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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 2020**

#### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB486.9 million for the year ended 31 December 2020, representing an increase of approximately 19.5% as compared to approximately RMB407.4 million for the year ended 31 December 2019.
- Gross profit increased by approximately 25.2% from approximately RMB212.5 million for the year ended 31 December 2019 to approximately RMB266.1 million for the year ended 31 December 2020.
- Gross profit margin increased from approximately 52.2% for the year ended 31 December 2019 to approximately 54.7% for the year ended 31 December 2020.
- Profit attributable to the equity shareholders of the Company was approximately RMB70.1 million for the year ended 31 December 2020 as compared to profit of approximately RMB53.4 million for the year ended 31 December 2019.
- Basic earnings per share was approximately RMB9 cents for the year ended 31 December 2020, and approximately RMB7 cents for the year ended 31 December 2019.
- The Board resolved to recommend the payment of a final dividend of RMB0.46 cents per ordinary share for the year ended 31 December 2020 (final dividend of the Company for the year ended 31 December 2019: RMB0.37 cents), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

## FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Fusen Pharmaceutical Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

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

*For the year ended 31 December 2020*

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

		Year ended 31 December	
	Note	2020	2019
		RMB'000	RMB'000
<b>Revenue</b>	3	<b>486,854</b>	407,388
Cost of sales		<u>(220,787)</u>	<u>(194,900)</u>
<b>Gross Profit</b>		<b>266,067</b>	212,488
Other net income	4	<b>4,734</b>	25,194
Selling and distribution expenses		<b>(107,407)</b>	(112,805)
General and administrative expenses		<b>(78,874)</b>	(58,729)
Impairment loss on goodwill and intangible assets		<u><b>(22,637)</b></u>	<u>–</u>
<b>Profit from operations</b>		<u><b>61,883</b></u>	<u>66,148</u>
Finance income		<b>1,429</b>	3,663
Finance costs		<u><b>(9,159)</b></u>	<u>(10,532)</u>
Net finance costs		<u><b>(7,730)</b></u>	<u>(6,869)</u>
Share of profit of a joint venture		<b>24,252</b>	4,535
<b>Profit before taxation</b>	5	<b>78,405</b>	63,814
Income tax	6	<u><b>(15,737)</b></u>	<u>(11,555)</u>
<b>Profit for the year</b>		<u><b>62,668</b></u>	<u>52,259</u>

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>70,131</b>	53,434
Non-controlling interests		<b>(7,463)</b>	(1,175)
<b>Profit for the year</b>		<b>62,668</b>	52,259
<b>Other comprehensive income for the year (after tax)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of financial statements of the Company and overseas subsidiaries		<b>(2,072)</b>	5,230
<b>Other comprehensive income for the year</b>		<b>(2,072)</b>	5,230
<b>Total comprehensive income for the year</b>		<b>60,596</b>	57,489
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>68,059</b>	58,664
Non-controlling interests		<b>(7,463)</b>	(1,175)
<b>Total comprehensive income for the year</b>		<b>60,596</b>	57,489
<b>Earnings per share</b>	<b>7</b>		
Basic ( <i>RMB cents</i> )		<b>9</b>	7
Diluted ( <i>RMB cents</i> )		<b>9</b>	7

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Investment property		<b>18,713</b>	19,821
Other property, plant and equipment		<b>238,002</b>	124,676
Right-of-use assets		<b>247,926</b>	253,980
Intangible assets		<b>883</b>	16,666
Goodwill		<b>–</b>	7,054
Interest in a joint venture		<b>67,648</b>	72,103
Deferred tax assets		<b>5,709</b>	5,408
Other assets		<b>2,099</b>	2,126
		<b>580,980</b>	501,834
<b>Current assets</b>			
Trading securities		<b>15,489</b>	–
Inventories		<b>105,415</b>	88,404
Trade receivables	9	<b>183,930</b>	170,164
Prepayments and other receivables		<b>58,495</b>	84,783
Cash and cash equivalents		<b>297,038</b>	331,044
		<b>660,367</b>	674,395
<b>Current liabilities</b>			
Trade and bills payables	10	<b>108,585</b>	68,898
Contract liabilities		<b>13,581</b>	3,796
Accruals and other payables		<b>242,514</b>	194,614
Bank and other loans		<b>178,500</b>	190,000
Current taxation		<b>1,665</b>	3,498
Other financial liabilities		<b>2,761</b>	–
		<b>547,606</b>	460,806
<b>Net current assets</b>		<b>112,761</b>	213,589
<b>Total assets less current liabilities</b>		<b>693,741</b>	715,423

