

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **Fusen Pharmaceutical Company Limited**

**福森藥業有限公司**

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

**(Stock Code: 1652)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “**Board**”) of Fusen Pharmaceutical Company Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023.

#### **FINANCIAL HIGHLIGHTS**

- Our revenue decreased by approximately 41.6% from approximately RMB336.4 million in the first half of 2023 to approximately RMB196.3 million in the first half of 2024.
- Our gross profit decreased by approximately 40.9% from approximately RMB179.1 million for the first half of 2023 to approximately RMB105.9 million for the first half of 2024.
- Loss attributable to equity shareholders of the Company was approximately RMB36.9 million for the first half of 2024 as compared to profit of approximately RMB16.5 million for the first half of 2023.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2024 — unaudited*

*(Expressed in Renminbi (RMB)'000 unless otherwise indicated)*

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Revenue</b>	4	<b>196,322</b>	336,437
Cost of sales		<u>(90,450)</u>	<u>(157,319)</u>
<b>Gross profit</b>		<b>105,872</b>	179,118
Other net income/(loss)		<b>3,080</b>	(1,443)
Selling and distribution expenses		<b>(52,218)</b>	(79,091)
General and administrative expenses		<b>(36,214)</b>	(35,755)
Research and development expenses		<b>(57,059)</b>	(24,028)
<b>(Loss)/profit from operations</b>		<b>(36,539)</b>	38,801
Finance income		<b>19</b>	752
Finance costs		<b>(7,375)</b>	(2,993)
Net finance costs		<b>(7,356)</b>	(2,241)
Share of loss of a joint venture		<b>(361)</b>	(12,805)
Share of loss of an associate		<b>(1,069)</b>	(859)
<b>(Loss)/profit before taxation</b>		<b>(45,325)</b>	22,896
Income tax expenses	5	<b>8,376</b>	(6,449)
<b>(Loss)/profit for the period</b>		<b>(36,949)</b>	16,447
<b>Other comprehensive income for the period (after tax)</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
— Exchange differences on translation of financial statements of the Company and overseas subsidiaries		<b>(106)</b>	(87)
<b>Other comprehensive income for the period</b>		<b>(106)</b>	(87)
<b>Total comprehensive income for the period</b>		<b>(37,055)</b>	16,360
<b>(Loss)/profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>(36,941)</b>	16,456
Non-controlling interests		<b>(8)</b>	(9)
		<b>(36,949)</b>	16,447
<b>Total comprehensive income for the period attributable to:</b>			
Equity shareholders of the Company		<b>(37,047)</b>	16,369
Non-controlling interests		<b>(8)</b>	(9)
		<b>(37,055)</b>	16,360
<b>(Loss)/earnings per share</b>			
Basic (RMB cents)	6(a)	<b>(5)</b>	2
Diluted (RMB cents)	6(b)	<b>(5)</b>	2

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 — unaudited

(Expressed in RMB'000 unless otherwise indicated)

	<i>Note</i>	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
<b>Non-current assets</b>			
Investment property		14,834	15,388
Other property, plant and equipment		389,056	350,264
Right-of-use assets		241,709	211,918
Intangible assets		28,379	22,551
Interest in a joint venture		36,954	37,302
Interest in an associate		99,590	100,659
Financial assets measured at fair value through profit or loss (“FVPL”)		9,446	11,013
Deferred tax assets		13,211	5,021
Other assets		—	22,827
		<u>833,179</u>	<u>776,943</u>
<b>Current assets</b>			
Other financial assets		—	1,279
Inventories		140,835	161,718
Trade receivables	7	155,749	183,482
Prepayments and other receivables	8	204,751	185,474
Restricted bank deposit		36	—
Cash and cash equivalents		2,823	34,849
		<u>504,194</u>	<u>566,802</u>
<b>Current liabilities</b>			
Trade and bills payables	9	133,604	167,545
Lease liabilities		1,632	1,087
Contract liabilities		1,485	3,895
Accruals and other payables		308,269	249,351
Bank and other loans		240,644	236,556
Current taxation		5,174	6,086
		<u>690,808</u>	<u>664,520</u>
<b>Net current liabilities</b>		<u>(186,614)</u>	<u>(97,718)</u>
<b>Total assets less current liabilities</b>		<u>646,565</u>	<u>679,225</u>

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in RMB'000 unless otherwise indicated)*

### 1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

### 2 BASIS OF PREPARATION

The interim financial results set out in this announcement do not constitute the Group’s interim financial report for the six months ended 30 June 2024 but are extracted from that interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 29 August 2024.

