

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Fusen Pharmaceutical Company Limited**, you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

## (1) RENEWAL OF CONTINUING CONNECTED TRANSACTION AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders



Gram Capital Limited  
嘉林資本有限公司

Capitalised terms used in this cover page and the inside cover page of this circular shall have the same respective meanings as those defined in the section headed "DEFINITIONS" of this circular.

A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement is set out on pages 19 to 29 of this circular. A notice convening the extraordinary general meeting to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 20 January 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are advised to complete and sign the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

All times and dates specified herein refers to Hong Kong local times and dates.

#### PRECAUTIONARY MEASURES FOR THE EGM

In compliance with the Hong Kong Government's directive on social distancing, personal and environmental hygiene, and the guidance issued by the Centre for Health Protection of the Department of Health on the prevention of coronavirus disease 2019 ("COVID-19"), the Company will implement additional precautionary measures at the EGM including, without limitation:

- Compulsory body temperature screening;
- Compulsory wearing of surgical face masks;
- No distribution of corporate gift or refreshment; and
- Mandatory health declaration — anyone subject to the Hong Kong Government's prescribed quarantine or who has travelled overseas within 14 days immediately before the date of the EGM will be denied entry into the EGM venue.

Seating at the venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

The Company strongly advises Shareholders to appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) as an alternative to attending the EGM in person. Shareholders are advised to read page 1 of this circular for further details and monitor the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

28 December 2020

## CONTENTS

	<i>Page</i>
<b>Precautionary Measures for the EGM</b> .....	1
<b>Definitions</b> .....	2
<b>Letter from the Board</b> .....	6
<b>Letter from the Independent Board Committee</b> .....	17
<b>Letter from Gram Capital</b> .....	19
<b>Appendix — General Information</b> .....	30
<b>Notice of the EGM</b> .....	EGM-1

## **PRECAUTIONARY MEASURES FOR THE EGM**

The health of the Shareholders, staff and stakeholders is of paramount importance to the Company. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee must wear a surgical face mask throughout the meeting and inside the meeting venue and maintain a safe distance between seats.
- (iii) No refreshment will be served or arranged to be taken away, and there will be no corporate gift.
- (iv) Each attendee will be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions will be denied entry into the meeting venue or be required to leave the meeting venue.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of COVID-19, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and returning the form of proxy attached to this circular.

If any Shareholder chooses not to attend the EGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong or to our email at [enquiry@fusenyy.com](mailto:enquiry@fusenyy.com).

If any Shareholder has any question relating to the EGM, please contact Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong as follows:

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)  
Tel: (852) 2862 8555

## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context requires otherwise.*

“Articles of Association”	the articles of association of the Company
“associate(s)”	has its meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“Chief Financial Officer”	the chief financial officer of the Company
“Company”	Fusen Pharmaceutical Company Limited (福森藥業有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1652)
“connected person”	has its meaning as given to it under the Listing Rules
“controlling Shareholder”	has its meaning as given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Existing Master Chinese Medicine Purchase Agreement”	the master purchase agreement dated 14 June 2018 entered into between the Group as the purchaser and Fusen Chinese Medicine as the supplier for three years and ending on 31 December 2020 in respect of the purchase and supply of medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group
“Full Bliss”	Full Bliss Holdings Limited (福全控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 30 November 2012 and is wholly-owned by Mr. Cao, an executive Director, the Chairman and a controlling Shareholder
“Fusen Chinese Medicine”	Xichuan Fusen Chinese Medicine Raw Material Plant and Development Limited* (浙川縣福森中藥材種植開發有限公司), a company established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, wholly-owned by Fusen Shiye as at the Latest Practicable Date

## DEFINITIONS

“Fusen Shiye”	Henan Fusen Shiye Group Limited* (河南福森實業集團有限公司), a company established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, owned as to 35.08%, 4.83%, 4.66% and 4.26% by Mr. Cao, Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen (each being an executive Director), respectively as at the Latest Practicable Date
“Fusen Trust”	a trust established by a deed of settlement dated 14 June 2013 between Mr. Alex Cao, who was acting on behalf of and under the authorisation and instructions of Mr. Cao, as settlor, and Vistra Trust (Labuan) Limited, as trustee which is entrusted to hold the entire shareholding of Rayford on trust for certain individual Shareholders (including but not limited to Mr. Hou Taisheng, Mr. Chi Yongsheng and Ms. Meng Qingfen, each being an executive Director) as the beneficiaries
“Group”	the Company and its subsidiaries
“Henan Fusen”	Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders as to voting at the EGM on, among other things, the resolution approving the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transaction contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who do not have a material interest in the Renewed Master Chinese Medicine Purchase Agreement

## DEFINITIONS

“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (has the meaning ascribed to it under the Listing Rules) of the Company and is/are independent of and not connected with the Company and directors, supervisors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Latest Practicable Date”	23 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Alex Cao”	Mr. Cao Zhiming (曹智銘) (formerly known as Mr. Cao Dudu), an executive Director of the Company and the son of Mr. Cao
“Mr. Cao”	Mr. Cao Changcheng (曹長城), an executive Director, the Chairman, a controlling Shareholder and the father of Mr. Alex Cao
“One Victory”	One Victory Investments Limited (致凱投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 4 July 2017 and is wholly-owned by Mr. Alex Cao, an executive Director
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the annual amounts payable by the Group in the relevant financial periods for the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement
“Rayford”	Rayford Global Limited (利福環球有限公司), a company incorporated in the British Virgin Islands with limited liability on 26 February 2013 and is controlled by Fusen Trust

## DEFINITIONS

“Renewed Master Chinese Medicine Purchase Agreement”	the renewed master purchase agreement dated 4 December 2020 entered into between Henan Fusen as the purchaser and Fusen Chinese Medicine as the supplier for three years commencing from 1 January 2021 and ending on 31 December 2023 in respect of the purchase and supply of medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

