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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)**

### **DISCLOSEABLE TRANSACTION INVESTMENT FRAMEWORK AGREEMENT**

#### **BACKGROUND**

On 31 December 2020 (after trading hours), Weihai Rensheng, Mr. Miao, Weihai Haoyang and Henan Fusen (a wholly-owned subsidiary of the Company) entered into the Investment Framework Agreement for the acquisition of 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) by Henan Fusen from Weihai Haoyang. According to the Investment Framework Agreement, Weihai Rensheng will undergo the Corporate Reorganisation, which comprises the First Equity Transfer, the Second Equity Transfer and the Capital Reduction. For details of the shareholding structure of Weihai Rensheng immediately before and after the completion of the Corporate Reorganisation, please refer to the paragraph headed “Shareholding Structure of Weihai Rensheng” in this announcement below.

After the completion of the Corporate Reorganisation, Henan Fusen, a wholly-owned subsidiary of the Company, will conditionally acquire 34% of the equity interest of Weihai Rensheng from Weihai Haoyang.

#### **THE INVESTMENT FRAMEWORK AGREEMENT**

Pursuant to the Investment Framework Agreement, Henan Fusen has agreed to (1) enter into the Loan Agreement, pursuant to which Henan Fusen will lend to Weihai Haoyang the Loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000) for the Second Equity Transfer; and (2) enter into the Sale and Purchase Agreement, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) at a Consideration of RMB153,000,000 (representing approximately HK\$180,540,000).

Upon completion of the Sale and Purchase Agreement, Weihai Rensheng will be owned as to approximately 35.9%, 34%, 15.8% and 14.3% by Weihai Haoyang, Henan Fusen, Mr. Miao and the Senior Management, respectively.

Pursuant to the Sale and Purchase Agreement, Weihai Rensheng, Mr. Miao, Weihai Haoyang, Henan Fusen and the Senior Management shall enter into the Shareholders' Agreement upon Completion. Under the Shareholders' Agreement, among others, Henan Fusen will be granted the Call Option and the Put Option. The grant of the Call Option and Put Option would be treated as a transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. For details of the Put Option and the Call Option, please refer to the paragraph headed “(C) The Shareholders' Agreement” in this announcement.

## **IMPLICATIONS UNDER THE LISTING RULES**

The exercise of the Call Option is at the discretion of Henan Fusen. According to Rule 14.75(1) of the Listing Rules, on the grant of the Call Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Call Option (where required).

The exercise of the Put Option is at the discretion of Henan Fusen. According to Rule 14.75(1) of the Listing Rules, on the acceptance of the Put Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Put Option (where required).

As the applicable percentage ratios in respect of the Investment Framework Agreement and the transactions contemplated thereunder exceed 5% and are less than 25%, the entering into of the Investment Framework Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **BACKGROUND**

On 31 December 2020 (after trading hours), Weihai Rensheng, Mr. Miao, Weihai Haoyang and Henan Fusen (a wholly-owned subsidiary of the Company) entered into the Investment Framework Agreement for the acquisition of 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) by Henan Fusen from Weihai Haoyang.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the equity interest of Weihai Rensheng is owned as to approximately 43.35% by Weihai Haoyang, 13.99% by Mr. Miao, 12.6% by the Senior Management, 3.5% by Wuming Boji, 3.5% by Mingde Weixin, 15.38% by Jiangxi Jiangzhong and 7.69% by Guoke Ruihua. According to the Investment Framework Agreement, Weihai Rensheng will undergo the Corporate Reorganisation, which comprises the First Equity Transfer, the Second Equity Transfer and the Capital Reduction. Immediately after the completion of the Corporate Reorganisation, the equity interest of Weihai Rensheng will be owned as to approximately 69.92% by Weihai Haoyang, 15.82% by Mr. Miao and 14.25% by the Senior Management, whereby each of Wuming Boji, Mingde Weixin, Jiangxi Jiangzhong and Guoke Ruihua will cease to be a holder of equity interest of Weihai Rensheng. For details of the shareholding structure of Weihai Rensheng

immediately before and after the completion of the Corporate Reorganisation, please refer to the paragraph headed “Shareholding Structure of Weihai Rensheng” in this announcement below.

