

**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 TRANSACTIONS  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Lego Corporate  
Finance Limited**

力高企業融資有限公司

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 24 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement is set out on pages 27 to 50 of this circular. A notice convening the extraordinary general meeting to be held at Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 22 January 2024 at 11:00 a.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.

5 January 2024

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	6
<b>Letter from the Independent Board Committee</b> .....	25
<b>Letter from the Independent Financial Adviser</b> .....	27
<b>Appendix — General Information</b> .....	51
<b>Notice of the EGM</b> .....	EGM-1

## 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 and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Existing Master Chinese Medicine Purchase Agreement”	the master purchase agreement dated 4 December 2020 entered into between Henan Fusen as the purchaser and Fusen Chinese Medicine as the supplier for a term of three years 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
“Existing Master Packaging Materials Purchase Agreement”	the master purchase agreement dated 4 December 2020 entered into between Henan Fusen as the purchaser and Fusen Health as the supplier for a term of three years and ending on 31 December 2023 in respect of the purchase and supply of printed packaging materials for the packaging of cold medicine products of the Group

## DEFINITIONS

“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
“Fusen Health”	Henan Fusen Health Industry Company Limited* (河南福森大健康產業有限公司), 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
“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 approximately 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 The Core Trust Company 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

## DEFINITIONS

“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 resolutions approving the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance 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 and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who do not have a material interest in the Renewed Master Chinese Medicine Purchase Agreement and/or the Renewed Master Packaging Materials Purchase Agreement
“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”	2 January 2024, 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

## DEFINITIONS

“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”	collectively, 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 and 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 Packaging Materials 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
“Renewed Master Chinese Medicine Purchase Agreement”	the renewed master purchase agreement dated 1 December 2023 entered into between Henan Fusen as the purchaser and Fusen Chinese Medicine as the supplier for three years commencing from 1 January 2024 (or the date on which the Renewed Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive) in respect of the purchase and supply of medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group

## DEFINITIONS

“Renewed Master Packaging Materials Purchase Agreement”	the master purchase agreement dated 1 December 2023 entered into between Henan Fusen as the purchaser and Fusen Health as the supplier for three years commencing from 1 January 2024 (or the date on which the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive) in respect of the purchase and supply of printed packaging materials for 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:*

Windward 3  
Regatta Office Park  
PO Box 1350  
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:*

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

5 January 2024

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 1 December 2023.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its



## LETTER FROM THE BOARD

advice to the Independent Board Committee and the Independent Shareholders on the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 4 December 2020 and the circular of the Company dated 28 December 2020, in relation to, among other things, (i) the continuing connected transaction under the Existing Master Chinese Medicine Purchase Agreement entered into between Henan Fusen and Fusen Chinese Medicine; and (ii) the continuing connected transaction under the Existing Master Packaging Materials Purchase Agreement entered into between Henan Fusen and Fusen Health.

#### 1. Renewed Master Chinese Medicine Purchase Agreement

The term of the Existing Master Chinese Medicine Purchase Agreement expired on 31 December 2023.

On 1 December 2023, 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 2024 (or the date on which the Renewed Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (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.

#### *Principal terms*

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

- |                |   |   |
|----------------|---|---|
| <b>Date</b>    | : | 1 December 2023   |
| <b>Parties</b> | : | (1) Henan Fusen, a wholly-owned subsidiary of the Company; and<br>(2) Fusen Chinese Medicine. |

## LETTER FROM THE BOARD

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.

**Term** : The Renewed Master Chinese Medicine Purchase Agreement has a term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive).

For the avoidance of doubt, no transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement shall be conducted before the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

**Condition 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.

## LETTER FROM THE BOARD

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 amounts 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.

### ***Payment terms***

Payment shall be made according to the payment terms as set out in the individual contract or order (as the case may be), which will be determined with reference to the payment terms offered by independent third parties to the Group for the same or substantially similar transactions in the same period to ensure that the payment terms are in line with market practice and are no less favourable to the Group than those offered by independent suppliers. The management of Henan Fusen will review and compare the payment terms offered to the Group by Fusen Chinese Medicine with the sample contracts or purchase orders 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 individual contracts or placing purchase orders with Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement.

## LETTER FROM THE BOARD

Please also refer to the details of the relevant internal control measures to be implemented by the Group as set out in the paragraph headed “Internal control measures” below in this section.