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

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

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

## **Material uncertainty related to going concern**

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

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

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

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

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

### 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

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

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

### 4 REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Manufacturing products</b>		
Shuanghuanglian Oral Solutions	83,900	165,916
Shuanghuanglian Injections	54,836	51,201
Others	53,328	101,690
<b>Subtotal</b>	<b>192,064</b>	<b>318,807</b>
Third-party products	4,258	17,630
<b>Total</b>	<b>196,322</b>	<b>336,437</b>

Revenue is recognised at point in time.

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

**(b) Segment information**

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

**5 INCOME TAX EXPENSES**

Amounts recognised in profit or loss:

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

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

In accordance with the Enterprise Income Tax Law of the PRC (“**the Income Tax Law**”), enterprise income tax rate for the Group's PRC subsidiaries during the six months ended 30 June 2024 is 25% (2023: 25%).

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

According to the Income Tax Law and its implementation rules, dividends receivable by non-PRC resident investors from PRC entities are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008.



## 6 (LOSS)/EARNINGS PER SHARE

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

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

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

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

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

## 7 TRADE RECEIVABLES

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

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

## Ageing analysis

Bills receivable are bank acceptance bill received from customers, maturity dates within 6 months to 12 months.

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

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current to 3 months	38,520	50,473
4 to 6 months	29,294	7,255
7 to 12 months	3,220	6,805
Over 12 months	460	1,444
	<u>71,494</u>	<u>65,977</u>

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

## 8 PREPAYMENTS AND OTHER RECEIVABLES

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

## 9 TRADE AND BILLS PAYABLES

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

	At <b>30 June</b> <b>2024</b> <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current to 3 months	<b>61,663</b>	129,463
4 to 6 months	<b>11,972</b>	15,710
7 to 12 months	<b>52,378</b>	4,919
Over 12 months	<b>7,591</b>	17,453
	<u><b>133,604</b></u>	<u>167,545</u>

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

## 10 SHARE CAPITAL

	2024		2023	
	No. of shares	Amount <i>RMB'000</i>	No. of shares	Amount <i>RMB'000</i>
Authorised ordinary shares of HKD0.01 each:				
At 1 January and 30 June	<u><b>2,000,000,000</b></u>	<u><b>16,354</b></u>	<u>2,000,000,000</u>	<u>16,354</u>
Ordinary shares, issued and fully paid:				
At 1 January and 30 June	<u><b>749,956,000</b></u>	<u><b>6,310</b></u>	<u>758,439,000</u>	<u>6,383</u>

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.

## 11 DIVIDENDS

The directors of the Company did not propose the payment of any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **EXTRACT OF REVIEW REPORT**

The following is an extract of the review report from the Company's auditor, KPMG, on the Group's interim financial report for the six months ended 30 June 2024:

### **“Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### **Material uncertainty related to going concern**

We draw attention to note 2 to the interim financial information, which indicates that the Group experienced an operating loss for the six months ended 30 June 2024 and had net current liabilities of the Group amounted to RMB186,614,000 as at 30 June 2024. In particular, the Group only had cash and cash equivalents of RMB2,823,000, which may not be sufficient to meet its working capital and financing requirements. These conditions, along with other matters as set forth in note 2, 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.”