After the completion of the Corporate Reorganisation, Henan Fusen, a wholly-owned subsidiary of the Company, will conditionally acquire 34% of the equity interest of Weihai Rensheng from Weihai Haoyang.

## **THE INVESTMENT FRAMEWORK AGREEMENT**

Pursuant to the Investment Framework Agreement, Henan Fusen has agreed to (1) enter into the Loan Agreement, pursuant to which Henan Fusen will lend to Weihai Haoyang the Loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000) for the Second Equity Transfer; and (2) enter into the Sale and Purchase Agreement, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) at a Consideration of RMB153,000,000 (representing approximately HK\$180,540,000).

The principal terms of the Investment Framework Agreement are as follows:

**Date** : 31 December 2020

**Parties** : (a) Weihai Rensheng;  
(b) Mr. Miao;  
(c) Weihai Haoyang; and  
(d) Henan Fusen (a wholly-owned subsidiary of the Company).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of Weihai Rensheng, Mr. Miao, Weihai Haoyang and their ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

**Subject matter** : Henan Fusen shall (1) upon the completion of the First Equity Transfer, enter into the Loan Agreement with Weihai Haoyang, pursuant to which Henan Fusen will lend to Weihai Haoyang the Loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000) for the purpose of the Second Equity Transfer; and (2) upon the completion of the Second Equity Transfer and the Capital Reduction, enter into the Sale and Purchase Agreement with Weihai Haoyang, Mr. Miao and Weihai Rensheng, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) at a Consideration of RMB153,000,000 (representing approximately HK\$180,540,000).

**Earnest Money** : Henan Fusen shall pay an earnest money in the amount of RMB15,000,000 (representing approximately HK\$17,700,000) within 7 days after signing the Investment Framework Agreement. The Earnest Money will be applied at Completion to partially set off the Consideration payable by Henan Fusen to Weihai Haoyang.

**(A) The Loan Agreement**

Pursuant to the Investment Framework Agreement, upon the completion of the First Equity Transfer by Weihai Haoyang, Henan Fusen and Weihai Haoyang shall enter into the Loan Agreement, pursuant to which Henan Fusen will lend to Weihai Haoyang the Loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000) for the Second Equity Transfer.

The principal terms of the Loan Agreement are as follows:

<b>Lender</b>	:	Henan Fusen (a wholly-owned subsidiary of the Company).
<b>Borrower</b>	:	Weihai Haoyang.
<b>Principal amount of the Loan</b>	:	RMB90,000,000 (equivalent to approximately HK\$106,200,000).
<b>Interest</b>	:	5.22% per annum, which shall accrue on a daily basis.
<b>Drawdown date of the Loan</b>	:	Within 15 statutory working days of the PRC from the date of the Loan Agreement.
<b>Term</b>	:	1 year from the drawdown date of the Loan.
<b>Purpose</b>	:	The Loan shall be applied and used by the Borrower for the Second Equity Transfer.
<b>Repayment of the Loan</b>	:	The Loan and the interest accrued thereon shall be used to partially set off the Consideration payable by Henan Fusen to Weihai Haoyang under the Sale and Purchase Agreement at Completion. In the event that the Sale and Purchase Agreement has been terminated before Completion, Weihai Haoyang shall repay the Loan and the interest accrued thereof upon receiving the written request from Henan Fusen.

**(B) The Sale and Purchase Agreement**

Pursuant to the Investment Framework Agreement, upon the completion of the Second Equity Transfer and the Capital Reduction, Henan Fusen, Weihai Haoyang, Weihai Rensheng and Mr. Miao shall enter into the Sale and Purchase Agreement, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) at a Consideration of RMB153,000,000 (representing approximately HK\$180,540,000).

The principal terms of the Sale and Purchase Agreement are as follows:

- Parties** :
- (a) Weihai Rensheng;
  - (b) Mr. Miao;
  - (c) Weihai Haoyang; and
  - (d) Henan Fusen, a wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Weihai Rensheng, Mr. Miao and Weihai Haoyang and their ultimate beneficial owner(s) is an Independent Third Party.

