



福森藥業有限公司

FUSEN PHARMACEUTICAL COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1652

INTERIM REPORT

2023

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Corporate Information

EXECUTIVE DIRECTORS

Mr. Cao Changcheng (*Chairman*)
Mr. Cao Zhiming
Mr. Hou Taisheng
Ms. Meng Qingfen
Mr. Chi Yongsheng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sze Wing Chun
Mr. Lee Kwok Tung, Louis
Dr. To Kit Wa

AUDIT COMMITTEE

Mr. Sze Wing Chun (*Chairman*)
Mr. Lee Kwok Tung, Louis
Dr. To Kit Wa

NOMINATION COMMITTEE

Mr. Cao Changcheng (*Chairman*)
Mr. Lee Kwok Tung, Louis
Dr. To Kit Wa

REMUNERATION COMMITTEE

Mr. Lee Kwok Tung, Louis (*Chairman*)
Mr. Cao Changcheng
Dr. To Kit Wa

COMPANY SECRETARY

Mr. Wong Tik Man

AUTHORIZED REPRESENTATIVES

Mr. Cao Zhiming
Mr. Wong Tik Man

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited

LEGAL ADVISOR

D. S. Cheung & Co.

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Urban Industrial Zone
Xichuan County, Henan Province
China
(中國河南省淅川縣城區工業園區)

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Workshop 05 & 06, 15/F
Hundsun International Centre
44 Heung Yip Road
Aberdeen
Hong Kong

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS SHARE REGISTRAR

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

Corporate Information

PRINCIPAL BANKERS

Wing Lung Bank Ltd.
45 Des Voeux Road Central
Hong Kong

Bank of Pingdingshan Co., Ltd.
Zhengzhou Branch
1st Floor, Bank of Pingdingshan Building
No. 6 Fung Yi Road
Jinshui District, Zhengzhou City
Henan Province
China

China Construction Bank Corporation
Xichuan Branch
Middle Section, Jiefang Road
Chengguan Town, Xichuan County
Henan Province
China

SHARE INFORMATION

Date of listing: 11 July 2018
Place of incorporation: Cayman Islands
Place of listing: Main Board of The Stock Exchange of
Hong Kong Limited
Stock Code: 1652
Board lot: 1000 shares
Financial year end: 31 December

COMPANY'S WEBSITE

www.fusenyy.com

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

In the first half of 2023, the overall operational performance of the Group showed signs of improvement. After incurring losses in 2022, the Group successfully turned its operations around and achieved profitability, effectively reversing the previous losses. The revenue and gross profit for the first half of 2023 were RMB336.4 million and RMB179.1 million respectively, representing an increase of 103.1% and 124.7% respectively as compared to the corresponding period in 2022. The improvement in performance was partly attributable to the increase in market demand as a result of the adjustments made to China's pandemic prevention measures and control towards the end of 2022, and partly due to the Group's continuous efforts in expanding its sales network and strengthening product branding, which have started to yield positive results gradually.

Weihai Rensheng Pharmaceutical Group Company Limited* (威海人生藥業集團股份有限公司) (“**Weihai Rensheng**”), an associate of the Company, experienced a significant improvement in its operational performance in the first half of 2023, with a year-on-year decrease in operating losses, and is anticipated to achieve profitability for the year of 2023. However, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited* (江西永豐康德醫藥有限公司) (“**Jiangxi Kangde**”), a joint venture of the Group, incurred operating losses in the first half of 2023, primarily due to a significant decrease in revenue and profit from its core product, Kefadim as a result of the impact of the national centralised procurement policy.

While the Group has experienced significant growth in its performance, it has also been consistently increasing its investment in research and development. As the Company's research and development platform, Jiaheng (Zhuhai Hengqin) Pharmaceutical Technology Company Limited* (嘉亨(珠海橫琴)醫藥科技有限公司) (“**Jiaheng Pharmaceutical**”), a wholly-owned subsidiary of the Group, continues to initiate and conduct research and development projects. Currently, there are a total of 38 research and development projects in progress, including 21 pharmaceutical formulation projects, 10 chemical Active Pharmaceutical Ingredient (API) projects, and 7 traditional Chinese medicine projects.

