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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 2025

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB273.4 million for the year ended 31 December 2025, representing a decrease of approximately 16.2% as compared to approximately RMB326.0 million for the year ended 31 December 2024.
- Gross profit decreased by approximately 32.5% from approximately RMB162.6 million for the year ended 31 December 2024 to approximately RMB109.8 million for the year ended 31 December 2025.
- Gross profit margin was approximately 40.2% for the year ended 31 December 2025, representing a decrease of approximately 9.8% as compared to approximately 49.9% for the year ended 31 December 2024.
- Loss attributable to equity shareholders of the Company was approximately RMB11.8 million for the year ended 31 December 2025 as compared to loss of approximately RMB188.8 million for the year ended 31 December 2024.
- Basic loss per share was approximately RMB1.59 cents for the year ended 31 December 2025 as compared to basic loss per share of approximately RMB25.5 cents for the year ended 31 December 2024.
- The Board does not recommend the distribution of any final dividend for the year ended 31 December 2025 (for the year ended 31 December 2024: Nil).

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fusen Pharmaceutical Company Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2025, together with the comparative figures for the year ended 31 December 2024.

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 RMB’000	2024 RMB’000
Revenue	3	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	4	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		(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		(20,335)	(18,838)
Share of results of a joint venture and impairment loss on interest in a joint venture		19,485	(26,661)
Share of results of associates and impairment loss on interest in associates		(5,032)	(77,436)
Loss before taxation	5	(7,603)	(190,446)
Income tax (expense)/credit	6	(4,198)	1,646

		Year ended 31 December	
	<i>Note</i>	2025	2024
		<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year		(11,801)	(188,800)
Attributable to:			
Equity shareholders of the Company		(11,784)	(188,783)
Non-controlling interests		(17)	(17)
Loss for the year		(11,801)	(188,800)
Other comprehensive income/(expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
— 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			
Basic and diluted (<i>RMB cents</i>)	7	(1.59)	(25.5)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(Expressed in RMB'000 unless otherwise indicated)

		As at 31 December	
	Notes	2025	2024
		RMB'000	RMB'000
Non-current assets			
Investment property		13,172	14,280
Property, plant and equipment		318,601	383,655
Right-of-use assets		231,773	237,675
Intangible assets		28,029	28,135
Financial assets at fair value through profit or loss (“FVPL”)		9,868	9,275
Interest in a joint venture		30,144	10,659
Interests in associates		18,910	23,942
Deferred tax assets		2,475	6,637
Long-term prepayments and other receivables		115,764	64,291
		<u>768,736</u>	<u>778,549</u>
Current assets			
Inventories		98,061	137,082
Trade and bills receivables	9	121,955	113,878
Prepayments and other receivables		190,835	187,596
Cash and cash equivalents		83,843	21,056
		<u>494,694</u>	<u>459,612</u>
Current liabilities			
Trade and bills payables	10	148,162	123,466
Deferred income on government grants		1,626	1,626
Lease liabilities		459	924
Contract liabilities		1,050	2,440
Accruals and other payables		426,948	330,069
Bank and other loans		293,280	303,540
Income tax payable		5,122	5,506
		<u>876,647</u>	<u>767,571</u>
Net current liabilities		<u>(381,953)</u>	<u>(307,959)</u>
Total assets less current liabilities		<u>386,783</u>	<u>470,590</u>

		As at 31 December	
	<i>Note</i>	2025	2024
		RMB'000	RMB'000
Non-current liabilities			
Deferred income on government grants		14,872	16,498
Lease liabilities		490	130
Contract liabilities		6,500	6,500
Bank and other loans		7,000	79,100
		<u>28,862</u>	<u>102,228</u>
Net assets		<u>357,921</u>	<u>368,362</u>
Capital and reserves			
Share capital	<i>11</i>	6,179	6,179
Reserves		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		<u>357,921</u>	<u>368,362</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 GENERAL INFORMATION

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 MATERIAL ACCOUNTING POLICY INFORMATION

(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.

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.

(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.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

Disaggregation of revenue from contracts with customers by major products are 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
Other pharmaceutical products	23,709	55,523
	<u>273,365</u>	<u>326,029</u>
Timing of revenue recognition		
At a point in time	<u>273,365</u>	<u>326,029</u>

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.

(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).

During the year ended 31 December 2025, none of the customer contributed 10% of more of the revenue of the Group (2024: 1 customer contributed over 10% of the total revenue of the Group amounted to approximately RMB44,470,000).

4 OTHER INCOME AND OTHER GAINS OR LOSSES, NET

	Year ended 31 December	
	2025	2024
	RMB'000	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	1,626	1,626
	<u>14,772</u>	<u>16,610</u>
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 ⁽ⁱⁱ⁾	1,778	—
Net gain on disposal of property, plant and equipment	5,030	3
Others	2,338	1,112
	<u>24,839</u>	<u>17,395</u>

Notes:

- (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.
- (ii) 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 22 September 2025 and 27 October 2025 of the Company. Upon completion of the disposal, Intelligent Energy ceased to be the subsidiary of the Company.

5 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
	<u>47,893</u>	<u>78,257</u>

(b) Other items

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Cost of inventories recognised as expense*	159,929	164,227
Included in 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 in 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), totalling RMB35,921,000 in 2025 (2024: RMB43,962,000).

