaborative innovation across the upstream and downstream of the pharmaceutical industry chain, with an emphasis on supporting the technological upgrading of small and medium-sized environmentally friendly suppliers, promoting the green and intensive transformation of regional industries, creating a fair-trade ecosystem defined by “enterprise leadership, farmer participation, and shared industrial prosperity”.

2. Deepening Green Procurement and Embedding Low-carbon Operations

The Company integrates green principles throughout its production, operations, and daily office activities, taking concrete steps to reduce resource consumption and environmental impact. In production, it procures natural gas boilers to replace traditional coal-fired equipment, significantly cutting greenhouse gas emissions. For logistics packaging, it has fully switched to recycled paper products, enabling resource circularity. In office areas, energy-efficient lighting and smart water-saving devices have been widely adopted to embed conservation into everyday practices. For official travel, the Company prioritizes electric vehicles, supporting the growth of the new energy industry through tangible action — thereby building a green procurement system that spans the full spectrum of “production, office, and travel”.

3. Driving Supply Chain Synergy to Co-create a Low-carbon Ecosystem

The Company actively leverages its role as a core player in the industrial chain to drive upstream and downstream partners to jointly practice green development: requiring suppliers of APIs and packaging materials to provide carbon footprint reports, and prioritizing the establishment of long-term cooperation with partners that use recycled materials and clean energy, so as to reduce carbon emissions in the supply chain from the source. The Company has collaborated with logistics companies to innovate green transportation models and pilot electric cold-chain vehicles for drug distribution projects to reduce fossil energy consumption in the transportation. Through “standards-based guidance, technology sharing, and business model innovation”, it is advancing a collaborative green supply chain framework that achieves “emissions reduction at the source, carbon control throughout the process, and end-of-life circularity”.

8. EMPLOYEE RESPONSIBILITY: PEOPLE-ORIENTED AND TALENT-DRIVEN — BUILDING A SHARED FUTURE FOR THE ENTERPRISE AND ITS EMPLOYEES

Employees are the most valuable assets of an enterprise, serving as the core driving force and the very source of value for corporate development. The Company has always embraced “people-oriented and talent-driven growth” as the guiding philosophy of its employee responsibility, steadfastly committing to respecting the value of its people, protecting their rights and interests, empowering their professional development, and sharing the fruits of success. By fostering a fair and inclusive workplace, a comprehensive talent cultivation system, and diversified incentive and protection mechanisms, the Company has created a virtuous ecosystem in which “the Company empowers its employees, and employees, in turn, empower the Company” — achieving mutual growth and a true two-way commitment between the organization and its people.

8.1 Employment and Labor Compliance, Building a Fair and Inclusive Workplace Environment

The Company strictly complies with the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Social Insurance Law of the People’s Republic of China and other laws and regulations. Regarding the protection of employees’ rights and interests as the cornerstone of its corporate responsibility, the Company is committed to fostering an equal, fair, safe and inclusive working atmosphere.

Environmental, Social and Governance Report *(Continued)*

Equal Employment and Anti-Discrimination: The Company adheres to the recruitment principle of “meritocracy”, refraining from discrimination against any job applicant on grounds of ethnicity, gender, religious belief, cultural background, or similar factors. It ensures equal treatment in all aspects — including recruitment, training, remuneration, career development, and promotion — and maintains employment documents free from any discriminatory content. At the end of the Reporting Period, the Company had 972 working employees, of whom 476 were male and 496 were female, with a generally balanced ratio of male to female; there were 4 ethnic minority employees and 1 employee with disabilities, all of whom enjoy equal development opportunities.

Comprehensive Protection of Labour Rights and Interests: The Company enters into labour contracts with its employees in accordance with the law, makes full contributions to social insurance and the housing provident fund, strictly enforces statutory working hours and paid leave systems, and prohibits excessive overtime and forced labour. The Company have entered into the Collective Contract (《集體合同書》) with the labour union committee, specifying labour remuneration, working hours, rest time and holidays, vocational training, insurance and benefits, in order to safeguard the legal rights and interests of employees in accordance with the law.

Special Protection for Female Employees: The Company has entered into the Contract on Protection of the Rights of Female Staff and Workers (《女職工權益保護專項合同》) with the labour union committee, providing special labour protection to female employees during pregnancy and postpartum. Employees who are pregnant for 7 months or above are entitled to work breaks, and employees who have given birth are entitled to adequate maternity leaves and postpartum confinement leaves. The proportion of female representatives in staff representatives meetings and general meetings of labour union members shall not be lower than that of female employees and female employee representatives are included among the employee representatives for equal consultations to ensure the opinion of female employees are fully heard.

Prohibition of Child Labour and Forced Labour: The Company has formulated the Documents on Policies and Procedures to Prevent Employment of Child Labour (《防止僱傭童工政策及程序文件》), under which it rigorously verifies identity information before any new employee joins and refuses to employ anyone under the age of 16. If a minor is identified, the Company will seek legal consent from the individual, and arrange for a designated person to escort them back to his/her original place of residence, with a confirmation letter signed by their guardian. During the Reporting Period, the Company had no instances of employing child labour or forced labour.

8.2. Talent Development, Diversity and Inclusion: Empowering Employees to Enhancement Their Professional Capabilities

The Company firmly believes that “talent is an enterprise’s foremost competitive edge” and regards employee growth as a core objective of its corporate development. It has established a “training, practice, and promotion” trinity talent cultivation system, providing employees with full-cycle, multi-dimensional support for their professional growth.

Tiered and Targeted Training System: The Company has implemented a training model that “combining internal and external training, stratification and classification”, systematically launch internal training on job skills, and organize employees to visit industry benchmark enterprises and professional training institutions for inspection and learning in response to weak links in production and operation. We establish a three-tier safety training system comprising “Company-Workshop-Team/Section”, where new employees must complete the three-tier training before being allowed to commence work; specialized training is implemented for special operation positions to ensure that personnel hold valid certificates for their posts. In 2025, the Company arranged for 846 employees to participate in various types of training, with an average of 48 training hours per person, a 100% coverage rate for work safety training, and a cumulative total of 2,744 training attendances.

Practical Empowerment and Job Rotation Mechanism: The Company has introduced “passing on experience (傳幫帶)” system to promote the transmission of experience, set up a platform for practice and training to strengthen practical capability, and deepen the school-enterprise and enterprise-enterprise joint cultivation to expand the cultivation channels. We focus on tracking the cultivation progress of employees who are undergraduates and above with less than one year of service, and establish a training ledger to ensure the effectiveness of their development.

Diversified Promotion and Incentive Mechanisms: Embracing the talent philosophy of “utilizing rather than owning talents”, the Company is building an open talent ecosystem through intellectual recruitment, talent secondment and project partnerships. A diversified “material and spiritual” incentive framework has been established, encompassing policies such as salary agreements, special allowances, subsidies for on-the-job education, equity incentives and assistance with employees’ children’s education. During the Reporting Period, the employee turnover rate was 6.7%, reflecting a stable talent pool.

8.3. Improving Incentive and Protection Mechanisms and Sharing the Fruits of Corporate Development

The Company adheres to the principle of “contribution determines reward” and has established a diversified incentive system that integrates “material incentives, spiritual recognition, and long-term incentives”, enabling employees to truly appreciate the direct connection between their personal value and the Company’s growth.

Fair Remuneration and Performance Incentives: The Company has established a remuneration system that is aligned with market benchmarks and commensurate with job value, conducting regular salary surveys and adjustments to ensure competitive pay. It has also implemented a “performance-oriented” bonus distribution mechanism that links individual performance with departmental results and corporate profitability, thereby rewarding “higher pay for greater effort and superior pay for outstanding performance”.

Humanistic Care and Democratic Management: The Company has formed staff representatives meetings, signed collective contracts through equal consultation, and established a system for the factory operation transparency and female staff committee. In 2025, the employee union membership rate reached 93%. All major matters affecting employees’ immediate interests are reviewed and approved by the staff representatives meetings, effectively safeguarding employees’ rights to information, participation and supervision. The labour union conducts in-depth surveys and symposiums at one to two grassroots units each quarter, enabling it to stay attuned to employees’ thoughts and concerns while collecting constructive suggestions.

Localized Employment and Social Responsibility: At the end of the Reporting Period, the Company had 949 employees from Henan Province, accounting for 97.6%, which greatly supported local employment; the employees were mainly aged 30 to 50 years old, with a reasonable structure to meet the needs of the long-term development of the corporate.

8.4. Occupational Health and Safety, Safeguarding the Life and Well-being of Employees

The Company remains unwavering in putting the safety and health of its employees above all else, strictly complies with laws and regulations such as the Production Safety Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases, and has built a fully integrated safety and health management system centred on the three pillars of “prevention, control, and emergency response”.

Safety Production Management: We establish a production safety leading group and formulate the “Safety Management System”, covering contents such as safety education, hazard investigation, fire safety management and special operation management. In 2025, the Company invested RMB3.2107 million in production safety, and operated safely for 365 days. There were no major occupational health incidents, no loss of working days due to work-related injuries and no work-related fatalities.

Environmental, Social and Governance Report *(Continued)*

Occupational Health Protection: Adhering to the principle of “prevention first”, the Company provides employees with necessary protective equipment and organises regular occupational health checkups. In 2025, the employee health checkup rate 100%, and the investment in occupational health and safety amounted to RMB1.03 million.

Building a Safety Culture: Through ideological education, technical training, and policy dissemination, the Company enhances employees’ safety awareness, cultivates the professional discipline of consciously adhering to rules and regulations, effectively prevents safety incidents, and ensures that production and business activities are conducted safely and in an orderly manner.

Employees and the Company are bound together as a “community with a shared future”. Only by putting employees at the centre can they truly feel at home within the organisation; only by empowering their growth can the Company secure the momentum for sustainable development. Looking ahead, the Company will continue to deepen its commitment to the philosophy of “people-oriented development and talent-driven growth”, and will further refine its employee responsibility system — so that every employee can find a sense of belonging, a sense of achievement, and a sense of happiness within the Company, moving forward hand in hand to create a better future together.

▼ Number of employees of Fusen Pharmaceutical (by gender) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of male employees	Persons	482	476	430
Number of female employees	Persons	478	496	443

▼ Number of employees of Fusen Pharmaceutical (by age) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of employees under 30 years old (exclusive)	Persons	208	76	42
Number of employees from 30 years old (inclusive) to 40 years old (exclusive)	Persons	418	357	310
Number of employees from 40 years old (inclusive) to 50 years old (exclusive)	Persons	242	369	348
Number of employees over 50 years old (inclusive)	Persons	92	170	178

Environmental, Social and Governance Report *(Continued)*

▼ Number of employees of Fusen Pharmaceutical (by region) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of employees in Henan Province (household registration)	Persons	944	949	584
Number of employees in other regions with Chinese nationality	Persons	15	22	18
Number of employees in Hong Kong, Macau, Taiwan and overseas	Persons	1	1	1

▼ Number of employees of Fusen Pharmaceutical (by education background) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of employees with graduate degree or above	Persons	3	3	3
Number of employees with bachelor's degree	Persons	102	123	102
Number of employees with college degree	Persons	195	297	153
Number of employees with high school education or below	Persons	663	549	615

▼ The employee turnover rate of Fusen Pharmaceutical over the past three years (by age)

Performance Indicator	Unit	2023	2024	2025
Turnover rate of employees aged under 30 (exclusive)	%	1.4	1	2.3
Turnover rate of employees aged 30 (inclusive) to 40 (exclusive)	%	0.7	2.2	2.5
Turnover rate of employees aged 40 (inclusive) to 50 (exclusive)	%	0.2	0.8	1.8
Turnover rate of employees aged above 50 (inclusive)	%	0.1	0.2	0.1

Environmental, Social and Governance Report *(Continued)*

▼ The employee turnover rate of Fusen Pharmaceutical over the past three years (by geographic location)

Performance Indicator	Unit	2023	2024	2025
Turnover rate of employees with family registration in Henan Province	%	1.3	0.3	4.9
Turnover rate of employees with Chinese nationality from other regions	%	0.1	3.9	1.8
Turnover rate of employees from Hong Kong, Macau, Taiwan and overseas	%	0	0	0

▼ The employee turnover rate of Fusen Pharmaceutical over the past three years (by gender)

Performance Indicator	Unit	2023	2024	2025
Employee turnover rate	%	2.4	4.2	6.7
Turnover rate of male employees	%	1.9	2.4	3.4
Turnover rate of female employees	%	0.5	1.8	3.3

▼ Training received by Fusen Pharmaceutical's employees (by gender) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of male employees trained	Persons	482	476	430
Number of female employees trained	Persons	478	496	443
Number of hours of training for male employees	Hours	48	48	48
Number of hours of training for female employees	Hours	48	48	48

▼ Training received by Fusen Pharmaceutical's employees (by rank) for the past three years

Performance Indicator	Unit	2023	2024	2025
Number of senior management trained	Persons	27	29	23
Number of middle management trained	Persons	90	97	67
Number of hours of training for senior management	Hours	60	60	60
Number of hours of training for middle management	Hours	48	48	48

Environmental, Social and Governance Report *(Continued)*

Training methods

Training methods

Regular Training	The workshops and departments formulate and implement regular training programmes according to the actual productions and operations. The relevant departments conduct regular training assessments and supervision.
Special Cultivation	According to the Company's "Career Development Planning", the officer in charge of talent cultivation will pass on the work experiences to the cultivation targets based on their actual positions, hobbies, strengths and professional characteristics, in the form of "master leading the apprentice", whereby the master will preach day-to-day teachings, designate responsibilities for the apprentices to fulfil, and track job assignment and provide guidance. Besides expanding job responsibilities, and engaging such apprentices in relevant company conferences and professional training sessions, the master will also hold daily heart-to-heart talks, and prepare regular reports.

▼ Production Safety Information Disclosure of Fusen Pharmaceutical

Production Safety Leading Group

Group Leader	The general manager of the Company acts as the Group Leader, responsible for the overall work of the Company's safety affairs.
Deputy Group Leader	The executive deputy general manager (or the deputy general manager in charge of production safety) of the Company acts as the Deputy Group Leader, who is specifically responsible for the day-to-day management of safety affairs.
Members	The heads of each department are members of the production safety leading group, and are responsible for the implementation of production safety matters in their respective departments.
Part-time Safety Officer	The general person in charge of each department serves as the part-time safety officer of the department, responsible for supervising, inspecting and reporting safety matters.

The production safety leading group has an office located in the Production Equipment Safety Management Department, with the Director of the Production Equipment Safety Management Department acting as the Director of the office and the Deputy Director acting as the Deputy Director of the office.

Production Safety Standards

Fire management	Fire-fighting equipment and facilities shall be sufficiently equipped, complete, reasonably placed, and regularly maintained; fire escapes shall be unobstructed, and employees shall know how to use the equipment.
Electricity management	Wiring shall be in good condition; electrical facilities shall be in good condition, regularly maintained, and used under load; electricians and other employees in specified job positions shall hold the appropriate certification to conduct their work.
Gas management	Pipelines shall be in good condition; gas cylinders shall be equipped with a shockproof rubber ring, placed in a vertical position and updated regularly; gas storage facilities shall be fully equipped, with complete duty records.
Material management	Materials shall be categorised and placed in a safe and standard way, with clear labelling; dangerous goods and moisture-prone goods shall be protected with protective measures; and there shall be no obsolete material on site.
Loading and unloading management	No damage to products or materials and no barbaric work; the driver of the forklift truck is licensed to work and drive at restricted speeds; the loading and unloading equipment is kept by a designated person.
Hazardous process operation management	Key equipment is regularly maintained; stamping personnel are required to wear earplugs and gloves; welding personnel are required to wear masks, glasses and gloves; welding and stamping personnel receive regular training sessions for their job positions.
Safety and protection management	Doors, windows and guardrails of all kinds are free from damages; ceilings, walls, floors and pipelines are free from cracks, damages or leaks; all kinds of personal protection equipment products are regularly replaced, and such products are issued to operators of production and operation positions according to the regulations.
Optimisation of working environment	All workshops are dust-free and clean, and equipped with safety equipment such as fire-fighting equipment and alarm equipment.
Equipping with protective equipment	Employees exposed to occupational hazards are equipped with personal labour protective equipment, and regular inspections are conducted to see if the labour protective equipment is in place and worn by employees.