* For identification purposes only

Management Discussion and Analysis

Project Classification	No.	Product Name	Therapeutic areas	Indication	Project Initiation Date	Application Date	Launch Date
Pharmaceutical Formulation	1	Flunarizine Hydrochloride Capsules	Neurological	Passed consistency evaluation: dizziness, cerebral ischemia, migraine prevention, etc.			March 2023
	2	Metoprolol Tartrate Tablets	Cardiovascular	Preparations passed consistency evaluation: hypertension, angina, etc.			June 2023
	3	Eltrombopag Olamine Tablets	Hematological	Submission of information: chronic immune (idiopathic) thrombocytopenia (ITP)	December 2022	July 2023	March 2025
	4	Acetylcysteine Effervescent Tablets	Respiratory	Completed BE: Phlegm remedies for chronic respiratory infections such as chronic obstructive pulmonary disease (COPD) and chronic bronchitis (CB)	May 2023	September 2023	May 2025
	5	Enzalutamide Soft Capsules	Oncological	High-risk non-metastatic castration-resistant prostate cancer	May 2023	January 2024	September 2025
	6	Polyethylene Glycol (3350) and Electrolytes Powder	Gastroenterological	Chronic constipation in children aged 2 to 11	May 2023	January 2024	July 2026
	7	Briaracetam Solution for Injection	Neurological	Partial seizure epilepsy, etc.	February 2022	May 2025	January 2027
	8	Nicardipine Hydrochloride Injection	Cardiovascular	Emergency management of abnormal hypertension during surgery, hypertensive emergency etc.	September 2021	June 2024	February 2026
	9	Piracetam Injection	Neurological	Acute and chronic cerebrovascular diseases, brain traumatic etc.	June 2022	May 2024	January 2026
	10	Levodopa and Benserazide Tablet	Neurological	Parkinson's disease, and Parkinson's syndrome	August 2022	July 2024	March 2026
	11	Metformin Hydrochloride and Empagliflozin Tablets (I)	Metabolic	Type 2 diabetes	July 2022	February 2024	May 2025
	12	Indobufen Tablets	Hematological	Ischemic cerebrovascular lesions caused by arteriosclerosis, etc., and prevention of thrombosis	August 2022	August 2024	April 2026
	13	Agomelatine Tablets	Neurological	Depression	October 2022	September 2024	May 2026
	14	Peramivir Injection	Anti-infection	Influenza A or B	April 2023	January 2024	July 2026
	15	Lornoxicam for Injection	Musculoskeletal	Multiple types of acute moderate pain	April 2023	November 2024	July 2026
	16	Sacubitril Valsartan Sodium Tablets	Cardiovascular	Chronic heart failure and essential hypertension	April 2023	November 2024	July 2026
	17	Levothyroxine Sodium Tablets	Hormone	Congenital hypothyroidism	July 2023	February 2025	October 2026
	18	Glucosamine Sulfate Capsules	Musculoskeletal	Primary and secondary osteoarthritis	August 2023	December 2024	August 2026
	19	Roadustat Capsules	Hematological	Anemia due to chronic kidney disease (CKD)	July 2023	November 2024	July 2026
	20	Pimecrolimus Cream	Dermatologic	Mild to moderate atopic dermatitis (eczema) of 2 years of age and older without immune compromise	May 2023	December 2024	August 2026
	21	Bilastine oral solution	Immunological	Urticaria	September 2023	February 2025	October 2026
API	1	Flunarizine Hydrochloride	Neurological	Dizziness, cerebral ischemia, migraine prevention, etc.	May 2022	May 2025	January 2027
	2	Briaracetam	Neurological	Partial seizure epilepsy, etc.	January 2020	May 2025	January 2027
	3	Nicardipine Hydrochloride	Cardiovascular	Emergency management of abnormal hypertension during surgery, hypertensive emergency etc.	September 2021	May 2025	January 2027
	4	Piracetam	Neurological	Acute and chronic cerebrovascular diseases, brain traumatic etc.	June 2022	May 2025	January 2027
	5	Indobufen	Hematological	Ischemic cerebrovascular lesions caused by arteriosclerosis, etc., and prevention of thrombosis	August 2022	May 2025	January 2027
	6	Agomelatine	Neurological	Depression	October 2022	May 2025	January 2027
	7	Peramivir	Anti-infection	Influenza A or B	April 2023	May 2025	January 2027
	8	Lornoxicam	Musculoskeletal	Multiple types of acute moderate pain	April 2023	May 2025	January 2027
	9	Sacubitril Valsartan Sodium	Cardiovascular	Chronic heart failure and essential hypertension	April 2023	May 2025	January 2027
	10	Roadustat	Hematological	Anemia due to chronic kidney disease (CKD)	July 2023	November 2024	July 2026
Traditional Chinese Medicine	1	Clear the Jin and Transform Phlegm Decoction	/	Phlegm-heat obstructing lung syndrome, cough, sputum	April 2023	December 2025	February 2027
	2	Peach Pit Decoction to Order the Qi	/	Lower Jiao blood stasis syndrome; western medicine: acute pelvic inflammatory disease, retained placenta, adnexitis	April 2023	November 2025	January 2027
	3	SV617 Granules	/	Upper respiratory tract infection	April 2023	April 2027	February 2029
	4	Shuanghuanglian Granules (JH020)	Heat-clearing prescription	Common cold due to wind-heat contraction	July 2023	November 2023	August 2024
	5	Ban Lan Gen Granules (JH021)	Heat-clearing prescription	Acute tonsillitis, mumps, etc.	March 2023	March 2024	November 2024
	6	Chuan Bei Pi Pa Syrup for Cough Treatment (JH022)	Anti-phlegm, anti-cough and asthma agent	Common cold, and bronchitis	March 2023	May 2024	February 2025
	7	Joy Powder (JH026)	/	Deficiency of heart Qi syndrome	July 2023	December 2024	February 2026

During the six months ended 30 June 2023, the Company obtained production approvals through consistency evaluation for the two products, namely fluoxetine hydrochloride capsules and metoprolol tartrate tablets. It is expected that the application for the registration of one of the products will be submitted in the second half of the year. The Company will continue to escalate its research and development investment, aiming to enrich its product pipeline. Furthermore, the Company will actively participate in national drug centralized procurements to provide a solid guarantee for the rapid increase in sales of its products. To ensure a stable and reliable supply of APIs for the pharmaceutical formulation projects, the Company is planning construction projects for APIs production facilities. Upon completion, these projects will produce the APIs required for the Company's existing formulation products as well as the APIs for the products in the pipeline. The Company believes that a stable and cost-effective supply of APIs may ensure that its formulation products demonstrate cost advantages and profit margins over the course of centralized procurement.

Management Discussion and Analysis



Illustration of Nanyang Guanzhuang Chemical APIs Base

In active response to the trend of low-carbon economy, the Company has renovated its existing facilities by installing photovoltaic power generation projects on their rooftops for its own use. During the six months ended 30 June 2023, a 6MW photovoltaic power generation project was completed and connected to the grid at the end of June 2023. Therefore, the Company's operating costs will be effectively reduced, as the costs of electricity generated by a photovoltaic power station were much lower than electrical grid prices. The Company expects that the completed photovoltaic power station can save the Company approximately RMB4.3 million in electricity costs and reduce 3,700 tons of carbon emissions annually. At the same time, the Company believes that photovoltaic power generation and energy storage integration projects could have the capability to generate a stable and reliable return, and the Company will select suitable investment projects, expand the scale of photovoltaic power generation projects, and create stable income for the Company.



Our Plant Premises' Rooftop Photovoltaic Power Station

Management Discussion and Analysis

The uncertainties in the market present numerous challenges to the Group's operations. However, the Group remains committed to placing product quality at its core, actively expanding sales channels, increasing investment in research and development, and continuously enriching its product pipeline. In the meantime, the Company will also keep an eye on new investment areas and opportunities so as to generate greater returns for the shareholders, while ensuring the healthy and sustainable development of the Group.

FINANCIAL REVIEW

Sales performance

	Unaudited				
	Six months ended 30 June				
	2023		2022		Growth rate %
Revenue RMB'000	% of total	Revenue RMB'000	% of total		
Manufacturing products					
Shuanghuanglian Oral Solutions	165,916	49.3%	65,381	39.5%	153.8%
Shuanghuanglian Injections	51,201	15.2%	32,771	19.8%	56.2%
Flunarizine Hydrochloride Capsules	10,262	3.1%	11,608	7.0%	(11.6%)
Compound Ferrous Sulfate Granules	9,296	2.8%	8,270	5.0%	12.4%
Other products	82,132	24.4%	39,401	23.8%	108.5%
Subtotal	318,807	94.8%	157,431	95.1%	102.5%
Third-party products	17,630	5.2%	8,180	4.9%	115.5%
Total	336,437	100.0%	165,611	100%	103.1%

Our revenue increased by approximately 103.1% from approximately RMB165.6 million in the first half of 2022 to approximately RMB336.4 million in the first half of 2023, due to the increase in sales volume attributable to the combined effects of (1) the ease of COVID-19 pandemic and the recovering market environment, which led to an increase in market demand; and (2) the Group's efforts in expanding sales network and strengthening product branding.