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	
	2025	2024
	RMB'000	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)	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.

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	2024
	RMB'000	RMB'000
Loss before taxation	<u>(7,603)</u>	<u>(190,446)</u>
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	<u>4,198</u>	<u>(1,646)</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 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.

8 DIVIDENDS

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

9 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bills receivables*	<u>53,750</u>	<u>52,617</u>
Trade receivables		
<i>Represented by:</i>		
Third parties	70,961	64,442
Related parties	<u>-</u>	<u>11,400</u>
	70,961	75,842
Less: allowance for credit losses	<u>(2,756)</u>	<u>(14,581)</u>
	<u>68,205</u>	<u>61,261</u>
	<u>121,955</u>	<u>113,878</u>

* 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.

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
	<u>68,205</u>	<u>61,261</u>

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

10 TRADE AND BILLS PAYABLES

Trade and bills payables are analysed as follows:

	As at 31 December	
	2025	2024
	RMB'000	RMB'000
Bills payables	22,976	29,127
Trade payables		
<i>Represented by:</i>		
Third parties	116,749	91,630
Related parties	8,437	2,709
	<u>148,162</u>	<u>123,466</u>

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
	<u>148,162</u>	<u>123,466</u>

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.

11 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	<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	739,301,000	6,179	749,956,000	6,310
Cancellation of treasury shares	<u>-</u>	<u>-</u>	<u>(10,655,000)</u>	<u>(131)</u>
At 31 December	<u>739,301,000</u>	<u>6,179</u>	<u>739,301,000</u>	<u>6,179</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.

12 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report from the Company’s auditor, CCTH CPA Limited (“CCTH”), Certified Public Accountants, on the Group’s consolidated financial statements for the year ended 31 December 2025:

“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 2025 and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2025 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(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 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 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. Research and development (“**R&D**”) expenses of the Group decreased significantly from RMB106.3 million for the year ended 31 December 2024 to RMB13.3 million in 2025, primarily because certain R&D projects were under review, while the Company conducted screening and optimization of R&D projects to carefully 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 Yongfeng 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 for the year ended 31 December 2024 to a profit of RMB54.4 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 more reserved position. These factors collectively resulted in a periodic decline in the Company’s revenue.

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 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 R&D side, as the cost optimization and adjustment of projects have been completed, 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.

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 during the years ended 31 December 2025 and 2024 respectively:

	Year ended 31 December				
	2025 <i>Revenue</i> RMB'000	% of total	2024 <i>Revenue</i> 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 Tablet	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%	55,523	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.

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 consisted 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

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 of the Group 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, 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 represented finance income, which included 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.

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 units of Weihai Rensheng at 31 December 2025 and no impairment loss is recognised for the year ended 31 December 2025.

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 Yongfeng Kangde, where 35.8% of its shares are owned by the Group. The operation result of Jiangxi Yongfeng Kangde significantly improved for the year ended 31 December 2025 due to the co-operation between Jiangxi Yongfeng 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.

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 (the "Shareholders") 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 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
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for	<u>234,447</u>	<u>352,328</u>

CONTINGENT LIABILITIES

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

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 bank borrowings of the Group 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 bank borrowings of the Group 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.

DISPOSAL OF A SUBSIDIARY

On 19 September 2025, Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司) (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 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. Under the Company’s dividend policy, if intended, the Directors would elect 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 Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2025 (2024: 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 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company has complied with all applicable code provisions except for code provisions C.2.1 and C.6.1, as set out in the CG Code.

Pursuant to 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 (“**Mr. Cao**”).

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 based on the composition of the Board, which comprises experienced and high calibre individuals that demonstrates sufficient independence.

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 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. Under such arrangement, information in relation to the performance, financial position and other major developments and affairs of the Group are promptly delivered to Mr. Yeung through the contact person assigned without material delay. Based on the above arrangement and in view of Mr. Yeung’s 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 to 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2025, the Company did not repurchase ordinary shares of the Company (“**Share(s)**”). During the year ended 31 December 2024, the Company repurchased its own Shares on the Stock Exchange as follows:

Month/year	Number of Shares repurchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>	Aggregate price paid <i>HK\$’000</i>	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)	–
	<u>5,734,000</u>			<u>7,117</u>	<u>(10,655,000)</u>	

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 HK\$7,117,000 (equivalent to approximately RMB6,464,000). In September 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, none of the Shares were held (2024: Nil) as treasury shares of the Company. Treasury shares of the Company are recognised as deduction from equity in the Group's consolidated statement of financial position.

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.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company was established on 14 June 2018. 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 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 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 has reviewed the accounting principles and practices adopted by the Group, the consolidated financial statements for the year ended 31 December 2025 of the Group and the annual results announcement of the Group for the year ended 31 December 2025.

SCOPE OF WORK OF CCTH

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 2025 as set out in the preliminary announcement have been agreed by the Company's auditor, CCTH, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCTH 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

This 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, Chief Executive Officer
and Executive Director*

Hong Kong, 31 March 2026

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. Lee Kwok Tung, Louis, Mr. Yu Ho Ming and Dr. To Kit Wa as independent non-executive Directors.

* *For identification purpose only*