- Subject matter** :
- Pursuant to the Sale and Purchase Agreement, Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation) at a Consideration of RMB153,000,000 (representing approximately HK\$180,540,000).

- Conditions precedent** :
- Completion is subject to the following Conditions Precedent having been satisfied or waived by Henan Fusen within 30 days from the date of the Sale and Purchase Agreement (or such later date as determined by Henan Fusen, but in any event within 90 days from the date of the Sale and Purchase Agreement):

- (1) Henan Fusen having completed the business, legal and financial due diligence on Weihai Rensheng and obtained the valuation report of Weihai Rensheng in the form and substance satisfactory to Henan Fusen;
- (2) Henan Fusen having obtained the audited financial statements of Weihai Rensheng for the financial years ended 31 December 2017, 2018 and 2019;
- (3) the representations and warranties made by each of Mr. Miao, Weihai Rensheng and Weihai Haoyang in the Sale and Purchase Agreement remaining true, accurate and complete in all material respects;
- (4) each of Mr. Miao, Weihai Rensheng and Weihai Haoyang having obtained all necessary approvals in relation to the Sale and Purchase Agreement and all other related agreements;

- (5) Henan Fusen having obtained all necessary approvals in relation to the Sale and Purchase Agreement and complied with the necessary announcement requirement under the Listing Rules;
- (6) from the date of the Sale and Purchase Agreement, there being no material adverse change in, among others, the business operations, assets, financial and legal status of Weihai Rensheng;
- (7) Weihai Rensheng having passed resolution(s) at a shareholders' meeting to approve and confirm, among others, that the shareholders of Weihai Rensheng will not exercise their rights of first refusal on the Sale Equity Interest and the amendments to the articles of association of Weihai Rensheng as and when necessary for the purpose of the Sale and Purchase Agreement;
- (8) Henan Fusen and Weihai Haoyang having entered into the Loan Agreement;
- (9) Mr. Miao, Henan Fusen, Weihai Haoyang and Weihai Rensheng having entered into the Sale and Purchase Agreement;
- (10) the Shareholders' Agreement having been duly executed;
- (11) the senior management of Weihai Rensheng having entered into an employment contract and a confidentiality and non-competition agreement to the satisfaction of Henan Fusen in accordance with the Sale and Purchase Agreement;
- (12) there being no third parties rights over the equity interest of Weihai Rensheng;
- (13) Weihai Rensheng having obtained all necessary approvals and consents in accordance with the relevant financing agreements with the banking institutions for the entering of the Sale and Purchase Agreement; and
- (14) Henan Fusen having obtained a confirmation confirming that all the above conditions precedent have been fulfilled.

**Consideration** : RMB153,000,000 (representing approximately HK\$180,540,000). Henan Fusen shall settle the balance of the Consideration (after deducting the Earnest Money and the principal amount of the Loan together with any interest accrued under the Loan Agreement) within 15 statutory working days of the PRC after the Conditions Precedent are fulfilled or waived (where applicable). Completion shall take place on the date when Weihai Haoyang received the Consideration.

The Consideration will be satisfied by internal resources of the Group. The Consideration was determined after arm's length negotiations between the parties with reference to the net asset value of Weihai Rensheng, the current business operations and future prospect of Weihai Rensheng and the approvals of certain medicine products issued by the State Food and Drug Administration in the PRC held by Weihai Rensheng.

**Board composition** : Henan Fusen shall be entitled to nominate two directors to the board of directors of Weihai Rensheng.

#### **(C) The Shareholders' Agreement**

Pursuant to the Sale and Purchase Agreement, Weihai Rensheng, Mr. Miao, Weihai Haoyang, Henan Fusen and the Senior Management shall enter into the Shareholders' Agreement upon Completion. The principal terms of the Shareholders' Agreement are as follows:

**Parties** : (a) Weihai Rensheng;  
(b) Mr. Miao;  
(c) Weihai Haoyang;  
(d) the Senior Management; and  
(e) Henan Fusen (a wholly-owned subsidiary of the Company).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Miao, the Senior Management, Weihai Rensheng, Weihai Haoyang and their ultimate beneficial owner(s) is an Independent Third Party as at the date of this announcement.

