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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)**

### **INSIDE INFORMATION CAPITAL INJECTION AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

#### **CAPITAL INJECTION AGREEMENT**

On 1 February 2019, Cloud Dollar, a wholly-owned subsidiary of the Company, the Target Company and the Covenantors entered into the Capital Injection Agreement, pursuant to which, Cloud Dollar agreed to inject a capital of RMB26.0 million by way of cash contribution into the Target Company.

Details of the Capital Injection Agreement are set out below:

**Date:** 1 February 2019 (after the trading hours)

**Parties:** (i) Cloud Dollar;  
(ii) the Target Company; and  
(iii) the Covenantors.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Target Company and the Covenantors are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

#### **Capital Injection**

Immediately prior to the Capital Injection, the registered capital of the Target Company was RMB1.0 million and the Target Company was owned by the Covenantors as to 50% by Zhang Qianquan (張淺淺) and 50% by Xu Boda (許博達). Pursuant to the Capital Injection Agreement, Cloud Dollar agreed to inject a capital of RMB26.0 million by way of cash

contribution into the Target Company, among which, RMB5.0 million will be credited as registered capital of the Target Company and the remaining RMB21.0 million will be credited as capital reserves of the Target Company. The amount of the Capital Injection was determined after arm's length negotiation between the parties to the Capital Injection Agreement with reference to (i) the business prospect and the working capital requirements of the Target Company; and (ii) the factors stated in the paragraph headed "Reasons for and benefits of entering into the Capital Injection Agreement" below.

### **Conditions Precedent**

Completion of the Capital Injection is subject to, among others, the fulfilment or waiver (where appropriate) of the following obligations and conditions on or before the Completion Date pursuant to the Capital Injection Agreement:

- (1) Cloud Dollar is satisfied with the due diligence review on the Target Company;
- (2) the Target Company and the Covenantors have obtained all the necessary consents, waivers and approvals for the transactions contemplated under the Capital Injection Agreement;
- (3) from the date of the Capital Injection Agreement and up to the Completion Date, all the representations, warranties and undertakings given by the Target Company and the Covenantors under the Capital Injection Agreement remain true, complete and accurate, and there is no event or change which have caused or is reasonably foreseen to cause, material adverse impact on the assets, liabilities, prospects, financial position or business operation of the Target Company; and
- (4) the Target Company has resolved to establish a board of directors consisting of five members, among which, three members will be appointed by the Group and two members will be appointed by the Covenantors.

### **Completion**

Pursuant to the Capital Injection Agreement, completion of the Capital Injection Agreement shall take place on the Completion Date, being the fifth business day upon the fulfilment or waiver (where appropriate) of the conditions precedent of the Capital Injection Agreement, details of which are set forth in the paragraph headed "Conditions Precedent" above. The first instalment of the Capital Injection in the sum of RMB10.0 million shall be made by Cloud Dollar to the Target Company within 10 business days after the Completion Date. The second and third instalments of the Capital Injection in the sum of RMB3.0 million and RMB13.0 million shall be made on or before 31 December 2019 and 31 December 2020, respectively. The amount of the Capital Injection will be funded by way of the Group's internal resources from the net proceeds of the global offering as disclosed in the Company's prospectus dated 28 June 2018.

Upon completion of the Capital Injection, the Target Company will be held as to 50% by the Covenantors and 50% by Cloud Dollar and the total registered capital of the Target Company will be increased from RMB1.0 million to RMB10.0 million. As the Group will control the board of directors of the Target Company after completion of the Capital Injection Agreement, the Target Company will become an indirect non-wholly owned subsidiary of the Company and accordingly, the financial results of the Target Company will be consolidated into the financial statements of the Company.

