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Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB326.0 million for the year ended 31 December 2024, representing a decrease of approximately 42.4% as compared to approximately RMB565.6 million for the year ended 31 December 2023.
- Gross profit decreased by approximately 45.7% from approximately RMB299.5 million for the year ended 31 December 2023 to approximately RMB162.6 million for the year ended 31 December 2024.
- Gross profit margin was approximately 49.9% for the year ended 31 December 2024, representing a decrease of approximately 3.1% as compared to approximately 53.0% for the year ended 31 December 2023.
- Loss attributable to equity shareholders of the Company was approximately RMB188.8 million for the year ended 31 December 2024 as compared to loss of approximately RMB36.3 million for the year ended 31 December 2023.
- Basic loss per share was approximately RMB26 cents for the year ended 31 December 2024 as compared to basic loss per share of approximately RMB5 cents for the year ended 31 December 2023.
- The Board does not recommend the distribution of any final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil).

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fusen Pharmaceutical Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in RMB’000 unless otherwise indicated)

		Year ended 31 December	
	Note	2024	2023
		RMB’000	RMB’000
Revenue	3	326,029	565,608
Cost of sales		<u>(163,392)</u>	<u>(266,102)</u>
Gross profit		162,637	299,506
Other net income	4	17,395	146
Selling and distribution expenses		(80,998)	(139,541)
General and administrative expenses		(60,285)	(74,898)
Research and development expenses		<u>(106,260)</u>	<u>(65,197)</u>
(Loss)/Profit from operations		<u>(67,511)</u>	<u>20,016</u>
Finance income		24	424
Finance costs		<u>(18,862)</u>	<u>(9,267)</u>
Net finance costs		<u>(18,838)</u>	<u>(8,843)</u>
Share of loss and impairment of a joint venture		(26,661)	(11,186)
Share of loss and impairment of an associate		<u>(77,436)</u>	<u>(29,435)</u>
Loss before taxation	5	(190,446)	(29,448)
Income tax	6	<u>1,646</u>	<u>(6,847)</u>
Loss for the year		<u><u>(188,800)</u></u>	<u><u>(36,295)</u></u>

		Year ended 31 December	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
Attributable to:			
Equity shareholders of the Company		(188,783)	(36,277)
Non-controlling interests		<u>(17)</u>	<u>(18)</u>
Loss for the year		<u>(188,800)</u>	<u>(36,295)</u>
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of the Company and overseas subsidiaries		<u>(75)</u>	<u>(54)</u>
Other comprehensive income for the year		<u>(75)</u>	<u>(54)</u>
Total comprehensive income for the year		<u>(188,875)</u>	<u>(36,349)</u>
Attributable to:			
Equity shareholders of the Company		(188,858)	(36,331)
Non-controlling interests		<u>(17)</u>	<u>(18)</u>
Total comprehensive income for the year		<u>(188,875)</u>	<u>(36,349)</u>
Loss per share	7		
Basic and diluted (<i>RMB cents</i>)		<u>(26)</u>	<u>(5)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(Expressed in RMB'000 unless otherwise indicated)

		As at 31 December	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
Non-current assets			
Investment property		14,280	15,388
Other property, plant and equipment		383,655	350,264
Right-of-use assets		237,675	211,918
Intangible assets		28,135	22,551
Financial assets measured at fair value through profit or loss (“FVPL”)		9,275	11,013
Interest in a joint venture		10,659	37,302
Interest in associates		23,942	100,659
Deferred tax assets		6,637	5,021
Other assets		64,291	22,827
		778,549	776,943
Current assets			
Other financial assets		–	1,279
Inventories		137,082	161,718
Trade receivables	8	113,878	183,482
Prepayments and other receivables		187,596	185,474
Cash and cash equivalents		21,056	34,849
		459,612	566,802
Current liabilities			
Trade and bills payables	9	123,466	167,545
Lease liabilities		924	1,087
Contract liabilities		8,940	3,895
Accruals and other payables		330,069	249,351
Bank and other loans		303,540	236,556
Current taxation		5,506	6,086
		772,445	664,520
Net current liabilities		(312,833)	(97,718)
Total assets less current liabilities		465,716	679,225