### *Historical amounts of the transactions under the Existing Master Chinese Medicine Purchase Agreement*

The historical transaction amounts for the two years ended 31 December 2022 and for the ten months ended 31 October 2023 under the Existing Master Chinese Medicine Purchase Agreement were approximately RMB12.1 million, RMB31.0 million and RMB21.7 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 2024 RMB million</b>	<b>For the year ending 31 December 2025 RMB million</b>	<b>For the year ending 31 December 2026 RMB million</b>
Proposed annual caps	40.0	45.0	50.0

The following factors were considered when determining the proposed annual caps under the Renewed Master Chinese Medicine Purchase Agreement:

- (i) the historical purchase prices paid to Fusen Chinese Medicine for the two years ended 31 December 2022 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 2023;
- (ii) the Directors believe that the demand for the Group’s products will continue its growth in view of the historical growth in its revenue for the six months ended 30 June 2023 of approximately 103.1% compared with the same period in 2022 as reflected by the growth in sales amount of the Group’s products which was mainly attributable to the combined effects of the increase in overall market demand and the Group’s efforts in expanding its sales network. In particular, the increase in revenue generated from the sales of Shuanghuanglian-based products by approximately 121.20% for the six months ended 30 June 2023 as compared with the same period in 2022 was one of the key factors driving the growth in the Group’s revenue during the corresponding period. The importance of the sales of Shuanghuanglian-based products to the Group’s financial performance is further evidenced by the fact that the Group’s sales of Shuanghuanglian-based products during the two years ended 31 December 2022 and the six months ended 30 June 2023 amounted to approximately 66.8%, 63.1% and 64.5% of the Group’s total revenue, respectively. In view of the historical

## LETTER FROM THE BOARD

growth in revenue generated from the sales of the Group's Shuanghuanglian-based products, and Shuanghuanglian-based products being the Group's major products, the Directors expect the procurement amount of medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group to continuously increase. Further, the estimated transaction amount under the Existing Master Chinese Medicine Purchase Agreement for the year ending 31 December 2023 of approximately RMB32.0 million, representing an increase of approximately 3.23% as compared to the historical transaction amount for the year ended 31 December 2022;

- (iii) the expected growth in market demand for Shuanghuanglian-based cold medicine products driven by factors such as: (a) aging population in the PRC which would lead to increase in the number of customers. According to the National Bureau of Statistics of China (國家統計局), population over the age of 65 was 144.8 million in 2015 and 190.6 million in 2020, and is expected to reach around 339.3 million in 2030 in China; (b) improved awareness of personal health protection and increase in purchasing power of patients after the ease of the prevention and control measures under the COVID-19 pandemic, which would result in increase in purchase amount per customer. According to the National Bureau of Statistics of China (國家統計局), the healthcare expenditure per capita for PRC citizens increased from RMB1,843 in 2020 to RMB2,120 in 2022, representing an increase of approximately 15.0%. The Directors expect the increasing trend of healthcare expenditure spent by PRC citizens to continue; and (c) the modernisation of the proprietary Chinese medicine industry and national policies regulating the chemical cold medicine market, which provided easier product dispensation and more convenient consumption by customers;
- (iv) the average historical market price and the anticipated future market price for the relevant medicinal herbs. According to 中藥材天地網 (<https://www.zyctd.com>), the Composite 200 Index of Chinese Medicinal Herbs\* (中藥材綜合200指數), a weighted comprehensive calculation of the market price of the 200 kinds of major Chinese medicinal herbs in the PRC per day, increased from 2451.86 points as at 1 January 2021 to 3499.27 as at 31 October 2023, representing an increase of approximately 42.7%. This indicates that the average price of Chinese medicinal herbs has been on an increasing trend during the period, and the Directors anticipate such increasing trend to continue; and
- (v) the estimated future growth of the proprietary Chinese medicine and cold medicine market in the PRC. The market size of the proprietary Chinese respiratory medicine market in the PRC is expected to reach approximately RMB109.5 billion in 2026, as compared to approximately RMB65 billion for 2021, representing an estimated compound annual growth rate of approximately 11.0%.