Environmental, Social and Governance Report *(Continued)*

Production Safety Standards

Organising health checkups	Conduct occupational health checkups for workers exposed to occupational hazards before, during (once a year) and after leaving the workplace, and establish occupational health file tracking and management for workers.
Conducting relevant training	Conduct activities such as “Psychological Care Seminar on Safety Production” and psychological crisis intervention, so that employees can learn and master the knowledge of mental health protection to ensure their physical and mental health.
Care for female employees	Provide protection for female employees in accordance with the Regulations Concerning the Labour Protection of Female Staff and Workers (《女職工勞動保護規定》) issued by the State Council, and safeguard the rights of female employees to enjoy health and equal employment opportunities.

The “five simultaneities” administrative policy for production safety:

(Simultaneously) establishing production safety goals and measures for production plans;

(Simultaneously) establishing production safety requirements for work assignments;

(Simultaneously) including production safety items to inspection work;

(Simultaneously) including production safety clauses in the assessment reports;

(Simultaneously including production safety contents in summary reports). In particular, workers must receive regular education, and employees are trained to abide by systems and regulations and fulfil safety responsibilities.

▼ Information Disclosure and Governance Transparency of Fusen Pharmaceutical

I. Factory Operation Transparency

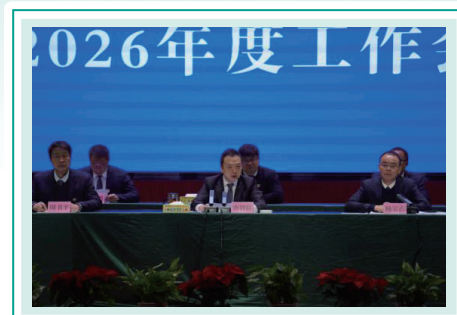
Significant corporate decisions	<ol style="list-style-type: none"> 1. Business development plans, investments, and productions and operations, as well as decisions major infrastructure projects; 2. Bidding projects for small-scale infrastructure construction; 3. Enterprise restructuring, and major technological transformation plans; 4. Important regulations, systems, and management methods; 5. Bulk materials procurement; 6. Disposal of waste materials.
As for the immediate interests of employees	<ol style="list-style-type: none"> 1. Employee incentive and disciplinary measures, as well as matters related to bonus distribution; 2. Negotiation system and implementation of collective contracts; 3. Employee training programs; 4. Employees' job advancement, and appointments based professional titles; 5. Payment conditions of employee pension, medical care, work related injury, unemployment, maternity, and other social insurance and welfare funds, etc.
As for the construction of the leadership team and party integrity and governance	<ol style="list-style-type: none"> 1. Work reports, democratic assessment, organizational assessment, and appointment and removal of leaders and cadres; 2. Appointment of mid-level management personnel, selection of important position personnel; 3. Implementation of clean and self-discipline regulations for leaders and cadres; 4. Details of business entertainment expenses, including items, amounts, overspending, cost-cutting amounts, and their causes, etc.; 5. Leaders' and cadres' remuneration, use of transportation and communication tool.
As for other matters that employees should be informed of	<ol style="list-style-type: none"> 1. Expenses for employee education and training; 2. Various advanced evaluations, incentive overview, etc.

Environmental, Social and Governance Report *(Continued)*

II. Methods for factory operation transparency

Employee Representative Meeting	Factory operations are disclosed through reports, explanations, proposals, decisions, etc., fulfilling the responsibilities of the employee representative meeting to review, approve or veto, consider decisions, supervise evaluations, elections, etc.
Publicity Platforms	Multimedia exhibition halls, public bulletin boards, and other media of documentation are established to disclose, promptly report, and publicize factory operations. Any content that requires direct attention from employees should be promptly posted on public bulletin boards. After disclosure, attention should be paid to gathering feedback from employees through suggestion boxes, open days, employee forums, reporting hotlines, etc., in order to constantly improve the work.
Support for employees in difficulties	Set up a dynamic database of employees in difficulty, so as to provide normalised and precise support; establish a regular visit mechanism to have a deeper understanding of the actual difficulties of employees, so as to provide precise support; and provide assistance in a timely manner to employees who suffer from serious illnesses, accidents, etc., that cause difficulties in life.
Employee benefits	Equip employees with fully equipped apartment suites; give tuition subsidies to employees' children in primary and secondary schools, and give scholarships to those who are admitted to undergraduate colleges and universities; give extra housing subsidies, living subsidies and equity incentives to outstanding talents.
Enrichment of leisure life	Organise activities such as red-themed education, professional skills competitions and on the job training; launch projects such as field training and study Tours.

▼ Fusen Pharmaceutical Culture Wall



9. BUSINESS ETHICS

Fusen Pharmaceutical has always regarded “Operation with integrity and Development with Compliance” as the core principles underpinning its survival and growth, strictly complies with laws and regulations and the Code of Ethics such as the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) and the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), and resolves to eradicate illegal practices such as bribery, corruption, fraud, monopoly, money laundering and unfair competition with a “zero tolerance” attitude. The Company continues to strengthen its anti-fraud prevention and control system by pursuing a three-pronged strategy: “building systemic foundations, reinforcing integrity through education, and safeguarding with robust oversight.” This approach has enabled the establishment of an integrity and compliance ecosystem that spans all personnel, all processes, and all business scenarios — ensuring that the Company’s operations remain lawful and compliant, while safeguarding the legitimate rights and interests of shareholders, customers, employees, and the public at large.

9.1 Building Systemic Foundations: Establishing a Comprehensive Anti-Corruption Governance Framework

With a strong focus on institutional development, the Company has put in place an anti-corruption governance framework that extends “horizontally across all functions and vertically through all levels” of the organization, ensuring that integrity requirements are embedded throughout every stage of its operations.

Top-Level System Design: Formulate and strictly enforce the “Anti-Fraud, Anti-Corruption and Anti-Commercial Bribery Management System”, explicitly incorporating all directors, senior management, employees, and business partners — including suppliers and distributors — within its scope of control. The System clearly defines the criteria for identifying prohibited acts — such as corruption, bribery, improper transfers of interests, and fictitious transactions — along with corresponding disciplinary measures, thereby creating a closed-loop management mechanism of “prevention, detection, and remediation.”

Employee Code of Conduct: Integrity requirements have been incorporated into Employee Handbook, which clearly stipulates that all employees shall not exploit their position for personal gain, and that acceptance or solicitation of gifts, cash, marketable securities, or similar items from business-related parties is strictly prohibited. Employees are required to uphold the principles of fairness and transparency in all business dealings, thereby reinforcing a robust integrity defence at the level of day-to-day conduct.

Risk Prevention and Control in Key Areas: For high-risk areas such as procurement, sales, finance, and tendering, the Company has established specialized risk prevention and control procedures. Mechanisms such as “dual-person review,” “segregation of duties,” and “regular job rotation” are employed to reduce opportunities for rent-seeking. The Company has also introduced an integrity access system for suppliers and distributors, requiring partners to sign an “Integrity Commitment Letter” and incorporating integrity clauses into cooperation agreements — ensuring that “business collaboration” and “integrity co-development” proceed in tandem.

9.2. Strengthening the Foundation through Education: Cultivating a Company-wide Culture of Integrity and Compliance

The Company firmly believes that “thought is the precursor to action.” Through regular, tiered training and education, it embeds integrity and compliance awareness into the shared values and behavioural norms of all employees.

Tiered and Targeted Training System: New employees receive the “First Lesson on Integrity Upon Entry,” covering anti-corruption laws, regulations, and corporate policies. Employees in key roles — such as procurement and sales — participate in regular “Specialized Training on Integrity Risk Prevention and Control,” which uses real-world industry cases to illustrate the harms and consequences of corrupt practices. Management undergoes “Compliance Leadership” training to reinforce the principle of “dual responsibility” — integrating integrity requirements into business operations and ensuring they are planned and implemented alongside operational objectives.

Diversified Communication and Awareness Channels: The Company fosters a culture where “everyone speaks of integrity and every action follows the rules” through initiatives such as “Integrity Micro-Lessons” on its internal official account, anti-corruption warning education films, and an annual “Integrity Culture Month.” Integrity awareness is further embedded into daily work by setting up integrity culture display boards in office areas and posting slogans such as the “Ten Prohibitions for Professional Integrity.”

Training Effectiveness Evaluation: Anti-corruption training is integrated into the annual performance appraisal system, requiring all employees to complete the training and pass the assessment. In 2025, the anti-corruption training coverage rate reached 100%, and employees’ awareness of integrity and compliance improved significantly.

9.3. Safeguarding with Oversight: Strengthening Full-Process Risk Management, Control, and Accountability

The Company has established a dual-track oversight mechanism combining “internal supervision with external whistleblowing,” ensuring that corrupt practices have “no place to hide” and that any non-compliance is investigated and addressed with “zero tolerance.”

Internal Supervision Mechanism: Led by the Audit and Supervision Department, regular special anti-corruption audits are conducted, with a focus on verifying the reasonableness of procurement prices, the authenticity of selling expenses, and the compliance of financial reimbursements. The Company has also established a “dynamic integrity risk monitoring” mechanism, which leverages data analytics and process traceability to identify potential risk points at an early stage and enable proactive intervention.

External Whistleblowing Channels: A 24-hour integrity hotline, an anonymous whistleblowing email address, and offline whistleblowing mailboxes have been put in place, supported by a clearly defined “Whistleblower Protection Policy” that strictly prohibits any form of retaliation. Any whistleblowing leads received are independently investigated by the Audit and Supervision Department to ensure both procedural fairness and transparent outcomes. In 2025, the Company received no whistleblowing reports or litigation cases related to corruption or bribery.

Environmental, Social and Governance Report *(Continued)*

Accountability Mechanism for Non-Compliance: Any verified act of corruption or bribery — regardless of the individuals involved — is dealt with severely in strict accordance with the Company’s policies, including but not limited to termination of employment and recovery of illicit gains. Where criminal conduct is suspected, the case is referred to judicial authorities in accordance with applicable laws. Concurrently, such non-compliant behaviour is recorded in the employee’s integrity file, creating a deterrent mechanism whereby “one violation leads to restrictions across the board.”

In 2025, Fusen Pharmaceutical achieved notable success in the development of its anti-corruption framework, with no instances of bribery, receiving bribes, corruption, extortion, fraud, money laundering, or other related violations. No litigation cases were received, and the Company’s commitment to ethical and compliant operations has been widely recognized. Looking ahead, the Company will continue to deepen the reform of its anti-corruption governance system through “institutional iteration, technological empowerment, and cultural cultivation,” striving to build a more standardized, transparent, and efficient compliance management system — contributing “Fusen’s Strength” to the healthy development of the pharmaceutical industry.

▼ Fusen Pharmaceutical business ethics management model

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| Clarifying the attribution of duties | <ul style="list-style-type: none">• The Board leads the Company’s anti-fraud, corruption and commercial bribery work, and urges the management to establish a corresponding anti-corruption control mechanism within the Company;• The board of supervisors supervises the Company to establish a sound and healthy internal control system;• The corporate management department is responsible for receiving, investigating and putting forward suggestions for handling reports on fraud/corruption/commercial bribery, keeping written records and reporting to the Board in a timely manner, and filing relevant materials of the cases. |
| Having clear reporting channels | <ul style="list-style-type: none">• All employees of the Company and all parties in the society that have direct or indirect economic relations with the Company can report the actual or suspected fraud/corruption/commercial bribery cases through telephone, email, letters and other channels, including complaints and reports on violations of professional ethics of the Company and its personnel;• A complaint suggestion box is placed at a prominent position in the Company’s lobby for anonymous or real name reporting. |

Environmental, Social and Governance Report *(Continued)*

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| Strengthening prevention and control | <ul style="list-style-type: none">• Advocate honesty and integrity, and make every effort to create a corporate culture environment of anti-fraud, corruption and anti-commercial bribery;• Establish a procurement system that is based on transparency, competition and objective criteria to effectively prevent fraud/corruption/commercial bribery;• Suppliers are required to sign the Anti-Fraud and Anti-Corruption Undertaking when entering into contracts. If the personnel who deal with the Company's economic activities violate the Anti-Fraud and Anti-Corruption Undertaking, the Company shall resolutely disqualify its suppliers and service providers; for partners involved in fraud, bribery and other acts, regardless of the degree of severity, the Company shall no longer cooperate with them and resolutely pursue legal responsibility;• The management's supervision of fraud/corruption/commercial bribery is integrated into daily sales, procurement, financial handling and other activities. |
| Promoting supervision and inspection | <ul style="list-style-type: none">• The audit department considers the risk of fraud/corruption/commercial bribery when formulating and implementing the annual audit plan, reports its work plan and results to the Audit Committee, and is under the guidance and supervision of the Audit Committee;• The market audit department conducts monthly inspections on the sales channels, sales prices, marketing activities and training of the products of the sales centre. |
| Remedies and penalties | <ul style="list-style-type: none">• Upon the occurrence of fraud/corruption/commercial bribery cases, the Company will adopt remedies to evaluate and improve the internal control system of relevant affected departments in a timely manner;• For employees who are proven to have committed fraud/corruption/commercial bribery, the Company will take corresponding administrative disciplinary actions in accordance with relevant regulations. If the behavior violates the criminal law, the judicial authority or other relevant national departments will handle it according to law. |

10. COMMUNITY INVESTMENT: EMPOWER RURAL REVITALIZATION THROUGH INDUSTRY AND CONVEY CORPORATE WARMTH THROUGH PUBLIC WELFARE ACTIONS

The Company has always regarded “rooting in local areas and giving back to society” as the core responsibility of corporate development, supporting rural revitalization through industrial assistance and conveying livelihood care through public welfare actions, injecting lasting momentum into community prosperity and social harmony while promoting its own development.

10.1 Support Rural Revitalization: Build Industrial Foundations to Jointly Create a Blueprint for Prosperity

As a core producer of Shuanghuanglian products nationwide, the Company capitalizes on its strengths in the traditional Chinese medicine (TCM) industry and has pioneered an innovative “Company + Base + Farmer” assistance model. In Xichuan County, it has established a high-standard GAP honeysuckle planting demonstration base. Through unified technical guidance, unified quality control, and unified procurement and processing, the Company has not only safeguarded the efficacy and safety of its medicinal raw materials but also enabled 5,400 farming households to achieve “employment at their doorstep,” with an average annual income increase of RMB5,000 per household. In doing so, it has forged a sustainable path characterized by “ecological planting to boost incomes and industrial development to drive revitalization.”

The Company has proactively shouldered its responsibilities as a local enterprise, responding at the earliest moment to major public emergencies — including the SARS outbreak, the Wenchuan earthquake, and the COVID-19 pandemic — by donating funds and supplies, with a cumulative investment of over RMB10 million in support of epidemic relief and post-disaster reconstruction. By constructing standardized production workshops and planting bases, it has absorbed more than 2,000 returning migrant workers and surplus local labour, effectively alleviating the challenge of “employment difficulty.” The Company has also funded the construction of three Hope Primary Schools and supported five administrative villages in rural infrastructure projects such as road hardening and cultural squares, taking concrete actions to facilitate a seamless transition from poverty alleviation to rural revitalization. In 2020, Fusen Group was awarded as an “Advanced Private Enterprise of the National 10,000 Enterprises Helping 10,000 Villages Targeted Poverty Alleviation Campaign”, and its experience in industrial assistance received national recognition.

10.2 Social Welfare Activities: Spreading Warmth and Building a Health Defense Line

Adhering to the philosophy of “giving back to society and caring for people’s livelihood”, the Company embeds public welfare initiatives into its daily operations, establishing a comprehensive framework centred on Health Protection, Cultural Heritage, and Community Co-construction. In terms of health protection, the Company has carried out the “TCM Health Journey” campaign for ten consecutive years, organized professional medical teams to conduct over 200 free clinics in communities and villages, serving more than 50,000 people in total. It has also donated commonly used medicines, including Shuanghuanglian Oral Liquid, valued at over RMB8 million to medical institutions in remote areas, helping to alleviate the public’s “difficulty in accessing medicine.” In terms of cultural heritage, the Company has partnered with TCM colleges to launch the “Intangible Cultural Heritage in the Classroom” initiative, establishing TCM culture experience corners in ten primary and secondary schools. Through hands-on activities such as herb specimen preparation and medicinal food workshops, young people are able to experience the enduring appeal of traditional Chinese medicine. In terms of community co-construction, the Company established the “Fusen Public Welfare Fund,” with a focus on rural education and elderly care. In 2025, the Fund provided financial support to 200 underprivileged students to complete their studies and donated medical supplies and daily necessities to three rural nursing homes, demonstrating through concrete actions the responsibility of a true “corporate citizen.”

Looking ahead, the Company will continue to deepen its dual-engine model of “Industry + Public Welfare.” Centred on its honeysuckle planting base, it will expand the industrial chain and encourage more rural households to participate in specialty cultivation. It will also broaden the reach of its public welfare services, with a particular focus on the elderly and children — two key groups in need — to build a community investment system that is both compassionate and impactful, ensuring that the fruits of the Company’s growth are shared more broadly with society and people’s well-being.