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Future Prospects

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

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

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

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

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

## Financial Review

### Sales performance

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

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

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

### ***Gross profit and margin***

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

### ***Other net income/(loss)***

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

### ***Selling and distribution expenses***

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

### ***General and administrative expenses***

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

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

### ***Research and development expenses***

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



### ***Net finance costs***

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

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

### **Share of loss of a joint venture**

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

### **Income tax expenses**

Income tax primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Henan Fusen, our subsidiary, was certified as a High New Technology Enterprise in Henan province and has been entitled to a preferential income tax rate of 15%. Income tax expenses decreased from approximately RMB6.4 million in the first half year of 2023 to approximately negative RMB8.4 million in the first half of 2024. The decrease was mainly attributable to the recognition for deferred tax credit of RMB8.4 million and current tax had not been provided as there is no assessable profit for the six months ended 30 June 2024.

### **Capital Expenditures**

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

### **Capital Structure**

The Group's capital structure consists of equity interest attributable to shareholders and liabilities. As at 30 June 2024, the Group's equity interest attributable to shareholders amounted to approximately RMB520.5 million (31 December 2023: approximately RMB563.5 million) in aggregate and total liabilities amounted to approximately RMB818.2 million (31 December 2023: approximately RMB781.5 million). The Group is committed to maintaining an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for shareholders.

## **Liquidity and Financial Resources**

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

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

## **Gearing Ratio**

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

## **Exchange Risk**

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

## **Human Resources**

As at 30 June 2024, the Group had a total of 1,140 employees (31 December 2023: 1,154 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's and individual's performance.

For the first half year of 2024, the total staff cost (including Director's emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB41.4 million (six months ended 30 June 2023: RMB57.6 million).

## Commitment

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

	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
Contracted for	<u><b>250,597</b></u>	<u>82,205</u>

## Contingent Liabilities

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

## Pledge of Assets

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

## CORPORATE GOVERNANCE

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

The Company has adopted the code provisions stated in the Corporate Governance Code (the "Code") as set out in Appendix C1 to the Listing Rules. Throughout the period from 1 January 2024 to 30 June 2024, save for code provision C.6.1 of the Code, the Company has complied with all applicable code provisions set out in the Code.

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

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) on 14 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Code. During the six months ended 30 June 2024, the Audit Committee consisted of three independent non-executive Directors, Mr. Sze Wing Chun (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Lee Kwok Tung, Louis and Dr. To Kit Wa.

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

## **REVIEW OF THE INTERIM RESULTS**

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed interim financial report for the six months ended 30 June 2024. It has also reviewed the unaudited condensed interim financial report for the six months ended 30 June 2024 with the management and the auditor of the Company and recommended them to the Board for approval.

The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants.

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

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

## **THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code for the six months ended 30 June 2024.

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

During the six months ended 30 June 2024, the Company repurchased a total of 5,734,000 shares of the Company (the "Shares") on the Stock Exchange at an aggregate consideration of (excluding expenses) approximately HK\$7.1 million. No repurchased Shares were cancelled during the six months ended 30 June 2024. Details of the repurchases of Shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$'000	Number of Shares cancelled
		Highest HK\$	Lowest HK\$		
January and April 2024	5,734,000	1.39	0.83	7,117	–

The repurchases of Shares were made by the Directors, pursuant to the general mandates granted by the Shareholders at the annual general meetings held on 30 May 2023 and 28 May 2024 with a view to benefiting the Shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2024 and up to the date of this announcement.

## **INTERIM DIVIDEND**

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

## **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

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

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules is to be dispatched to the Shareholders of the Company and made available for review on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.fusenyy.com](http://www.fusenyy.com) by September 2024.

By order of the Board  
**Fusen Pharmaceutical Company Limited**  
**Cao Changcheng**  
*Chairman and Executive Director*

Hong Kong, 29 August 2024

*As at the date of this announcement, the Board of the Company comprises Mr. Cao Changcheng (Chairman), Mr. Hou Taisheng, Mr. Chi Yongsheng, Ms. Meng Qingfen and Mr. Cao Zhiming as executive Directors, and Mr. Sze Wing Chun, Mr. Lee Kwok Tung Louis and Dr. To Kit Wa as independent non-executive Directors.*

\* *For identification purposes only*