		As at 31 December	
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
Non-current liabilities			
Deferred income		18,124	10,231
Lease liabilities		130	772
Bank and other loans		79,100	105,700
Deferred tax liabilities		—	296
		<u>97,354</u>	<u>116,999</u>
Net assets		<u>368,362</u>	<u>562,226</u>
Capital and reserves			
Share capital	<i>10</i>	6,179	6,310
Reserves		<u>363,492</u>	<u>557,208</u>
Total equity attributable to equity shareholders of the Company		369,671	563,518
Non-controlling interests		<u>(1,309)</u>	<u>(1,292)</u>
Total equity		<u>368,362</u>	<u>562,226</u>

NOTES TO THE FINANCIAL STATEMENTS

(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 is an investment holding company. The Group is principally engaged in manufacturing and sale of pharmaceutical products.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period 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 financial statements.

(b) Basis of preparation of the financial statements

Going concern assumption

Due to the impact of market demand and intense competition, revenue of the Group dropped sharply in 2024. Meanwhile, the Group continued to increase its investment in research and development. As a result, the Group experienced an operating loss amounting to RMB188,800,000 in 2024, and had net current liabilities of the Group amounting to RMB312,833,000 as at 31 December 2024. In addition, the Group is committed to repay bank and other loans amounting to RMB303,540,000 and pay related interest of RMB17,644,000 within one year, of which bank and other loans of RMB207,405,000 and related interest of RMB8,592,000 will be due for repayment in the next six months from the end of the reporting period.

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

- Negotiating with banks to raise new long-term bank loans and renew existing loans. As at the date of approval of these consolidated financial statements, the Group has only successfully renewed bank loans of RMB80,000,000;
- Putting extra efforts in 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; and
- 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.

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements 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 developments have had a material effect on how the Group’s results and financial position for the current year have been prepared or presented in these consolidated financial statements. The Group has not applied any amended standard that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Manufacturing products		
Shuanghuanglian Oral Solutions	146,663	275,766
Shuanghuanglian Injections	78,326	97,986
Others	101,040	176,870
	326,029	550,622
Third party products	–	14,986
	326,029	565,608

Revenue is recognised at a point in time.

During the year ended 31 December 2024, two of the Group's customers (2023: two 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 (2023: RMB77,069,000 and RMB72,148,000, respectively).

(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.

4 OTHER NET INCOME

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Material and scrap sales income, net	1,025	1,939
Rental income	262	495
Government grants	16,610	6,242
Net realised and unrealised losses of listed trading securities and other financial assets at FVPL	(338)	(312)
Net realised and unrealised losses on derivative financial instruments	(1,279)	(3,316)
Net gains/(losses) on disposal of other property, plant and equipment and right-of-use assets	3	(1,124)
Others	1,112	(3,778)
	17,395	146

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Staff costs

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	69,250	92,526
Contributions to defined contribution retirement schemes	8,202	9,902
Share-based payment expenses	805	1,453
	78,257	103,881

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.

(b) Other items

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories*	164,227	269,244
Depreciation of investment property and other property, plant and equipment	34,452	27,901
Depreciation of right-of-use assets	7,036	7,695
Amortisation of intangible assets	223	202
Auditors' remuneration — audit services	3,800	4,008
Recognition of credit losses on trade and other receivables	9,081	17,042

* Cost of inventories includes RMB43,962,000 in 2024 (2023: RMB57,551,000), relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above.

6 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:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current tax — PRC Enterprise Income Tax		
Provision for the year	9,194	12,725
Over-provision in respect of previous years	(8,928)	(2,694)
	<u>266</u>	<u>10,031</u>
Deferred tax		
Origination and reversal of temporary differences	(1,912)	(3,184)
	<u>(1,646)</u>	<u>6,847</u>

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

The Group has no assessable profit in Hong Kong for 2024 (2023: Nil) and is not subject to any Hong Kong Profits tax. Hong Kong Profits tax rate of 2024 is 16.5% (2023: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

In accordance with the Enterprise Income Tax Law of the PRC (“**the Income Tax Law**”), enterprise income tax rate for the Group’s PRC subsidiaries for 2024 is 25% (2023: 25%).