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current liabilities</b>			
Deferred income		<b>8,359</b>	6,752
Bank and other loans		<b>20,000</b>	20,000
Deferred tax liabilities		<b>7,133</b>	7,131
		<u><b>35,492</b></u>	<u>33,883</u>
<b>Net assets</b>		<u><b>658,249</b></u>	<u>681,540</u>
<b>Capital and reserves</b>			
Share capital	<i>11</i>	<b>6,513</b>	6,732
Reserves		<b>652,929</b>	666,713
<b>Total equity attributable to equity shareholders of the Company</b>		<b>659,442</b>	673,445
<b>Non-controlling interests</b>		<b>(1,193)</b>	8,095
<b>Total equity</b>		<u><b>658,249</b></u>	<u>681,540</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 all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Accounting Standards (“IASs”) and Interpretations 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 new and revised IFRSs 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**

The functional currency of the Company is Hong Kong dollars (HKD). The Company’s primary subsidiaries were established in the People’s Republic of China (the “PRC”) and the subsidiaries considered Renminbi (RMB) as their functional currency. As the operations of the Group are within the PRC, the Group determined to present these financial statements in RMB, unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group’s interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost except for derivatives which are stated at fair value.

**(c) Changes in accounting policies**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendment to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these amendments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. In particular, the Group does not take advantage of the practice expedient available under the amendments to IFRS 16, *Covid-19-related Rent Concessions* on lease modifications.

**3 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Shuanghuanglian Oral Solutions	<b>295,241</b>	211,570
Shuanghuanglian Injections	<b>46,036</b>	64,585
Others	<b>145,577</b>	131,233
	<b>486,854</b>	<b>407,388</b>

Revenue is recognised at a point in time.

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's consolidated revenue in each of financial year ended 31 December 2020 and 2019.

**(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	
	2020	2019
	RMB'000	RMB'000
Material and scrap sales income, net	1,458	1,557
Rental income	601	655
Government grants	2,993	3,872
Net realised and unrealised gains of listed trading securities on fair value through profit or loss ("FVPL")	2,966	–
Unrealised net loss on derivative financial instruments	(2,761)	–
Write-off of long-term outstanding payables	–	18,883
Others	(523)	227
	<u>4,734</u>	<u>25,194</u>

#### 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

##### (a) Staff costs

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and wages	55,836	49,757
Contributions to defined contribution retirement schemes*	724	7,372
Bonuses and other benefits	14,108	12,699
Share-based payment expenses	17,632	–
	<u>88,300</u>	<u>69,828</u>

- \* 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. According to the Notice on Periodic Reduction and Exemption of Corporate Social Insurance (Ren She Bu Fa [2020] No.11) issued by Ministry of Human Resources and Social Security of PRC, Ministry of Finance of PRC and State Taxation Administration of PRC, some subsidiaries of the Group enjoyed a reduction of social insurance payment ranged from 50% to 100% for the period from 1 February 2020 to 31 December 2020.

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**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories*	<b>221,873</b>	195,750
Research and development costs	<b>11,493</b>	11,408
Depreciation of investment property and other property, plant and equipment	<b>16,203</b>	15,934
Depreciation of right-of-use assets	<b>6,054</b>	5,098
Amortisation of intangible assets	<b>200</b>	200
Auditors' remuneration — audit services	<b>3,800</b>	4,300
Recognition/(reversal) of credit losses on trade and other receivables	<b>4,961</b>	(769)

\* Cost of inventories includes RMB49,515,000 in 2020 (2019: RMB40,732,000), 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:**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax — PRC Enterprise Income Tax		
Provision for the year	<b>17,766</b>	12,270
Over-provision in respect of previous years	<b>(1,730)</b>	(1,690)
	<b>16,036</b>	10,580
Deferred tax		
Origination and reversal of temporary differences	<b>(299)</b>	975
	<b>15,737</b>	11,555

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 2020 (2019: Nil) and is not subject to any Hong Kong Profits tax. Hong Kong Profits tax rate of 2020 is 16.5% (2019: 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 2020 is 25% (2019: 25%).