## LETTER FROM THE BOARD

### *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 and the payment terms in the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement represents the prevailing market price and the market practice and are on normal commercial terms, under the supervision of the finance department of the Company, Henan Fusen will monitor, collect and compare the purchase price and the payment terms with quotations and sample contracts or purchase orders 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 (a) 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; and (b) the payment terms shall be in line with market practice and are no less favourable to the Group than those offered by independent suppliers. 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. The Company will also regularly check the ledger records together with the individual contracts or purchase orders (as the case may be) against the Renewed Master Chinese Medicine Purchase Agreement to ensure that the nature of the transactions carried out between Henan Fusen and Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement are within the scope thereof as disclosed in this circular.
- (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 proposed 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 for and benefits of entering into 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 *Lonicera 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 Lego Corporate Finance, but excluding the Directors who have abstained from voting on the relevant resolutions of the Board as disclosed in the section headed “IMPLICATIONS UNDER THE LISTING RULES” below in this circular) are of the view that the terms of the Renewed Master Chinese Medicine



## LETTER FROM THE BOARD

Purchase Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are on 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.

### 2. Renewed Master Packaging Materials Purchase Agreement

The term of the Existing Master Packaging Materials Purchase Agreement expired on 31 December 2023.

On 1 December 2023, Henan Fusen entered into the Renewed Master Packaging Materials Purchase Agreement with Fusen Health to renew the term of the Existing Master Packaging Materials Purchase Agreement with Fusen Health for a further term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive), pursuant to which Fusen Health agreed to supply, and Henan Fusen agreed to purchase, printed packaging materials for the packaging of cold medicine products of the Group on and subject to the terms and conditions of the Renewed Master Packaging Materials Purchase Agreement.

#### *Principal terms*

The principal terms of the Renewed Master Packaging Materials Purchase Agreement are as follows:

<b>Date</b>	:	1 December 2023
<b>Parties</b>	:	(1) Henan Fusen, a wholly-owned subsidiary of the Company; and (2) Fusen Health.

As at the Latest Practicable Date, Fusen Health 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 Health are close associates of Mr. Cao and therefore are connected persons of the Company under Chapter 14A of the Listing Rules.

<b>Scope</b>	:	Pursuant to the Renewed Master Packaging Materials Purchase Agreement, Fusen Health agreed to supply, and Henan Fusen agreed to purchase, printed packaging materials for the packaging of cold medicine products of the Group.
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## LETTER FROM THE BOARD

**Term** : The Renewed Master Packaging Materials Purchase Agreement has a term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever later) and ending on 31 December 2026 (both days inclusive).

For the avoidance of doubt, no transactions contemplated under the Renewed Master Packaging Materials Purchase Agreement shall be conducted before the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

**Condition precedent** : The Renewed Master Packaging Materials Purchase Agreement is conditional upon the Renewed Master Packaging Materials 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 printed packaging materials under the Renewed Master Packaging Materials Purchase Agreement 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 Health from time to time. Henan Fusen will purchase printed packaging materials from Fusen Health on an as-needed basis.

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

- (i) the historical transaction amounts paid by the Group for products of similar type, quantity and quality;
- (ii) the market price of products of similar type, quantity and quality;
- (iii) 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

## LETTER FROM THE BOARD

- (iv) 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 Health is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Health.

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 Health will enter into individual agreements or orders to set out specific terms with respect to the purchase of printed packaging materials under the Renewed Master Packaging Materials Purchase Agreement in accordance with the principal terms thereunder.

### *Payment terms*

Payment shall be made according to the payment terms as set out in the individual contract or order (as the case may be), which will be determined with reference to the payment terms offered by independent third parties to the Group for the same or substantially similar transactions in the same period to ensure that the payment terms are in line with market practice and are no less favourable to the Group than those offered by independent suppliers. The management of Henan Fusen will review and compare the payment terms offered to the Group by Fusen Health with the sample contracts or purchase orders 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 individual contracts or placing purchase orders with Fusen Health under the Renewed Master Packaging Materials Purchase Agreement.

Please also refer to the details of the relevant internal control measures to be implemented by the Group as set out in the paragraph headed "Internal control measures" below in this section.

### *Historical transaction amounts under the Existing Master Packaging Materials Purchase Agreement*

The historical transaction amounts for the two years ended 31 December 2022 and for the ten months ended 31 October 2023 under the Existing Master Packaging Materials Purchase Agreement were approximately RMB8.8 million, RMB12.9 million and RMB9.84 million, respectively.