\* *For identification purpose only*

## LETTER FROM THE BOARD



### Fusen Pharmaceutical Company Limited

福森藥業有限公司

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

**(Stock Code: 1652)**

*Executive Directors:*

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

*Registered Office:*

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

*Independent Non-executive Directors:*

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

*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:*

29/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

28 December 2020

*To the Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 4 December 2020.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; (ii) the letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board



## LETTER FROM THE BOARD

Committee regarding the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; and (iv) a notice of the EGM to consider and, if thought fit, to approve the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

### RENEWAL OF CONTINUING CONNECTED TRANSACTION

Reference is made to the prospectus of the Company dated 28 June 2018, in relation to, among other things, the continuing connected transaction under the Existing Master Chinese Medicine Purchase Agreement entered into between the Group and Fusen Chinese Medicine. The term of the Existing Master Chinese Medicine Purchase Agreement will expire on 31 December 2020.

On 4 December 2020, Henan Fusen, a wholly-owned subsidiary of the Company, entered into the Renewed Master Chinese Medicine Purchase Agreement with Fusen Chinese Medicine to renew the term of the Existing Master Chinese Medicine Purchase Agreement for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive), pursuant to which Fusen Chinese Medicine agreed to supply, and Henan Fusen agreed to purchase, medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group on and subject to the terms and conditions of the Renewed Master Chinese Medicine Purchase Agreement.

The principal terms of the Renewed Master Chinese Medicine Purchase Agreement are as follows:

- Date** : 4 December 2020
- Parties** : (1) Henan Fusen, a wholly-owned subsidiary of the Company; and  
(2) Fusen Chinese Medicine.

As at the Latest Practicable Date, Fusen Chinese Medicine is wholly-owned by Fusen Shiye, a company owned as to approximately 35.08% by Mr. Cao, an executive Director, the Chairman and a controlling Shareholder. Fusen Shiye and Fusen Chinese Medicine are close associates of Mr. Cao and therefore are connected persons of the Company under Chapter 14A of the Listing Rules.

- Scope** : Pursuant to the Renewed Master Chinese Medicine Purchase Agreement, Fusen Chinese Medicine agreed to supply, and Henan Fusen agreed to purchase, medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group.

## LETTER FROM THE BOARD

- Terms** : The Renewed Master Chinese Medicine Purchase Agreement has a term of three years commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive).
- Conditions precedent** : The Renewed Master Chinese Medicine Purchase Agreement is conditional upon the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder being approved by the Independent Shareholders at the EGM.

### Pricing Policy

The purchase price of the medicinal herbs will be determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length negotiation between Henan Fusen and Fusen Chinese Medicine from time to time. Henan Fusen will purchase medicinal herbs from Fusen Chinese Medicine on an as-needed basis.

When determining and approving the price and terms of the transactions under the Renewed Master Chinese Medicine Purchase Agreement, Henan Fusen will consider the following:

- (i) the historical transaction amount paid by the Group for products of similar type, quantity and quality;
- (ii) comparing the purchase price with quotations from not less than three independent suppliers that provide similar products and ensuring that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price to ensure that the purchase price payable by Henan Fusen represents the prevailing market price and is on normal commercial terms; and
- (iii) factors such as types of products required, the estimated delivery time, transportation costs, quality and quantity of products and any other factors affecting the products' price.

In the event that the price offered by Fusen Chinese Medicine is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Chinese Medicine.

The above pricing policy will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis.

Henan Fusen and Fusen Chinese Medicine will enter into individual agreements or orders to set out specific terms with respect to the purchase of medicinal herbs under the Renewed Master Chinese Medicine Purchase Agreement in accordance with the principal terms thereunder.

## LETTER FROM THE BOARD

### HISTORICAL AMOUNTS OF THE TRANSACTIONS UNDER THE EXISTING MASTER CHINESE MEDICINE PURCHASE AGREEMENT

The historical transaction amounts for the two years ended 31 December 2019 and for the ten months ended 31 October 2020 under the Existing Master Chinese Medicine Purchase Agreement were approximately RMB8.6 million, RMB28.2 million and RMB29.8 million, respectively.

### PROPOSED ANNUAL CAPS UNDER THE RENEWED MASTER CHINESE MEDICINE PURCHASE AGREEMENT

Set out below are the Proposed Annual Caps under the Renewed Master Chinese Medicine Purchase Agreement:

	<b>For the year ending 31 December 2021 <i>RMB million</i></b>	<b>For the year ending 31 December 2022 <i>RMB million</i></b>	<b>For the year ending 31 December 2023 <i>RMB million</i></b>
Proposed Annual Caps	40.0	44.0	48.0

The following factors were considered when determining the Proposed Annual Caps:

- (i) the historical purchase prices paid to Fusen Chinese Medicine for the two years ended 31 December 2019 and the level of the Group's recent demand for the medicinal herbs as shown by its recent monthly purchases for the ten months ended 31 October 2020;
- (ii) the Directors believe that the market demand for the Group's Shuanghuanglian-based cold medicine products will continue its growth in view of the historical growth in its revenue for the six months ended 30 June 2020 of approximately 26% compared with the same period in 2019, which was primarily attributable to the increase in sales volume in Shuanghuanglian-based cold medicine products. Further, the estimated transaction amount under the Existing Master Chinese Medicine Purchase Agreement for the year ending 31 December 2020 of approximately RMB36 million, representing an increase of approximately 20% as compared to the historical transaction amount for the year ended 31 December 2019;
- (iii) the expected growth in demand for Shuanghuanglian-based cold medicine products driven by factors such as aging population in the PRC, improved awareness of personal health protection and purchasing power of patients after the outbreak of COVID-19 and the modernisation of the proprietary Chinese medicine industry which provided easier product dispensation and more convenient consumption by customers;

## LETTER FROM THE BOARD

- (iv) the estimated future growth of the proprietary Chinese medicine and cold medicine market in the PRC. The estimated CAGR of the cold medicine market in the PRC is expected to be approximately 11.8% during 2020 to 2024; and
- (v) despite the expected growth in demand for Shuanghuanglian-based cold medicine products (which will in turn increase the Group's demand for the relevant medicinal herbs) as discussed above, Henan Fusen may purchase the relevant medicinal herbs such as *Lonicera japonica* from other independent suppliers so as to reduce the risk of supplier concentration on Fusen Chinese Medicine.