According to the Income Tax Law, the Company’s subsidiary, Henan Fusen Pharmaceutical Company Limited (“Henan Fusen”) was certified as a New and High Technology Enterprise in Henan since 2012, and is entitled to a preferential income tax rate of 15% (2019: 15%). The current certification of New and High Technology Enterprise held by Henan Fusen will be expired on 12 September 2021.

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. Cloud Dollar Investments Limited and Wealth Depot (Hong Kong) Limited, subsidiaries of the Company, are subject to PRC dividend withholding tax at 10% on dividends receivables from PRC subsidiaries and investees.

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before taxation	<u><b>78,405</b></u>	<u>63,814</u>
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	<b>19,601</b>	15,954
Tax effect of		
Preferential income tax rates applicable to a PRC subsidiary	<b>(11,240)</b>	(7,726)
Non-deductible expenses	<b>7,956</b>	1,596
Share of profit of a joint venture	<b>(6,063)</b>	(1,134)
Unused tax losses not recognised	<b>3,315</b>	3,011
Over-provision in respect of previous years	<b>(1,730)</b>	(1,690)
PRC dividends withholding tax	<u><b>3,898</b></u>	<u>1,544</u>
Income tax	<u><b>15,737</b></u>	<u>11,555</u>

**7 EARNINGS PER SHARE**

**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB70,131,000 (2019: RMB53,434,000) and the weighted average of 786,075,000 ordinary shares (2019: 800,000,000 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at 1 January	<b>800,000</b>	800,000
Effect of repurchase of shares	<u><b>(13,925)</b></u>	<u>—</u>
Weighted average number of ordinary shares at 31 December	<u><b>786,075</b></u>	<u>800,000</u>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB70,131,000 (2019: RMB53,434,000) and the weighted average number of issued ordinary shares of 790,163,000 (2019: 802,948,000 shares) after adjusting the effects of dilutive potential ordinary shares during the year, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>2020</b> <b>'000</b>	2019 <b>'000</b>
Weighted average number of ordinary shares at 31 December	<b>786,075</b>	800,000
Effect of deemed issue of shares under the Company's share option scheme	<b>4,088</b>	2,948
Weighted average number of ordinary shares (diluted) at 31 December	<b>790,163</b>	802,948

16,000,000 shares were granted on 19 July 2019 under share option scheme of the Company adopted on 14 June 2018. On 30 June 2020, the exercise period for the outstanding options was extended and not yet exercised by the grantees as at 31 December 2020.

**8 DIVIDENDS**

**(a) Dividends payable to equity shareholders of the Company attributable to the year:**

	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
Interim dividend declared of RMB0.45 cents (equivalent to HKD0.51 cents) per ordinary share (2019: RMB0.30 cents (equivalent to HKD0.33 cents) per ordinary share)	<b>3,488</b>	2,400
Final dividend proposed after the end of the reporting period of RMB0.46 cents (equivalent to HKD0.54 cents) per ordinary share (2019: RMB0.37 cents (equivalent to HKD0.40 cents) per ordinary share)	<b>3,525</b>	2,960

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

**(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year:**

	<b>2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
Final dividend in respect of the previous financial year, approved during the year, of RMB0.37 cents (equivalent to HKD0.40 cents) per share (2019: RMB0.74 cents (equivalent to HKD0.86 cents) per share)	<b>2,908</b>	5,920

During the year ended 31 December 2020, the dividends of RMB3,145,000 were paid to the equity shareholders of the Company (2019: RMB5,313,000).

## 9 TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Bills receivable*	<b>133,529</b>	102,517
Trade debtors	<b>53,958</b>	72,656
Less: allowance for credit loss	<b>(3,557)</b>	(5,009)
	<b>50,401</b>	67,647
	<b>183,930</b>	170,164

\* At 31 December 2020, the Group's bills receivable of RMB46,346,000 (2019: RMB23,974,000) were endorsed to suppliers. 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 settled.