## LETTER FROM THE BOARD

### *Proposed annual caps under the Renewed Master Packaging Materials Purchase Agreement*

Set out below are the proposed annual caps under the Renewed Master Packaging Materials Purchase Agreement:

	<b>For the year ending 31 December 2024 RMB million</b>	<b>For the year ending 31 December 2025 RMB million</b>	<b>For the year ending 31 December 2026 RMB million</b>
Proposed annual caps	20.0	25.0	30.0

The following factors were considered when determining the proposed annual caps under the Renewed Master Packaging Materials Purchase Agreement:

- (i) the historical purchase prices paid to Fusen Health for the two years ended 31 December 2022 and for the ten months ended 31 October 2023;
- (ii) the projected future orders based on the expected amount of the printed packaging materials to be purchased from Fusen Health for the three years ending 31 December 2026 taking into account the expected increase in demand for cold medicine products of the Group, details of which are set out in the paragraph headed “1. Renewed Master Chinese Medicine Purchase Agreement — Proposed annual caps under the Renewed Master Chinese Medicine Purchase Agreement” above in this section, which require the use of the printed packaging materials; and
- (iii) the average historical market price and the anticipated future market price for the relevant printed packaging materials.

### *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 Packaging Materials 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 Packaging Materials 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.

## LETTER FROM THE BOARD

- (ii) To ensure that the purchase price payable by Henan Fusen and the payment terms in the transactions contemplated under the Renewed Master Packaging Materials Purchase Agreement represents the prevailing market price and the market practice and are on normal commercial terms, under the supervision of the finance department of the Company, Henan Fusen will monitor, collect and compare the purchase price and the payment terms with quotations and sample contracts or purchase orders 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 Health in order to ensure that (a) 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; and (b) the payment terms shall be in line with market practice and are no less favourable to the Group than those offered by independent suppliers. 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 printed packaging materials 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 Packaging Materials Purchase Agreement.
- (iv) The pricing policy applicable to the Renewed Master Packaging Materials 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. The Company will also regularly check the ledger records together with the individual contracts or purchase orders (as the case may be) against the Renewed Master Packaging Materials Purchase Agreement to ensure that the nature of the transactions carried out between Henan Fusen and Fusen Health under the Renewed Master Packaging Materials Purchase Agreement are within the scope thereof as disclosed in this circular.

## LETTER FROM THE BOARD

- (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 proposed 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 for and benefits of entering into the Renewed Master Packaging Materials Purchase Agreement***

The Group has outsourced the production of the printed packaging materials since 2021. The Renewed Master Packaging Materials Purchase Agreement will allow the Group to continue to minimise the management and operational costs of the Group as the Group itself does not have the capacity for mass production of printed packaging materials. The Directors believe that it is economically beneficial to conduct bulk purchase of printed packaging materials from Fusen Health with mass production capacity. Furthermore, Fusen Health has been capable of providing steady and stable supply of quality printed packaging materials at reasonable prices as compared to other local suppliers and in close vicinity to the Group's production base.

The Directors (including the independent non-executive Directors after considering the advice of Lego Corporate Finance, but excluding the Directors who have abstained from voting on the relevant resolutions of the Board as disclosed in the section headed "IMPLICATIONS UNDER THE LISTING RULES" below in this circular) are of the view that the terms of the Renewed Master Packaging Materials Purchase Agreement are made on an arm's length basis in the ordinary and usual course of business of the Group and are on normal commercial terms which are no less favourable than the terms available from independent suppliers, and that the terms of the Renewed Master Packaging Materials 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.

### **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.

## LETTER FROM THE BOARD

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 HEALTH

Fusen Health was established in the PRC with limited liability on 13 February 2015 and principally carries on the business of production of dietary supplements and beverages and production of printed packaging materials. As at the Latest Practicable Date, Fusen Health 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	% of equity interests
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%
Mr. Chai Dongfeng (柴東風)	1.1287%
Mr. Hou Kaijian (候凱艦)	1.1287%

<b>LETTER FROM THE BOARD</b>
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<b>Name</b>	<i>% of equity interests</i>
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%
<b>Total</b>	<u><u>100%</u></u>

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



## LETTER FROM THE BOARD

### IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, each of Fusen Chinese Medicine and Fusen Health 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 and Fusen Health are close associates of Mr. Cao and therefore are connected persons of the Company under Chapter 14A of the Listing Rules. Each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement calculated under Chapter 14A of the Listing Rules with reference to the respective proposed annual caps exceeds 5%, the transactions contemplated under each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 and the Renewed Master Packaging Materials 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 and/or the Renewed Master Packaging Materials 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 539,092,000 Shares (representing approximately 71.88% 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 The Core Trust Company Limited, which is a trustee of the Fusen Trust whereby 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 resolutions approving the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder at the EGM.