### INTERNAL CONTROL MEASURES

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under rules 14A.34 and 14A.51 to 14A.59 of the Listing Rules in respect of the continuing connected transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement:

- (i) The finance department of the Company and the Chief Financial Officer, who has professional knowledge on the Listing Rules, are designated to maintain a list of connected persons and keep updating the list in a timely manner.
- (ii) To ensure that the purchase price payable by Henan Fusen in the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement represents the prevailing market price and is on normal commercial terms, under the supervision of the finance department of the Company, Henan Fusen will monitor, collect and compare the purchase price with quotations from not less than three independent suppliers that provide similar products. The comparison will be reviewed and assessed by the management of Henan Fusen and approved by the general manager or the deputy general manager of Henan Fusen before entering into transactions with Fusen Chinese Medicine in order to ensure that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price. The final purchase price and invoice will also be reviewed by the finance department of the Company and approved by the Chief Financial Officer. The finance department of the Company will inform the Chief Financial Officer and the Board on a timely basis in the event the price for the comparable medicinal herbs recorded significant increases or decreases.
- (iii) The Company has also established procedures to monitor its continuing connected transactions of which various departments of the Company will be responsible for the implementation, monitoring and review of such procedures in order to ensure that the prices of each of the transactions are determined in accordance with the respective pricing policy applicable to the Renewed Master Chinese Medicine Purchase Agreement.

## LETTER FROM THE BOARD

- (iv) The pricing policy applicable to the Renewed Master Chinese Medicine Purchase Agreement will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis.
- (v) The Company will review the connected transaction ledger frequently. Confirmation on monthly reconciliation records will be obtained from the relevant connected persons. If there is any discrepancy between the records provided by the connected persons and the records of the Group, investigation shall be carried out by the finance department of the Company and the Chief Financial Officer to clarify the discrepancy.
- (vi) The finance department of the Company will regularly review the transaction amounts incurred and will report the results to the senior management of the Company. The finance department of the Company will inform the Board on a timely basis in the event the annual cap is likely to be exceeded.
- (vii) The finance department of the Company and the Chief Financial Officer will monitor compliance with the reporting and other requirement under the Listing Rules on an on-going basis.

### **REASONS AND BENEFITS OF THE RENEWED MASTER CHINESE MEDICINE PURCHASE AGREEMENT**

The Group has sourced medicinal herbs from Fusen Chinese Medicine since 2012. Fusen Chinese Medicine collaborates with local farmers for the growth of medicinal herbs to ensure sufficient supply of quality medicinal herbs. The plantation bases/farms of Fusen Chinese Medicine and the farmers are all located in and around Xichuan County, Henan Province, the PRC, where, due to its climate, soil and natural resources, is naturally optimal for growing quality *Ionicera japonica* which is one of the major raw materials of the Shuanghuanglian-based cold medicine products. The Group has been satisfied with the quality and timely delivery of the medicinal herbs supplied by Fusen Chinese Medicine and when compared to similar products available from independent suppliers, the prices and terms offered by Fusen Chinese Medicine are fair and reasonable, and are comparable to or better than those offered by independent suppliers.

The Directors (including the independent non-executive Directors after considering the advice of Gram Capital) are of the view that the terms of the Renewed Master Chinese Medicine Purchase Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are normal commercial terms which are no less favourable than the terms available from independent suppliers, and that the terms of the Renewed Master Chinese Medicine Purchase Agreement and the Proposed Annual Caps thereof are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### INFORMATION ON THE GROUP AND HENAN FUSEN

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in manufacturing and sale of pharmaceutical products, including but not limited to Shuanghuanglian-based cold medicine. In addition to the offering of core medicine products, the Group also engaged in research and development on, among other things, its products' quality standard and stability, common chronic diseases and other proprietary Chinese medicine products.

Henan Fusen was established in the PRC on 10 October 2003 as a limited liability company, and is a wholly-owned subsidiary of the Company. As the principal operating subsidiary of the Company, it carries on the business of production, sale and research and development of cold medicines, with a particular focus on Shuanghuanglian-based cold medicines.

### INFORMATION ON FUSEN CHINESE MEDICINE

Fusen Chinese Medicine was established in the PRC with limited liability on 14 January 2010 and principally carries on the business of trading medicinal herbs, including but not limited to *Ionicera japonica* and baikal skullcap root (黃芩). As at the Latest Practicable Date, Fusen Chinese Medicine is wholly-owned by Fusen Shiye.

### INFORMATION ON FUSEN SHIYE

Fusen Shiye was established in the PRC with limited liability on 29 September 2016 and principally carries on the business of corporate management consultancy services. According to publicly available information, as at the Latest Practicable Date, the equity interests of Fusen Shiye were owned as follows:

Name	<i>% of equity interests</i>
Mr. Cao <i>(Note)</i>	35.0790%
Mr. Hou Taisheng (侯太生) <i>(Note)</i>	4.8279%
Mr. Chi Yongsheng (遲永勝) <i>(Note)</i>	4.6642%
Mr. Han Jianzhong (韓建中)	4.6642%
Mr. Fu Jiancheng (付建成)	4.6473%
Ms. Meng Qingfen (孟慶芬) <i>(Note)</i>	4.2551%
Mr. Zhou Shuping (周書平)	4.2551%
Mr. Quan Daliang (全大良)	3.0277%
Mr. Cao Chengqun (曹成群)	2.8649%
Mr. Wang Zuhong (王祖紅)	2.8471%
Mr. Liu Bin (劉彬)	1.4503%
Mr. Zhang Huaqiang (張華強)	1.4108%
Mr. Yang Baozhan (楊保占)	1.4108%
Ms. Lu Hongmei (盧紅梅)	1.3093%
Mr. Wang Xinhui (王新會)	1.3093%
Ms. Sun Chunlan (孫春蘭)	1.2698%