Environmental, Social and Governance Report *(Continued)*

CONCLUSION: TOWARDS 2030

Those who strive hard will outperform others, and those who dare to forge ahead will achieve victory. In 2026, Fusen Pharmaceutical will remain steadfast in upholding its core values of “honesty and trustworthiness, quality first” embedding ESG principles into the very DNA of the Company. Looking ahead, the Company will continue to intensify its R&D commitment, propel the modernization of traditional Chinese medicine (TCM) alongside a green and low-carbon transition, and join hands with its stakeholders to forge a healthy China and co-create a brighter, more sustainable future.

Report of the Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 18 January 2013 as an exempted company with limited liability under the Companies Act (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Group is principally engaged in manufacturing and sale of pharmaceutical products.

DIVIDEND POLICY

The Company may distribute dividends by way of cash or by other means that the Company considers appropriate. The Directors currently intend to declare a dividend of no less than 10% of the Company's distributable profit for any particular financial year. Such intention does not amount to any guarantee, representation or indication that the Company must or will declare and pay dividends in such manner or at all. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to shareholders' approval. The Board will review dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- the Group's result of operations;
- the Group's cash flows;
- the Group's financial condition;
- the Group's shareholders' interests;
- general business conditions and strategies of the Group;
- the Group's capital requirements;
- the payment by the Company's subsidiaries of cash dividends to the Company; and
- other factors the Board may deem relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Act of the Cayman Islands, any applicable laws, rule and regulations and the articles of association of the Company.

RESULTS AND DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil) to the shareholders of the Company.

Report of the Directors *(Continued)*

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following period for determining eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration:	4:30 p.m., Friday, 22 May 2026
Closure of register of members:	Tuesday, 26 May 2026 to Friday, 29 May 2026 (both days inclusive)
Record date:	Friday, 29 May 2026

In order to be eligible to attend and vote at the AGM, all transfer of ordinary shares issued by the Company (the “**Share(s)**”), accompanied by the relevant share certificate(s) with the properly completed transfer from(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than the latest dates and time set out above.

BUSINESS REVIEW

The review of the business of the Group during the year ended 31 December 2025 and the discussion on the Group’s future business development are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this report. The description of principal risks and uncertainties faced by the Group and key financial performance indicators are set out in the section headed “Management Discussion and Analysis” of this report. The financial risk management objectives and policies of the Group are set out in the consolidated financial statements of this report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for each of the five financial years ended 31 December 2025 is set out on page 4 of this report. Such summary does not form part of the audited consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 are set out in Note 14 to the consolidated financial statements of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investments or capital assets as at 31 December 2025.

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 year ended 31 December 2025.

Report of the Directors *(Continued)*

SHARE CAPITAL

Details of the Company's share capital is set out in Note 32 to the consolidated financial statements of this report.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 14 June 2018 ("**Share Option Scheme**") in which certain participants, including employees (full-time or part-time), directors or service providers of the Group, may be granted options to subscribe for the Shares with a nominal value of HK\$0.10 each. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to above parties and to promote the success of the business of the Group. The Share Option Scheme shall expire at the close of business on 13 June 2028 unless terminated earlier by the Shareholders in general meeting. The Directors believe that the Share Option Scheme is important for the recruitment and retention of quality executives and employees.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option, which must be a business day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and
- (iii) the nominal value of a Share on the date of grant of the option.

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share schemes of this Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the Listing Date. Therefore, the Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer is made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.0. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting.

Report of the Directors *(Continued)*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The following table discloses movements in the Company's share options outstanding under the Share Option Scheme during the year ended 31 December 2025:

Name/category of participants	At 31 December 2024	Date of grant of share options	Exercised during the year	Granted during the year	Lapsed during the year	Cancelled during the year	At 31 December 2025	Vesting period of share options	Exercise period (both days inclusive)	Exercise price of share options HK\$ per share (Note)	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

Note: The exercise price was determined with reference to the highest of (i) the closing price of HK\$3.04 per Share on the date of grant; (ii) the average closing price of HK\$3.098 per Share for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.01 per Share.

During the year ended 31 December 2025, no share options were granted under the Share Option Scheme.

As at the date of this financial report, there were 16,000,000 outstanding share options granted under the Share Option Scheme, representing approximately 2.16% of the Share. As at 1 January 2025 and 31 December 2025, the Company may grant options in respect of up to 64,000,000 Shares under the Share Option Scheme, representing 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 current 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 13(a) to the consolidated financial statements for further information of the Share Option Scheme and the value of share options granted.

Report of the Directors *(Continued)*

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 31 December 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 Shares as at the date of this report.

Report of the Directors *(Continued)*

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 31 December 2025, respectively. Details of the outstanding RSUs granted under the RSU Scheme and the movements during the year ended 31 December 2025 are set out as follows:

Name/category of Grantee	Date of Grant	Number of Shares underlying the RSUs as of the date of grant (Note 1)	Number of Shares underlying the unvested RSUs 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 unvested RSUs as of 31 December 2025	Vesting period (subject to vesting conditions)	Approximate percentage of total number of Shares in issue as of 31 December 2025
Two employees of the Group (Note 3)	8 July 2022	5,000,000	4,000,000	-	HK\$0.97	HK\$1.02	1,000,000	-	3,000,000	(Note 4)	0.676%
Total		5,000,000	4,000,000	-	HK\$0.97	HK\$1.02	1,000,000	-	3,000,000	(Note 4)	0.676%

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, no RSU granted under the RSU Scheme was cancelled.
- 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 13(b) to the consolidated financial statements in this report.
- The number of RSUs which may be granted under the RSU Scheme as at 31 December 2025 was 71,993,400 RSUs.

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.

Report of the Directors *(Continued)*

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.

The number of Shares which were issued or may be issued in respect of options and awards granted under all schemes of the Company during the year ended 31 December 2025 (being nil) divided by the weighted average number of Shares of the relevant class in issue for the year ended 31 December 2025 is nil.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in the consolidated statement of changes in equity and in Note 32(c) to the consolidated financial statements of this report, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

CONNECTED TRANSACTIONS

(1) Master Chinese Medicine Purchase Agreement

As disclosed in the Prospectus, upon the Listing, the following non-exempt continuing connected transactions have been entered into and will continue to be carried out between the Group and Xichuan Fusen Chinese Medicine Raw Material Plant and Development Limited (浙川縣福森中藥材種植開發有限公司) ("**Fusen Chinese Medicine**"), details of which are set out below:

On 14 June 2018, a master purchase agreement (the "**Master Chinese Medicine Purchase Agreement**") was entered into between Henan Fusen as purchaser and Fusen Chinese Medicine as supplier whereby the Group will purchase and Fusen Chinese Medicine will supply *Ionicera japonica* and baikal skullcap root (黃芩) as raw materials (the "**Relevant Materials**") for production of the Group's Shuanghuanglian-based cold medicine products. The term of the Master Chinese Medicine Purchase Agreement commenced on the Listing Date, 11 July 2018, and expired on 31 December 2020. As the Master Chinese Medicine Purchase Agreement has expired on 31 December 2020 and the transactions contemplated thereunder shall continue to be entered into on a recurring basis, on 4 December 2020, Henan Fusen and Fusen Chinese Medicine entered into the renewed master Chinese medicine purchase agreement (the "**Renewed Master Chinese Medicine Purchase Agreement**"), pursuant to which the parties agreed to continue the existing cooperation as disclosed above with each other for a term of three years ended on 31 December 2023.

As the Renewed Master Chinese Medicine Purchase Agreement had expired on 31 December 2023 and the transactions contemplated thereunder shall continue to be entered into on a recurring basis, on 1 December 2023, Henan Fusen and Fusen Chinese Medicine entered into a renewed master Chinese medicine purchase agreement (“**2024 Master Chinese Medicine Purchase Agreement**”), pursuant to which the parties agreed to continue the existing cooperation as disclosed above with each other for a term of three years commencing from 1 January 2024 (or the date on which the 2024 Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive). For further details, please refer to the announcement and circular of the Company dated 1 December 2023 and 5 January 2024, respectively.

Annual Caps

The annual caps for the three years ending 31 December 2026 are approximately RMB40.0 million, RMB45.0 million and RMB50.0 million respectively (the “**Renewed Annual Caps**”). For the year ended 31 December 2025, purchases by the Group from Fusen Chinese Medicine were within the Renewed Annual Caps and amounted to approximately RMB24.1 million.

Pricing policy

The purchase price of the medicinal herbs will be determined on an order-by-order basis with reference to the prevailing comparable market price after arm’s length negotiation between Henan Fusen and Fusen Chinese Medicine from time to time. Henan Fusen will purchase medicinal herbs from Fusen Chinese Medicine on an as-needed basis.

When determining and approving the price and terms of the transactions under the 2024 Master Chinese Medicine Purchase Agreement, Henan Fusen will consider the following:

- (i) the historical transaction amounts paid by the Group for products of similar type, quantity and quality;
- (ii) comparing the purchase price with quotations from not less than three independent suppliers that provide similar products and ensuring that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price to ensure that the purchase price payable by Henan Fusen represents the prevailing market price and is on normal commercial terms; and
- (iii) factors such as types of products required, the estimated delivery time, transportation costs, quality and quantity of products and any other factors affecting the products’ price.

In the event that the price offered by Fusen Chinese Medicine is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Chinese Medicine.

The above pricing policy will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis.

Report of the Directors *(Continued)*

Henan Fusen and Fusen Chinese Medicine will enter into individual agreements or orders to set out specific terms with respect to the purchase of medicinal herbs under the 2024 Master Chinese Medicine Purchase Agreement in accordance with the principal terms thereunder.

Listing Rules Implications

Fusen Chinese Medicine is a company incorporated in the PRC with limited liability and principally carries on the business of trading of medicinal herbs. Fusen Chinese Medicine is wholly-owned by Henan Fusen Shiye Group Limited (河南福森實業集團有限公司) (“**Fusen Shiye**”), a company owned as to approximately 35.08% by Mr. Cao Changcheng (“**Mr. Cao**”), who was an executive Director, the Chairman and a controlling Shareholder at the time when the 2024 Master Chinese Medicine Purchase Agreement was entered into. Fusen Chinese Medicine is a close associate of Mr. Cao and therefore a connected person of the Company under Chapter 14A of the Listing Rules, hence the transactions contemplated under the 2024 Master Chinese Medicine Purchase Agreement constituted continuing connected transactions for the Company under the Listing Rules. As the highest of the applicable percentage ratios of the 2024 Master Chinese Medicine Purchase Agreement calculated under Chapter 14A of the Listing Rules exceeded 5%, the transactions contemplated under the 2024 Master Chinese Medicine Purchase Agreement are subject to the reporting, announcement, annual review and independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules. The 2024 Master Chinese Medicine Purchase Agreement and the transactions contemplated thereunder had been approved by the Directors (including the independent non-executive Directors) and the independent Shareholders at the extraordinary general meeting of the Company held on 22 January 2024. For further details, please refer to the announcement of the Company dated 22 January 2024.

(2) Master Packaging Materials Purchase Agreement

On 4 December 2020, Henan Fusen entered into the Master Packaging Materials Purchase Agreement with Henan Fusen Health Industry Company Limited* (河南福森大健康產業有限公司) (“**Fusen Health**”), pursuant to which Fusen Health agreed to supply, and Henan Fusen agreed to purchase, printed packaging materials for the packaging of cold medicine products of the Group on and subject to the terms and conditions of the Master Packaging Materials Purchase Agreement.

As the Master Packaging Materials Purchase Agreement had expired on 31 December 2023 and the transactions contemplated thereunder shall continue to be entered into on a recurring basis, on 1 December 2023, Henan Fusen and Fusen Health entered into a renewed master packaging materials purchase agreement (“**2024 Master Packaging Materials Purchase Agreement**”), pursuant to which the parties agreed to continue the existing cooperation as disclosed above with each other for a term of three years commencing from 1 January 2024 (or the date on which the 2024 Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive). For further details, please refer to the announcement and circular of the Company dated 1 December 2023 and 5 January 2024, respectively.

Annual Caps

The annual caps for the three years ending 31 December 2026 are approximately RMB20.0 million, RMB25.0 million and RMB30.0 million respectively. For the year ended 31 December 2025, purchases by the Group from Fusen Health were within the annual caps and amounted to approximately RMB4.2 million.

Report of the Directors *(Continued)*

Pricing policy

The purchase price of the printed packaging materials under the 2024 Master Packaging Materials Purchase Agreement will be determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length negotiation between Henan Fusen and Fusen Health from time to time. Henan Fusen will purchase printed packaging materials from Fusen Health on an as-needed basis.

When determining and approving the price and terms of the transactions under the 2024 Master Packaging Materials Purchase Agreement, Henan Fusen will consider the following:

- (i) the market price of products of similar type, quantity and quality;
- (ii) comparing the purchase price with quotations from not less than three independent suppliers that provide similar products and ensuring that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price to ensure that the purchase price payable by Henan Fusen represents the prevailing market price and is on normal commercial terms; and
- (iii) factors such as types of products required, the estimated delivery time, transportation costs, quality and quantity of products and any other factors affecting the products' price.

In the event that the price offered by Fusen Health is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Health.

The above pricing policy will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis.

Henan Fusen and Fusen Health will enter into individual agreements or orders to set out specific terms with respect to the purchase of printed packaging materials under the 2024 Master Packaging Materials Purchase Agreement in accordance with the principal terms thereunder.

Implications under the Listing Rules

Fusen Health is wholly-owned by Fusen Shiye, a company owned as to approximately 35.08% by Mr. Cao, an executive Director, the Chairman and a controlling Shareholder at the time when the 2024 Master Packaging Materials Purchase Agreement was entered into. Fusen Health is a close associate of Mr. Cao and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The 2024 Master Packaging Materials Purchase Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Report of the Directors *(Continued)*

As the highest of the applicable percentage ratios of the 2024 Master Packaging Materials Purchase Agreement calculated under Chapter 14A of the Listing Rules exceeded 5%, the transactions contemplated under the 2024 Master Packaging Materials Purchase Agreement are subject to the reporting, announcement, annual review and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The 2024 Master Packaging Materials Purchase Agreement and the transactions contemplated thereunder had been approved by the Directors (including the independent non-executive Directors) and the independent Shareholders at the extraordinary general meeting of the Company held on 22 January 2024. For further details, please refer to the announcement of the Company dated 22 January 2024.

Confirmation from Directors in relation to Continuing Connected Transactions

The Independent non-executive Directors of the Company have reviewed the transactions contemplated under the 2024 Master Chinese Medicine Purchase Agreement and the 2024 Master Packaging Materials Purchase Agreement as stated above and Rule 14A.55 of the Listing Rules and confirmed that the continuing connected transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The Company confirms that the Company has complied with the reporting and annual review requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions set out above. The Company also confirms that it has followed the pricing policies and guidelines when determining the prices and terms of transactions above during the year ended 31 December 2025.

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions above and the annual caps are fair and reasonable, and that such transactions have been entered into and will be carried out in the ordinary and usual course of the business of the Group, on normal commercial terms, and are in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions disclosed above in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules, issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.56 of the Listing Rules.

Report of the Directors *(Continued)*

The Directors confirm that in letter issued by the Company's auditor in respect of the disclosed continuing connected transactions has stated that:

- a. nothing has come to the attention of the Company's auditor that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the Company's auditor that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to the attention of the Company's auditor that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to the attention of the Company's auditor that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

In addition, all of the continuing connected transactions of the Company disclosed above constitute related party transactions set out in Note 35 to the consolidated financial statements of this report. Save as disclosed above and the exempt connected transactions as referred to in Note 35(e) to the consolidated financial statements, all other related party transactions as described in Note 35 to the consolidated financial statements did not fall under the definition of "continuing connected transaction" or "connected transaction" under the Listing Rules.

Save for the continuing connected transactions as disclosed above, and the exempt connected transactions as referred to in Note 35(e) to the consolidated financial statements, during the year ended 31 December 2025, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions. The Company has complied with applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DISTRIBUTABLE RESERVES

Please refer to Note 32(d) to the consolidated financial statements of this report for details of the Company's distributable reserve as at 31 December 2025.

Report of the Directors *(Continued)*

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the year ended 31 December 2025, the percentage of the Group's aggregate revenue attributable to the Group's largest customer was approximately 5.1%, while the percentage of the Group's total revenue attributable to the five largest customers in aggregate was approximately 18.1%.