## LETTER FROM THE BOARD

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/or the Renewed Master Packaging Materials Purchase Agreement and the transactions contemplated thereunder and therefore none of the other Shareholders will be required to abstain from voting on the relevant resolutions 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 and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. The Independent Financial Adviser, Lego Corporate Finance, has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

### THE EGM

A notice convening the EGM to be held at Units 5906–5912, 59th Floor, The Center, 99 Queen's Road Central, Hong Kong on Monday, 22 January 2024 at 11:00 a.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/or the Renewed Master Packaging Materials Purchase Agreement and the transactions contemplated thereunder are required to abstain from voting on the relevant resolutions approving the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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, 19 January 2024 to Monday, 22 January 2024, 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, 18 January 2024.

## LETTER FROM THE BOARD

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 25 to 26 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolutions to approve the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser as set out on pages 27 to 50 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 and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors after considering the advice of Lego Corporate Finance, but excluding the Directors who have abstained from voting on the relevant resolutions of the Board as disclosed in the section headed “IMPLICATIONS UNDER THE LISTING RULES” above in this circular) consider that each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 resolutions to be proposed at the EGM to approve the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 and the Renewed Master Packaging Materials 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)**

5 January 2024

*To the Independent Shareholders*

Dear Sir or Madam,

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 5 January 2024 (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 and the Renewed Master Packaging Materials 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 and the Renewed Master Packaging Materials 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.

Lego Corporate Finance has been appointed by the Company to advise us and the Independent Shareholders as to whether the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable so far as the

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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 27 to 50 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 6 to 24 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps, the transactions contemplated thereunder and the advice given by Lego Corporate Finance, we consider that the terms of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 resolutions as set out in the notice of the EGM attached to the Circular to approve the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**FUSEN PHARMACEUTICAL COMPANY LIMITED**

**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 THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.*



5 January 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the Proposed Annuals Caps and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 5 January 2024 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 otherwise requires.

References are made to the announcement of the Company dated 4 December 2020 and the circular of the Company dated 28 December 2020, in relation to, among other things, (i) the continuing connected transaction under the Existing Master Chinese Medicine Purchase Agreement entered into between Henan Fusen and Fusen Chinese Medicine; and (ii) the continuing connected transaction under the Existing Master Packaging Materials Purchase Agreement entered into between Henan Fusen and Fusen Health.

As at the Latest Practicable Date, each of Fusen Chinese Medicine and Fusen Health 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 and Fusen Health are close associates of Mr. Cao and therefore are connected persons of the Company under Chapter 14A of the Listing Rules. Each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest of the applicable percentage ratios of each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement calculated under Chapter 14A of the Listing Rules with reference to the respective proposed annual caps exceeds 5%, the transactions contemplated under each of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement will be 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 resolutions of the Board for approving the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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 and/or the Renewed Master Packaging Materials Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps nor is required to abstain from voting on the relevant resolutions.

As at the Latest Practicable Date, Mr. Cao is entitled to exercise and control the exercise of the voting rights attaching to 539,092,000 Shares (representing approximately 71.88% 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 The Core Trust Company Limited, which is a trustee of the Fusen Trust whereby 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 resolutions approving the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed in accordance with the Listing Rules to advise the Independent Shareholders as to whether (i) the terms of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the entering into of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement are in the ordinary and usual course of business of the Group, and to advise the Independent

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships with or interests in the Company or Fusen Chinese Medicine or Fusen Health or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or Fusen Chinese Medicine or Fusen Health or any other party to the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement. Accordingly, we are qualified to give independent advice in respect of the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truthfulness, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or Fusen Chinese Medicine or Fusen Health or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

#### 1. Information on the parties

##### *1.1 Information on the Group*

As disclosed in the Letter from the Board, 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.