## LETTER FROM THE BOARD

Name	<i>% of equity interests</i>
Mr. Chai Dongfeng (柴東風)	1.1287%
Mr. Hou Kaijian (候凱艦)	1.1287%
Mr. Chen Xiangdong (陳向東)	1.1287%
Mr. He Jifeng (何吉鋒)	0.9876%
Ms. Luo Yuhong (羅玉紅)	0.9876%
Mr. Zhang Jianfe (張建斐)	0.8747%
Mr. Wang Dingjiu (王定久)	0.8465%
Mr. Huang Jiyue (黃繼躍)	0.8183%
Mr. Ma Donglin (馬東林)	0.7365%
Mr. Li Xiulong (李秀龍)	0.7365%
Mr. Fang Huajing (方華敬)	0.7365%
Mr. Liu Jianxi (劉建浙)	0.7365%
Mr. Yang Jingsheng (楊景生)	0.7365%
Mr. Deng Zhao (鄧朝)	0.7054%
Mr. Zhang Jide (張繼德)	0.7054%
Mr. Li Feixiang (李飛翔)	0.5926%
Mr. Wen Feng (溫峰)	0.5728%
Mr. Du Kuichao (杜奎超)	0.5728%
Ms. Wang Xiaona (王曉娜)	0.5643%
Mr. Chen Wannian (陳萬年)	0.4910%
Mr. Ma Jianxin (馬建新)	0.4910%
Mr. Jia Dingyu (賈定玉)	0.4910%
Mr. Lu Shenjun (呂慎俊)	0.4740%
Mr. Wangxing (王興)	0.4233%
Mr. Feng Zhanwen (馮占文)	0.4233%
Mr. Song Fude (宋富德)	0.4091%
Ms. Liu Huijun (劉會君)	0.4091%
Mr. Ye Qingjie (葉青傑)	0.4091%
Ms. Wang Hongxia (王紅霞)	0.4091%
Mr. Wen Xiancheng (溫先成)	0.4091%
Mr. Liu Jinwei (劉金偉)	0.3273%
Ms. Zhao Haiying (趙海英)	0.2455%
Total	<u>100%</u>

*Note:* As at the Latest Practicable Date, Mr. Cao, Mr. Hou Taisheng, Mr. Chi Yongsheng and Ms. Meng Qingfen were executive Directors.

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Fusen Chinese Medicine is wholly-owned by Fusen Shiye, a company owned as to approximately 35.08% by Mr. Cao, an executive Director, the Chairman and a controlling Shareholder. Fusen Chinese Medicine is a close associate of Mr. Cao and therefore a connected person of the Company under Chapter 14A of the Listing Rules.



## LETTER FROM THE BOARD

The Renewed Master Chinese Medicine Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios of the Renewed Master Chinese Medicine Purchase Agreement calculated under Chapter 14A of the Listing Rules with reference to the relevant Proposed Annual Caps exceeds 5%, the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Mr. Cao, Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, each being a shareholder of Fusen Shiye and an executive Director, and Mr. Alex Cao, an associate of Mr. Cao and an executive Director, have abstained from voting on the resolution(s) of the Board for approving the Renewed Master Chinese Medicine Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps pursuant to the Articles of Association. Other than the abovementioned Directors, the remaining Directors are independent non-executive Directors and none of them has a material interest in the Renewed Master Chinese Medicine Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps nor is required to abstain from voting on the relevant resolution(s).

As at the Latest Practicable Date, Mr. Cao is entitled to exercise and control the exercise of the voting rights attaching to 487,200,000 Shares (representing approximately 62.86% of the total issued share capital of the Company) through (i) Full Bliss (a company wholly-owned by Mr. Cao); (ii) Rayford (a wholly-owned subsidiary of Vistra Trust (Labuan) Limited, which is a trustee of the Fusen Trust and Mr. Cao is entitled to exercise the voting rights as the investment manager at his sole discretion); and (iii) One Victory (a company wholly-owned by Mr. Alex Cao, whereby Mr. Cao was entrusted to exercise the voting rights attaching to the Shares owned by One Victory).

As such, Mr. Cao and his associates (including Full Bliss, Rayford and One Victory) are required to abstain from voting on the relevant resolution approving the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder at the EGM.

Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the Renewed Master Chinese Medicine Purchase Agreement and the transactions contemplated thereunder and therefore none of the other Shareholders will be required to abstain from voting on the relevant resolution at the EGM.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. The Independent Financial Adviser, Gram Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.



## **LETTER FROM THE BOARD**

### **THE EGM**

A notice convening the EGM to be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 20 January 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of a listed issuer must be taken by poll. Therefore, all the resolutions proposed at the EGM will be voted by poll. Any Shareholders and his/her/its associate(s) who are involved or interested in the Renewed Master Chinese Medicine Purchase Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution approving the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are advised to complete and sign the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 15 January 2021 to Wednesday, 20 January 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all Share transfer documents, together with the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 14 January 2021.

### **RECOMMENDATION**

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; and (ii) the letter from Gram Capital as set out on pages 19 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors after considering the advice of Gram Capital) consider that the Renewed Master Chinese Medicine Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are (i) on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Renewed Master Chinese Medicine Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Fusen Pharmaceutical Company Limited**  
**Mr. Cao Changcheng**  
*Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.*



### **Fusen Pharmaceutical Company Limited**

**福森藥業有限公司**

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

**(Stock Code: 1652)**

28 December 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

We refer to the circular of the Company dated 28 December 2020 (the “**Circular**”). Capitalised terms used herein have the same meaning as those defined in the Circular, unless otherwise defined.