According to the Income Tax Law, the Company’s subsidiaries, Henan Fusen Pharmaceutical Company Limited (“**Henan Fusen**”) and Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited (“**Zhuhai Hengqin**”) were certified as New and High Technology Enterprises, and were entitled to a preferential income tax rate of 15% in 2024 and 2023. The current certification of High and New Technology Enterprise held by Henan Fusen and Zhuhai Hengqin will expire on 28 October 2027 and 28 December 2026 respectively.

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

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before taxation	<u>(190,446)</u>	<u>(29,448)</u>
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	(47,612)	(7,362)
Tax effect of		
Preferential income tax rates applicable to a PRC subsidiary	3,046	(6,370)
Non-deductible expenses	912	1,179
Utilisation of deductible temporary differences not recognised in prior years	–	(222)
Share of loss and impairment of a joint venture	6,665	2,797
Share of loss and impairment of an associate	19,359	7,359
Unused tax losses not recognised	24,664	13,466
Over-provision in respect of previous years	(8,928)	(2,694)
PRC dividends withholding tax	<u>248</u>	<u>(1,306)</u>
Income tax	<u>(1,646)</u>	<u>6,847</u>

7 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 RMB188,783,000 (2023: loss of RMB36,277,000) and the weighted average of 739,982,000 ordinary shares (2023: 752,056,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2024	2023
	'000	'000
Issued ordinary shares at 1 January	749,956	758,439
Effect of repurchase of shares	<u>(9,974)</u>	<u>(6,383)</u>
Weighted average number of ordinary shares at 31 December	<u>739,982</u>	<u>752,056</u>

(b) Diluted loss per share

The diluted loss per share for the years ended 31 December 2024 and 2023 has not taken into account the effect of the outstanding share options as its inclusion would have decreased the loss per share, hence anti-dilutive.

8 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bills receivable*	52,617	117,505
Trade debtors	75,842	84,711
Less: allowance for credit loss	(14,581)	(18,734)
	61,261	65,977
	113,878	183,482

* At 31 December 2024, the Group's bills receivable of RMB29,127,000 and RMB21,835,000 (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 receivable, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables.

Ageing analysis

Bills receivable are bank acceptance bill 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 loss, is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current to 3 months	30,593	50,473
4 to 6 months	20,969	7,255
7 to 12 months	9,480	6,805
Over 12 months	219	1,444
	61,261	65,977

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

9 TRADE AND BILLS PAYABLES

Trade and bills payables are analysed as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Bills payable	29,127	52,570
Trade payables		
Third parties	91,630	113,880
Amounts due to related parties	2,709	1,095
	123,466	167,545

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	
	2024	2023
	RMB'000	RMB'000
Current to 3 months	56,377	129,463
4 to 6 months	8,298	15,710
7 to 12 months	19,198	4,919
Over 12 months	39,593	17,453
	123,466	167,545

All trade and bills 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 31 December	<u>2,000,000,000</u>	<u>16,354</u>	<u>2,000,000,000</u>	<u>16,354</u>
Ordinary shares, issued and fully paid:				
At 1 January	749,956,000	6,310	758,439,000	6,383
Cancellation of treasury shares	<u>(10,655,000)</u>	<u>(131)</u>	<u>(8,483,000)</u>	<u>(73)</u>
At 31 December	<u>739,301,000</u>	<u>6,179</u>	<u>749,596,000</u>	<u>6,310</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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from the Company’s auditor, KPMG, Certified Public Accountants, on the Group’s consolidated financial statements for the year ended 31 December 2024:

“Opinion

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 2024 and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2024 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.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group experienced an operating loss amounting to RMB188,800,000 for the year ended 31 December 2024, and had net current liabilities of the Group amounting to RMB312,833,000 as at 31 December 2024. In addition, the Group is committed to repay bank and other loans amounting to RMB303,540,000 and pay related interest of RMB17,644,000 within one year, of which bank and other loans of RMB207,405,000 and related interest of RMB8,592,000 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, 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

Overview

The Group's net loss for the year ended 31 December 2024 amounted to approximately RMB188.8 million, representing a significant increase in loss by approximately 420.2% compared to the year ended 31 December 2023. The loss from operations for the year ended 31 December 2024 as compared to the profit from operations for the year ended 31 December 2023 was mainly attributable to the significant decline in revenue, which led to the plummeting of gross profit. Meanwhile, the Group continued to invest in research and development according the project schedule. The domestic market continued the trend from the second half of 2023 and remained sluggish. A joint venture and an associate of the Group were also impacted by such market conditions, contributing to their own operation losses and subsequent losses attributable to the Group. The Group also carried out assessment and provided for the corresponding impairment losses in accordance with the requirement of the accounting standards.