Set out below is a summary of the financial results of the Group for the years ended 31 December 2021 and 2022, and the six months ended 30 June 2022 and 2023 as extracted from the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”), respectively.

	<b>For the year ended</b>		<b>For the six months</b>	
	<b>31 December</b>		<b>ended 30 June</b>	
	<b>2022</b>	<b>2021</b>	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	491,757	385,664	336,437	165,611
<b>Profit/(Loss) before taxation</b>	(30,993)	23,791	22,896	(7,313)
<b>Profit/(Loss) for the year/period attributable to the Shareholders</b>	(34,605)	16,645	16,456	(7,037)



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*For the years ended 31 December 2021 and 2022*

The Group's revenue increased from approximately RMB385.7 million for the year ended 31 December 2021 to approximately RMB491.8 million for the year ended 31 December 2022. As disclosed in the 2022 Annual Report, such increase was mainly due to the increase in revenue generated from traditional proprietary cold and fever drugs and other products lines.

The Group recorded a loss attributable to the Shareholders of approximately RMB34.6 million for the year ended 31 December 2022, as compared to a profit attributable to the Shareholders of approximately RMB16.6 million for the year ended 31 December 2021, mainly attributable to (i) the increase in selling and distribution expenses; (ii) the increase in finance costs due to interest expenses and exchange losses on borrowings from banks denominated in foreign currencies; (iii) the operating losses of its joint venture, namely Jiangxi Yongfeng Kangde Pharmaceutical Company Limited; and (iv) the operating losses of its associate, namely Weihai Rensheng Pharmaceutical Group Company Limited.

*For the six months ended 30 June 2022 and 2023*

The Group's revenue increased from approximately RMB165.6 million for the six months ended 30 June 2022 to approximately RMB336.4 million for the six months ended 30 June 2023. As disclosed in the 2023 Interim Report, such increase was mainly due to (i) increase in market demand as a result of the adjustments made to the PRC's pandemic prevention measures and control towards the end of 2022; and (ii) the Group's continuous efforts in expanding its sales network and strengthening product branding, which have started to yield positive results gradually.

Based on the foregoing and the decrease in net finance costs due to the decrease in net foreign exchange loss and interest on bank loans, the Group recorded a profit attributable to the Shareholders of approximately RMB16.5 million for the six months ended 30 June 2023, as compared to a loss attributable to the Shareholders of approximately RMB7.0 million for the six months ended 30 June 2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial position of the Group as at 31 December 2022 and 30 June 2023 as extracted from the 2023 Interim Report.

	<b>As at 30 June 2023</b>	<b>As at 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
<b>Total assets</b>	<b>1,312,401</b>	<b>1,350,268</b>
Non-current assets	798,571	736,212
Current assets	513,830	614,056
<b>Total liabilities</b>	<b>691,446</b>	<b>737,375</b>
Non-current liabilities	15,023	15,293
Current liabilities	676,423	722,082
<b>Total equity</b>	<b>620,955</b>	<b>612,893</b>
<b>Total equity attributable to the Shareholders</b>	<b>622,238</b>	<b>614,167</b>

The total assets of the Group amounted to approximately RMB1,350.3 million and RMB1,312.4 million as at 31 December 2022 and 30 June 2023, respectively. The major components of the total assets of the Group as at 30 June 2023 were (i) property, plant and equipment of approximately of RMB346.9 million; (ii) right-of-use assets of approximately RMB215.6 million; and (iii) trade receivables of approximately RMB214.2 million.

The total liabilities of the Group amounted to approximately RMB737.4 million and RMB691.4 million as at 31 December 2022 and 30 June 2023, respectively. The major components of the total liabilities of the Group as at 30 June 2023 were (i) bank and other loan of approximately RMB290.5 million; and (ii) accruals and other payables of approximately RMB259.3 million.

### ***1.2 Information on Henan Fusen***

As disclosed in the Letter from the Board, 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.

### ***1.3 Information on Fusen Chinese Medicine***

As disclosed in the Letter from the Board, 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 lonicera japonica and baikal skullcap root (黃芩).

***1.4 Information on the Fusen Health***

As disclosed in the Letter from the Board, Fusen Health was established in the PRC with limited liability on 13 February 2015 and principally carries on the business of production of dietary supplements and beverages and production of printed packaging materials.