During the year ended 31 December 2025, the percentage of the Group's largest supplier was approximately 30.3% of the total purchase during the year, while the percentage of the Group's five largest suppliers accounted for approximately 48.3% of the total purchase.

Save as disclosed in this report, none of the Directors, or any of their close associates or Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year ended 31 December 2025 were as follows:

Executive Directors

Cao Zhiming (曹智銘) (*Chairman and Chief Executive Officer*)

Hou Taisheng (侯太生)

Chi Yongsheng (遲永勝)

Meng Qingfen (孟慶芬)

Independent non-executive Directors

Lee Kwok Tung Louis (李國棟)

To Kit Wa (杜潔華)

Yu Ho Ming (余浩銘) (*appointed on 30 September 2025*)

Sze Wing Chun (施永進) (*resigned on 30 September 2025*)

In accordance with the Company's memorandum and articles of association, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Accordingly, Mr. Cao Zhiming, Ms. Meng Qingfen, Mr. Lee Kwok Tung Louis and Mr. Yu Ho Ming will retire by rotation pursuant to article 108 of the Company's memorandum and articles of association, and being eligible, will offer themselves for re-election as Directors at the forthcoming AGM.

Report of the Directors *(Continued)*

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its employees, suppliers and customers.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and independent non-executive Directors has signed a service agreement with the Company for an initial term of three years (subject to termination in certain circumstances as stipulated in the relevant service agreement).

None of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Biographical Details of Directors, Senior Management and Company Secretary" of this report.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five individuals with highest emoluments are set out in Note 9 and Note 10 to the consolidated financial statements of this report.

EMOLUMENT POLICY

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The remuneration of the senior management is within the band of Nil to HK\$1,000,000.

Report of the Directors *(Continued)*

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. It has been decided that the Remuneration Committee would determine, with delegated responsibility, the remuneration packages of individual executive Directors and the senior management.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus and in this report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Controlling Shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or their subsidiaries, during the year ended 31 December 2025.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as the related party transactions disclosed in Note 35 to the consolidated financial statements of this report, no Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

As at 31 December 2025, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" below, at no time during the year ended 31 December 2025 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or the Company's subsidiary or holding company or a subsidiary of the Company's holding company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Report of the Directors *(Continued)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix C3 of the Listing Rules, were as follows:

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Mr. Cao Zhiming ^(Note 2)	Interest of a controlled corporation	334,831,000(L)	45.29%
Mr. Hou Taisheng ^(Note 3)	Beneficiary of a trust	13,399,165(L)	1.81%
Ms. Meng Qingfen ^(Note 3)	Beneficiary of a trust	11,809,433(L)	1.60%
Mr. Chi Yongsheng ^(Note 3)	Beneficiary of a trust	12,944,956(L)	1.75%

Notes:

- The letter "L" denotes the person's long position in such securities.
- 154,651,000 Shares are held by One Victory Investments Limited ("**One Victory**"), a company incorporated in the British Virgin Islands. As Mr. Cao Zhiming is the beneficial owner of the entire issued share capital of One Victory, he is therefore deemed to be interested in the 154,651,000 (L) Shares held by One Victory pursuant to the SFO. Following the passing of Mr. Cao in October 2024, Fusen Trust, being a trust established pursuant to a deed of settlement ("**Deed of Settlement**") dated 14 June 2013 entered into between Mr. Cao Zhiming (as settlor) and The Core Trust Company Limited (the "**Trustee**"), underwent certain succession arrangements, of which Mr. Cao Zhiming has exercised his entitlement under the Deed of Settlement and the investment management agreement ("**Investment Management Agreement**") dated 14 December 2016 entered into between Mr. Cao Zhiming and the Trustee, to remove Mr. Cao as investment manager of Fusen Trust by providing 30 days' prior written notice (the "**Vesting Arrangement**"). The Company was informed by Mr. Cao Zhiming that the Vesting Arrangement has become effective on 23 May 2025, upon which Mr. Cao has been removed as the investment manager of Fusen Trust pursuant to the Deed of Settlement and the Investment Management Agreement. Accordingly, the Investment and Management Functions and the power to direct the trustee of Fusen Trust to vote accordingly have been vested in Mr. Cao Zhiming, who is entitled to exercise control and direction over the voting rights attaching to the 180,180,000 Shares held by Fusen Trust through Rayford Global Limited ("**Rayford**") on trust for certain individual Shareholders as beneficiaries (the "**Fusen Trust Shares**"). As a result of the Vesting Arrangement, Mr. Cao Zhiming's voting rights in the Company have increased from 154,651,000 Shares (representing approximately 20.92% of the total number of issued Shares) to 334,831,000 Shares (representing approximately 45.29% of the total number of issued Shares).
- Each of Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, who is an executive Director, is a beneficiary under the Fusen Trust, which is entrusted to hold the entire shareholding of Rayford Global Limited ("**Rayford**") (which holds the Fusen Trust Shares as at 31 December 2025) on trust for certain individual Shareholders as the beneficiaries.

Save as disclosed above, as at 31 December 2025, none of the Directors nor chief executive of the Company has registered any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors *(Continued)*

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

So far as the Directors are aware, as at 31 December 2025, the following persons (not being Directors or chief executive of the Company) have or are deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/Nature	Number of Shares held/interested	Percentage of interest
Full Bliss ^(Note 2)	Beneficial owner	206,457,000(L)	27.93%
Rayford ^(Note 3)	Beneficial owner	180,180,000(L)	24.37%
TCT (BVI) Limited ^(Note 3)	Nominee of a trustee	185,180,000(L)	24.41%
THE CORE TRUST COMPANY LIMITED ^(Note 3)	Trustee	185,180,000(L)	24.41%
One Victory	Beneficial owner	154,651,000(L)	20.92%
Ms. Zhou Peilin ^(Note 4)	Interest of spouse	334,831,000(L)	45.29%

Notes:

1. The letter "L" denotes the person's long position in such securities.
2. 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.
3. 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, each of The Core Trust Company Limited and TCT (BVI) Limited are deemed to be interested in 185,180,000 Shares, comprising (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.
4. Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) is Mr. Cao Zhiming's spouse and is deemed to be interested in the 334,831,000 Shares in which Mr. Cao Zhiming is interested for the purpose of the SFO.

Save as disclosed above, as at 31 December 2025, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had any interests or short positions in the shares or underlying shares which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors *(Continued)*

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2025, the Company did not repurchase its own ordinary shares. In 2024, the Company repurchase its own ordinary shares were as follow:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration (excluding expenses) HKD'000	Number of shares cancelled	Number of shares repurchased but not yet cancelled
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
September 2024	–	–	–	–	(10,655,000)	–
	<u>5,734,000</u>			<u>7,117</u>	<u>(10,655,000)</u>	

The repurchase of Shares during the year ended 31 December 2024 was made by the Directors, pursuant to the general mandate granted by the Shareholders at the annual general meeting held on 30 May 2023 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 year ended 31 December 2025.

COMPETING BUSINESS

During the year ended 31 December 2025, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertakings

In order to avoid any possible future competition between the Group and the Controlling Shareholders, the Controlling Shareholders (the "**Covenantors**") have entered into the Deed of Non-competition on 14 June 2018. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for and on behalf of its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Report of the Directors *(Continued)*

Each of the Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/ it shall procure his/its associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

During the year ended 31 December 2025, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group). The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied with the Deed of Non-competition.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, business and prospects would be affected by a number of risks and uncertainties including market risks, credit risks and liquidity risks. A summary of major risks and uncertainties of the Company is set out as below and also in Note 33 to the consolidated financial statements of this report.

1. Research and Development Risk

The Group's future prospect is dependent upon the continuous development and successful commercialisation of new products or progress of milestones achievement of projects. As one of its expansion strategies, the Group intends to form strategic alliances with suitable partners or candidates that would offer the Group access to promising research projects. The success of biopharmaceutical product development and progress of milestones achievement are highly unpredictable. Products that appear to be promising at the early phases of R&D may fail to reach the market for numerous reasons, including the discovery of harmful side effects in pre-clinical tests and clinical trials, unsatisfactory results in clinical trials and the failure of obtaining the necessary regulatory approvals. Consequently, the corresponding R&D expenditure incurred would have to be expensed, which will have an adverse impact on the profitability of the Group.

Report of the Directors *(Continued)*

2. Pharmaceutical Pricing Policies in the PRC

The drug pricing system in the PRC is controlled by the government, and it affects the pharmaceutical industry, drug price setting and regulation. Under the government intervention, price reduction across therapeutic categories was common during the last 20 years, which may exert a downward pressure against the price of pharmaceutical products and our market share, revenue and profitability may be adversely affected.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is devoted to promote and maintain the environmental and social sustainable development and has implemented a wide variety of green measures. The Group's operations has complied in all material respects with currently applicable PRC environmental protection laws and regulations during the year under review. Details of the Group's environmental, social and governance practices are set out in the section headed "Environmental, Social and Governance Report" of this report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operations of the Group during the year under review.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and the Restricted Share Unit Scheme as disclosed above in this report, no equity-linked agreements were entered into by the Company during the year ended 31 December 2025.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information available in the public domain concerning the Company, at least 25% of the Company's issued share capital was held by the public as at the date of this report.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of them holding the Shares.

EVENT AFTER THE REPORTING PERIOD

Details of event after the Reporting Period are set out in the section headed "Management Discussion and Analysis" in this report.

Report of the Directors *(Continued)*

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent.

APPOINTMENT AND REAPPOINTMENT OF AUDITOR

The consolidated financial statements for the year ended 31 December 2024 were audited by KPMG (“**KPMG**”). However, KPMG resigned as the Company’s auditors with effect from 24 December 2025 and CCTH CPA Limited (“**CCTH**”) was subsequently appointed as the new auditors with effect from 24 December 2025 to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the AGM. Please refer to the Company’s announcement dated 24 December 2025 for further details in the change of auditors of the Company.

The consolidated financial statements for the year ended 31 December 2025 were audited by CCTH. A resolution will be proposed at the AGM to re-appoint CCTH as the auditor of the Company.

ON BEHALF OF THE BOARD

Fusen Pharmaceutical Company Limited

Cao Zhiming

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 March 2026

Independent Auditor's Report



CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of Fusen Pharmaceutical Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fusen Pharmaceutical Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 137 to 220, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group experienced an operating loss amounting to RMB11,801,000 for the year ended 31 December 2025, and recorded net current liabilities amounting to RMB381,953,000 as at 31 December 2025. In addition, the Group is committed to repay bank and other loans amounting to RMB293,280,000 and the related interest of RMB6,536,000 within one year, of which bank and other loans of RMB140,000,000 and related interest of RMB4,333,000 will be due for repayment in the next six months from the end of the reporting period. These conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion with material uncertainty related to going concern paragraph on those statements on 31 March 2025.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v)

The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue of the Group mainly comprises sales of Shuanghuanglian Oral Solutions and Shuanghuanglian Injections to a large number of customers.</p> <p>The Group entered into distribution agreements with most of its customers, outlining delivery terms and sales rebate policies. Sales agreements are then signed with the Group for each purchase made by customers, detailing the specific terms of sales relating to pricing and return policies, and delivery locations.</p> <p>Revenues from sales of Shuanghuanglian Oral Solutions and Shuanghuanglian Injections are recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to and accepted by the customers.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.</p>	<p>Our audit procedures to assess the timing of revenue recognition included the following:</p> <ul style="list-style-type: none">• Obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to revenue recognition (including controls over before and after year end order processing and shipping);• Inspecting agreements with customers, on a sample basis, to understand the terms of the sales transactions including the terms of delivery and/or acceptance and any sales return arrangements to assess the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards specifically verifying the trigger point for control transfer;• Comparing the revenue recorded during the financial year, on a sample basis, to the sales agreements, goods delivery notes, customers' acknowledgement of receipt and delivery records, where applicable;• Performing detailed cut off testing, on a sample basis, to assess whether specific revenue transactions recorded before and after the end of reporting date had been recognised in the appropriate financial period by inspecting the trade terms agreed with individual customers and the invoices, goods delivery notes, acknowledgement of the customers' receipt of the goods and other supporting documents;

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS *(Continued)*

Revenue recognition *(Continued)*

The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">• Comparing the quantity of goods delivered during the year to the record of the Group's goods delivery notes;• Inspecting goods delivery notes and/or delivery records, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end have been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales agreements; and• Inspecting underlying documentation for adjustments relating to revenue raised during the year which met specific risk-based criteria.

Independent Auditor's Report *(Continued)*

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on trade receivables

Refer to Note 23 to the consolidated financial statements and the accounting policies in Note 2(l)

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the Group had gross trade receivables of approximately RMB70,961,000 provision for impairment of approximately RMB2,756,000.</p> <p>In general, the credit terms granted by the Group to the customers ranged between 1 to 6 months for trade receivables. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and ongoing trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses ("ECL") for the impairment assessment.</p> <p>We identified trade receivables as a key audit matter due to the measurement of ECL requires significant estimates and judgements, including determination of whether there is significant increase in credit risk, use of models and assumptions in determination of probability of default, incorporation of forward-looking information.</p>	<p>Our procedures to assess for impairment assessment on trade receivables included the following:</p> <ul style="list-style-type: none">• Obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to impairment assessment on trade receivables, including how the Group managed and monitored the credit risk of the trade receivables;• Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2025 to the underlying financial records and subsequent settlements;• Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers;• Assessing the appropriateness of the ECL provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECL; and• Assessing the adequacy of the related disclosures in the notes to the consolidated financial statements.

Independent Auditor's Report *(Continued)*

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited

Certified Public Accountants

Hong Kong, 31 March 2026

Chan Yee Lai, Kenneth

Practising certificate number: P02095

Unit 1510-1517, 15/F, Tower 2

Kowloon Commerce Centre

No. 51 Kwai Cheong Road

Kwai Chung, New Territories

Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Notes	Year ended 31 December	
		2025	2024
		RMB'000	RMB'000
Revenue	4	273,365	326,029
Cost of sales		(163,577)	(163,392)
Gross profit		109,788	162,637
Other income and other gains or losses, net	5	24,839	17,395
Selling and distribution expenses		(52,148)	(80,998)
General and administrative expenses		(44,973)	(51,204)
Impairment loss under expected credit loss model	33a	(25,938)	(9,081)
Research and development expenses		(13,289)	(106,260)
Loss from operations		(1,721)	(67,511)
Finance income		21	24
Finance costs		(20,356)	(18,862)
Net finance costs	6	(20,335)	(18,838)
Share of results of a joint venture and impairment loss on interest in a joint venture	19	19,485	(26,661)
Share of results of associates and impairment loss on interests in associates	20	(5,032)	(77,436)
Loss before taxation	7	(7,603)	(190,446)
Income tax (expense)/credit	8	(4,198)	1,646
Loss for the year		(11,801)	(188,800)
Attributable to:			
Equity shareholders of the Company		(11,784)	(188,783)
Non-controlling interests		(17)	(17)
		(11,801)	(188,800)

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

For the year ended 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Other comprehensive income/(expense) for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences arising on translation of financial statements of the Company and overseas subsidiaries		1,360	(75)
Other comprehensive income/(expense) for the year, net of income tax		1,360	(75)
Total comprehensive expense for the year		(10,441)	(188,875)
Attributable to:			
Equity shareholders of the Company		(10,424)	(188,858)
Non-controlling interests		(17)	(17)
Total comprehensive expense for the year		(10,441)	(188,875)
Loss per share	11		
Basic and diluted (RMB cents)		(1.59)	(25.5)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

		As at 31 December	
		2025	2024
	Notes	RMB'000	RMB'000
Non-current assets			
Investment property	14	13,172	14,280
Property, plant and equipment	14	318,601	383,655
Right-of-use assets	15(a)	231,773	237,675
Intangible assets	16	28,029	28,135
Financial assets at fair value through profit or loss ("FVPL")	17,33(e)	9,868	9,275
Interest in a joint venture	19	30,144	10,659
Interests in associates	20	18,910	23,942
Deferred tax assets	31(a)	2,475	6,637
Long-term prepayments and other receivables	21	115,764	64,291
		768,736	778,549
Current assets			
Inventories	22	98,061	137,082
Trade and bills receivables	23	121,955	113,878
Prepayments and other receivables	24	190,835	187,596
Cash and cash equivalents	25	83,843	21,056
		494,694	459,612
Current liabilities			
Trade and bills payables	26	148,162	123,466
Deferred income on government grants	30	1,626	1,626
Lease liabilities	15(b)	459	924
Contract liabilities	27	1,050	8,940
Accruals and other payables	28	426,948	330,069
Bank and other loans	29	293,280	303,540
Income tax payable		5,122	5,506
		876,647	767,571
Net current liabilities		(381,953)	(307,959)
Total assets less current liabilities		386,783	470,590