Business Review

The Group's operating loss in 2024 was approximately RMB67.5 million, compared with a operating profit of approximately RMB20.0 million to the corresponding period in 2023. It was mainly due the decrease in revenue. The industry as a whole entered into a channel inventory destocking phase. The adjustment of inventory structure in terminal channels has led to a short-term decline in sales volume. Affected by the centralized procurement policy, the future market trend is fraught with uncertainties, and customers generally hold a wait-and-see attitude, which is also one of the reasons for the decline in revenue. The Group recorded gross profit of approximately RMB162.6 million in 2024 with the gross profit margin of approximately 49.9%. Consistent with the downward trend in revenue, the Company's selling and distribution expenses also decreased significantly, from approximately RMB139.5 million in 2023 to approximately RMB81.0 million in 2024. Amid the decline in operating performance, the Group strengthened cost control. General and administrative expenses decreased from approximately RMB74.9 million in 2023 to approximately RMB60.3 million in 2024, primarily due to strict control over personnel costs and a reduction in bad debt losses. The Group's research and development (R&D) expenditure in 2024 was approximately RMB106.3 million, representing an increase of RMB41.1 million as compared to 2023. While continuing with ongoing R&D projects, the Group also conducted screening

and optimization of existing projects, selectively suspending some projects to keep the total R&D expenditure within a reasonable range. The Group's wholly-owned pharmaceutical R&D subsidiary, Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited* (嘉亨(珠海橫琴)醫藥科技有限公司), has obtained the relevant approvals for marketing in respect of certain drugs developed under its previous R&D projects, which are expected to be sold in the future. The Group's early investments are gradually yielding returns. On the production front, the Group maintained safe and stable operations. However, due to a decrease in sales orders, production volumes did not meet expectations. The Group's production efficiency and cost advantages were not fully realized. The renovation projects of the Group's existing production facilities and equipment have been essentially completed, while the planned active pharmaceutical ingredient production base will require further investment in the future.

Outlook

The year 2024 was a challenging one for the Group, with significant losses and considerable short-term pressure on working capital. However, the Group's core products continue to maintain a gross margin of nearly 50%, and the fundamentals of our profitability remain unchanged. The Group has adjusted and optimized its R&D project plans and will control R&D expenditure within a reasonable range going forward. In 2024, the Group participated in the national centralized procurement and our flagship products were successfully awarded bids. This is expected to drive a substantial increase in sales volume in 2025. The expected overall increase in sales volume will enable the Group to leverage its competitive advantages in production costs. In addition, the Group will explore various financing channels, accelerate the monetization of existing assets, and improve cash flow to prepare for future development.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB239.6 million, or 42.4%, from approximately RMB565.6 million for the year ended 31 December 2023 to approximately RMB326.0 million for the year ended 31 December 2024. The following table sets out a breakdown of the Group's revenue generated from principal products during the years ended 31 December 2024 and 2023:

	Year ended 31 December				
	2024		2023		
	<i>Revenue</i>	<i>% of</i>	<i>Revenue</i>	<i>% of</i>	<i>Growth</i>
	<i>RMB'000</i>	<i>total</i>	<i>RMB'000</i>	<i>total</i>	<i>rate %</i>
<i>Manufacturing products</i>					
Shuanghuanglian Oral Solutions	146,663	45.0%	275,766	48.8%	-46.8%
Shuanghuanglian Injections	78,326	24.0%	97,986	17.3%	-20.1%
Heat-clearing and Detoxicating Oral Solutions	11,896	3.6%	48,605	8.6%	-75.5%
Nicardipine Hydrochloride Injections	22,416	6.9%	27,300	4.8%	-100.0%
Other Products	66,728	20.5%	100,965	17.9%	-11.7%
Subtotal	326,029	100%	550,622	97.4%	-40.8%
<i>Third-party products</i>	-	-	14,986	2.6%	-100.0%
Total	326,029	100%	565,608	100.0%	-42.4%