We have been appointed as members of the Independent Board Committee to advise you in connection with the terms of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular of which this letter forms part.

We have been appointed as members of the Independent Board Committee to give recommendation to the Independent Shareholders as to whether the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Cap and the transactions contemplated thereunder are (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; (iii) are in the interests of the Company and the Shareholders as a whole, and to give recommendation as to voting at the EGM.

Gram Capital Limited has been appointed by the Company to advise us and the Independent Shareholders as to whether the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 19 to 29 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 6 to 16 of the Circular and the additional information set out in the appendices to the Circular.

<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b>
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Having considered the terms of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps, the transactions contemplated thereunder and the advice given by Gram Capital, we consider that the terms of the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are (i) on normal commercial terms or better and in the ordinary and usual course of the business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM attached to the Circular to approve the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. Sze Wing Chun**  
*Independent non-executive  
Director*

**Mr. Lee Kwok Tung, Louis**  
*Independent non-executive  
Director*

**Dr. To Kit Wa**  
*Independent non-executive  
Director*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Renewed Master Chinese Medicine Purchase Agreement for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

28 December 2020

*To: The Independent Board Committee and the Independent Shareholders  
of Fusen Pharmaceutical Company Limited*

Dear Sir/Madam,

### RENEWAL OF CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Renewed Master Chinese Medicine Purchase Agreement (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 December 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 4 December 2020, Henan Fusen, a wholly-owned subsidiary of the Company, entered into the Renewed Master Chinese Medicine Purchase Agreement with Fusen Chinese Medicine to renew the term of the Existing Master Chinese Medicine Purchase Agreement for a further term of three years commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive), pursuant to which Fusen Chinese Medicine agreed to supply, and Henan Fusen agreed to purchase, medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group on and subject to the terms and conditions of the Renewed Master Chinese Medicine Purchase Agreement.

According to the Board Letter, the Transaction constitutes a continuing connected transaction of the Company and will be subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements pursuant to the Listing Rules.

## LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Sze Wing Chun, Mr. Lee Kwok Tung Louis and Dr. To Kit Wa (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transaction at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

## LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Henan Fusen, Fusen Chinese Medicine or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Transaction

##### *Information on the Group*

With reference to the Board Letter, the Group is principally engaged in manufacturing and sale of pharmaceutical products, including but not limited to Shuanghuanglian-based cold medicine. In addition to the offering of core medicine products, the Group also engaged in research and development on, among others, its products' quality standard and stability, common chronic diseases and other proprietary Chinese medicine products.

With reference to the Board Letter, Henan Fusen is a wholly-owned subsidiary of the Company. As the principal operating subsidiary of the Company, it carries on the business of production, sale and research and development of cold medicines, with a particular focus on Shuanghuanglian-based cold medicines.

## LETTER FROM GRAM CAPITAL

Set out below are the Group's consolidated financial information for the six months ended 30 June 2020, the six months ended 30 June 2019 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "**2020 Interim Report**") and annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"):

	<b>For the year ended 31 December 2019 (audited) RMB'000</b>	<b>For the year ended 31 December 2018 (audited) RMB'000</b>	<b>Year-on-year change %</b>
Revenue	407,388	462,061	(11.83)
— Shuanghuanglian oral solutions	211,570	255,237	(17.11)
— Shuanghuanglian injections	64,585	86,103	(24.99)
— Others	131,233	120,721	8.71
Gross profit	212,488	251,317	(15.45)

The Group recorded revenue of approximately RMB407.39 million for the year ended 31 December 2019 ("**FY2019**"), representing a decrease of approximately 11.83% as compared to that for the year ended 31 December 2018 ("**FY2018**"). Shuanghuanglian-based medicines (i.e. Shuanghuanglian oral solutions and Shuanghuanglian injections) contributed approximately 67.79% and 73.87% of the Group's total revenue for FY2019 and FY2018 respectively.

The Group recorded gross profit of approximately RMB212.49 million for FY2019, representing a decrease of approximately 15.45% as compared to that for FY2018. The Group's gross profit margin was approximately 52.16% and 54.39% for FY2019 and FY2018 respectively. With reference to the 2019 Annual Report, the slight decrease in gross profit margin was mainly due to the increase in procurement cost in raw material.

	<b>For the six months ended 30 June 2020 (unaudited) RMB'000</b>	<b>For the six months ended 30 June 2019 (unaudited) RMB'000</b>	<b>Year-on-year change %</b>
Revenue	247,502	196,437	26.00
— Shuanghuanglian oral solutions	154,835	99,891	55.00
— Shuanghuanglian injections	24,551	36,879	(33.43)
— Others	68,116	59,667	14.16
Gross profit	132,831	106,821	24.35



## LETTER FROM GRAM CAPITAL

The Group recorded revenue of approximately RMB247.50 million for the six months ended 30 June 2020 (“**HY2020**”), representing an increase of approximately 26.00% as compared to that for the six months ended 30 June 2019 (“**HY2019**”). Shuanghuanglian-based medicines (i.e. Shuanghuanglian oral solutions and Shuanghuanglian injections) contributed approximately 72.48% and 69.63% of the Group’s total revenue for HY2020 and HY2019 respectively.

The Group recorded gross profit of approximately RMB132.83 million for HY2020, representing an increase of approximately 24.35% as compared to that for HY2019. The Group’s gross profit margin was approximately 53.67% and 54.38% for HY2020 and HY2019 respectively. With reference to the 2020 Interim Report, the slight decrease in gross profit margin was mainly attributable to increase in the cost of raw materials.

### *Information on Fusen Chinese Medicine*

With reference to the Board Letter, Fusen Chinese Medicine principally carries on the business of trading of medicinal herbs, including but not limited to lonicera japonica and baikal skullcap root (黄芩).