Management Discussion and Analysis

Among our product categories, revenue from sales of Shuanghuanglian Oral Solutions increased by approximately 153.8% from approximately RMB65.4 million in the first half of 2022 to approximately RMB165.9 million in the first half of 2023, which was mainly attributable to the increase in market demand with the ease of COVID-19 pandemic and the recovering market environment. Revenue from sales of Shuanghuanglian Injections increased by approximately 56.2% from approximately RMB32.8 million in the first half of 2022 to approximately RMB51.2 million in the first half of 2023. The increase in revenue is mainly due to the recovering market environment with the ease of COVID-19 pandemic. The market demand increased meanwhile the Group took efforts in expanding sales network and strengthening product branding. Our revenue from other products increased by approximately 108.5% from approximately RMB39.4 million in the first half of 2022 to approximately RMB82.1 million in the first half of 2023, which was mainly attributable to the increase in market demand.

Gross profit and margin

Our gross profit increased by approximately 124.7% from approximately RMB79.7 million for the first half year of 2022 to approximately RMB179.1 million for the first half year of 2023. The increase in gross profit is in line with the approximately 103.1% increase in total revenue for the first half year of 2023. Meanwhile, gross profit margin slightly increased by 5.1 percentage points to approximately 53.2% for the first half year of 2023 (approximately 48.1% for the first half of 2022).

Other net loss

Our other net loss primarily consists of government grants, net realised and unrealised losses or gains on derivative financial assets and others. The increase was mainly due to the increase in net realised and unrealised losses on derivative financial instruments.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of distribution expenses, advertisement, wages and salaries, promotion expenses and others. In the first half of 2022 and 2023, our selling and distribution expenses amounted to approximately RMB44.6 million and RMB79.1 million respectively, representing approximately 26.9% and 23.5% of our revenue for the respective periods. The increase in selling and distribution expenses is in line with the increase in revenue.

General and administrative expenses

General and administrative expenses primarily consist of wages and salaries, depreciation, professional fee, research and development costs, and others.

The increase of general and administrative expenses of approximately RMB31.9 million from approximately RMB27.9 million for the first half year of 2022 to approximately RMB59.8 million for the first half year of 2023. The Company increased its investment in research and development (R&D), including R&D staff labour and project expenses, which increased by approximately RMB14.0 million in total. The wages and salaries increased by approximately RMB8.9 million from approximately RMB11.9 million for the first half year of 2022 to approximately RMB20.8 million for the first half year of 2023.

Management Discussion and Analysis

Net finance costs

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

The net finance costs decreased from approximately RMB9.9 million in the first half year of 2022 to approximately RMB2.2 million in the first half year of 2023, mainly attributable to the decrease in net foreign exchange loss and interest on bank loans.

SHARE OF LOSS OF A JOINT VENTURE

Share of loss of a joint venture representing the Group's interests increased by approximately RMB11.3 million from approximately RMB1.5 million loss for the six months ended 30 June 2022 to approximately RMB12.8 million loss for the six months ended 30 June 2023. The operation loss in Jiangxi Yongfeng Kangde is mainly due to the effect by a centralized procurement policy in its major products. The Group interests is due from Jiangxi Yongfeng Kangde, whose 35.8% shares are owned by the Group.

SHARE OF LOSS OF AN ASSOCIATE

Share of loss of an associate represented by the Group's interests decreased by approximately RMB2.24 million from approximately RMB3.10 million loss for the six months ended 30 June 2022 to approximately RMB0.86 million loss for the six months ended 30 June 2023. The Group's interests is due from Weihai Rensheng, whose 34% equity interest are owned by the Group. The decrease in loss is mainly due to the significant improvement in the Weihai Rensheng's operational performance in the first half of 2023, with a year-on-year decrease in Weihai Rensheng's operating losses.

The Company performed an impairment assessment on the Group's interest in Weihai Rensheng as at 30 June 2023, the interim performance of Weihai Rensheng met the forecast and there is no significant change in the business operations and market environment. Management concluded that no further impairment or reversal of impairment for the six months ended 30 June 2023 is necessary.

INCOME TAX EXPENSES

Income tax primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Henan Fusen, our subsidiary, was certified as a High New Technology Enterprise in Henan province and has been entitled to a preferential income tax rate of 15%. Income tax expenses increased from approximately negative RMB0.2 million in the first half year of 2022 to approximately RMB6.4 million in the first half of 2023. The increase was mainly attributable to the operation profit in the first half year of 2023.

CAPITAL EXPENDITURES

The Group's capital expenditures primarily consist of payments and deposits for purchase of property, plant and equipment, right-of-use assets and intangible assets. In the first half year of 2023, the total capital expenditure was approximately RMB73.3 million (the first half year of 2022: approximately RMB19.5 million). The capital expenditures during the period were mainly incurred for the lease payment for a land use right, the enhancement of energy equipment in existing production process and the acquisition of licence of drugs under research.

Management Discussion and Analysis

CAPITAL STRUCTURE

The Group's capital structure consists of equity interest attributable to shareholders and liabilities. As at 30 June 2023, the Group's equity interest attributable to shareholders amounted to approximately RMB622.2 million (31 December 2022: approximately RMB614.2 million) in aggregate and total liabilities amounted to approximately RMB691.4 million (31 December 2022: approximately RMB737.4 million). The Group is committed to maintaining an appropriate combination of equity and debt, in order to maintain an effective capital structure and provide maximum returns for shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had net current liabilities of approximately RMB162.6 million (31 December 2022: net current liabilities of approximately RMB108.0 million), which included cash and cash equivalents of approximately RMB78.3 million (31 December 2022: approximately RMB128.1 million) and the short-term bank and other loans amounting to approximately RMB290.5 million (31 December 2022: approximately RMB225.8 million).

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

GEARING RATIO

As at 30 June 2023, the gearing ratio of the Group, which is calculated by dividing total bank and other loans by total equity, increased to 46.8% from 36.8% as at 31 December 2022. The increase was primarily due to the increase in the bank loans borrowed by the Group.

EXCHANGE RISK

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

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 1,121 employees (31 December 2022: 1,159 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's and individual's performance.

For the first half year of 2023, the total staff cost (including Director's emoluments, contributions to defined contribution retirement schemes, bonus and other benefits) amounted to approximately RMB57.6 million (six months ended 30 June 2022: RMB38.3 million).

Management Discussion and Analysis

COMMITMENT

Capital commitments of the Group outstanding as at 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contracted for	27,619	17,634

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment, investment property and land use rights, which had an aggregate carrying amount of approximately RMB114.4 million as of 30 June 2023 (31 December 2022: approximately RMBNil).

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Disclosure of interests

As at 30 June 2023, so far as the Directors are aware, the interests or short positions of the Directors or chief executives in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571) (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), are as follows.

Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Mr. Cao Changcheng ^(Notes 1, 2 and 3)	Interest of a controlled corporation	539,092,000	71.08%
Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) ^(Note 2)	Interest of a controlled corporation	154,146,000	20.32%
Mr. Hou Taisheng ^(Note 4)	Beneficiary of a trust	13,399,165	1.77%
Ms. Meng Qingfen ^(Note 4)	Beneficiary of a trust	11,809,433	1.56%
Mr. Chi Yongsheng ^(Note 4)	Beneficiary of a trust	12,944,956	1.71%

Notes:

1. Full Bliss Holdings Limited (the "Full Bliss") is wholly-owned by Mr. Cao Changcheng. As Mr. Cao Changcheng beneficially owns 100% of the issued shares of Full Bliss, Mr. Cao Changcheng is deemed to be interested in 204,766,000 Shares held by Full Bliss pursuant to the SFO.
2. Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) is the beneficial owner of the entire issued share capital of One Victory Investments Limited (the "One Victory") and is therefore deemed to be interested in the 154,146,000 Shares held by One Victory pursuant to the SFO. Furthermore, pursuant to the Second Deed of Confirmation dated 18 August 2017 entered into between Mr. Cao Changcheng, Mr. Cao Zhiming and One Victory, Mr. Cao Changcheng is entrusted to exercise all voting rights attaching to the Shares owned by One Victory and direct One Victory to vote accordingly.
3. Mr. Cao Changcheng is the protector of the Fusen Trust who has the power to remove the trustee and appoint new trustee for the Fusen Trust. Mr. Cao Changcheng is also the investment manager of the Fusen Trust, who is entitled to carry out the investment and management functions of the Fusen Trust, including the exercise of all voting rights attaching to the Shares owned by Rayford Global Limited (the "Rayford") and direct the trustee of the Fusen Trust to vote accordingly. Mr. Cao Changcheng, through Full Bliss, Rayford and One Victory, is therefore interested in an aggregate of 539,092,000 Shares, representing 71.08% of our issued share capital under the SFO.
4. Each of Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, who is our executive Director, is a beneficiary under the Fusen Trust.

Disclosure of Interests

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

As at 30 June 2023, as far as the Directors aware, the following persons (not being a Director or chief executive of our Company) have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Full Bliss	Beneficial owner	204,766,000	27.00%
Rayford	Beneficial owner	180,180,000	23.76%
TCT (BVI) Limited ^(Note 1)	Nominee of a trustee	180,180,000	23.76%
THE CORE TRUST COMPANY LIMITED ^(Note 1)	Trustee	180,180,000	23.76%
Ms. Quan Xiufeng ^(Note 2)	Interest of spouse	539,092,000	71.08%
One Victory	Beneficial owner	154,146,000	20.32%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) ^(Note 3)	Interest of spouse	154,146,000	20.32%

Notes:

1. The Core Trust Company Limited is a trustee of the Fusen Trust, whereby Mr. Hou Taisheng, Ms. Meng Qingfen, Mr. Fu Jiancheng, Mr. Chi Yongsheng and 43 other individuals are the beneficiaries under the Fusen Trust. TCT (BVI) Limited acts as the nominee to the trustee of the Fusen Trust, and holds 100% of the issued shares of Rayford. TCT (BVI) Limited is wholly owned by The Core Trust Company Limited. As such, The Core Trust Company Limited and TCT (BVI) Limited are deemed to be interested in 180,180,000 Shares held by Rayford pursuant to the SFO.
2. Ms. Quan Xiufeng is Mr. Cao Changcheng's spouse and is deemed to be interested in the 539,092,000 Shares in which Mr. Cao Changcheng is interested for the purpose of the SFO.
3. Ms. Zhou Peilin is Mr. Cao Zhiming (formerly known as Mr. Cao Dudu)'s spouse and is deemed to be interested in the 154,146,000 Shares in which Mr. Cao Zhiming is interested for the purpose of the SFO.

Disclosure of Interests

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 14 June 2018 (the “**Adoption Date**”).

The following table discloses movements in the Company’s share options outstanding under the Share Option Scheme during the period ended 30 June 2023:

Name/category of participants	At 1 January 2023	Date of grant of share options	Exercised during the period	Granted during the period	Lapsed during the period	Canceled during the period	At 30 June 2023	Vesting period of share options	Exercise period (both days inclusive)	Exercise price of share options HK\$ per share	Closing price of shares immediately before date of grant HK\$ per share
Two employees of the Group	8,000,000	19 July 2019	-	-	-	-	16,000,000	All of the share options granted have been vested on 19 October 2019	19 October 2019–13 June 2028	3.098	3.04

During the six months ended 30 June 2023, no share options were granted under the Share Option Scheme.

As at the date of approval of this interim report, there were 16,000,000 outstanding share options granted under the Share Option Scheme, representing approximately 2.11% of the issued share capital of the Company. As at 1 January 2023 and 30 June 2023, the number of share options that may be granted under the Share Option Scheme was 64,000,000 and 64,000,000, respectively, the underlying Shares for which represent approximately 8.44% of the total issued share capital of the Company as at the date of this report.

In order to encourage long-term commitment to the Company and to align the interests of the eligible grantees with the Company’s development, the Board proposed to extend the exercise period of the outstanding options granted under the Share Option Scheme, such that those options may be exercised over a period of not more than 10 years from the date of grant. The annual general meeting held on 30 June 2020 approved the proposed amendment of terms of share options granted, extending the exercise period of the outstanding options for the period from the previous expiry date, being 19 July 2020, to 13 June 2028. The modification took effect on 30 June 2020.

As it is expected that the proposed extension of exercise period would induce and incentivise the holders of the outstanding options to contribute to the growth, development and success of the Group, the Board considers that the proposed extension of exercise period of the outstanding options is in line with the objective of the Share Option Scheme, which also closely aligns the interests of such holders with that of the Shareholders to promote the long-term development and financial performance of the Company.

Please refer to Note 17 to the financial statements for further information of the Share Option Scheme and the value of share options granted.

Disclosure of Interests

RESTRICTED SHARE UNIT SCHEME

The Company adopted a restricted share unit scheme (the “**RSU Scheme**” or “**Restricted Share Unit Scheme**”) on 8 November 2021 (the “**Adoption Date**”), the details of which are set out as follows:

1. Purpose of the RSU Scheme

The purposes of the RSU Scheme are to incentivise persons who are eligible to receive restricted share unit(s) (“**RSU(s)**”) (“**Eligible Persons**”) for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

2. Participants of the RSU Scheme

Eligible Persons who may participate in the RSU Scheme include (i) employees or officers of the Group including (without limitation to) any executive or non-executive Directors in the employment of or holding office in the Group, research and development personnel, new product introduction personnel, sales and marketing personnel, medical aesthetic professional personnel and other professional personnel of the Group, and (ii) certain consultants or advisors to the Group.

The Board may select any Eligible Person for participation in the RSU Scheme. Unless so selected, no Eligible Person shall be entitled to participate in the RSU Scheme. The basis of eligibility of any person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

3. Total number of shares available for issue

The maximum number of RSUs which may be granted under the RSU Scheme shall be such number of Shares held or to be held by the trustee for the purpose of the RSU Scheme from time to time, and which shall in any event, be no more than 10% of the Company’s issued share capital as at the Adoption Date, being 76,993,400 Shares.