The decrease in revenue of the Group was mainly due to the decrease in sales volume. The industry 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 was approximately RMB163.4 million for the year ended 31 December 2024, as compared to approximately RMB266.1 million for the year ended 31 December 2023. The decrease in cost of sales was mainly due to the decrease in sales volume and in line with the decrease in revenue.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB136.9 million from approximately RMB299.5 million for the year ended 31 December 2023 to approximately RMB162.6 million for the year ended 31 December 2024. The Group's gross profit margin was approximately 49.9% and 53.0% for the years ended 31 December 2024 and 2023, respectively.

Other net income

Our other net income in 2024 primarily consists of government grants, net realised and unrealised gains on derivative financial instruments and others. The other net income increased by approximately RMB17.3 million from the other net income of approximately RMB0.1 million for the year ended 31 December 2023 to the other net income of approximately RMB17.4 million for the year ended 31 December 2024, primarily due to the increase in government grant and the decrease in the net realised and unrealised losses on derivative financial instruments.

Selling and distribution expenses

Our selling and distribution expenses 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 RMB58.5 million, or 42.0%, from approximately RMB139.5 million for the year ended 31 December 2023 to approximately RMB81.0 million for the year ended 31 December 2024. The decrease in selling and distribution expenses was correlated with the decline in revenue for the year 2024. The ratio of selling and distribution expenses to revenue did not change significantly.

General and administrative expenses

The general and administrative expenses decreased by approximately RMB14.6 million, or 19.5%, from approximately RMB74.9 million for the year ended 31 December 2023 to approximately RMB60.3 million for the year ended 31 December 2024, mainly attributable to the decrease in credit losses of approximately RMB8.0 million for the year ended 31 December 2024 and decrease in wages and salaries by approximately RMB6.2 million for the year ended 31 December 2024.

Research and development expenses

The research and development expenses increased by approximately RMB41.1 million from approximately RMB65.2 million for the year ended 31 December 2023 to approximately RMB106.3 million for the year ended 31 December 2024. The expenses were mainly for the research and development on new medicine products according to the work progress.

Net finance costs

Our net finance costs 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 RMB8.8 million for the year ended 31 December 2023 to approximately RMB18.8 million for the year ended 31 December 2024, mainly attributable to the increase in net foreign exchange loss and interest on bank and other loans.

Interest in associates

Impairment on interest in an associate was arising from the Group's associate, namely Weihai Rensheng Pharmaceutical Group Company Limited (“**Weihai Rensheng**”). The impairment on interest in an associate was approximately RMB72.1 million for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB20.3 million). As the performance of Weihai Rensheng is less than satisfactory, the management of the Group has carried out an impairment assessment on the CGU of Weihai Rensheng at 31 December 2024.

Interest in a joint venture

Share of loss and impairment of a joint venture of the Group increased by approximately RMB15.5 million from approximately RMB11.2 million loss in 2023 to approximately RMB26.7 million loss in 2024. The Group interests is due from Jiangxi Yongfeng Kangde Pharmaceutical Company Limited (“**Jiangxi Yongfeng Kangde**”), whose 35.8% shares are owned by the Group. Such loss of Jiangxi Yongfeng Kangde was mainly due to recognition of provision for impairment of inventories and provision of bad and doubtful debts of other receivables as a result.

Income tax expenses

For the year ended 31 December 2024, the Group recorded income tax credit of approximately RMB1.6 million, as compared to income tax expense of approximately RMB6.8 million for the year ended 31 December 2023. Income tax primarily represents income tax payable by us under relevant PRC income tax rules and regulations. 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%. In 2024, some of Group's domestic subsidiaries suffered operating loss. These losses, which qualify as tax losses deductible against future taxable profit, carried an income tax credit.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group had net current liabilities of approximately RMB312.8 million (2023: RMB97.7 million) and cash and cash equivalents of approximately RMB21.1 million (2023: RMB34.8 million).

As at 31 December 2024, the Group's total equity attributable to equity shareholders of the Company amounted to approximately RMB369.7 million (2023: RMB563.5 million), and the Group's total debt amounted to approximately RMB382.6 million (2023: RMB342.3 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 2024, the gearing ratio of the Group, which is calculated as the total debt divided by the total equity, was approximately 103.9% (2023: 60.9%).