Consolidated Statement of Financial Position *(Continued)*

As at 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Notes	As at 31 December	
		2025	2024
		RMB'000	RMB'000
Non-current liabilities			
Deferred income on government grants	30	14,872	16,498
Lease liabilities	15(b)	490	130
Contract liabilities	27	6,500	–
Bank and other loans	29	7,000	79,100
		28,862	102,228
Net assets			
		357,921	368,362
Capital and reserves			
Share capital	32(b)	6,179	6,179
Reserves	32(c)	353,068	363,492
Total equity attributable to equity shareholders of the Company		359,247	369,671
Non-controlling interests		(1,326)	(1,309)
Total equity		357,921	368,362

Approved and authorised for issue by the board of directors on 31 March 2026 and signed on behalf of the board by:

Cao Zhiming

Chairman, Chief Executive Officer and Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Treasury shares reserve	Capital redemption reserve	Statutory surplus reserves	Share-based payment reserve	Other reserve	Exchange reserve	Retained earnings	Total		
		RMB'000 Note 32b	RMB'000 Note 32c	RMB'000 Note 32ciii	RMB'000 Note 32cii	RMB'000 Note 32cii	RMB'000 Note 32civ	RMB'000 Note 32(c)v	RMB'000 Note 32(c)vi	RMB'000	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 year		-	-	-	-	-	-	-	-	(188,783)	(188,783)	(17)	(188,800)
Other comprehensive expense		-	-	-	-	-	-	-	(75)	-	(75)	-	(75)
Total comprehensive expense for the year		-	-	-	-	-	-	-	(75)	(188,783)	(188,858)	(17)	(188,875)
Equity settled share-based transactions	13	-	-	-	-	-	805	-	-	-	805	-	805
Purchase of own shares	32ci	-	(6,416)	(48)	-	-	-	-	-	-	(6,464)	-	(6,464)
Cancellation of treasury shares	32ciii												
— Par value		(131)	-	131	-	-	-	-	-	-	-	-	-
— Transfer between reserves		-	(131)	-	131	-	-	-	-	-	-	-	-
Changes in the share of other reserves of investment in an associate		-	-	-	-	-	-	670	-	-	670	-	670
Balance at 31 December 2024 and 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 year		-	-	-	-	-	-	-	-	(11,784)	(11,784)	(17)	(11,801)
Other comprehensive income		-	-	-	-	-	-	-	1,360	-	1,360	-	1,360
Transfer upon forfeiture of equity settled share-based transactions		-	-	-	-	-	(3,411)	-	-	3,411	-	-	-
Total comprehensive (expense)/income for the year		-	-	-	-	-	(3,411)	-	1,360	(8,373)	(10,424)	(17)	(10,441)
Balance at 31 December 2025		6,179	224,229	-	596	54,071	26,655	(10,528)	16,665	41,380	359,247	(1,326)	357,921

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Notes	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Operating activities			
Loss before taxation		(7,603)	(190,446)
Adjustments for:			
Depreciation and amortisation	7(b)	39,520	41,711
Realisation of deferred income		(1,626)	(1,626)
Net finance costs		20,335	18,838
Recognition of credit losses on trade receivables and other receivables	7(b)	25,938	9,081
Net gain on disposal of property, plant and equipment	5	(5,030)	(3)
Net gain on disposal of a subsidiary	5 & 38	(1,778)	–
Share of results of a joint venture and impairment (gain)/loss on interest in a joint venture		(19,485)	26,661
Share of results of associates and impairment loss in an associate		5,032	77,436
Equity settled share-based transactions	13	–	805
Net realised and unrealised (gains)/losses on other financial assets at FVPL	5	(593)	338
Net realised and unrealised losses on derivative financial instruments at FVPL	5	–	1,279
Changes in working capital			
Decrease in inventories		39,021	24,636
(Increase)/decrease in trade receivables		(19,308)	72,424
(Increase)/decrease in prepayments and other receivables		(32,807)	12,378
Increase/(decrease) in trade and bills payables		24,851	(44,079)
Increase in accruals and other payables		60,463	70,580
(Decrease)/increase in contract liabilities		(1,390)	5,045
Increase in deferred income		–	9,519
Cash generated from operations		125,540	134,577
Income tax paid		(391)	(847)
Net cash generated from operating activities		125,149	133,730

Consolidated Statement of Cash Flows *(Continued)*

For the year ended 31 December 2025 (Expressed in RMB'000 unless otherwise indicated)

	Notes	Year ended 31 December	
		2025	2024
		RMB'000	RMB'000
Investing activities			
Payment for the purchase of property, plant and equipment		(53,331)	(60,959)
Payment for the purchase of intangible assets		–	(15,339)
Purchases of financial assets measured at FVPL		–	(1,000)
Interest received		21	24
Repayments from a joint venture	35(a)	–	11,700
Advanced to government-related construction entities		(66,209)	(256,362)
Repayments from government-related construction entities		18,906	158,513
Proceeds from disposals of property, plant and equipment		21,702	–
Proceeds from disposal of a subsidiary	38	72,893	–
Net cash used in investing activities		(6,018)	(163,423)
Financing activities			
Proceeds from bank and other loans	25(b)	300,280	776,088
Repayments of bank and other loans	25(b)	(372,790)	(734,425)
Borrowing costs paid	25(b)	(20,299)	(17,912)
Advances from related parties		36,416	–
Capital element of lease rentals paid	25(b)	(1,254)	(1,236)
Interest element of lease rentals paid	25(b)	(57)	(57)
Payment for purchase of own shares		–	(6,464)
Net cash (used in)/generated from financing activities		(57,704)	15,994
Net increase/(decrease) in cash and cash equivalents		61,427	(13,699)
Cash and cash equivalents at the beginning of the year	25(a)	21,056	34,849
Effect of foreign exchange rate changes		1,360	(94)
Cash and cash equivalents at the end of the year	25(a)	83,843	21,056

The notes on pages 144 to 220 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB'000 unless otherwise indicated)

1 GENERAL INFORMATION

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 is an investment holding company. The Company and its subsidiaries (together, “the Group”) are principally engaged in manufacturing and sale of pharmaceutical products. Details of the subsidiaries are set out in Note 18.

2 MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). Material accounting policy information adopted by the Group are disclosed below.

The IASB has issued amendments to an IFRS Accounting Standard that are mandatorily effective for the current accounting year of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

Going concern basis

Due to the impact of market demand and intense competition, revenue of the Group dropped sharply in 2025. As a result, the Group experienced an operating loss amounting to RMB11,801,000 for the year ended 31 December 2025, and recorded net current liabilities amounting to RMB381,953,000 as at 31 December 2025. In addition, the Group is committed to repay bank and other loans amounting to RMB293,280,000 and the related interest of RMB6,536,000 within one year, of which bank and other loans of RMB140,000,000 and related interest of RMB4,333,000 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 and hence, its ability to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

Going concern basis *(Continued)*

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve its cash flows:

- negotiating with banks to raise new long-term bank loans and renew existing bank loans. Up to the date of approval of these consolidated financial statements, the Group has successfully renewed bank loans of RMB114.5 million with maturity dates of March 2027;
- putting extra efforts in the collection of other receivables from government-related entities of RMB204.3 million;
- conducting active negotiation with creditors to restructure the terms and settlement schedules of existing payables;
- maximising the sales efforts, including speeding up sales of existing inventories, seeking new orders through centralised procurement, and implementing more stringent cost control measures with a view to improving operating cash flows;
- applying cost control measures in cost of sales and administrative expenses; and
- sourcing new strategic investors to capitalize the Group and its subsidiaries through direct capital injections and other investment vehicles.

The directors of the Company have also reviewed the Group's cash flow forecast prepared by management and are of the opinion that, taking into account the above-mentioned status, plans and measures, the Group will have sufficient funds to maintain its operations and to meet its financial obligations as and when they fall due within the next 12 months from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Material uncertainty regarding the Group's ability to operate as a going concern exists as to whether management of the Group will be able to achieve its plans and measures as described above. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the Group's assets to their net realisable amounts, to provide for further liabilities which might 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 consolidated financial statements.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Changes in accounting policies

The Group has applied the following amendments to an IFRS Accounting Standard issued by the IASB to these consolidated financial statements for the current accounting period:

- Amendments to IAS 21, *Lack of exchangeability*

The application of the amendments to an IFRS Accounting Standard in the current year has had no material effect on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied the new and amendments to IFRS Accounting Standards that have been issued but are not yet effective. Details of new and amendments to IFRS Accounting Standards in issue but not yet effective are disclosed in note 39.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(l)(ii)).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal Group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see Note 2(l)(i))).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 2(l)(ii)).

(f) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially stated at fair value for which the transaction costs are recognised directly in profit or loss. Subsequent changes in the fair value (including interest) are recognised in profit or loss.

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Investment property

Investment property is initially measured at cost.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(l)(ii)). Depreciation is calculated to write off the cost less estimated residual value if applicable and is charged to profit or loss on a straight-line basis over the estimated useful lives of 20 years.

(i) Property, plant and equipment

The items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(l)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss:

The estimated useful lives for the current and comparative periods are as follows:

— Buildings and infrastructure	Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
— Machinery and equipment	5–10 years
— Office equipment and others	5–10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated at cost less impairment losses (see Note 2(l)). The cost includes cost of construction, cost of purchased plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction periods, to the extent that these are regarded as an adjustment to borrowing costs (see Note 2(x)).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(i) Property, plant and equipment *(Continued)*

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(j) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Intangible assets *(Continued)*

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Technological know-how consists of rights to technological know-how for the development and production of general pharmaceutical products which are amortised on a straight-line basis over the estimated economic lives of 10 years commencing in the year when the rights are available for use.

Software intangible assets are amortised on a straight-line basis over their estimated useful lives of 3–5 years.

(k) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Leases *(Continued)*

(i) As a lessee *(Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statement of financial position, the current portion of lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets and lease liabilities as a separate line item on the consolidated statement of financial position.

Land use rights, which are leasehold land located in the PRC, have lease terms of 40–50 years.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(ii)(c).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(I) Credit losses and impairment of financial assets and other non-current assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(I) Credit losses and impairment of financial assets and other non-current assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Measurement of ECLs (Continued)

The Group always recognises lifetime ECL for trade receivables.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(I) Credit losses and impairment of financial assets and other non-current assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(I) Credit losses and impairment of financial assets and other non-current assets *(Continued)*

(ii) Impairment of other non-current assets

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCOD"). VIU is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

For investments in subsidiaries, they are stated at cost less accumulated impairment losses. Impairment testing is performed at the level of the Company's investment in each subsidiary, or at the level of the relevant CGU to which the investment belongs, by comparing its carrying amount to its recoverable amount. Any impairment loss is recognised immediately in profit or loss and is not reversed in subsequent periods.

For property, plant and equipment, it is tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses recognised in respect of PPE are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis, except that no asset is reduced below its fair value less costs of disposal (if determinable) or zero. Impairment losses for PPE may be reversed in subsequent periods if there is a change in the estimates used to determine the recoverable amount, but only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

For investments in associates and joint ventures, it is accounted for using the equity method are tested for impairment when there is objective evidence of impairment, such as a significant or prolonged decline in fair value below carrying amount, or adverse changes in the investee's operating or financial performance. Impairment testing is performed by comparing the carrying amount of the investment to its recoverable amount. Any impairment loss is recognised in profit or loss and is not reversed in subsequent periods.

For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(m) Inventories and other contract costs

(i) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract e.g. sales commissions, The Group takes advantage of practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining a contract as an expense if the amortisation of the asset is less than one year.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(v)).

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

All receivables are subsequently stated at amortised cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(l)(i)).

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(x).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as expenses in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Share-based payment transactions in which the Company grants share-based payment awards to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(u) Provisions

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(l)(ii)).

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of goods that are sourced externally. Revenue of the Group arises mainly from the sales of pharmaceutical products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from sales of pharmaceutical products

Revenue is recognised when control over the goods is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the goods delivered are accepted by the customers and control over the goods is considered to have been transferred to the customers. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts with customers, but the Group generally provides credit terms to customers within six months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(v) Revenue and other income *(Continued)*

(i) Revenue from sales of pharmaceutical products *(Continued)*

If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes stand-alone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(b) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and are recognised in profit or loss over the useful life of the asset as other income.

(c) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(d) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(y) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - a. has control or joint control over the Group;
 - b. has significant influence over the Group; or
 - c. is a member of the key management personnel of Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - a. The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - c. Both entities are joint ventures of the same third party.
 - d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - f. The entity is controlled or jointly controlled by a person identified in Note 2(y)(i).
 - g. A person identified in Note 2(y)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The material accounting policy information are set out in Note 2. Other key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Impairment of non-financial assets

The Group tests whether non-financial assets have suffered from any impairment, in accordance with the accounting policy stated in Note 2(I)(ii). The recoverable amount of an asset is the higher of its FVLCD and its VIU. Management estimates VIU based on estimated discounted pre-tax future cash flows of the cash generating unit at the lowest level to which the asset belongs. If there is any significant change in management's assumptions, including discount rates or growth rates in the future cash flow projection, the estimated recoverable amounts of the non-financial assets and the Group's results would be significantly affected. Such impairment losses are recognised in the statement of profit or loss and other comprehensive income. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the non-financial assets.

Impairment assessment on trade receivables

The Group assesses the impairment of trade receivables in accordance with its accounting policy for expected credit losses ("ECL"). The ECL is measured at an amount equal to the lifetime expected credit losses for all trade receivables, as these financial instruments do not contain a significant financing component.

In determining ECL, the Group considers reasonable and supportable information that is available without undue cost or effort, including historical credit loss experience, current conditions, and forward-looking economic factors. The Group segments its receivables based on shared credit risk characteristics, such as customer type, geographical region, and ageing profile, and applies appropriate loss rates to each segment. For receivables with significant credit risk indicators (e.g., overdue status, customer financial distress, or significant changes in the operating environment of the customer), the Group individually assesses the ECL by estimating the present value of expected future cash flows discounted at the asset's original effective interest rate.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue from contracts within the scope of HKFRS 15

Disaggregation of revenue from contracts within customers which are recognised at a point in time and over time by major products line is as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Types of goods		
Sales of products		
Shuanghuanglian Oral Solutions	149,791	146,663
Shuanghuanglian Injections	48,139	78,326
Heat Clearing and Detoxicating Oral Solutions	14,786	12,052
Flunarizine Hydrochloride Capsules	13,296	8,338
Sanhuang Tablet	12,878	10,310
Compound Ferrous Sulfate Granules	10,766	14,817
Enzalutamide Soft Capsules	1,093	–
Other pharmaceutical products	22,616	55,523
	273,365	326,029
Timing of revenue recognition		
At a point in time	272,272	326,029
Over time	1,093	–
	273,365	326,029

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2025 and 2024 and the expected timing of recognising revenue are as follows:

	2025 RMB'000	2024 RMB'000
Revenue from sales of products:		
Within one year	1,050	8,940
More than one year but not more than two years	6,500	0
	7,550	8,940

During the year ended 31 December 2025, none of the Group's customers (2024: two customers) with whom transactions have exceeded 10% of the Group's revenue.

During the year ended 31 December 2024, two of the Group's customers with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of pharmaceutical products to these two customers amounted to RMB44,483,000 and RMB37,400,000, respectively.

Details of concentration of credit risk are set out in Note 33(a).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment information

The directors of the Company are designated as the “Chief Operating Decision Maker” (“CODM”) and have determined that the Group has only one reportable segment as 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 CODM reviews consolidated results supplemented by a product revenue breakdown and key operational metrics to allocate resources and assess performance of the Group for both years. Accordingly, no separate segment information is presented.

All of the revenue from external customers are derived from customers located in the PRC (including Hong Kong) and all of the Group’s non-current assets are located in the PRC (including Hong Kong).