### Ageing analysis

Bills receivable are bank acceptance bill received from customers, with expiration 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:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Current to 3 months	<b>42,580</b>	57,691
3 to 6 months	<b>4,589</b>	7,746
6 to 12 months	<b>2,813</b>	1,855
Over 12 months	<b>419</b>	355
	<b>50,401</b>	67,647

Trade debtors and bills receivable 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	
	2020	2019
	RMB'000	RMB'000
Trade payables		
Third parties	104,688	67,290
Amounts due to related parties	3,897	1,608
	<u>108,585</u>	<u>68,898</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	
	2020	2019
	RMB'000	RMB'000
Current to 3 months	77,174	48,454
3 to 6 months	18,533	4,864
6 to 12 months	4,454	5,959
Over 12 months	8,424	9,621
	<u>108,585</u>	<u>68,898</u>

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

## 11 SHARE CAPITAL

	2020		2019	
	No. of shares	Amount RMB'000	No. of shares	Amount RMB'000
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	800,000,000	6,732	800,000,000	6,732
Cancellation of repurchased shares	<u>(25,988,000)</u>	<u>(219)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>774,012,000</u>	<u>6,513</u>	<u>800,000,000</u>	<u>6,732</u>

The holders of ordinary shares as at 31 December 2020 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

2020 was very challenging for the pharmaceutical industry. The spread of the COVID-19 pandemic has had a profound impact on the Group's business growth. At the beginning of 2020, sales of the Group's core products especially the Shuanghuanglian Oral Solutions increased significantly due to the COVID-19 pandemic; subsequently, the terminal sales of many fever and cold products was affected by the strengthening prevention measures for the COVID-19 pandemic in various parts of the country, such as restricting movement of persons, strengthening personal protection and real-name registration for purchasing fever and cold medicines in pharmacies in some areas. In response to the uncertain and rapid changes in the market, the Group not only adjusted its sales policies in a timely manner, but also continuously optimised its sales system, enhanced the business skills of the sales staffs and improved the quality of sales services.

As for product research and development (“R&D”), the Group increased investment mainly in four areas including traditional Chinese medicine products, generic drugs, brand generic drugs and improved innovative drugs. In terms of traditional Chinese medicines, the Group focused on the secondary development of existing products and enhanced the R&D of classic formulas. In terms of generic drugs, Metformin Sustained-release Tablets, being the Group's proprietary product, has undergone the consistency evaluation review and we will apply for consistency evaluation review in respect of the Flunarizine Hydrochloride Capsules in 2021. In terms of brand generic drugs, the Group is making progress as scheduled in terms of its first approved generic brivaracetam injection for treatment of epilepsy, which has also been included in the second batch of encouraged generic drugs catalogue released by the government. Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司), established a joint venture company with Nan Jing Kang Chuanji Pharmatech Co.,Ltd\* (南京康川濟醫藥科技有限公司) focusing on the R&D of improved innovative drugs for the treatment of chronic heart failure and diabetic complication, and introduced an improved innovative drug project of docetaxel (cyclodextrin) from Bi Ka Biotechnology (Guangzhou) Co.,Ltd\* (比卡生物科技(廣州)有限公司).

### Business Review

The revenue and gross profit were approximately RMB486.9 million and RMB266.1 million for the year ended 31 December 2020, representing an increase of approximately 19.5% and 25.2% respectively as compared with the year ended 31 December 2019. The increase in revenue was mainly attributable to the increase in sales volume in the product named Shuanghuanglian Oral Solutions. The average gross profit margin slightly increases to approximately 54.7% for the year ended 31 December 2020 from approximately 52.2% for the year ended 31 December 2019 which was mainly attributable to the increase in proportion of the sales of Shuanghuanglian Oral Solutions with higher gross profit margin to the overall sales. The Group restructured the sales regime and optimised the distribution channels since 2019, thus the outcome of the reform has been showing positive improvement gradually. The selling and distribution expenses were approximately RMB107.4 million for the 2020, which was similar to approximately RMB112.8 million for that of 2019. The general and administrative expenses increased from approximately RMB58.7 million for the year ended 31 December 2019 to approximately RMB78.9 million for the year ended 31 December 2020,

representing an increase of approximately 34.4%. The significant increase in the general and administrative expenses was mainly due to the financial impact arising from an extension of the granted option to grantees. The profit of a joint venture was attributable to the share of profit of a joint venture, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited\* (江西永豐康德醫藥有限公司). The Group has obtained the equity interest of the joint venture since July 2019 and financial results of approximately five months were included in the Group in the year ended 31 December 2019, while the operation results of the whole year were accounted for in the year ended 31 December 2020.