### *Reasons for and benefits of the Transaction*

As mentioned in the section above, Shuanghuanglian-based medicines contributed majority of the Group’s revenue for each of HY2020, FY2019, HY2019 and FY2018.

As advised by the Management, the medicinal herbs supplied by Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement are for the Group’s production of Shuanghuanglian-based cold medicine products.

With reference to the Board Letter, the Group has sourced medicinal herbs from Fusen Chinese Medicine since 2012. Fusen Chinese Medicine collaborates with local farmers for the growth of medicinal herbs to ensure sufficient supply of quality medicinal herbs. The plantation bases/farms of Fusen Chinese Medicine and the farmers are all located in and around Xichuan County, Henan Province, the PRC, where, due to its climate, soil and natural resources, is naturally optimal for growing quality lonicera japonica which is one of the major raw materials of the Shuanghuanglian-based cold medicine products.

Having considered the above, we consider that the Transaction is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

## LETTER FROM GRAM CAPITAL

### 2. Principal terms of the Transaction

Set out below are the principal terms of the Renewed Master Chinese Medicine Purchase Agreement as extracted from the Board Letter:

Date:	4 December 2020
Parties:	Henan Fusen; and Fusen Chinese Medicine
Scope:	Pursuant to the Renewed Master Chinese Medicine Purchase Agreement, Fusen Chinese Medicine agreed to supply, and Henan Fusen agreed to purchase medicinal herbs for the production of Shuanghuanglian-based cold medicine products.
Term:	The Renewed Master Chinese Medicine Purchase Agreement has a term of three years commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive).
Pricing policy:	The purchase price of the medicinal herbs will be determined on an order-by-order basis with reference to the prevailing comparable market price after arm's length negotiation between Henan Fusen and Fusen Chinese Medicine from time to time. Henan Fusen will purchase on an as-needed basis.

When determining and approving the price and terms of the transactions under the Renewed Master Chinese Medicine Purchase Agreement, Henan Fusen will consider the following:

- (i) the historical transaction amount paid by the Group for products of similar type, quantity and quality;
- (ii) comparing the purchase price with quotations from not less than three independent suppliers that provide similar products and ensuring that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price to ensure that the purchase price payable by Henan Fusen represents the prevailing market price and is on normal commercial terms; and
- (iii) factors such as types of products required, the estimated delivery time, transportation costs, quality and quantity of products and any other factors affecting the products' price.

In the event that the price offered by Fusen Chinese Medicine is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Chinese Medicine.

The above pricing policy will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis.

## LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained individual contracts regarding the purchase of medicinal herbs by the Group from (i) Fusen Chinese Medicine and (ii) Independent Third Parties, during 2018 to 2020 (i.e. one individual contract with Fusen Chinese Medicine and one individual contract with Independent Third Parties were obtained for each of 2018, 2019 and 2020). As the individual contracts cover historical transactions of the Group throughout the term of the Existing Master Chinese Medicine Purchase Agreement, we consider such documents to be fair and representative. We noted from the said documents that (i) the sales prices offered by Fusen Chinese Medicine to the Group were not higher than those offered by Independent Third Parties for the same type of products; and (ii) for payment terms, purchase from Fusen Chinese Medicine and Independent Third Parties were both payable after acceptance (“**Our Due Diligence on Previous Transaction**”).

With reference to the Board Letter, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted certain guidelines and principles in monitoring the Transaction, details of such internal control measures are set out in the sub-sections headed “INTERNAL CONTROL MEASURES” of the Board Letter. Having considered, in particular, that

- (i) to ensure that the purchase price payable by Henan Fusen in the Transaction represents the prevailing market price and is on normal commercial terms, under the supervision of the finance department of the Company, Henan Fusen will monitor, collect and compare the purchase price with quotations from not less than three independent suppliers that provide similar products. The comparison will be reviewed and assessed by the management of Henan Fusen and approved by the general manager or the deputy general manager of Henan Fusen before entering into transactions with Fusen Chinese Medicine in order to ensure that the purchase price shall be no less favourable than the price offered by the independent suppliers supplying products of similar type and quality and shall not be higher than the prevailing market price. The final purchase price and invoice will also be reviewed by the finance department of the Company and approved by the Chief Financial Officer. The finance department of the Company will inform the Chief Financial Officer and the Board on a timely basis in the event the price for the comparable medicinal herbs recorded significant increases or decreases;
- (ii) the Company has also established procedures to monitor its continuing connected transactions of which various departments of the Company will be responsible for the implementation, monitoring and review of such procedures in order to ensure that the prices of each of the transactions are determined in accordance with the respective pricing policy applicable to the Renewed Master Chinese Medicine Purchase Agreement; and
- (iii) the pricing policy applicable to the Renewed Master Chinese Medicine Purchase Agreement will be reviewed by the Directors (including the independent non-executive Directors) on a half-yearly basis,

## LETTER FROM GRAM CAPITAL

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Transaction. Having also considered Our Due Diligence on Previous Transaction, we do not doubt the effectiveness of the internal control measures.

With reference to the Company's annual report for FY2018 and the 2019 Annual Report, the independent non-executive Directors have reviewed the transactions contemplated under the Existing Master Chinese Medicine Purchase Agreement during FY2018 and FY2019 and confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the **"INED's Confirmation"**).

In addition, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company provided a letter to the Board regarding the transactions contemplated under the Existing Master Chinese Medicine Purchase Agreement during FY2018 and FY2019 confirming that: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the **"Auditor's Confirmation"**).

In light of the above (including Our Due Diligence on Previous Transaction, the internal control measures for the Transaction, the INED's Confirmation and the Auditor's Confirmation), we are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable.