As at 30 June 2023, the total number of RSUs available for grant under the RSU Scheme was 71,993,400, the underlying shares for which (if issued) representing approximately 9.49% of the total number of issued shares of the Company as at the date of this report.

Disclosure of Interests

4. Details of the RSUs granted under the RSU Scheme

The number of RSUs available for grant under the RSU Scheme was 71,993,400 and 71,993,400 as at 1 January 2023 and 30 June 2023, respectively. Details of the outstanding RSUs granted under the RSU Scheme and the movements during the six months ended 30 June 2023 are set out as follows:

Name/category of Grantee	Date of Grant	Number of Shares underlying the RSUs outstanding as of the date of grant (Note 1)	Number of Shares underlying the RSUs outstanding as of 1 January 2023	Number of RSUs granted during the Reporting Period	Closing price of the Shares immediately before the date on which the RSUs were granted	Weighted average closing price of the Shares immediately before the vesting date	Vested during the Reporting Period	Lapsed during the Reporting Period (Note 2)	Number of Shares underlying the RSUs outstanding as of 30 June 2023	Vesting period (subject to vesting conditions)	Approximate percentage of total number of Shares in issue as of 30 June 2023
Two employees of the Group (Note 3)	8 July 2022	5,000,000	5,000,000	-	HK\$0.97	-	-	-	5,000,000	(Note 4)	0.66%
Total		5,000,000	5,000,000	-	HK\$0.97	-	-	-	5,000,000	(Note 4)	0.66%

Notes:

- Grantees are not required to make any payment in respect of grant of RSUs. Subject to the terms of the RSU Scheme, RSUs held by an Eligible Person that are vested as evidenced by the vesting notice may be exercised (in whole or in part) by the Eligible Person serving an exercise notice in writing on the trustee and copied to the Company. On 29 July 2022, the Company allotted and issued to Global Talent Alliance Limited, a wholly-owned subsidiary of the trustee appointed by the Board to administer the RSU Scheme (the "RSU Nominee"), 5,000,000 new shares (the "RSU Shares"), which are the underlying shares of the Company in respect of the 5,000,000 RSUs granted to the two grantees. The RSU Shares are held on trust by the RSU Nominee for the two grantees until the relevant RSUs have been exercised, upon which the RSU Shares will be transferred to the two grantees.
- During the Reporting Period, (i) no RSUs were granted under the RSU Scheme; and (ii) no RSU granted under the RSU Scheme was cancelled, vested or lapsed.
- The two grantees, each granted 2,500,000 RSUs, are business development staff of the Group and are third parties independent of and not connected with the Company, its subsidiaries and its connected persons.
- Subject to the vesting criteria and conditions having been met, the 2,500,000 RSU granted to each of the two Grantees shall vest equally (i.e. 500,000 RSUs) on 8 July 2023, 2024, 2025, 2026 and 2027, respectively. The vesting of the RSUs shall be subject to the satisfaction of the following performance targets: (i) the number of business partners being introduced by the relevant grantee; (ii) number of products being introduced and launched by the Group successfully on such grantee's effort and (iii) the cost of introducing and launching the relevant products. The RSUs shall be exercised no earlier than 12 months after the respective vesting dates.
- For details of the fair value of the granted RSUs and the basis of the measurement of fair value of RSUs, please refer to Note 17 to the financial statements in this report.
- The number of RSUs which may be granted under the RSU Scheme as at 30 June 2023 was 71,993,400 RSUs.

Disclosure of Interests

5. Maximum Entitlement of each Eligible Person under the Scheme

The total number of Shares granted and to be granted under the RSU Scheme and any other share scheme(s) of the Company to each Eligible Person (excluding any options and awards lapsed in accordance with the terms of the scheme) in any 12-month period up to and including the date of such grant shall not exceed in aggregate 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant to Eligible Persons in excess of the Individual Limit shall be subject to separate approval of the Shareholders in general meeting with such grantees and their associates abstaining from voting.

6. Vesting period

Details of the vesting period of the RSUs granted under the RSU Scheme are set out in the table in the section headed “4. Details of the RSUs granted under the RSU Scheme” above in this report.

7. Subscription Money for Shares issued under the RSU Scheme

The Board shall cause to be paid the subscription money for the underlying Shares in respect of the RSUs granted to an Eligible Person, representing the nominal value of a Share multiplied by the number of Shares to be issued, from the Company’s internal resources. Grantees are not required to make any payment in respect of grant of RSUs.

8. Duration

Subject to any early termination as may be determined by the Board pursuant to the rules relating to the RSU Scheme as amended from time to time, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the date of the first grant of the RSUs.

As no share options or RSUs were granted under all share schemes of the Company during the six months ended 30 June 2023, the number of Shares which were issued or may be issued in respect of options and awards granted under all share schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of shares of the relevant class in issue for the six months ended 30 June 2023 is nil.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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

The Company has adopted the code provisions stated in the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules. Throughout the period from 1 January 2023 to 30 June 2023, save for code provision C.6.1 of the Code, the Company has complied with all applicable code provisions set out in the Code.

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

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 14 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Code. During the six months ended 30 June 2023, the Audit Committee consisted of three independent non-executive Directors, Mr. Sze Wing Chun (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Lee Kwok Tung, Louis and Dr. To Kit Wa.

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

REVIEW OF THE INTERIM RESULTS

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the unaudited condensed interim financial report for the six months ended 30 June 2023. It has also reviewed the unaudited condensed interim financial report for the six months ended 30 June 2023 with the management and the auditor of the Company and recommended them to the Board for approval.

The interim financial report for the six months ended 30 June 2023 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in page 20.

Corporate Governance and Other Information

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standard of dealing as set out in the Model Code for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, the Company repurchased a total of 8,230,000 shares of the Company (the "Shares") on the Stock Exchange at an aggregate consideration of (excluding expenses) approximately HK\$11.0 million. No repurchased Shares were cancelled during the six months ended 30 June 2023. Details of the repurchases of Shares were as follows:

Month of repurchase	Number of Shares repurchased	Price per Share		Aggregate consideration (excluding expenses) HK\$'000	Number of Shares cancelled
		Highest HK\$	Lowest HK\$		
March, April, May and June 2023	8,230,000	1.37	1.24	11,028	–

The repurchases of Shares were made by the Directors, pursuant to the general mandates granted by the Shareholders at the annual general meetings held on 31 May 2022 and 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 six months ended 30 June 2023 and up to the date of this report.

INTERIM DIVIDEND

The directors of the Company do not recommend the payment of a dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: RMBNil).

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2023 and up to the date of this report which would materially affect the Group's operations and financial performance.