## Outlook

The development of COVID-19 pandemic has brought far-reaching effects and changes to the pharmaceutical industry and there are not only crises and difficulties, but also potential opportunities. In early 2021, the Group obtained the GSP qualification through the acquisition of Jiangxi Ruiyuan Pharmaceutical Co., Ltd.\* (江西瑞源藥業有限公司) (“**Ruiyuan**”). The Group will leverage on the platform of Ruiyuan to expand its sales team, while focusing on filling the gaps in the market, and it will also seek to be the sales agent of products with market potential. In terms of external acquisitions, the Group entered into the investment framework agreement on 31 December 2020, planning to invest in Weihai Rensheng Pharmaceutical Group Company Limited\* (威海人生藥業集團股份有限公司). In the event that such transaction completes as agreed in the framework agreement in 2021, the Group will indirectly obtained approval numbers of nearly 20 national exclusive traditional Chinese medicines. This will enrich the Group’s product categories, lay a solid foundation for the Group’s long-term development and expand its product categories from respiratory disease treatment to orthopedic disease and skin disease treatment. Looking forward, the Group will continue to increase investment in product R&D as well as merger and acquisition and diversify the product categories through various channels. It will also continue to enhance market expansion and improve the sales revenue of existing products.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue increased by approximately RMB79.5 million, or 19.5%, from approximately RMB407.4 million for the year ended 31 December 2019 to approximately RMB486.9 million for the year ended 31 December 2020. The following table sets out a breakdown of the Group’s revenue generated from principal products during the years ended 31 December 2020 and 2019:

	Year ended 31 December				
	2020 <i>Revenue</i> <i>RMB'000</i>	% of <i>total</i>	2019 <i>Revenue</i> <i>RMB'000</i>	% of <i>total</i>	Growth <i>rate %</i>
Shuanghuanglian Oral Solutions (10 ml)	<b>219,781</b>	<b>45.1%</b>	156,139	38.3%	40.8%
Shuanghuanglian Oral Solutions (20 ml)	<b>75,460</b>	<b>15.5%</b>	55,431	13.6%	36.1%
Subtotal	<b>295,241</b>	<b>60.6%</b>	211,570	51.9%	39.5%

	Year ended 31 December				
	2020		2019		
	<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>
Shuanghuanglian Injections	46,036	9.5%	64,585	15.9%	-28.7%
Compound Ferrous Sulfate Granules	22,123	4.5%	23,229	5.7%	-4.8%
Flunarizine Hydrochloride Capsules	18,844	3.9%	15,242	3.7%	23.6%
Others products	104,610	21.5%	92,762	22.8%	12.8%
Subtotal	191,613	39.4%	195,818	48.1%	-2.1%
Total	486,854	100.0%	407,388	100.0%	19.5%

The revenue increase of the Group was primarily driven by the increase in the sales of Shuanghuanglian Oral Solutions and Flunarizine Hydrochloride Capsules.

### Cost of sales

Cost of sales increased by approximately RMB25.9 million, or 13.3%, from approximately RMB194.9 million for the year ended 31 December 2019 to approximately RMB220.8 million for the year ended 31 December 2020. Such increase was generally in line with the increase in revenue.

### Gross profit and gross profit margin

Gross profit increased by approximately RMB53.6 million from approximately RMB212.5 million for the year ended 31 December 2019 to approximately RMB266.1 million for the year ended 31 December 2020. The Group's gross profit margin was approximately 52.2% and 54.7% for the years ended 31 December 2019 and 2020, respectively.

### Other net income

Our other net income in 2020 primarily consists of net material and scrap sales income, rental income, government grants, net realised and unrealised gains of listed trading securities on FVPL, unrealised net loss on derivative financial instruments and others. The other net income decreased by approximately RMB20.5 million to approximately RMB4.7 million for the year ended 31 December 2020 from that of 2019, primarily due to the fact that the Group wrote-off long-outstanding payables which only occurred in 2019.