## LETTER FROM GRAM CAPITAL

### 3. Proposed Annual Caps

Set out below are (i) the historical annual caps for FY2018, FY2019 and the year ending 31 December 2020; (ii) the historical transaction amounts for FY2018, FY2019 and the ten months ended 31 October 2020; and (iii) the Proposed Annual Caps for the three years ending 31 December 2023:

	<b>For the year ended 31 December 2018 RMB'million</b>	<b>For the year ended 31 December 2019 RMB'million</b>	<b>For the year ending 31 December 2020 RMB'million</b>
Historical annual caps	30	33	36 29.8
Historical transaction amount	8.6	28.2	(note)
Utilisation rate	28.67%	85.45%	N/A
	<b>For the year ending 31 December 2021 RMB'million</b>	<b>For the year ending 31 December 2022 RMB'million</b>	<b>For the year ending 31 December 2023 RMB'million</b>
Proposed Annual Caps	40	44	48

*Note:* for the ten months ended 31 October 2020

When determining the Proposed Annual Caps, the Directors considered factors as contained in the section headed “PROPOSED ANNUAL CAPS UNDER THE RENEWED MASTER CHINESE MEDICINE PURCHASE AGREEMENT” of the Board Letter.

For our due diligence purpose, we enquired into the Management regarding the basis of estimation of the Proposed Annual Caps. We understood that the Proposed Annual Caps were estimated based on (i) the estimated transaction amount in the previous year; and (ii) an estimated annual growth rate of approximately 10% for each of three years ending 31 December 2023 (as an illustration, estimated transaction amount in 2021 = estimated transaction amount in 2020 x 1.1).

*(i) Estimated transaction amount in the previous year*

For 2020, the estimated transaction amount is approximately RMB36 million. As such estimated transaction amount is based on the annualized historical transaction amount for the ten months ended 31 October 2020 (i.e. RMB29.8 million x 12/10 = RMB36 million), we consider estimated transaction amount in 2020 to be fair and reasonable.

## LETTER FROM GRAM CAPITAL

(ii) *Estimated annual growth rate of approximately 10%*

When determining the Proposed Annual Caps for each of the three years ending 31 December 2023, the Management applied an annual growth of approximately 10% on the estimated transaction amount in the previous year. In relation to the estimated annual growth rate, we considered the below:

The estimated transaction amount in 2020 of approximately RMB36 million represents an increase of approximately 28% as compared to the historical transaction amount for FY2019 (the “**FY2020 Transaction Growth**”), while the historical transaction amount for FY2019 represents an increase of approximately 227.91% as compared to that for FY2018 (the “**FY2019 Transaction Growth**”). As mentioned in the section earlier, despite recording a decrease in the revenue for FY2019 (as compared to that for FY2018), the Group recorded an increase in revenue of approximately 26% for HY2020 (as compared to that for HY2019) (the “**HY2020 Revenue Growth**”). With reference to the 2020 Interim Report, such increase in revenue for HY2020 was mainly attributable to the increase in sales volume in the Shuanghuanglian oral solutions.

Taking into account the FY2020 Transaction Growth, the FY2019 Transaction Growth and the HY2020 Revenue Growth, we consider the estimated annual growth rate of 10% for each of the three years ending 31 December 2023 to be justifiable.

In light of the above, we consider that the Proposed Annual Caps are fair and reasonable.

#### 4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transaction must be restricted by the Proposed Annual Caps; (ii) the terms of the Transaction must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Transaction must be included in the Company’s subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transaction; and (iii) have exceeded the Proposed Annual Caps. In the event that the total amounts of the Transaction are anticipated to exceed the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Transaction, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

## LETTER FROM GRAM CAPITAL

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transaction and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Transaction is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executives' interests or short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, 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 Listing Rules, are as follows:

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Mr. Cao <i>(Notes 1, 2 and 3)</i>	Interest of a controlled corporation	487,200,000	62.86%
Mr. Alex Cao <i>(Note 2)</i>	Interest of a controlled corporation	126,840,000	16.36%
Mr. Hou Taisheng <i>(Note 4)</i>	Beneficiary of a trust	13,399,165	1.73%
Ms. Meng Qingfen <i>(Note 4)</i>	Beneficiary of a trust	11,809,433	1.52%
Mr. Chi Yongsheng <i>(Note 4)</i>	Beneficiary of a trust	12,944,956	1.67%



*Notes:*

1. Full Bliss is wholly-owned by Mr. Cao. As Mr. Cao beneficially owns 100% of the issued shares of Full Bliss, Mr. Cao is deemed to be interested in 180,180,000 Shares held by Full Bliss pursuant to the SFO.
2. Mr. Alex Cao is the beneficial owner of the entire issued share capital of One Victory and is therefore deemed to be interested in the 126,840,000 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, Mr. Alex Cao and One Victory, Mr. Cao 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 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 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 and direct the trustee of the Fusen Trust to vote accordingly. Mr. Cao, through Full Bliss, Rayford and One Victory, is therefore interested in an aggregate of 487,200,000 Shares, representing 62.86% of the issued share capital of the Company.
4. Each of Mr. Hou Taisheng, Mr. Chi Yongsheng, and Ms. Meng Qingfen, who is an executive Director, is a beneficiary under the Fusen Trust.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules which have been notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders and other persons' interest in Shares, underlying shares and debentures**

As at the Latest Practicable Date, 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:

Name of Director	Capacity/Nature	Number of Shares held/ interested	Percentage of interest
Full Bliss	Beneficial owner	180,180,000	23.25%
Rayford	Beneficial owner	180,180,000	23.25%
Vistra Trust (Labuan) Limited <sup>(Note 1)</sup>	Interest of a trustee	180,180,000	23.25%
Ms. Quan Xiufeng <sup>(Note 2)</sup>	Interest of spouse	487,200,000	62.86%
One Victory	Beneficial owner	126,840,000	16.36%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) <sup>(Note 3)</sup>	Interest of spouse	126,840,000	16.36%
First Joint Elegant Limited	Beneficial owner	39,960,000	5.16%
Mr. Lam Yiu Por <sup>(Note 4)</sup>	Interest of a controlled corporation	39,960,000	5.16%
Ms. Fung Wai Sze <sup>(Note 5)</sup>	Interest of spouse	39,960,000	5.16%