COMMITMENTS

Contract commitments outstanding at 31 December 2024 and 2023 not provided for in the financial statements were as follows, which are mainly related to research and development activities, government related projects and equipment procurement:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for	352,328	238,196

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2024 (2023: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2024, the Group employed 1,131 employees (2023: 1,148 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 2024, the total staff costs (including Directors' emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB78.3 million (2023: RMB103.9 million).

CAPITAL STRUCTURE

The Group's capital structure consists of equity interest attributable to shareholders and liabilities. As at 31 December 2024, the Group's equity interest attributable to shareholders amounted to approximately RMB368.4 million (31 December 2023: approximately RMB562.2 million) in aggregate and total liabilities amounted to approximately RMB869.8 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.

CHARGE ON GROUP ASSETS

As at 31 December 2024, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment and investment property, which had an aggregate carrying amount of RMB95,828,000 (31 December 2023: RMB63,564,000).

As at 31 December 2024, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB82,730,000 (2023: RMB85,167,000).

As at 31 December 2024, inventories pledged as security by the Group amounted to RMB35,007,000 (2023: Nil).

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.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 December 2024 and up to the date of this announcement which would materially affect the Group's operations and financial performance.

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.

FINAL DIVIDEND

The directors of the Company do not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: Nil).

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with all applicable code provisions set out in the Code, except for code provisions C.2.1 and C.6.1 of the CG Code.

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

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

Code provision C.6.1 of the CG Code requires that the company secretary should be an employee of the Company and have day-to-day knowledge of the Company’s affairs. Mr. Yeung Yuk Hong (“**Mr. Yeung**”) was appointed as the company secretary of the Company with effect from 30 September 2024. He is an external service provider and he is not an employee of the Company. The Company has thus assigned Mr. Li Zhen, the chief financial officer of the Company, as the primary contact person with Mr. Yeung. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Yeung through the contact person assigned. Having in place a mechanism that Mr. Yeung will get hold of the Group’s development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Yeung as the company secretary is beneficial to the Group’s compliance with the relevant board procedures, applicable laws, rules and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, the Company repurchased a total of 5,734,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) approximately HK\$7.1 million. All of the repurchased shares were cancelled as at 31 December 2024. The issued share capital of the Company was reduced by the par value thereof. Details of the repurchases of Shares during the year ended 31 December 2024 were as follows:

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
March 2023	1,718,000	1.35	1.25	2,285	–	1,947,000
April 2023	4,756,000	1.35	1.25	6,406	–	6,703,000
May 2023	976,000	1.37	1.28	1,319	–	7,679,000
June 2023	780,000	1.35	1.24	1,018	–	8,459,000
July 2023	24,000	1.30	1.25	30	–	8,483,000
September 2023	–	–	–	–	(8,483,000)	–
November 2023	2,585,000	1.50	1.31	3,672	–	2,585,000
December 2023	2,336,000	1.40	1.28	3,180	–	4,921,000
	<u>13,175,000</u>			<u>17,910</u>	<u>(8,483,000)</u>	
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 2024.

AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Company was established on 14 June 2018. The chairman of the Audit Committee is Mr. Sze Wing Chun, the independent non-executive Director, and other members included Mr. Lee Kwok Tung, Louis and Dr. To Kit Wa, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange's website and on the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2024. This final results announcement of the Group for the year ended 31 December 2024 has been reviewed by the Audit Committee.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.fusenyy.com). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

APPRECIATION

Mr. Cao Zhiming, the chairman of the Board, would like to express his sincerest gratitude to the shareholders, customers, suppliers and subcontractors for their continuous support. He would also send his warmest thanks to all the management and staff members of the Group for their hard work and dedication.

By order of the Board
Fusen Pharmaceutical Company Limited
Mr. Cao Zhiming
Chairman and Executive Director

Hong Kong, 31 March 2025

As at the date of this announcement, the Board of the Company comprises Mr. Cao Zhiming (Chairman), Mr. Hou Taisheng, Mr. Chi Yongsheng and Ms. Meng Qingfen 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 purpose only*