**Purpose** : To regulate the governance and operation of Weihai Rensheng.



**Composition of the board of directors of Weihai Rensheng** : The board of directors of Weihai Rensheng shall be composed of seven directors, two of whom shall be nominated by Henan Fusen.

**The Call Option** : If Weihai Rensheng fails to complete a Qualified IPO within six years from the date of Completion, Henan Fusen shall have the right to purchase from the Existing Shareholders, and the Existing Shareholders shall be obligated to sell to Henan Fusen, all or part of the equity interest owned by the Existing Shareholders at an exercise price to be determined using RMB450 million as a valuation for the entire equity interest of Weihai Rensheng or the then fair market value of such equity interest (whichever is higher).

No premium is payable by Henan Fusen for accepting the Call Option.

**The Put Option** : If Weihai Rensheng fails to complete (i) any post-Completion undertaking according to the Sale and Purchase Agreement or (ii) a Qualified IPO within six years from the date of Completion, Henan Fusen shall have the right to require Weihai Rensheng to, by way of capital reduction, repurchase all or part of its equity interest in Weihai Rensheng at a consideration determined by the following formula:

$$A + B - C,$$

where:

A = the Consideration paid by Henan Fusen pursuant to the Sale and Purchase Agreement for such amount of equity interest under the Put Option

B = an interest at a simple interest rate of 8% per annum, accruing from the day of payment of the Consideration up to the date on which Weihai Rensheng fully settle the exercise price of the Put Option

C = all bonus or dividend payout that have been paid by Weihai Rensheng to Henan Fusen

No premium is payable by Henan Fusen for accepting the Put Option.



**Right of First Refusal and Co-Sale Right :** No Existing Shareholder shall transfer any equity interest in Weihai Rensheng held by it at any time prior to the Qualified IPO except with the written consent of Henan Fusen.

In the event that any Existing Shareholder proposes to transfer its equity interest in Weihai Rensheng to any third party purchaser other than Henan Fusen, Henan Fusen shall have the right of first refusal to elect to purchase such equity interest on the same terms at the same consideration.

If Henan Fusen does not exercise the right of first refusal, it shall have the right to participate in the transfer of its equity interest in Weihai Rensheng to such third party purchaser on the same terms at the same consideration.

**Pre-emptive right :** In the event that Weihai Rensheng proposes to increase its registered capital or issue new equity interest, Henan Fusen shall have the pre-emptive right to participate in the capital injection or subscription of such equity interest on the same terms on pro-rata basis.

**Drag-along right :** If (i) Weihai Rensheng fails to complete a Qualified IPO within six years from the date of Completion; and (ii) a third party purchaser wishing to acquire the entire equity interest of Weihai Rensheng at a valuation of not less than RMB450 million, Henan Fusen shall have the right to serve a written request to the Existing Shareholders requesting them to sell all or part of their equity interest in Weihai Rensheng (on a pro-rata basis) with the equity interest owned by Henan Fusen to such third party purchaser on the same terms at the same consideration.

## SHAREHOLDING STRUCTURE OF WEIHAI RENSHENG

The following table illustrates the shareholding structure of Weihai Rensheng (i) as at the date of this announcement; (ii) immediately following the completion of the Corporate Reorganisation but before the Completion; and (iii) immediately following the Completion:

	As at the date of this announcement	Immediately following the completion of the Corporate Reorganisation but before the Completion	Immediately following the Completion
Total registered capital	<u>RMB85,788,918</u>	<u>RMB75,843,273</u>	<u>RMB75,843,273</u>

Shareholders	Immediately following the completion of the Corporate Reorganisation but before the Completion		
	As at the date of this announcement	Reorganisation but before the Completion	Immediately following the Completion
	<i>Approximate %</i>	<i>Approximate %</i>	<i>Approximate %</i>
Weihai Haoyang	43.35	69.92	35.92
Mr. Miao	13.99	15.82	15.82
Senior Management	12.60	14.25	14.25
Wuming Boji	3.50	—	—
Mingde Weixin	3.50	—	—
Jiangxi Jiangzhong	15.38	—	—
Guoke Ruihua	7.69	—	—
Henan Fusen	—	—	34.00