*Notes:*

1. Vistra Trust (Labuan) Limited is a trustee of the Fusen Trust. As Vistra Trust (Labuan) Limited holds 100% of the issued shares of Rayford in the capacity of a trustee, Vistra Trust (Labuan) Limited is deemed to be interested in 180,180,000 Shares held by Rayford pursuant to the SFO.
2. Ms. Quan Xiufeng is Mr. Cao's spouse and is deemed to be interested in the 487,200,000 Shares in which Mr. Cao is interested for the purpose of the SFO.
3. Ms. Zhou Peilin is Mr. Alex Cao's spouse and is deemed to be interested in the 126,840,000 Shares in which Mr. Alex Cao is interested for the purpose of the SFO.
4. First Joint Elegant Limited ("**First Joint Elegant**") is wholly owned by Mr. Lam Yiu Por. As Mr. Lam Yiu Por beneficially owns 100% of the issued shares of First Joint Elegant, Mr. Lam Yiu Por is deemed to be interested in 39,960,000 Shares held by First Joint Elegant pursuant to the SFO.
5. Ms. Fung Wai Sze is Mr. Lam Yiu Por's spouse and is deemed to be interested in the 39,960,000 Shares in which Mr. Lam Yiu Por is interested for the purpose of the SFO.

Save as disclosed above and to the best knowledge of the Directors or chief executive of the Company, as at Latest Practicable Date, no persons (other than the Directors or chief executive of the Company) had any interest or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO.

### 3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial and trading position of the Group since 31 December 2019, the date of which the latest audited financial statements of the Group were made up.

### 4. DIRECTORS' INTEREST IN POTENTIALLY COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group (either directly or in indirectly).

### 5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF THE GROUP

Save for the connected transactions as disclosed in the Company's annual report for the year ended 31 December 2019 and in the announcements dated 23 March 2020 and 4 December 2020, none of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting as at the Latest Practicable Date which is significant in relation to the business of the Company.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## **8. EXPERT'S QUALIFICATION AND CONSENT**

Gram Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinion or advice which is contained in the circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

## **9. EXPERT'S INTERESTS**

As at the Latest Practicable Date, Gram Capital Limited did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2019, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**10. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.
- (b) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Pang Wai Ching, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “[www.fusenpharma.com](http://www.fusenpharma.com)” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong registered under Part 16 of the Companies Ordinance at 29/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business days from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and the articles of association of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from Gram Capital, the text of which is set out on pages 19 to 29 of this circular;
- (d) the written consent from Gram Capital referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (e) the Renewed Master Chinese Medicine Purchase Agreement; and
- (f) this circular.

## NOTICE OF THE EGM



### Fusen Pharmaceutical Company Limited

福森藥業有限公司

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

**(Stock Code: 1652)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of Fusen Pharmaceutical Company Limited (the “**Company**”) will be held at 7/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Wednesday, 20 January 2021 at 2:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. “**THAT:**

- (a) (i) the Renewed Master Chinese Medicine Purchase Agreement (as defined in the circular of the Company dated 28 December 2020 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose), the terms of the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the Proposed Annual Caps (as defined in the Circular) in relation to the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement for the three years ending 31 December 2023 be and are hereby approved; and
- (b) the director(s) of the Company be and are hereby authorised for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Renewed Master Chinese Medicine Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder and to be in the interests of the Company.”

By order of the Board  
**Fusen Pharmaceutical Company Limited**  
**Mr. Cao Changcheng**  
*Chairman*

Hong Kong, 28 December 2020

## NOTICE OF THE EGM

*Place of Business in Hong Kong registered under Part 16  
of the Companies Ordinance:*

29/F, Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

*Registered Office:*

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

*Notes:*

1. Any member of the Company (the “**Member**”) entitled to attend and vote at the EGM or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and vote instead of him/her/it. A proxy needs not be a Member but must be present in person at the EGM to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which such proxy is so appointed.
2. Completion and return of the form of proxy will not preclude a Member from attending and voting in person at the EGM if he/she/it so wishes. In the event of a Member who has lodged a form of proxy attending the EGM in person, the form of proxy will be deemed to have been revoked.
3. In order to be valid, the duly completed and signed form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed certified copy of such power or authority, at the office of the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event, not later than 48 hours before the time appointed for holding the EGM or its adjournment (as the case may be).
4. For determining the entitlement of the Members to attend and vote at the EGM, the register of members of the Company (the “**Register of Members**”) will be closed from Friday, 15 January 2021 to Wednesday, 20 January 2021 (both days inclusive), during which period no transfer of Shares will be registered. To qualify for attending and voting at the EGM, non-registered Members must lodge all transfer documents, accompanied by the relevant share certificates with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 January 2021.
5. In compliance with Rule 13.39(4) of the Listing Rules, voting on all proposed resolution set out in this Notice will be decided by way of a poll. The Company will announce the results of the poll in the manner prescribed under Rule 13.95(5) of the Listing Rules.
6. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of such joint holders so present whose name stands first in the Register of Members in respect of the joint holding shall alone be entitled to vote in respect thereof.

## NOTICE OF THE EGM

7.
  - (a) Subject to paragraph (b) below, if a tropical cyclone typhoon signal no. 8 is hoisted or a black rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will be postponed and the Members will be informed of the date, time and venue of the postponed EGM by an announcement posted on the respective websites of the Company and the Stock Exchange.
  - (b) If a black rainstorm warning signal is cancelled at or before three hours before the time fixed for holding the EGM and where conditions permit, the EGM will be held as scheduled.
  - (c) The EGM will be held as scheduled when a tropical cyclone typhoon signal no. 3 is hoisted or an amber or red rainstorm warning signal is in force.
  - (d) After considering their own situations, the Members should decide on their own as to whether they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.
8. The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.