## **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 RMB5.4 million, or 4.8%, from approximately RMB112.8 million for the year ended 31 December 2019 to approximately RMB107.4 million for the year ended 31 December 2020, mainly represented by the approximately RMB6.8 million in wages and salaries, and netting of the increase by the approximately RMB1.2 million in commission fees.

## **General and administrative expenses**

Our general and administrative expenses primarily consist of wages and salaries, consultant, research and development cost, depreciation and others. The increase of the general and administrative expenses by approximately RMB20.1 million, or 34.3%, from approximately RMB58.7 million for the year ended 31 December 2019 to approximately RMB78.9 million for the year ended 31 December 2020, was mainly due to the financial impact arising from an extension of the granted option to grantees.

## **Impairment loss on goodwill and intangible assets**

The impairment loss is due to goodwill and intangible assets identified from Beijing Sanye Mingming Pharmaceutical Technology Company Limited\* (北京三也明明醫藥科技有限公司) (“**Sanye Mingming**”), an indirect non-wholly owned subsidiary acquired by the Group in 2019. The intangible assets represent the in-progress development projects on pharmaceutical products conducted by Sanye Mingming. The goodwill is allocated to the Group’s cash-generating units (“**CGU**”) identified in the acquisition. The recoverable amount of the CGU is determined based on value-in-use calculations. With the change in market and regulatory environment in 2020, the financial benefits of these in-progress development projects will not be realised as expected in 2019. The Group is of the opinion, based on value-in-use calculations, that the carrying amount of the intangible asset of approximately RMB15.5 million and the goodwill associated with Sanye Mingming of approximately RMB7.1 million were both impaired at 31 December 2020.

## **Income tax expenses**

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), our wholly-owned subsidiary, was certified as a High New Technology Enterprise in Henan province and has been entitled to a preferential income tax rate of 15%. Our effective tax rate was 20.1% and 18.1% in 2020 and 2019 respectively. The increase of effective tax rate is mainly due to the recognition of non-deductible share-based payment expenses.

## **Profit and total comprehensive income for the year**

As a result of the foregoing, the profit for the year increased by approximately RMB10.4 million, or 19.9%, from approximately RMB52.3 million for the year ended 31 December 2019 to approximately RMB62.7 million for the year ended 31 December 2020. The net profit margin which is calculated as the net profit divided by the revenue for the years ended 31 December 2020 and 2019 were approximately 12.9% and 12.8%, respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net current assets of approximately RMB112.8 million (2019: RMB213.6 million) and cash and cash equivalents of approximately RMB297.0 million (2019: RMB331.0 million).

As at 31 December 2020, the Group's total equity attributable to owners of the Company amounted to approximately RMB659.4 million (2019: RMB673.4 million), and the Group's total debt amounted to approximately RMB198.5 million (2019: RMB210.0 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 2020, the gearing ratio of the Group, which is calculated as the total debt divided by the total equity, was approximately 30.2% (2019: 30.8%). The total debt represents the interest-bearing bank and other loans as at the year end.

## CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2020 and 2019 not provided for in the financial statements were as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contracted for	<b>103,617</b>	131,938

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

## INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group employed 1,248 employees (2019: 1,214 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 2020, the total staff cost (including Directors' emoluments, contributions to defined contribution retirement schemes, bonus and other benefits, share-based payment expenses) amounted to approximately RMB88.3 million (2019: RMB69.8 million).

## COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The shares of the Company were listed on the Main Board of the Stock Exchange on 11 July 2018. The Group is in its preliminary stage of implementing its business objectives and strategies as disclosed in the prospectus of the Company dated 28 June 2018 (the “Prospectus”) and will strive to achieve the milestone events as stated in the Prospectus.

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group’s actual business progress and up to the date of this announcement.