## **INFORMATION OF THE TARGET COMPANY AND THE COVENANTORS**

The Target Company was established in the PRC with limited liability engaged in research and development projects of pharmaceutical products in therapeutic areas including diabetes control, cardiovascular system and anti-infective. Further information of the Target Company as at the date of this announcement is set out below:

Name	: Beijing Sanye Mingming Pharmaceutical Technology Company Limited* (北京三也明明醫藥科技有限公司)
Date of establishment	: 8 August 2018
Place of establishment	: PRC
Scope of business	: Pharmaceutical research and development
Registered capital	: RMB1.0 million (approximately RMB102,000 paid-up)
Shareholding	: 50% by Zhang Qianquan (張淺淺) and 50% by Xu Boda (許博達)

### **Financial information of the Target Company**

The unaudited net asset value of the Target Company as at the date of the Capital Injection Agreement was approximately RMB102,000 representing the paid-up capital of the Target Company. The Target Company has not recorded any revenue since the date of its establishment.

## **INFORMATION OF THE GROUP AND CLOUD DOLLAR**

The Group is the leading Shuanghuanglian-based cold medicine brand and manufacturer in the PRC. In addition, it is also engaged in the research, development, production and sales of a wide variety of PCM and western medicine products for the treatments of cold and fever, cardiovascular diseases and anemia.

Cloud Dollar is incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company principally engaged in investment holding.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT**

As disclosed in the prospectus of the Company dated 28 June 2018, the Group intends to further the collaboration with external institutions on product development project to supplement the Group's research and development efforts and broaden the product offering to capture potential market demand. The Group targets the development projects on pharmaceutical products for the major therapeutic areas of the Group's products including, but not limited to, diabetes control, cardiovascular system and anti-infective. Having considered the research and development projects of the pharmaceutical products currently undertaken by the Target Company, the Directors believe that the strategic investments by way of the Capital Injection into the Target Company can enable the Group to (i) shorten the research and development cycle; (ii) expand and diversify the Group's current product portfolio and pipeline in timely response to the market; and (iii) achieve synergies by leveraging its brand reputation in such areas, similar target customers and its rich experiences in marketing and selling these pharmaceutical products. The Group plans to, through the Target Company, commence production and sales of products of these pharmaceutical products after it acquires relevant production permits in response to market conditions. It also plans to actively promote these pharmaceutical products to hospitals and other medical institutions and engage reputable distributors once production and sales begin.

Taking account of the benefits of the Capital Injection, the Directors are of the view that the terms and conditions of the Capital Injection Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection are less than 5%, the transactions contemplated under the Capital Injection Agreement do not constitute a notifiable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that the Capital Injection is subject to, among others, the fulfilment or waiver (where appropriate) of the conditions precedent under the Capital Injection Agreement and there is no assurance that the transactions referred to in this announcement will materialise or eventually be consummated. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Board”	the board of the Directors
“Capital Injection”	the capital injection of RMB26.0 million by Cloud Dollar by way of cash contribution into the Target Company pursuant to the Capital Injection Agreement

“Capital Injection Agreement”	the agreement dated 1 February 2019 between Cloud Dollar, the Target Company and the Covenantors in relation to the Capital Injection
“Cloud Dollar”	Cloud Dollar Investments Limited (衡盛投資有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary 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 issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1652)
“Covenantors”	Zhang Qianquan (張淺淺) and Xu Boda (許博達), who are the shareholders of the Target Company holding 50% and 50% of the equity interest of the Target Company, respectively, as at the date of this announcement
“Completion Date”	the fifth business day after the fulfilment or waiver (where appropriate) of the conditions precedent of the Capital Injection Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PCM”	proprietary Chinese medicine
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC

“Target Company” Beijing Sanye Mingming Pharmaceutical Technology Company Limited\* (北京三也明明醫藥科技有限公司), a company established in the PRC with limited liability

“%” per cent

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

Hong Kong, 1 February 2019

\* *for identification purpose only*

*As at the date of this announcement, the Board of the Company comprises Mr. Cao Changcheng (Chairman), Mr. Hou Taisheng, Mr. Chi Yongsheng, Ms. Meng Qingfen and Mr. Cao Dudu as executive Directors, Mr. Wang Jianhang as non-executive Director, and Mr. Sze Wing Chun, Mr. Shang Lei and Mr. Ho Ka Chun as independent non-executive Directors.*