Review Report



Review report to the board of directors of Fusen Pharmaceutical Company Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 21 to 42 which comprises the consolidated statement of financial position of Fusen Pharmaceutical Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial report performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

29 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	4	336,437	165,611
Cost of sales		(157,319)	(85,878)
Gross profit		179,118	79,733
Other net loss	5	(1,443)	(57)
Selling and distribution expenses		(79,091)	(44,594)
General and administrative expenses		(59,783)	(27,904)
Profit from operations		38,801	7,178
Finance income		752	953
Finance costs		(2,993)	(10,884)
Net finance costs	6	(2,241)	(9,931)
Share of loss of a joint venture		(12,805)	(1,462)
Share of loss of an associate		(859)	(3,098)
Profit/(loss) before taxation	7	22,896	(7,313)
Income tax expenses	8	(6,449)	236
Profit/(loss) for the period		16,447	(7,077)
Other comprehensive income for the period (after tax)			
<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		(87)	1,862
Other comprehensive income for the period		(87)	1,862
Total comprehensive income for the period		16,360	(5,215)

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

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi (RMB)'000 unless otherwise indicated)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		16,456	(7,037)
Non-controlling interests		(9)	(40)
		16,447	(7,077)
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		16,369	(5,175)
Non-controlling interests		(9)	(40)
		16,360	(5,215)
Earnings /(loss) per share			
Basic (RMB cents)	9(a)	2	(1)
Diluted (RMB cents)	9(b)	2	(1)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2023 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Investment property	10	15,942	16,497
Other property, plant and equipment	10	346,948	312,108
Right-of-use assets	11	215,551	217,637
Intangible assets		383	483
Interest in a joint venture		35,699	48,433
Interest in an associate		129,568	129,876
Financial assets measured at fair value through profit or loss ("FVPL")		11,325	–
Deferred tax assets		6,933	5,079
Other assets		36,222	6,099
		798,571	736,212
Current assets			
Other financial assets	23	2,281	4,595
Inventories	12	96,897	110,649
Trade receivables	13	214,727	247,189
Prepayments and other receivables		121,626	103,366
Restricted bank deposit		–	20,151
Cash and cash equivalents	14	78,299	128,106
		513,830	614,056
Current liabilities			
Trade and bills payables	15	105,841	163,613
Lease liabilities		1,790	2,107
Contract liabilities		11,675	67,550
Accruals and other payables		259,344	255,823
Bank and other loans	16	290,513	225,842
Current taxation		7,260	7,147
		676,423	722,082
Net current liabilities		(162,593)	(108,026)
Total assets less current liabilities		635,978	628,186

Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2023 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Deferred income		10,777	11,323
Lease liabilities		1,201	432
Deferred tax liabilities		3,045	3,538
		15,023	15,293
NET ASSETS			
		620,955	612,893
CAPITAL AND RESERVES			
Share capital	18	6,383	6,383
Reserves		615,855	607,784
Total equity attributable to equity shareholders of the Company			
		622,238	614,167
Non-controlling interests			
		(1,283)	(1,274)
TOTAL EQUITY			
		620,955	612,893

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

Note	Attributable to equity shareholders of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares reserve RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserves RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2023	6,383	246,726	(45)	392	54,071	27,808	(11,415)	15,434	274,813	614,167	(1,274)	612,893
Profit for the period	-	-	-	-	-	-	-	-	16,456	16,456	(9)	16,447
Other comprehensive income	-	-	-	-	-	-	-	(87)	-	(87)	-	(87)
Total comprehensive income for the period	-	-	-	-	-	-	-	(87)	16,456	16,369	(9)	16,360
Equity settled share-based transactions	17	-	-	-	-	861	-	-	-	861	-	861
Purchase of own shares	19	-	(9,641)	(69)	-	-	-	-	-	(9,710)	-	(9,710)
Share of other reserves of an associate	-	-	-	-	-	-	551	-	-	551	-	551
Balance at 30 June 2023	6,383	237,085	(114)	392	54,071	28,669	(10,864)	15,347	291,269	622,238	(1,283)	620,955

Note	Attributable to equity shareholders of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Treasury shares reserve RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserves RMB'000	Share option reserve RMB'000	Other reserves RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2022	6,479	259,458	(43)	253	54,071	26,655	(12,466)	14,344	309,418	658,169	(1,225)	656,944
Profit for the period	-	-	-	-	-	-	-	-	(7,037)	(7,037)	(40)	(7,077)
Other comprehensive income	-	-	-	-	-	-	-	1,862	-	1,862	-	1,862
Total comprehensive income for the period	-	-	-	-	-	-	-	1,862	(7,037)	(5,175)	(40)	(5,215)
Dividends approved in respect of the previous year	20	-	(2,618)	-	-	-	-	-	-	(2,618)	-	(2,618)
Purchase of own shares	19	-	(9,975)	(98)	-	-	-	-	-	(10,073)	-	(10,073)
Cancellation of treasury shares	19	-	-	-	-	-	-	-	-	-	-	-
— Par value	-	(139)	-	139	-	-	-	-	-	-	-	-
— Transfer between reserves	-	-	(139)	-	139	-	-	-	-	-	-	-
Share of other reserves of an associate	-	-	-	-	-	-	1,080	-	-	1,080	-	1,080
Balance at 30 June 2022	6,340	246,726	(2)	392	54,071	26,655	(11,386)	16,206	302,381	641,383	(1,265)	640,118

The accompanying notes form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 — unaudited
(Expressed in RMB'000 unless otherwise indicated)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating activities		
Cash used in operations	(37,665)	(46,270)
Income tax paid	(8,683)	(75)
Net cash used in operating activities	(46,348)	(46,345)
Investing activities		
Repayments from a joint venture	8,000	9,300
Payment for the purchase of property, plant and equipment	(42,037)	(19,479)
Payment for the financial assets measured at FVPL	(9,625)	(1,700)
Payment for the other assets	(31,255)	–
Other cash flow used in investing activities	500	80
Net cash used in investing activities	(74,417)	(11,799)
Financing activities		
Borrowing costs paid	(5,213)	(5,920)
Loan from a related party	–	78,895
Repayment of loans to a related party	–	(83,895)
Dividends paid	–	(7,036)
Decrease/(increase) in restricted bank deposits	20,151	(20,000)
Capital element of lease rentals paid	(1,329)	(950)
Interest element of lease rentals paid	(77)	(102)
Proceeds from bank and other loans	194,233	184,789
Repayment of bank and other loans	(127,247)	(107,172)
Payment for purchase of own shares	(9,710)	(10,073)
Net cash generated from financing activities	70,808	28,536
Net decrease in cash and cash equivalents	(49,957)	(29,608)
Cash and cash equivalents at 1 January	128,106	81,063
Effect of foreign exchange rate changes	150	1,172
Cash and cash equivalents at 30 June	78,299	52,627

The accompanying notes form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in RMB'000 unless otherwise indicated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

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

2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

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

The interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial report performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors of the Company is included on page 20.