<b>Business strategies as stated in the Prospectus</b>	<b>Actual business progress up to the date of this announcement</b>
Establishment of production facilities, warehouse, processing facilities	The Group has further upgraded and optimised certain existing production facilities and equipment.
Advertising and marketing of our products	The Group has strengthened brand promotion through media channel such as TV and road side billboards to highlight its market reputation gained over the years.
Expansion of distribution and marketing network	The Group started to set up its own sales team to strengthen the development and management of medical institutions and chain pharmacies to gradually develop end-sales market.
Research and development activities	The Group continued to cooperate with scientific research institutions in the field of proprietary Chinese medicine products, focused on the mechanism of efficacy and effect. The Group also kept investing in generic drugs research and development.
Potential merger and acquisition	There was no merger and acquisition during 2020. On 31 December 2020, the Group entered into an investment framework agreement as described below.
Acquisition of production permits of new types of products	The pharmaceutical industry in China is still relatively fragmented. Given the gradual implementation of marketing authorisation holder regime, there are lots of opportunities for acquisition and merger. The Group will take advantage of the post-listing capital platform to make greater efforts in acquisition. In terms of products selection, the Group will concentrate on clinical essential drugs and OTC products. During the reporting period, the Group did not enter into any formal acquisition agreement.
Working capital and general corporate purposes	Items for replenishment of working capital of the Group mainly represent the legal and professional service charge.

## USE OF PROCEEDS

The net proceeds from the Offering (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$397.0 million (the “**Actual Net Proceeds**”) which will be used for the intended purposes as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

The table below sets out an allocation and the actual use of the Actual Net Proceeds as follows:

Business strategies as set out in the Prospectus		Actual Net Proceeds	Actual use of the Actual Net Proceeds as at the date of this announcement	Unutilised net proceeds as at date of this announcement	Expected time of full utilisation of the balance
	%	HK\$ million	HK\$ million	HK\$ million	
Establishment of production facilities, warehouse, processing facilities which are expected to be in full use in 2020	30%	119.0	64.2	54.8	December 2021
Advertising and marketing of our products	10%	39.7	23.9	15.8	December 2021
Expansion of distribution and marketing network	10%	39.7	13.8	25.9	December 2021
Research and development activities	10%	39.7	29.4	10.3	December 2021
Potential merger and acquisition	15%	59.6	59.6	–	
Acquisition of production permits of new types of products	15%	59.6	–	59.6	December 2021
Working capital and general corporate purposes	10%	39.7	39.7	–	
	<u>100%</u>	<u>397.0</u>	<u>230.6</u>	<u>166.4</u>	

## TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group’s cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

## CAPITAL STRUCTURE

The Group’s capital structure consists of equity interest attributable to shareholders and liabilities. As at 31 December 2020, the Group’s equity interest attributable to shareholders amounted to approximately RMB659.4 million (31 December 2019: approximately RMB673.4 million) in aggregate and total liabilities amounted to approximately RMB583.1 million (31 December 2019: approximately RMB494.7 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 2020 and 2019, certain bank borrowings of the Group were secured by the Group's property, plant and equipment and land use rights, which had an aggregate carrying amount of RMB158.8 million and RMB167.0 million as of 31 December 2020 and 2019, respectively.

## FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in the PRC with most of its transactions denominated and settled in Renminbi. The Group has entered into certain cross-currency swap contract to mitigate the effect of its foreign currency exposure arising from the bank loans denominated in USD. The Group monitors foreign exchange exposure regularly and considers if there is a need to hedge against significant foreign currency exposure when necessary.

## MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2020 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates, except for those mentioned in our announcement dated 31 December 2020 and also as described below.

## EVENT AFTER THE REPORTING PERIOD

### Investment Framework Agreement

On 31 December 2020, Weihai Rensheng Pharmaceutical Group Company Limited ("**Weihai Rensheng**"), Weihai Haoyang Health Technology Company Limited ("**Weihai Haoyang**", having 43.35% equity interest in Weihai Rensheng), Mr. Miao Qizhuang\* ("**Mr. Miao**", having 13.99% in Weihai Rensheng and also 98.9% in Weihai Haoyang) and Henan Fusen entered into an investment framework agreement ("**Agreement**") for the acquisition of 34% of the equity interest of Weihai Rensheng by Henan Fusen from Weihai Haoyang.

Pursuant to the Agreement, Henan Fusen has agreed to (1) enter into a loan agreement, pursuant to which Henan Fusen will lend to Weihai Haoyang the loan with a principal amount of RMB90,000,000; and (2) enter into the sale and purchase agreement, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng at a consideration of RMB153,000,000. The loan of RMB90,000,000 has been lent to Weihai Haoyang subsequent to year end. The acquisition of equity interests of Weihai Haoyang is yet to complete.