5 OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Notes	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Sales of scrap materials		210	1,025
Rental income		118	262
Government grants	(i)		
— Recognised directly in profit or loss		13,146	14,984
— Realisation of deferred income	30	1,626	1,626
		14,772	16,610
Net realised and unrealised gains/(losses) on other financial assets at FVPL		593	(338)
Net realised and unrealised losses on derivative financial instruments at FVPL		—	(1,279)
Gain on disposal of a subsidiary	38	1,778	—
Net gain on disposal of property, plant and equipment		5,030	3
Others		2,338	1,112
		24,839	17,395

Note:

- (i) Various grants and subsidies were provided by the PRC local government authorities to the Group during the years ended 31 December 2025 and 2024. There are no unfulfilled conditions or contingencies relating to these government grants.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

6 NET FINANCE COSTS

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Interest income on bank deposit	21	24
Finance income	21	24
Interest on bank and other loans	(20,299)	(20,084)
Interest on lease liabilities	(57)	(57)
Foreign exchange gains	–	1,279
Finance costs	(20,356)	(18,862)
Net finance costs	(20,335)	(18,838)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, wages and other benefits	44,572	69,250
Contributions to defined contribution retirement schemes	3,321	8,202
Share-based payment expenses	–	805
	47,893	78,257

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated based on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees. Contributions to the scheme vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

The Group has no other obligation for the payment of retirement and other post-retirement benefits of employees other than the contributions described above.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

7 LOSS BEFORE TAXATION *(Continued)*

(b) Other items

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Cost of inventories recognised as expense*	22	159,929	164,227
Included selling expenses:			
Depreciation of property, plant and equipment		2,787	2,787
Depreciation of right-of-use assets		34	51
Promotion and advertising costs		32,548	51,588
Included general administrative expenses:			
Auditors' remuneration — audit services		2,650	3,800
Amortisation of intangible assets		106	223
Depreciation of investment property and property, plant and equipment		4,026	4,109
Depreciation of right-of-use assets		6,791	6,851
Expenses related to short-term leases		557	474

* Cost of inventories includes staff costs amounted to approximately RMB10,145,000 (2024: RMB16,002,000) and depreciation amounted to approximately RMB25,776,000 (2024: RMB27,690,000), totalled RMB35,921,000 in 2025 (2024: RMB43,962,000).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Current tax			
Provision for the year		–	9,194
Under/(over) provision in prior years		36	(8,928)
		36	266
Deferred tax expense/(credit)	31(a)	4,162	(1,912)
		4,198	(1,646)

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

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2.0 million of assessable profits of the qualifying corporation in the Group are taxed at 8.25%, and assessable profits above HK\$2 million are taxed at 16.5%. The assessable profits of corporations in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for both years.

The Group has no assessable profits in Hong Kong for the year ended 31 December 2025 (2024: Nil). The payments of dividends by Hong Kong companies, in addition, are not subject to any withholding tax in Hong Kong.

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 for 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 High and New Technology Enterprises, and were entitled to a preferential income tax rate of 15% in 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.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents: *(Continued)*

Pursuant to relevant tax laws and regulations, including the Enterprise Income Tax Law of the People's Republic of China and Cai Shui 2018 No.76, eligible R&D expenses not forming intangibles enjoy an additional 100% pre-tax deduction, while capitalized R&D intangibles are amortized at 200% of cost pre-tax. Qualified technology transfer, development and related services are VAT-exempt; technology transfer income up to RMB5.0 million is income tax-exempt, with the excess taxed at a 50% reduced rate.

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.

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Loss before taxation	(7,603)	(190,446)
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	(1,901)	(47,612)
Tax effect of		
Preferential income tax rates applicable to PRC subsidiaries	1,424	3,046
Non-deductible expenses	941	912
Share of results of a joint venture and impairment loss on interest in a joint venture	(4,871)	6,665
Share of results of associates and impairment loss on interests in associates	1,258	19,359
Unused tax losses not recognised	3,149	24,664
Under/(over)-provision in respect of prior years	36	(8,928)
Temporary differences not recognised	4,162	–
PRC dividends withholding tax	–	248
Income tax	4,198	(1,646)

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

31 December 2025

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman and executive director					
Mr. Cao Zhiming	–	1,604	–	83	1,687
Executive directors					
Mr. Hou Taisheng	–	75	–	7	82
Mr. Chi Yongsheng	–	78	–	7	85
Ms. Meng Qingfen	–	78	–	7	85
Independent non-executive directors					
Mr. Lee Kwok Tung, Louis	165	–	–	–	165
Mr. Sze Wing Chun (resigned on 30 September 2025)	124	–	–	–	124
Dr. To Kit Wa	165	–	–	–	165
Mr. Yu Ho Ming (appointed on 30 September 2025)	41	–	–	–	41
	495	1,835	–	104	2,434

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Chairman and executive director					
Mr. Cao Zhiming	–	1,604	275	83	1,962
Executive directors					
Mr. Hou Taisheng	–	75	–	7	82
Mr. Chi Yongsheng	–	78	–	7	85
Ms. Meng Qingfen	–	78	–	–	78
Independent non-executive directors					
Mr. Lee Kwok Tung, Louis	165	–	–	–	165
Mr. Sze Wing Chun	165	–	–	–	165
Dr. To Kit Wa	165	–	–	–	165
	495	1,835	275	97	2,702

During the year ended 31 December 2025, no emoluments was paid by the Group to the directors as an inducement to join or upon joining or as compensation for loss of office (2024: Nil) and there was no arrangement under which a director waived or agreed to waive any emoluments (2024: Nil).

The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as the directors of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

All of the executive directors were key management personnel of the Group during the reporting periods and their emoluments disclosed above include those for services rendered by them as the key management personnel.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2024: one) of them is a director whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining four (2024: four) individuals are as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, wages and other benefits	1,604	1,888
Contributions to pension schemes	25	25
	1,629	1,913

The emoluments of the four (2024: four) individuals with the highest emoluments are within the following band:

	Year ended 31 December	
	2025	2024
	Number of individuals	Number of individuals
Nil–HKD1,000,000	4	4
	4	4

11 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 RMB11,784,000 (2024: loss of RMB188,783,000) and the weighted average of 739,301,000 ordinary shares (2024: 739,982,000 shares) in issue during the year.

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2025 and 2024 has not taken into account the effect of the outstanding share options as its inclusion would have decreased the loss per share, and hence anti-dilutive.

12 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

13 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 employees, director, consultant, adviser and distributor, contractor, business partner or service provider of the Group, to take up options subscribe for shares of the Company. The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the Shareholders in general meeting. The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of 800,000,000 share.

On 19 July 2019, the Company granted 16,000,000 share options to eligible persons (the "Grantees") under the Share Option Scheme. The options vest after three months from the date of grant and are then exercisable within a period of nine months. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares. 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 was deferred from 19 July 2020, to 13 June 2028 ("Modification"). The Modification took effect on 30 June 2020 ("Modification Date").

No share options mentioned above has been exercised, forfeited or expired during the year ended 31 December 2025 (2024: Nil). As at 31 December 2025, all the 16,000,000 share options remained outstanding and exercisable (2024: same), representing approximately 2.2% (2024: 2.2%) of the issued share capital at that date.

The options outstanding at 31 December 2025 had an exercise price of HKD3.098 (2024: HKD3.098) and a weighted average remaining contractual life of 2.5 years (2024: 3.5 years).

(b) Restricted share unit scheme ("RSU") adopted in July 2022

On 8 July 2022, the Company adopted an RSU to recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of the Company's shares. The Company's shares to be granted under the RSU will be purchased and held by a trustee. 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 restricted shares to two of the Group's employees with a fair value of RMB4,147,000. The restricted shares 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. Both of the two employees have resigned, resulting in the forfeiture and cancellation of all unvested RSUs.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

14 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

	Buildings and infrastructure RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Cost:							
At 1 January 2024	278,196	204,330	10,802	3,463	496,791	23,330	520,121
Additions	2,237	30,461	994	35,186	68,878	-	68,878
Transfers from construction in progress	16,715	-	-	(16,715)	-	-	-
Disposals	(2,324)	-	(390)	-	(2,714)	-	(2,714)
At 31 December 2024 and 1 January 2025	294,824	234,791	11,406	21,934	562,955	23,330	586,285
Additions	-	31,949	-	21,382	53,331	-	53,331
Transfers from construction in progress	2,972	12,068	-	(15,040)	-	-	-
Disposals	-	(19,446)	-	-	(19,446)	-	(19,446)
Disposal of a subsidiary (note 38)	-	(77,227)	-	-	(77,227)	-	(77,227)
At 31 December 2025	297,796	182,135	11,406	28,276	519,613	23,330	542,943
Accumulated amortisation, depreciation and impairment:							
At 1 January 2024	(56,772)	(81,809)	(7,946)	-	(146,527)	(7,942)	(154,469)
Charge for the year	(13,531)	(19,599)	(214)	-	(33,344)	(1,108)	(34,452)
Written back on disposals	327	-	244	-	571	-	571
At 31 December 2024 and 1 January 2025	(69,976)	(101,408)	(7,916)	-	(179,300)	(9,050)	(188,350)
Charge for the year	(16,251)	(14,914)	(90)	-	(31,255)	(1,108)	(32,363)
Written back on disposals	-	2,774	-	-	2,774	-	2,774
Disposal of a subsidiary (note 38)	-	6,769	-	-	6,769	-	6,769
At 31 December 2025	(86,227)	(106,779)	(8,006)	-	(201,012)	(10,158)	(211,170)
Net book value:							
At 31 December 2025	211,569	75,356	3,400	28,276	318,601	13,172	331,773
At 31 December 2024	224,848	133,383	3,490	21,934	383,655	14,280	397,935

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

14 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Property, plant and equipment *(Continued)*

The Group estimates the recoverable amounts of the property, plant and equipment based on higher of fair value less costs of disposal and value in use. The carrying amount of the relevant assets does not exceed the recoverable amount and thus no impairment has been recognised.

(b) Investment property

The Group leases out certain of its self-owned properties under operating leases. The leases typically run for 1 year.

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

	2025 RMB'000	2024 RMB'000
Within 1 year	–	118

The fair value of investment property amounted to approximately RMB20,282,000 as at 31 December 2025 (2024: RMB18,010,000). The fair value of investment properties at the end of the reporting period is measured on a recurring basis and categorised as Level 3 fair value measurement. The fair value of investment property is determined by the directors at the end of each reporting period using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available. There has been no change from the valuation techniques used in the prior year.

As at 31 December 2025, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment and investment property, which had an carrying amount of RMB42,137,000 (31 December 2024: RMB81,548,000) and RMB13,172,000 (31 December 2024: RMB14,280,000) respectively.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

	Land use right RMB'000	Leased properties RMB'000	Total RMB'000
Cost:			
At 1 January 2024	236,348	6,817	243,165
Additions	32,359	581	32,940
Derecognition	–	(214)	(214)
At 31 December 2024 and 1 January 2025	268,707	7,184	275,891
Additions	–	1,149	1,149
At 31 December 2025	268,707	8,333	277,040
Accumulated depreciation:			
At 1 January 2024	(26,173)	(5,074)	(31,247)
Charge for the year	(5,845)	(1,191)	(7,036)
Derecognition	–	67	67
At 31 December 2024 and 1 January 2025	(32,018)	(6,198)	(38,216)
Charge for the year	(5,845)	(1,206)	(7,051)
At 31 December 2025	(37,863)	(7,404)	(45,267)
Net book value:			
At 31 December 2025	230,844	929	231,773
At 31 December 2024	236,689	986	237,675

The Group's principal leasing activities comprise land use rights and office premises leases in the PRC and Hong Kong, supporting its pharmaceutical operations.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(a) Right of use assets *(Continued)*

- (i) Right-of-use assets represent lump sum payments prepaid upfront to purchase land use rights from the government in the PRC for finite periods and there are no ongoing payments to be made under the terms of the land lease. As at 31 December 2025, the remaining periods of the land use rights ranged from 30 to 48 years (2024: ranged from 31 to 49 years).
- (ii) As at 31 December 2025, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB80,295,000 (2024: RMB82,730,000).
- (iii) Details of total cash outflow for leases during the year and future cash outflows arising from leases are set out in Note 25(c) and Note 33(b), respectively.
- (iv) For the year ended 31 December 2025, expense relating to short-term leases were amounted RMB557,000 (2024: RMB474,000), which are recorded in profit or loss as incurred. Interest expense on lease liabilities was disclosed in Note 7.

(b) Lease liabilities

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	459	924
Within a period of more than one year but not more than two years	490	130
	949	1,054
Less: Amount due for settlement within 12 months shown under current liabilities	(459)	(924)
Amount due for settlement after 12 months shown under non-current liabilities	490	130

The weighted average incremental borrowing rate applied to lease liabilities was 4.75% (2024: 4.75%) per annum during the year ended 31 December 2025.

(c) The amounts recognised in the consolidated statement of profit or loss in relation to leases are as follows:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	57	57

Notes to the Consolidated Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

16 INTANGIBLE ASSETS

	Technological know-how RMB'000	Software RMB'000	In-progress research and development projects RMB'000	Total RMB'000
Cost:				
At 1 January 2024	2,000	204	22,066	24,270
Additions	–	24	5,783	5,807
At 31 December 2024, 1 January 2025 and 31 December 2025	2,000	228	27,849	30,077
Accumulated amortisation:				
At 1 January 2024	(1,717)	(2)	–	(1,719)
Charge for the year	(200)	(23)	–	(223)
At 31 December 2024 and 1 January 2025	(1,917)	(25)	–	(1,942)
Charge for the year	(83)	(23)	–	(106)
At 31 December 2025	(2,000)	(48)	–	(2,048)
Net book value:				
At 31 December 2025	–	180	27,849	28,029
At 31 December 2024	83	203	27,849	28,135

The amortisation charge is included in “General and administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Investment fund	9,868	9,275

The financial assets at FVPL of the Group represent investment in an unlisted investment fund which mainly invest in various unlisted Chinese pharmaceutical production entities. The fair value of the unlisted investment fund was determined with reference to unobservable market data, which was categorised within level 3 of the fair value hierarchy (note 33(e)).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES

The particulars of subsidiaries of the Group are as follows. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation/ establishment and operations and nature of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Jinli International Limited	British Virgin Islands	1 ordinary share	100%	100%	–	Investing holding company
Wealth Depot (Hong Kong) Limited ("Wealth Depot")	Hong Kong	500,000 ordinary shares	100%	–	100%	Investing holding company
Cloud Dollar Investments Limited ("Cloud Dollar")	Hong Kong	1 ordinary share	100%	–	100%	Investing holding company
Nanyang Hengsheng Enterprise Management Services Limited* 南陽衡盛企業管理服務有限公司	The PRC limited liability company	USD8,000,000	100%	–	100%	Investing holding company
Henan Fusen Pharmaceutical Company Limited* 河南福森藥業有限公司	The PRC limited liability company	RMB76,759,800	100%	–	100%	Manufacturing and sale of pharmaceutical products
Henan Xichuan Fushan Medicinal Packaging Company Limited* 河南省浙川伏山藥用包材有限責任公司	The PRC limited liability company	RMB2,600,000	100%	–	100%	Manufacturing and sale of pharmaceutical package materials
Beijing Sanye Mingming Pharmaceutical Technology Company Limited* 北京三也明明醫藥科技有限公司	The PRC limited liability company	RMB3,000,000	50%**	–	50%	Research and development of pharmaceutical products
Shanghai Shengkuang Business Management & Consulting Co., Ltd.* 上海盛匡企業管理諮詢有限公司	The PRC limited liability company	RMB1,000,000	100%	–	100%	Business management & consulting
Fusen (Shenzhen) Biomedical R & D Co., Ltd.* 福森(深圳)生物醫藥研發有限公司	The PRC limited liability company	RMB15,000,000	100%	–	100%	Research and development of pharmaceutical products
Fusen Pharmaceutical (Macau) Company Limited 福森藥業(澳門)有限公司	Macau	USD10,000,000	100%	–	100%	Investing holding company

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

18 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Company name	Place of incorporation/ establishment and operations and nature of legal entity	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited* 嘉亨(珠海橫琴)醫藥科技有限公司	The PRC limited liability company	RMB10,000,000	100%	–	100%	Research and development of pharmaceutical products
Nanyang Fusen Construction Co., Ltd.* 南陽福森建設有限公司	The PRC limited liability company	RMB100,000,000	100%	–	100%	Sale of construction materials
Henan Hengsheng Pharmaceutical Co., Ltd.* 河南衡盛製藥有限公司	The PRC limited liability company	RMB100,000,000	100%	–	100%	Research and development of pharmaceutical products
Henan Jiaheng Pharmaceutical Co., Ltd.* 河南嘉亨醫藥有限公司	The PRC limited liability company	RMB100,000,000	100%	–	100%	Sale of pharmaceutical products
Henan Fusen Pharmacy Co., Ltd.* 河南福森大藥房有限公司	The PRC limited liability company	RMB1,000,000	100%	–	100%	Sale of pharmaceutical products
Jiaheng (Zhumadian) Pharmaceutical Technology Co., Ltd.* 嘉亨(駐馬店)醫藥科技有限公司	The PRC limited liability company	RMB1,000,000	100%	–	100%	Research and development of pharmaceutical products
Henan Fushen Medical Technology Co., Ltd. 河南福森醫療科技有限公司	The PRC limited liability company	RMB10,000,000	100%	–	100%	Research and development of pharmaceutical products

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

** The Group is eligible to appoint majority of directors of the Board and direct the relevant activities of Sanye Mingming, and the Group has control over Sanye Mingming through majority board representation, with full voting power over relevant activities. No shareholder approval is required for its operational or financial decisions.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

19 INTEREST IN A JOINT VENTURE

Jiangxi Yongfeng Kangde Pharmaceutical Company Limited (“Jiangxi Kangde”), the only joint venture in which the Group participates, is incorporated in the PRC with limited liability and unlisted whose quoted market price is not available. Jiangxi Kangde is principally engaged in importing and sale of a medicine named Kefadim (chemical name: Cefazidime for injection) and other medicines in the PRC market.