## FINANCIAL INFORMATION OF WEIHAI RENSHENG

The following summarises the unaudited financial information of Weihai Rensheng for the two years ended 31 December 2019 according to its management accounts:

	For the year ended 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	257,445	169,340
Profit/(loss) before tax	39,270	(38,646)
Net profit/(loss) after tax	34,021	(37,111)
	As at 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	406,616	504,751
Current assets	171,384	118,402
Current liabilities	123,261	231,555
<i>Net current assets/(liabilities)</i>	<u>48,123</u>	<u>(113,153)</u>
Total assets	<u>578,000</u>	<u>623,153</u>
Net assets/(liabilities)	<u>287,280</u>	<u>249,966</u>

## **REASONS FOR AND BENEFITS OF THE INVESTMENT FRAMEWORK AGREEMENT**

Established in 2014, Weihai Rensheng is principally engaged in the production, sale and research and development of proprietary Chinese medicine, including but not limited to pediatric medicine, orthopedic medicine and dermatology medicine, in the PRC. The Board is of the opinion that the Investment Framework Agreement represents a good opportunity for the Group to leverage on the experience and expertise of Weihai Rensheng in the sales and production of proprietary Chinese medicine in the PRC to expand the existing product offering of the Group. The Directors are of the view that the market share of the Group in the proprietary Chinese medicine market in the PRC can be further increased and the Group can diversify its income source by investing in Weihai Rensheng. The Directors therefore consider that the entering into of the Investment Framework Agreement allows the Group to capture future opportunities and enhance the returns to the Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment Framework Agreement (including the Loan Agreement, the Sale and Purchase Agreement, the Shareholders' Agreement, the Put Option and the Call Option) are arrived at after arm's length negotiations between the parties, fair and reasonable, on normal commercial terms and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **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 others, 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 WEIHAI RENSHENG, WEIHAI HAOYANG AND MR. MIAO**

Weihai Rensheng Pharmaceutical Group Company Limited\* (威海人生藥業集團股份有限公司) is a company established in the PRC on 29 August 2014 and is principally engaged in the production, sale and research and development of proprietary Chinese medicine. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the equity interest of Weihai Rensheng is owned as to approximately 43.35% by Weihai Haoyang, 13.99% by Mr. Miao, 12.6% by the Senior Management, 3.5% by Wuming Boji, 3.5% by Mingde Weixin, 15.38% by Jiangxi Jiangzhong and 7.69% by Guoke Ruihua.

Weihai Haoyang Health Technology Company Limited\* (威海浩洋健康科技有限公司) is a company established in the PRC on 10 August 2011 and is principally engaged in the production and research and development of medicine and medical products. To the best of

the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the equity interest of Weihai Haoyang is owned as to approximately 98.9% by Mr. Miao and 1.1% by Mr. Zhang Zhiming.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Miao Qizhuang\* (苗其壯) is a PRC citizen and a businessman who holds approximately 98.9% equity interest in Weihai Haoyang as at the date of this announcement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Weihai Rensheng, Weihai Haoyang and its ultimate beneficial owner(s) are Independent Third Parties.

## **IMPLICATIONS UNDER THE LISTING RULES**

The exercise of the Call Option is at the discretion of Henan Fusen. According to Rule 14.75(1) of the Listing Rules, on the grant of the Call Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Call Option (where required).

The exercise of the Put Option is at the discretion of Henan Fusen. According to Rule 14.75(1) of the Listing Rules, on the acceptance of the Put Option, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios. The Company will comply with the relevant Listing Rules on the exercise of the Put Option (where required).