Weihai Rensheng is principally engaged in the production and sale of proprietary Chinese medicine in the PRC. The Group considers the Agreement an opportunity for the Group to leverage on the experience and expertise of Weihai Rensheng in the sales and production of proprietary Chinese medicine in the PRC to expand the existing product offering of the Group.

Upon completion of the Sale and Purchase Agreement, Weihai Rensheng will be owned as to approximately 35.9%, 34.0%, 15.8% and 14.3% by Weihai Haoyang, Henan Fusen, Mr. Miao and the senior management of Weihai Rensheng, respectively.

Save as disclosed in this announcement, as at the date of this announcement, the Group has no significant events after the reporting period required to be disclosed.

## 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 Board recommends the payment of a final dividend of RMB0.46 cents per ordinary share for the year ended 31 December 2020 (equivalent to HK\$0.54 cents by adopting the prevailing exchange rate on 31 March 2021 set by the People's Bank of China) (2019: RMB0.37 cents) to the shareholders of the Company whose names appear on the register of Members of the Company on Tuesday, 15 June 2021.

The said final dividend will be paid in cash on 16 July 2021, subject to: (i) the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 26 May 2021 (the "**2021 Annual General Meeting**"); and (ii) the audited annual results of the Group for the year ended 31 December 2020 upon completion of the audit process being consistent in all material respects with the annual results set out herein. Details of dividend for the year ended 31 December 2020 are set out in Note 8 to the financial statements of the Company contained in this announcement.



## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

**(a) for determining eligibility to attend and vote at the 2021 Annual General Meeting:**

Latest time to lodge transfer documents for registration:	4:30 p.m., Tuesday, 18 May 2021
Closure of register of members:	Thursday, 20 May 2021 to Wednesday, 26 May 2021 (both days inclusive)
Record date:	Wednesday, 26 May 2021

**(b) for determining entitlement to the proposed final dividend:**

Latest time to lodge transfer documents for registration:	4:30 p.m., Wednesday, 9 June 2021
Closure of register of members:	Thursday, 10 June 2021 to Tuesday, 15 June 2021 (both days inclusive)
Record date:	Tuesday, 15 June 2021

In order to be eligible to attend and vote at the 2021 Annual General Meeting and to qualify for the proposed final dividend, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer from(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

## 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 14 of the Rules Governing the listing of securities on the Stock Exchange (the “**Listing Rules**”). The Company has fully complied with the CG Code, except for the matters disclosed in our announcement dated 23 March 2020.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 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 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, the Company repurchased a total of 29,566,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) approximately HK\$105.1 million. Among those repurchased shares, 6,602,000 Shares, 7,404,000 Shares, 7,531,000 Shares, 3,362,000 shares and 1,089,000 shares were cancelled during the year ended 31 December 2020 on 2 June 2020, 17 June 2020, 31 August 2020, 7 September 2020 and 30 December 2020, respectively, and 3,578,000 Shares were not yet cancelled as at 31 December 2020. 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 2020 were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
May 2020	7,701,000	3.53	3.27	26,349
June 2020	10,423,000	3.47	3.21	35,037
July 2020	6,775,000	3.51	3.14	22,506
September 2020	991,000	4.64	3.81	4,349
October 2020	98,000	3.70	3.58	359
December 2020	3,578,000	4.68	4.49	16,533

Subsequent to the end of the reporting period and up to 31 March 2021, the Company has repurchased a total of 500,000 Shares on the Stock Exchange at an aggregate consideration of (excluding expenses) of approximately HK\$2.4 million (approximately RMB2.0 million equivalent). Such repurchased shares were not yet cancelled as at 31 March 2021.

Details of the repurchase of shares after the end of the reporting period are as follows:

Date of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
5 January 2021	500,000	4.75	4.75	2,375

The repurchase of shares was made by the Directors, pursuant to the general mandate granted by the Shareholders at the respective annual general meeting held on 28 June 2019 and 30 June 2020 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 2020 and up to the date of this report.



## **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 2020. This final results announcement of the Group for the year ended 31 December 2020 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 2020 as set out in the preliminary announcement have been compared 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 and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **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](http://www.hkexnews.hk)) and that of the Company ([www.fusenyy.com](http://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 Changcheng, 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 Changcheng**  
*Chairman and Executive Director*

Hong Kong, 31 March 2021

\* *For identification purpose only*

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