Details of the Group’s interest in the joint venture are as follows:

Name of the joint venture	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Jiangxi Yongfeng Kangde Pharmaceutical Company Limited* 江西永豐康德醫藥有限公司	The PRC	Registered capital RMB14,265,335	35.8%	–	35.8%	Sale of pharmaceutical products

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

Summarised financial information of Jiangxi Kangde, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Jiangxi Kangde

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Revenue	718,037	653,884
Profit/(loss) from continuing operations	54,429	(22,264)
Total comprehensive income/(expense)	54,429	(22,213)
Included in the above results:		
Depreciation and amortisation	8,797	4,547
Interest income	(40)	(47)
Income tax	11,661	(9,215)

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

19 INTEREST IN A JOINT VENTURE *(Continued)*

Jiangxi Kangde *(Continued)*

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current assets	247,816	336,161
Non-current assets	83,741	87,088
Current liabilities	(174,296)	(313,566)
Non-current liabilities	–	(102)
Equity	157,261	109,581
Equity attributable to the shareholders	157,261	109,581
Included in the above assets and liabilities		
Cash and cash equivalents	57,049	49,687
Gross amounts of Jiangxi Kangde's net assets	157,261	109,581
Group's effective interest	35.8%	35.8%
Group's share of Jiangxi Kangde's net assets	56,299	39,230
Goodwill arisen on the investment	9,399	9,399
Balance due from Jiangxi Kangde	40,423	38,007
Impact of impairment*	(75,977)	(75,977)
Carrying amount in the Group's interest	30,144	10,659

* During the year ended 31 December 2025, the Group did not recognise any impairment loss (2024: impairment loss of RMB18,690,000) on the interest in Jiangxi Kangde, based on the estimated recoverable amount of the individual assets of Jiangxi Kangde.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

20 INTERESTS IN ASSOCIATES

Weihai Rensheng Pharmaceutical Group Company Limited (“Weihai Rensheng”), the material associate in which the Group participates, is incorporated in the PRC with limited liability and is unlisted whose quoted market price is not available. Weihai Rensheng is principally engaged in manufacturing and sale of traditional herb preparation products in the PRC market.

Name of the associate	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
Weihai Rensheng Pharmaceutical Group Company Limited* 威海人生藥業集團股份有限公司	The PRC	Registered capital RMB76,022,155	34.0%	–	34.0%	Manufacturing and sale of traditional herb preparation products

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

Summarised financial information of Weihai Rensheng, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Weihai Rensheng

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Revenue	135,253	158,388
Loss from continuing operations	(14,799)	(15,603)
Total comprehensive income	(14,799)	(15,603)

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

20 INTERESTS IN ASSOCIATES *(Continued)*

Weihai Rensheng *(Continued)*

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current assets	113,241	111,210
Non-current assets	379,065	415,813
Current liabilities	(172,583)	(249,016)
Non-current liabilities	(218,360)	(162,587)
Equity	101,363	115,420
Equity attributable to the shareholders	34,329	49,129
Gross amounts of Weihai Rensheng's net assets	34,329	49,129
Group's effective interest	34.0%	34.0%
Group's share of Weihai Rensheng's net assets	11,672	16,704
Goodwill arisen on the investment	99,649	99,649
Impact of impairment	(92,460)	(92,460)
Carrying amount in the consolidated financial statements	18,861	23,893

As the performance of Weihai Rensheng is less than satisfactory, the management of the Group has carried out an impairment assessment on Weihai Rensheng CGU at 31 December 2025 and 2024. The recoverable amount of Weihai Rensheng CGU is the greater of its VIU and the FVLCOF of the Group's interest in an associate. When the carrying amount of the CGU exceeds its VIU, the Group also assesses its FVLCOF to determine the Weihai Rensheng CGU's recoverable amount, which is higher than its VIU. The VIU calculation uses cash flow projections covering a five-year period based on financial budgets prepared by the management of Weihai Rensheng and strategic projections representing the best estimated future performance of Weihai Rensheng.

The key assumptions for the discounted cash flow calculation are as follows, which are based on either the past experience or external sources of information:

	At 31 December	
	2025	2024
5-Year Compound Annual Growth Rate of Revenue	17%	18%
Gross Margin Range	54% – 58%	60% – 64%
EBITDA Margin Range	6% – 22%	12% – 20%
Steady growth rate used in the extrapolation after budget period	2.2%	2.0%
Discount Rate	20%	20.0%
Estimated cost of disposal	3,000	3,000

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

20 INTEREST IN ASSOCIATES *(Continued)*

Weihai Rensheng *(Continued)*

The FVLCO of Weihai Rensheng CGU is estimated based on the aggregated fair value of the existing business (estimated using the income approach) and the drug licences (estimated using recent or expected transaction price), less costs of disposal. The key unobservable input is discount rate and transaction price of drug licences. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The recoverable amount of the interest in associate estimated based on the higher of VIU and FVLCO is RMB18,700,000. No Impairment loss was provided during the year ended 31 December 2025. As the interest in associate has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable would result in further impairment losses.

In the opinion of the directors of the Company, the aggregate amount of other associates is not material and thus, is not separately disclosed.

21 LONG-TERM PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Other receivables from government-related construction entities*	113,664	62,234
Prepayment for technological know-how	1,100	1,100
Prepayment for equipment	1,000	957
	115,764	64,291

* The amounts represent receivables from government related construction entities in respect of certain government projects of which RMB50,000,000 (2024: RMB81,223,000) that was expected to be settled within one year was classified as current assets, and RMB113,665,000 (2024: RMB62,234,000) that was expected to be settled not within one year was classified as non-current assets respectively.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

22 INVENTORIES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Raw materials	52,050	46,197
Work in progress	15,465	23,764
Finished goods	30,546	64,114
Contract costs	—	3,007
	98,061	137,082

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Carrying amount of inventories sold		
— charged to cost of sales	159,719	163,392
— charged to other income and other gains or losses, net	210	835
Cost of inventories recognised as expense	159,929	164,227

The directors of the Company have assessed the net realisable values and conditions of the Group's inventories as at 31 December 2025, which resulted in no impairment loss/written off on inventories was recognised for the year ended 31 December 2025 (2024: nil).

As at 31 December 2025, no inventories was pledged as security by the Group (2024: RMB35,007,000 was pledged as security).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

23 TRADE AND BILLS RECEIVABLES

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Bills receivables*		53,750	52,617
Trade receivables			
<i>Represented by:</i>			
Third parties		70,961	64,442
Related parties	35	–	11,400
		70,961	75,842
Less: allowance for credit losses		(2,756)	(14,581)
		68,205	61,261
		121,955	113,878

- * At 31 December 2025, the Group's bills receivables of RMB22,976,000 and RMB30,580,000 (2024: RMB29,127,000 and RMB21,835,000) were endorsed to suppliers and discounted to banks, respectively. In accordance to the relevant laws in the PRC, the holders of the relevant bills have a right of recourse against the Group if the issuing banks default payment. As the Group has not transferred the substantial risks and rewards relating to these bills receivables, the Group's management determined not to derecognise the carrying amounts of these bills receivables and the associated trade payables.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

23 TRADE AND BILLS RECEIVABLES *(Continued)*

Ageing analysis

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

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

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current to 3 months	67,203	30,593
4 to 6 months	391	20,969
7 to 12 months	334	9,480
Over 12 months	277	219
	68,205	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. Further details on the Group's credit policy are set out in Note 33(a).

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

24 PREPAYMENTS AND OTHER RECEIVABLES

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
Receivables in connection with compensation for relocation of production facilities from local government		40,607	40,607
Prepayments for raw materials		94,760	37,640
Deductible input VAT		2,235	17,388
Prepayments to related parties	35	8,678	8,556
Other receivables from government-related construction entities	21	50,000	81,223
Other receivables from staff		5,940	4,945
Other receivables from staff family		2,643	2,643
Advance to salesperson		2,782	2,142
Others		20,969	13,828
Less: allowance for credit losses		(37,779)	(21,376)
		190,835	187,596

25 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise of:

	As at 31 December			
	2025 Effective interest rate	RMB'000	2024 Effective interest rate	RMB'000
Bank deposits carrying variable interest rates	0.01%–0.15%	83,843	0.01%–0.10%	21,056

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank and other loans RMB'000 (Note 29)	Amounts due to related parties RMB'000 (Note 28)	Interests payable RMB'000 (Note 28)	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	342,256	4,606	2,000	1,859	350,721
Changes from financing cash flows:					
Proceeds from bank and other loans	776,088	–	–	–	776,088
Repayment of bank and other loans	(734,425)	–	–	–	(734,425)
Borrowing costs paid	–	–	(17,912)	–	(17,912)
Capital element of lease rentals paid	–	–	–	(1,236)	(1,236)
Interest element of lease rentals paid	–	–	–	(57)	(57)
Total changes from financing cash flows	41,663	–	(17,912)	(1,293)	22,458
Other changes					
Interest on bank and other loans (Note 6)	–	–	20,084	–	20,084
Interest on lease liabilities	–	–	–	57	57
Increase in lease liabilities from entering into new leases during the year	–	–	–	581	581
Net losses on disposal of lease liabilities	–	–	–	(150)	(150)
Foreign exchange gain, net	(1,279)	–	–	–	(1,279)
Total other changes	(1,279)	–	20,084	488	19,293

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank and other loans RMB'000 (Note 29)	Amounts due to related parties RMB'000 (Note 28)	Interests payable RMB'000 (Note 28)	Lease liabilities RMB'000	Total RMB'000
At 31 December 2024 and 1 January 2025	382,640	4,606	4,172	1,054	392,472
Changes from financing cash flows:					
Proceeds from bank and other loans	300,280	–	–	–	300,280
Repayment of bank and other loans	(372,790)	–	–	–	(372,790)
Borrowing costs paid	–	–	(20,299)	–	(20,299)
Advances from related parties	–	36,416	–	–	36,416
Capital element of lease rentals paid	–	–	–	(1,254)	(1,254)
Interest element of lease rentals paid	–	–	–	(57)	(57)
Total changes from financing cash flows	(72,510)	36,416	(20,299)	(1,311)	(57,704)
Other changes					
Interest on bank and other loans (Note 6)	–	–	20,299	–	20,299
Disposal of a subsidiary (Note 38)	(9,850)	–	–	–	(9,850)
Interest on lease liabilities	–	–	–	57	57
Increase in lease liabilities from entering into new leases during the year	–	–	–	1,149	1,149
Net losses on disposal of lease liabilities	–	–	–	–	–
Foreign exchange gain, net	–	–	–	–	–
Total other changes	(9,850)	–	20,299	1,206	11,655
At 31 December 2025	300,280	41,022	4,172	949	346,423

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS *(Continued)*

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	557	474
Within financing cash flows	1,254	1,236
	1,811	1,710

26 TRADE AND BILLS PAYABLES

Trade and bills payables are analysed as follows:

		As at 31 December	
	Note	2025 RMB'000	2024 RMB'000
Bills payables		22,976	29,127
Trade payables			
<i>Represented by:</i>			
Third parties		116,749	91,630
Related parties	35	8,437	2,709
		148,162	123,466

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

26 TRADE AND BILLS PAYABLES *(Continued)*

Ageing analysis

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:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Current to 3 months	59,026	56,377
4 to 6 months	6,907	8,298
7 to 12 months	23,997	19,198
Over 12 months	58,232	39,593
	148,162	123,466

The credit terms granted by the Group's suppliers generally ranged from 0 to 6 months.

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

For the information of trade payables settled by endorsement of bills receivables, please refer to Note 23.

27 CONTRACT LIABILITIES

	2025	2024
	RMB'000	RMB'000
Amounts received in advance of the sales delivery	7,550	8,940

The following table shows the revenue recognised during the year that relates to carried-forward contract liabilities.

	2025	2024
	RMB'000	RMB'000
At beginning of the year	8,940	3,895
Revenue recognised from performance obligation satisfied that was included in contract liabilities at beginning of the year	(2,440)	(2,548)
Amount received in advance of the sales delivery	1,050	7,593
At end of the year	7,550	8,940

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

27 CONTRACT LIABILITIES *(Continued)*

The contract liabilities primarily relate to the advance consideration received from customers for the sales delivery, for which revenue is recognised at a point in time. This will be recognised as revenue when the goods are delivered to the customers. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2025 and 2024 and the expected timing of recognising revenue are as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
— within one year	1,050	8,940
— more than one year but not more than two years	6,500	—
	7,550	8,940

The amount of RMB2,440,000 that was included in the contract liabilities at the beginning of the year has been recognised as revenue in 2025 (2024: RMB2,548,000). Almost all the balances of the contract liabilities at 31 December 2025 are expected to be recognised as revenue within one year.

28 ACCRUALS AND OTHER PAYABLES

		As at 31 December	
	Notes	2025	2024
		RMB'000	RMB'000
Rebate payables		32,163	29,390
Accrued charges		28,465	19,816
Advances from related parties	25(b) & 35(c)	4,606	4,606
Other payables to related parties	35(c)	36,416	5,230
Dividends payable		4,507	4,623
Other tax payables		37,492	22,476
Salary, bonus and staff welfare payable		98,103	84,981
Payables to contractors and equipment suppliers		88,239	56,832
Deposits from salesperson		5,657	5,323
Interests payable	25(b)	4,172	4,172
Housing fund collected from staff		4,565	4,286
Fund from local finance bureau*		2,134	5,887
Research and development expenses payable		58,070	62,038
Others		22,359	20,409
		426,948	330,069

* The fund is interest-free and repayable on demand.

All the accruals and other payables are expected to be settled or recognised as profit or loss within one year or are repayable on demand.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

29 BANK AND OTHER LOANS

	Notes	2025		2024	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
Borrowings from banks					
— secured	14,15	3.50%–5.50%	64,950	3.75%–5.50%	128,650
— guaranteed		2.70%–4.90%	204,750	4.90%–5.05%	176,000
Other loans		0.68%–3.07%	30,580	0.94%–9.00%	77,990
Total			300,280		382,640

The guaranteed bank loans were guaranteed by entities controlled by the ultimate controlling party of the Company and an entity controlled by a director of the Company, Mr. Cao Zhiming.

Other loans are consisting primarily of discounted bills receivables.

The borrowings were repayable as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 1 year or on demand	293,280	303,540
After 1 year but within 2 years	7,000	73,100
After 2 year but within 5 years	–	6,000
	300,280	382,640

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

30 DEFERRED INCOME ON GOVERNMENT GRANTS

The amount represented receipt of grants by the Group from local government authority in the PRC. The movements in deferred income on government grants are as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	18,124	10,231
Advances from government not yet recognised in profit or loss	–	9,519
Recognised in profit or loss	(1,626)	(1,626)
At 31 December	16,498	18,124
Analysed as:		
— Current	1,626	1,626
— Non-current	14,872	16,498
	16,498	18,124

Government grants relating to research and development activities are included as deferred income on government grants and are credited to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the expected periods of the related research and development activities for which the grants are intended to compensate.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

31 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES

(a) Movement of each component of deferred tax assets and liabilities:

(i) The components of deferred tax assets recognised and the movements during the year are as follows:

	Government grants RMB'000	Allowance of credit loss RMB'000	Depreciation and amortisation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	1,535	539	1,075	1,872	5,021
Credited/(charged) to profit or loss	1,184	579	(216)	250	1,797
At 31 December 2024 and 1 January 2025	2,719	1,118	859	2,122	6,818
Charged to profit or loss	(244)	(1,118)	(859)	(2,122)	(4,343)
At 31 December 2025	2,475	–	–	–	2,475

(ii) The components of deferred tax liabilities recognised and the movements during the year are as follows:

Deferred tax arising from:	PRC dividend withholding tax RMB'000	Fair value measurements RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	152	144	–	296
(Credited)/charged to profit or loss	(152)	(144)	181	(115)
At 31 December 2024 and 1 January 2025	–	–	181	181
Charged to profit or loss	–	–	(181)	(181)
At 31 December 2025	–	–	–	–

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

31 DEFERRED TAX ASSETS/DEFERRED TAX LIABILITIES *(Continued)*

(a) Movement of each component of deferred tax assets and liabilities: *(Continued)*

(iii) The net amounts of deferred tax assets and deferred tax liabilities after offsetting are as follows:

	As at 31 December 2025		As at 31 December 2024	
	Offsetting amount	Amount after offsetting	Offsetting amount	Amount after offsetting
Deferred tax assets	–	2,475	(181)	6,818
Deferred tax liabilities	–	–	181	–

(b) Deferred tax assets not recognised

As at 31 December 2025, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB246,030,000 (2024: RMB206,070,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The Group's tax losses of RMB94,720,000, RMB111,350,000 and RMB39,960,000 carried forward will expire in 2028, 2029 and 2030 respectively.