The financial report relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's annual consolidated financial statements for the year ended 31 December 2022 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2023.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

Going concern assumption

As at 30 June 2023, net current liabilities of the Group was RMB162,593,000, and the operating cash outflow for the six months period ended 30 June 2023 amounted to RMB46,348,000. Considering the current economic conditions, management has comprehensively considered (i) the Group's cash flow forecast for the 12 months ending 30 June 2024; (ii) the Group's ability to raise funds, as needed, through loan financing and equity financing, from the short and long-term perspective, and maintain reasonable financing costs through appropriate financing portfolio, the board of directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations for at least 12 months from the end of the reporting period. As a result, the interim consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Manufacturing products		
Shuanghuanglian Oral Solutions	165,916	65,381
Shuanghuanglian Injections	51,201	32,771
Other products	101,690	59,279
Subtotal	318,807	157,431
Third-party products	17,630	8,180
Total	336,437	165,611

Revenue is recognised at point in time.

During the six months ended 30 June 2023, two of the Group's customers (2022: one customer) with whom transactions have exceeded 10% of the Group's revenue. Revenue from sales of pharmaceutical products to these two customers amounted to RMB49,317,000 and RMB39,925,000 respectively (2022: RMB21,580,000).

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 and does not disclose the remaining performance obligation under existing contracts as the performance obligations under the Group's existing contracts has an original expected duration of one year or less.

(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.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

5 OTHER NET LOSS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants	3,608	502
Net realised and unrealised (losses)/gains on derivative financial instruments	(2,314)	3,388
Others	(2,737)	(3,947)
	(1,443)	(57)

6 NET FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance income	752	953
Less: Finance costs		
— Interest on bank loans	5,289	6,217
— Net foreign exchange (gains)/losses	(2,296)	4,667
Net finance costs	(2,241)	(9,931)

7 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cost of inventories	158,310	86,497
Research and development costs	24,028	10,005
Depreciation of investment property and other property, plant and equipment	12,883	11,961
Depreciation of right-of-use assets	3,866	3,657
Amortisation of intangible assets	100	100
Recognition/(reversal) of credit losses on trade and other receivables	2,953	(5,497)

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

8 INCOME TAX EXPENSES

Amounts recognised in profit or loss:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax — the PRC Enterprise Income Tax		
Provision for the period	10,691	2,786
Over-provision in respect of previous years	(1,895)	(2,330)
	8,796	456
Deferred tax		
Origination and reversal of temporary differences	(2,347)	(692)
	6,449	(236)

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

In accordance with the Enterprise Income Tax Law of the PRC (“**the Income Tax Law**”), enterprise income tax rate for the Group’s PRC subsidiaries during the six months ended 30 June 2023 is 25% (2022: 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%, which has been applied for each of the six months ended 30 June 2023 and 2022. The current certification of New and High Technology Enterprise held by Henan Fusen will expire on 27 October 2024.

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

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary equity shareholders of the Company of RMB16,456,000 (six months ended 30 June 2022: loss of RMB7,037,000) and the weighted average of 754,902,000 ordinary shares (2022: 758,986,000) in issue during the reporting period, calculated as follows:

	Six months ended 30 June	
	2023 '000	2022 '000
Issued ordinary shares at 1 January	758,439	769,934
Effect of purchase of own shares (Note 19)	(3,537)	(10,948)
Weighted average number of ordinary shares at 30 June	754,902	758,986

(b) Diluted earnings/(loss) per share

The basic and diluted earnings/(loss) per share are the same as the effects of all dilutive potential ordinary shares are anti-dilutive for the six months ended 30 June 2023 and 2022.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

10 INVESTMENT PROPERTY, OTHER PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the addition for the Group on plant and acquired items of equipment amounted to RMB47,168,000 (six months ended 30 June 2022: RMB8,243,000).

As at 30 June 2023, certain of the Group's bank borrowings were secured by the Group's property, plant and equipment and investment property, which had an aggregate carrying amount of RMB27,983,000 as of 30 June 2023 (31 December 2022: Nil).

11 RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for leasehold properties and therefore recognised the additions to right-of-use assets of RMB1,780,000 (six months ended 30 June 2022: RMB652,000).

As at 30 June 2023, certain of the Group's bank borrowings were secured by the Group's land use rights, which had an aggregate carrying amount of RMB86,386,000 as at 30 June 2023 (31 December 2022: Nil).

12 INVENTORIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials	20,700	54,389
Work in progress	11,505	19,791
Finished goods	64,692	36,469
	96,897	110,649

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

13 TRADE RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bills receivable*	116,430	177,802
Trade debtors	105,901	74,276
Less: allowance for credit loss	(7,604)	(4,889)
	98,297	69,387
	214,727	247,189

* At 30 June 2023, the Group's bills receivable of RMB39,302,000 and RMB35,932,000 (31 December 2022: RMB51,665,000 and RMB26,911,000) were endorsed to suppliers and discounted to banks, respectively. As the Group has not transferred the substantial risks and rewards relating to these bills, the Group's management determined not to de-recognise the carrying amounts of these bills and the associated trade payables.

Ageing analysis

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

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current to 3 months	58,274	48,651
4 to 6 months	27,661	5,490
7 to 12 months	3,346	14,879
Over 12 months	9,016	367
	98,297	69,387

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

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

14 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank deposits	78,299	128,106

15 TRADE AND BILLS PAYABLES

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Current to 3 months	72,365	136,920
4 to 6 months	17,812	5,470
7 to 12 months	6,053	2,415
Over 12 months	9,611	18,808
	105,841	163,613

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

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

16 BANK AND OTHER LOANS

	Note	At 30 June 2023		At 31 December 2022	
		Effective interest rate	RMB'000	Effective interest rate	RMB'000
Current					
Bank borrowings					
— secured	(i)				
RMB denominated		4.20%–5.22%	80,000	N/A	–
— guaranteed	(ii)				
USD denominated		4.99%	50,581	4.99%	52,931
RMB denominated		4.99%–5.23%	124,000	5.22%–5.23%	126,000
— unsecured					
RMB denominated		N.A	–	4.70%	20,000
Proceeds from discounted bills		2.71%	35,932	1.88%	26,911
Total			290,513		225,842

Notes:

- (i) As at 30 June 2023, these loans are secured by the Group's property, plant and equipment, investment property and right-of-use asset.
- (ii) These loans are guaranteed by entities controlled by Mr. Cao Changcheng ("Mr. Cao"), the ultimate controlling party of the Company.

As of the end of the reporting period, the borrowings were repayable within one year or on demand.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

17 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Share option scheme adopted on 14 June 2018

On 14 June 2018 (the “**Adoption Date**”), the Company adopted the Share Option Scheme whereby the Board are authorised, at their discretion, to invite employees, director, consultant, adviser and distributor, contractor, business partner or service provider of the Group, to take up options subscribe for shares of the Company. The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the Shareholders in general meeting. The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of 800,000,000 share.