As the applicable percentage ratios in respect of the Investment Framework Agreement and the transactions contemplated thereunder exceed 5% and are less than 25%, the entering into of the Investment Framework Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“associate(s)”	has its meaning as given to it under the Listing Rules
“Board”	the board of Directors
“Call Option”	the option of Henan Fusen to acquire all or part of the equity interest in Weihai Rensheng owned by the Existing Shareholders as described in the paragraph headed “The Call Option” in this announcement
“Capital Reduction”	the capital reduction of Weihai Rensheng from RMB85,788,918 to RMB75,843,273

“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)
“Completion”	completion of the Sale and Purchase Agreement
“Conditions Precedent”	the conditions precedent under the Sale and Purchase Agreement
“Consideration”	the consideration for the Sale Equity Interest under the Sale and Purchase Agreement
“Corporate Reorganisation”	the First Equity Transfer, the Second Equity Transfer and the Capital Reduction
“Director(s)”	the director(s) of the Company
“Earnest Money”	an earnest money of RMB15,000,000 payable by Henan Fusen under the Investment Framework Agreement
“Existing Shareholders”	means Mr. Miao, Weihai Haoyang and the Senior Management
“First Equity Transfer”	the transfer from Jiangxi Jiangzhong of the entire equity interest of Weihai Rensheng owned by it to Weihai Haoyang
“Group”	the Company and its subsidiaries
“Guoke Ruihua”	Beijing Guoke Ruihua Strategic Emerging Industry Investment Fund (Limited Partnership)* (北京國科瑞華戰略性新興產業投資基金(有限合夥)) and the responsible officers of the investment in Weihai Rensheng
“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 People’s Republic of China
“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

“Jiangxi Jiangzhong”	Jiangxi Jiangzhong Chinese Medicine Industry Investment Development Fund Partnership (Limited Partnership)* (江西江中中醫藥產業投資發展基金合夥企業(有限合夥))
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000) to be lent by Henan Fusen to Weihai Haoyang under the Loan Agreement
“Loan Agreement”	the loan agreement to be entered into between Henan Fusen and Weihai Haoyang, pursuant to which Henan Fusen will lend to Weihai Haoyang the Loan with a principal amount of RMB90,000,000 (representing approximately HK\$106,200,000)
“Mingde Weixin”	Shenzhen Mingde Weixin No.3 Investment Partnership (Limited Partnership)* (深圳市明德惟馨叁號投資合夥企業(有限合夥))
“Mr. Miao”	Mr. Miao Qizhuang* (苗其壯)
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Put Option”	the option of Henan Fusen to require Weihai Rensheng to repurchase all or part of the equity interest owned by Henan Fusen as described in the paragraph headed “The Put Option” in this announcement
“Qualified IPO”	means the listing of shares of Weihai Rensheng on the Shenzhen Stock Exchange or the Shanghai Stock Exchange within six years from the date of Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement to be entered into between Henan Fusen, Weihai Haoyang, Weihai Rensheng and Mr. Miao, pursuant to which Henan Fusen will conditionally acquire and Weihai Haoyang will conditionally sell 34% of the equity interest of Weihai Rensheng (after the Corporate Reorganisation)
“Sale Equity Interest”	the 34% equity interest in Weihai Rensheng (after the Corporate Reorganisation)
“Second Equity Transfer”	the transfer from Wuming Boji, Mingde Weixin, Guoke Ruihua of the entire equity interest of Weihai Rensheng owned by them to Weihai Haoyang

“Senior Management”	29 senior management of Weihai Rensheng, being the individual shareholders of Weihai Rensheng holding approximately 12.60% of the equity interest of Weihai Rensheng as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders’ Agreement”	the shareholder’s agreement to be entered into between Henan Fusen, Weihai Haoyang, Mr. Miao, the Senior Management and Weihai Rensheng upon Completion
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weihai Haoyang”	Weihai Haoyang Health Technology Company Limited* (威海浩洋健康科技有限公司), a company established in the PRC on 10 August 2011
“Weihai Rensheng”	Weihai Rensheng Pharmaceutical Group Company Limited* (威海人生藥業集團股份有限公司), a company established in the PRC on 29 August 2014
“Wuming Boji”	Shenzhen Wuming Boji Medical Health Industry Investment Partnership (Limited Partnership)* (深圳市物明博濟醫療健康產業投資合夥企業(有限合夥))
“%”	per cent

\* For identification purpose only

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

Hong Kong, 31 December 2020

*This announcement contains translation between RMB and HK\$ at RMB1.00 to HK\$1.18. The translation is for illustration purpose only and shall not be taken as representation that the RMB could actually be converted into HK\$ at that rate, or at all.*

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