(c) Deferred tax liabilities not recognised

Pursuant to Enterprise Income Tax Law in the PRC and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends declared to foreign investors from its PRC subsidiaries.

As at 31 December 2025 temporary differences relating to the reserves of the Company's PRC subsidiaries amounted to RMB217,202,000 (2024: RMB250,681,000), comprised retained earnings of RMB163,006,000 (2024: RMB196,485,000) and statutory surplus reserve of RMB54,071,000 (2024: RMB54,071,000).

The Company controls the dividend policy of these subsidiaries, and it has been determined that 85% of the profit for the years will not be distributed in the foreseeable future. Also, the Company has no plan to liquidate these subsidiaries in the foreseeable future. As a result, no deferred tax liability was recognised relating to the profits resolved not to be distributed in the foreseeable future as mentioned above.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Treasury shares reserve RMB'000	Capital redemption reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2024	6,310	230,776	(83)	465	29,261	14,984	(52,253)	229,460
Loss for the year	-	-	-	-	-	-	(3,697)	(3,697)
Other comprehensive income	-	-	-	-	-	4,333	-	4,333
Equity settled share-based transactions	-	-	-	-	805	-	-	805
Purchase of own shares	-	(6,416)	(48)	-	-	-	-	(6,464)
Cancellation of treasury shares								
— Par value	(131)	-	131	-	-	-	-	-
— Transfer between reserves	-	(131)	-	131	-	-	-	-
Balance at 31 December 2024 and 1 January 2025	6,179	224,229	-	596	30,066	19,317	(55,950)	224,437
Loss for the year	-	-	-	-	-	-	(3,672)	(3,672)
Other comprehensive expense	-	-	-	-	-	1,367	-	1,367
Transfer upon forfeiture of equity settled share-based transaction	-	-	-	-	(3,411)	-	3,411	-
Balance at 31 December 2025	6,179	224,229	-	596	26,655	20,684	(56,211)	222,132

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

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

	2025		2024	
	No. of shares	Amount RMB'000	No. of shares	Amount RMB'000
Authorised-ordinary shares of HK\$0.01 each:				
At 1 January and 31 December	2,000,000	16,354	2,000,000,000	16,354
Ordinary shares, issued and fully paid:				
At 1 January	739,301,000	6,179	749,956,000	6,310
Cancellation of treasury shares (Note 32(c)(iii))	–	–	(10,655,000)	(131)
At 31 December	739,301,000	6,179	739,301,000	6,179

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.

(c) Reserves

(i) Share premium

Share premium represented the difference between the par value of shares issued and the amount of net proceeds received from its shareholders of the Company.

(ii) Statutory surplus reserves

Pursuant to applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to the statutory surplus reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory surplus reserve must be made before distribution of dividends to shareholders. The statutory surplus can be utilised to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserves *(Continued)*

(iii) Treasury shares reserve and capital redemption reserve

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

During the year, the Company did not repurchase its own ordinary shares. In 2024, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

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
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
September 2024	–	–	–	–	(10,655,000)	–
	5,734,000			7,117	(10,655,000)	

The amount paid for the repurchase of 5,734,000 shares during the year ended 31 December 2024 was paid out of share premium and treasury shares reserve. The aggregate consideration was HKD7,117,000 (equivalent to approximately RMB6,464,000). In August 2024, the Company cancelled 10,655,000 repurchased shares, the par value of which, amounted to RMB131,000, was transferred to capital redemption reserve. As at 31 December 2025, the Group held zero of the Company's shares (2024: Nil) as treasury shares. Treasury shares are recognised as deduction from equity in the Group's consolidated statement of financial position.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserves *(Continued)*

(iv) Share-based payment reserve

The share-based payment reserve represents the cumulative value of the equity settled share-based transactions granted to employees recognised in accordance with the accounting policy adopted for share-based payments in Note 2(s)(ii).

(v) Other reserves

Other reserves as at the end of the reporting period mainly included contributions by the shareholders and the difference between the considerations paid by the Group and the share of net assets value of the subsidiary acquired from the non-controlling interests.

(vi) Exchange reserve

The exchange reserve comprises exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in Note 2(w).

(d) Distributability of reserves

At 31 December 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as determined under the Companies Law of the Cayman Islands, was RMB215,917,000 (2024: RMB217,662,000).

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and bank deposits. Adjusted capital comprises all components of equity.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

32 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management *(Continued)*

The Group's adjusted net debt-to-capital ratio at 31 December 2025 and 2024 was as follows:

	Notes	As at 31 December	
		2025 RMB'000	2024 RMB'000
Bank and other loans	29	300,280	382,640
Less: cash and cash equivalents	25	(83,843)	(21,056)
Adjusted net debt		216,437	361,584
Total equity		357,921	368,362
Adjusted net debt-to-equity ratio		60.47%	98.16%

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

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from amount due from related parties, other receivables and bank deposits is limited because the counterparties are related parties, banks, government authorities and government related entity, for which the Group considers having low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period nil (2024: 3.4%) and 10.9% (2024: 13.5%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(a) Credit risk *(Continued)*

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group normally requires certain customers to pay 30%–100% deposits upfront and the remaining trade receivables are normally due within 1 to 6 months from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	1.77%	62,457	1,108
1–3 months past due	2.40%	5,998	144
4–6 months past due	8.31%	426	35
7–12 months past due	16.34%	399	65
More than 1 year past due	83.48%	1,681	1,404
		70,961	2,756

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(a) Credit risk *(Continued)*

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	0.8%	37,441	284
1–3 months past due	3.2%	16,600	532
4–6 months past due	14%	6,108	851
7–12 months past due	35%	3,881	1,372
More than 1 year past due	98%	11,812	11,542
		<u>75,842</u>	<u>14,581</u>

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For other receivables, the Group measures loss allowances at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of other receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group has recognised ECL of RMB9,535,000 and RMB16,403,000 in respect of trade receivables and other receivables for the year ended 31 December 2025 respectively.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As mentioned in Note 2(b), the Group experienced an operating loss in 2024 and had net current liabilities. 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.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2025 contractual undiscounted cash outflow					Carrying amounts RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank and other loans	297,316	7,200	2,526	–	307,042	300,280
Trade and bills payables	148,162	–	–	–	148,162	148,162
Accruals and other payables	426,658	–	–	–	426,658	426,658
Lease liabilities	492	439	42	–	973	949
Total	872,628	7,639	2,568	–	882,835	876,049

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(b) Liquidity risk *(Continued)*

	As at 31 December 2024 contractual undiscounted cash outflow					Carrying amounts RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank and other loans	320,611	83,028	6,120	–	409,759	382,640
Trade and bills payables	123,466	–	–	–	123,466	123,466
Accruals and other payables	330,069	–	–	–	330,069	330,069
Lease liabilities	945	130	–	–	1,075	1,054
Total	775,091	83,158	6,120	–	864,369	837,229

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other loans. Interest-bearing liabilities issued at variable rates and borrowings at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's net interest-bearing assets and liabilities at the end of the year:

	2025		2024	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Variable rate interest bank deposits:	0.01%–0.15%	83,843	0.01%–0.10%	21,056
Total interest-bearing assets		83,843		21,056
Fixed rate interest-bearing borrowings:				
Bank loans	3.45%–5.50%	180,150	4.1%–5.50%	63,950
Other borrowings	0.65%–1.65%	30,580	0.94%–9.00%	53,740
Variable rate interest-bearing liabilities:				
Bank loans	2.70%–4.70%	89,550	3.05%–5.05%	264,950
Lease liabilities	4.75%	949	4.75%	1,054
Total interest-bearing liabilities		301,229		383,694

The Group holds bank deposits, including time deposits and demand deposits, as part of its financial assets. These deposits bear interest at variable rates, which serves to partially offset the interest rate risk arising from the Group's interest-bearing liabilities.

The Group continuously monitors the balance between interest-bearing liabilities and bank deposits to manage net interest rate exposure, ensuring that the impact of interest rate fluctuations on overall financial performance remains within a controllable range.

(ii) Sensitivity analysis

Increases in interest rates will increase the cost of interest-bearing liabilities, and therefore could have an adverse effect on the Group's financial position. For the year ended 31 December 2025 and 2024, if interest rates on the variable rate borrowings had increased/decreased 50 basis points while all other variables are held constant, the effect on loss after taxation is approximately RMB339,000 and RMB1,131,000 respectively.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(d) Currency risk

As at 31 December 2025 and 2024, except for certain bank balances which are denominated in HK\$, the currency other than the functional currency of the respective group entities, the Group does not expose to foreign currency exposure as both sales and costs were denominated in the functional currency of respective group entities.

In the opinion of the directors of the Company, as the bank balances which are denominated in HK\$ other than the functional currency of the respective group entities are insignificant, no sensitivity analysis for foreign currency risk is presented.

(e) Fair values measurement

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	Fair value measurements as at		
	31 December	31 December 2025 categorised into		
	2025	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets measured at FVPL	9,868	–	–	9,868

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

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENT *(Continued)*

(e) Fair values measurement *(Continued)*

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

During the years ended 31 December 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the Group's financial assets measured at fair value through profit or loss (FVPL) is approximately equal to their initial investment cost. This is attributable to the short period between the transaction dates of these assets and the end of the reporting period, which results in insignificant changes in fair value during the holding 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 31 December 2025 and 2024.

34 CAPITAL COMMITMENTS

At the end of the reporting period, the Group has capital commitment as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
— research and development projects	41,064	95,094
— government related projects	137,732	191,274
— acquisition of equipment	55,651	65,960
	234,447	352,328

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions disclosed elsewhere in the financial statements, the Group has entered into the following material related party transactions during the year:

	Note	As at 31 December	
		2025 RMB'000	2024 RMB'000
Sales of goods	(i)	2,482	1,871
Purchase of goods	(ii)	39,928	19,570
Receiving ancillary services	(iii)	–	290
Repayment from a joint venture	(iv)	–	11,700
Net withdrawal with a related party	(v)	–	(15)

Notes:

- (i) Represent the electricity sold to a company controlled by a director of the Company.
- (ii) Mainly represent medicinal herbs (*Ionicera japonica*), steams, packaging materials, and daily necessities purchased from entities controlled by the ultimate controlling party of the Company (note 36).
- (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 of advances by the joint venture of the Group.
- (v) Represent net withdrawal placed in the bank which is the associate of the ultimate controlling party of the Company.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Salaries, wages and other benefits	2,910	3,185
Retirement benefits	97	97
	3,007	3,282

Total remuneration is disclosed in "staff costs" (see Note 7(a)).

(c) Balances with related parties

In addition to the balances disclosed elsewhere in the financial statements, the Group has the following material related party balances as at 31 December 2025 and 2024:

	Notes	As at 31 December	
		2025	2024
		RMB'000	RMB'000
Prepayment and other receivables-advances and accrued interests	(i)	3,472	3,472
Prepayment and other receivables-prepayments	(iii)	8,678	8,556
Trade receivables	(i)&(ii)	–	11,400
Trade and bills payables	(iii)	8,437	2,709
Accruals and other payables-advances	(iv)	41,022	4,606
Accruals and other payables-other payables	(iii)	–	5,230

Notes:

- (i) The related party is a joint venture of the Group.
- (ii) The directors of the related company has beneficial interest in the Company.
- (iii) A close family member of a director of the Company has beneficial interests in the related company.
- (iv) The related party is a non-controlling equity holder of one of the Group's subsidiary.

Except for prepayment and other receivables-advances and accrued interests, amounts due to or from related parties are unsecured, interest-free and repayable or receivable on demand.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

35 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Financial guarantees provided by related parties

As disclosed in Note 29, certain bank loans were guaranteed by entities controlled by the ultimately controlling party of the Company and an entity controlled by a director of the Company.

(e) Applicability of the Listing Rules relating to connected transactions

During the year, the related party transactions in respect of purchase of medicinal herbs, construction materials and packaging materials as mentioned in Note 35(a)(ii), constitute continuing connected transactions and connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Directors' Report.

The advances to a joint venture as disclosed in Note 35(a)(iv) do not constitute connected transactions as the directors considered that the joint venture and the Bank are not connected parties of the Group as defined in Chapter 14A of the Listing Rules.

Except for the above, the directors considered all other transactions in 2024 and 2025 disclosed in Note 35(a) are exempted according to 14A.76(1)(c) and 14A.90 of the Listing Rules.

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

At 31 December 2025, the directors consider the immediate parent of the Company to be Full Bliss Holdings Limited and the ultimate controlling party of the Company to be Mr. Cao Zhiming.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

37 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	As at 31 December	
		2025	2024
		RMB'000	RMB'000
Non-current assets			
Right-of-use assets		123	269
Interests in subsidiaries		248,701	248,701
		248,824	248,970
Current assets			
Prepayments and other receivables		32,898	33,019
Cash and cash equivalents		1,057	1,137
		33,955	34,156
Current liabilities			
Lease liabilities		88	192
Accruals and other payables		60,523	58,371
		60,611	58,563
Net current liabilities		(26,656)	(24,407)
Non-Current liabilities			
Lease liabilities		36	126
		36	126
Net assets		222,132	224,437
Capital and reserves			
Share capital	32(b)	6,179	6,179
Reserves	32(c)	215,953	218,258
Total equity		222,132	224,437

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

38 DISPOSAL OF A SUBSIDIARY

On 19 September 2025, the Company entered into a sale and purchase agreement to dispose of the entire equity interests in Henan Fusen Intelligent Energy Conservation Technology Company Limited 河南福森智慧節能科技有限公司 (“Intelligent Energy”), an indirect wholly-owned subsidiary of the Company, at a cash consideration of approximately RMB73,000,000 to an independent third party. Details were set out in the announcements dated 19 September 2025 and 27 October 2025 of the Company. The disposal of Intelligent Energy was completed on 19 September 2025, and upon completion of the disposal, Intelligent Energy ceased to be the subsidiary of the Company.

Details of net assets disposed of in respect of the Intelligent Energy at the date of disposal are summarised below:

	RMB'000
Property, plant and equipment	70,458
Trade receivables	1,696
Cash and bank balances	107
Prepayments and other receivables	8,995
Trade payables	(155)
Income tax payable	(29)
Bank loans	(9,850)
Net assets disposed of:	71,222
Gain on disposal of Intelligent Energy	1,778
Total consideration	73,000
Consideration:	
Cash received	73,000
Net cash inflows arising from disposal of Intelligent Energy:	
Cash received	73,000
Less: cash and bank balances disposed of	(107)
	72,893

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

39 NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

	Effective for years beginning on or after
Amendments to IFRS 9 and IFRS 7 — Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
Amendments to IFRS 9 and IFRS 7 — Contracts Referencing Nature-dependent Electricity	1 January 2026
IFRS 18 — Presentation and Disclosures in Financial Statements	1 January 2027
Amendments to IAS 21 — Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	No mandatory effective date yet determined but available for adoption

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

Notes to the Consolidated Financial Statements *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

39 NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE *(Continued)*

IFRS 18, and consequential amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

40 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2025 (2024: Nil).

41 EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 December 2025 and up to the date of this report which would materially affect the Group's operations and financial performance.

42 COMPARATIVE FIGURES

For the consolidated statement of financial position as at 31 December 2025, below items have been reclassified or presented as separate line item.

1. RMB1,626 deferred income on government grants has been classified from non-current to current nature.
2. RMB6,500 contract liabilities has been classified from current to non-current nature.

In addition, to conform with current year's presentation, certain comparative figures for the line items on the consolidated statement of profit or loss and other comprehensive income have been reclassified. No further information is presented as there is no significant impact to the loss/profit before tax.

43 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issued by the board of directors on 31 March 2026.