On 19 July 2019, the Company granted 16,000,000 share options to eligible persons (the “**Grantees**”) under the Share Option Scheme. The options vest after three months from the date of grant and are then exercisable within a period of nine months. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

In order to encourage long-term commitment to the Company and to align the interests of the eligible grantees with the Company’s development, the exercise period of the outstanding options granted under the Share Option Scheme was extended and the expiry date deferred from 19 July 2020 to 13 June 2028 (“**Modification**”). The Modification took effect on 30 June 2020.

For the six months ended 30 June 2023 and 2022, no share-based payment expenses were recognised.

(b) Restricted share unit scheme adopted in July 2022

On 8 July 2022, the Company adopted a restricted share unit scheme (the “**RSU Scheme**”) to recognise and reward the contribution of certain eligible participants to the growth and development of the Group through granting restricted share units (“**RSUs**”). The Company may allot and issue shares of the Company to the trustee to be held by the trustee and which will be used to satisfy the RSUs upon exercise. The maximum number of shares to be subscribed for and/or purchased by trustee for the purpose of the scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

On 8 July 2022, the Company granted 5,000,000 RSUs to two of the Group’s employees with a fair value of RMB4,147,000. The RSUs granted shall vest annually on an equal basis within five years with 500,000 shares each year from the grant date of the RSUs. Moreover, up to 300,000 additional RSUs may be granted to each employee at the Board’s discretion upon achievement of certain performance target.

The fair value of the employee services received in exchange for the grant of shares is measured based on the grant date share price of the Company. Accordingly, a total amount of RMB861,000 was charged as an equity settled share-based payment to profit or loss with a corresponding increase in share-based payment reserve for the six months ended 30 June 2023.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

18 SHARE CAPITAL

	2023		2022	
	No. of shares	Amount RMB'000	No. of shares	Amount RMB'000
Authorised ordinary shares of HKD0.01 each:				
At 1 January and 30 June	2,000,000,000	16,354	2,000,000,000	16,354
Ordinary shares, issued and fully paid:				
At 1 January	758,439,000	6,383	769,934,000	6,479
Cancellation of treasury shares (Note 19)	–	–	(16,495,000)	(139)
At 30 June	758,439,000	6,383	753,439,000	6,340

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.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

19 PURCHASE OF OWN SHARES

When the Company's shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. The repurchased shares are classified as treasury shares. The par value of treasury shares purchased is debited to a reserve called "treasury shares reserve" and the premium paid to acquire the shares is shown as an adjustment to share premium. Upon cancellation of the repurchased shares, the par value of the cancelled shares shall be transferred to "capital redemption reserve", with share premium adjusted accordingly.

Month/year	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000	Number of shares cancelled	Number of treasury shares
January 2022	3,431,000	1.30	1.11	4,222	–	8,543,000
March 2022	371,000	1.07	1.03	393	–	8,914,000
April 2022	2,545,000	1.02	0.93	2,500	–	11,459,000
May 2022	5,036,000	0.99	0.90	4,752	–	16,495,000
June 2022	229,000	0.94	0.90	213	(16,495,000)	229,000
	11,612,000			12,080	(16,495,000)	
March 2023	1,718,000	1.35	1.25	2,285	–	1,947,000
April 2023	4,756,000	1.35	1.25	6,406	–	6,703,000
May 2023	976,000	1.37	1.28	1,319	–	7,679,000
June 2023	780,000	1.35	1.24	1,018	–	8,459,000
	8,230,000			11,028	–	

The amount paid for the repurchase 8,230,000 shares during the six months ended 30 June 2023 was paid out of share premium. The aggregate price paid was HKD11,028,000 (equivalent to approximately RMB9,710,000). No repurchased shares were cancelled during the six months ended 30 June 2023.

As at 30 June 2023, the Group held 8,459,000 of the Company's shares (31 December 2022: 229,000). Treasury shares are not entitled for dividends.

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

20 DIVIDENDS

Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
No final dividend in respect of the previous financial year, approved during the following interim period (2022: RMB0.34 cents (equivalent to HKD0.42 cents) per ordinary share)	–	2,618

21 COMMITMENTS

Capital commitments of the Group outstanding as of the end of the reporting period are as follows:

	At	At
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Contracted for	27,619	17,634

22 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2023, the Group has entered into the following material related party transactions:

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Sale of goods	(i)	8,017	2,619
Purchase of goods	(ii)	14,431	6,646
Receiving ancillary services	(iii)	145	145
Repayment from a joint venture	(iv)	8,000	9,300
Interest receivable on loan to a joint venture	(iv)	396	901
Advance to a related party	(v)	–	500
Advance from a related party	(vi)	–	109
Loan from a related party	(vi)	–	78,895
Repayment of loans from a related party	(vi)	–	83,895
Interest paid on loan from a related party	(vii)	–	706
Net deposit/(withdrawal) of a related party	(viii)	232	(44)

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

22 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (i) Represent the pharmaceutical products sold to its joint venture, Jiangxi Yongfeng Kangde Pharmaceutical Company Limited (江西永豐康德醫藥有限公司).
- (ii) Mainly represent medicinal herbs (lonicera japonica and baikal skullcap root), steams, packaging materials, and construction materials from entities controlled by Mr. Cao.
- (iii) Represent amounts paid and payable to entities controlled by Mr. Cao in respect of ancillary services such as short-term leases of premises, accommodation, catering and other services.
- (iv) Represent repayment by the joint venture at the Group. Certain advances bore interest with rate of 5.22% per annum for the six months ended 30 June 2023.
- (v) Represent advance to an entity controlled by a director of the Company. The advance is interest free.
- (vi) Represent of non-interest bearing advances and fund received from/repaid to an entity controlled by Mr. Cao.
- (vii) Represent interests of the loan paid to a bank which Mr. Cao can exercise significant influence. The loan is RMB20,000,000 with a maturity period of 3 years from August 2019 and interest rate of 6.98% per annum.
- (viii) Represent net deposits placed in the bank which Mr. Cao can exercise significant influence.

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Notes to the Unaudited Interim Financial Report *(Continued)*

(Expressed in RMB'000 unless otherwise indicated)

23 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

Financial assets and liabilities measured at fair value *(Continued)*

	Fair value	Fair value measurements		
	at 30 June 2023 RMB'000	as at 30 June 2023 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial assets measured at FVPL	11,325	–	–	11,325
Capped cross currency swap	2,281	–	2,281	–
	13,606	–	2,281	11,325

	Fair value at	Fair value measurements as at		
	31 December 2022 RMB'000	31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Capped cross currency swap	4,595	–	4,595	–

Valuation techniques and inputs used in Level 2 fair value measurements. The fair value of capped cross currency swap is the estimated amount that the Group would receive or pay to transfer the swap at the end of the reporting period, taking into account the spot exchange rate as at the period end.

The fair value of the financial assets measured at FVPL is approximate to the investment cost due to short duration from the transaction date to the end of the reporting date.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022.

24 EVENTS AFTER THE REPORTING PERIOD

As of the date of the report, there was no material event occurred for the Group after the reporting period.