***1.5 Information on the Fusen Shiye***

As disclosed in the Letter from the Board, 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.

**2. Renewed Master Chinese Medicine Purchase Agreement**

***2.1 Reasons for and benefits of the entering into of the Renewed Master Chinese Medicine Purchase Agreement***

We have reviewed the 2022 Annual Report and noted that Shuanghuanglian-based products is the principal products of the Group. As disclosed in the 2022 Annual Report, the revenue generated from Shuanghuanglian-based products amounted to approximately RMB310.3 million for the year ended 31 December 2022 and accounted for approximately 63.1% of the Group's total revenue. We have discussed with the Management and were given to understand that 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.

As disclosed in the Letter from the Board, 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. 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 entering into of the Renewed Master Chinese Medicine Procurement Agreement allows the continuous supply of quality medicinal herbs at competitive prices by Fusen Chinese Medicine to the Group, which is conducive to the stable operation of the Group's production.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, we consider that the entering into of the Renewed Master Chinese Medicine Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

### *2.2 Principal terms of Renewed Master Chinese Medicine Purchase Agreement*

The term of the Existing Master Chinese Medicine Purchase Agreement expired on 31 December 2023. On 1 December 2023, 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 2024 (or the date on which the Renewed Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever is later) and ending on 31 December 2026 (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 : 1 December 2023
- 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 INDEPENDENT FINANCIAL ADVISER

Term : The Renewed Master Chinese Medicine Purchase Agreement has a term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Chinese Medicine Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever is later) and ending on 31 December 2026 (both days inclusive).

For the avoidance of doubt, no transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement shall be conducted before the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

Condition 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.

We have reviewed the Renewed Master Chinese Medicine Purchase Agreement and did not note any abnormal terms or material difference between the terms of the Existing Master Chinese Medicine Purchase Agreement and the terms of the Renewed Master Chinese Medicine Purchase Agreement, save for the change in term and annual caps.

### *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 amounts paid by the Group for products of similar type, quantity and quality;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

### *Payment terms*

Payment shall be made according to the payment terms as set out in the individual contract or order (as the case may be), which will be determined with reference to the payment terms offered by independent third parties to the Group for the same or substantially similar transactions in the same period to ensure that the payment terms are in line with market practice and are no less favourable to the Group than those offered by independent suppliers. The management of Henan Fusen will review and compare the payment terms offered to the Group by Fusen Chinese Medicine with the sample contracts or purchase orders 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 individual contracts or placing purchase orders with Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement.

Please also refer to the details of the relevant internal control measures to be implemented by the Group as set out in the paragraph headed "4. Internal control measures of the continuing connected transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement" below in this letter.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the payment schedule in respect of the purchase of medicinal herbs between the Group and Fusen Chinese Medicine during the term of the Existing Master Chinese Medicine Purchase Agreement (the “**Schedule 1**”) provided by the Company. We have reviewed five randomly selected sample transactions (including contracts, invoices and packing lists) in respect of the purchase of *Lonicera japonica* (which is the major medicinal herbs that the Group purchased from Fusen Chinese Medicine) based on the Schedule 1. We have also reviewed three randomly selected sample transactions (including contracts, invoices and delivery notes) in respect of the purchase of *Lonicera japonica* between the Group and the Independent Third Parties for the period from 1 January 2021 to 31 October 2023. Given that we have reviewed sample transactions that covered 30% of the total transaction amount of medicinal herbs under the Existing Master Chinese Medicine Purchase Agreement during the term of the Existing Master Chinese Medicine Purchase Agreement, we considered we have reviewed sufficient, fair and representative samples for our due diligence purpose. Based on our review of the sample transactions between the Group and Fusen Chinese Medicine, we noted that they were carried out in accordance with the Company’s pricing policy and payment terms, and the payment terms and prices of the transactions between the Group and Fusen Chinese Medicine were no less favourable than those between the Group and Independent Third Parties.

In light of the above, we are of the view that the terms of the Renewed Master Chinese Medicine Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.3 Proposed annual caps for the transactions under the Renewed Master Chinese Medicine Purchase Agreement***

Set out below are the historical transaction amounts under the Existing Master Chinese Medicine Purchase Agreement for the three years ended 31 December 2023 and the proposed annual caps under the Renewed Master Chinese Medicine Purchase Agreement (the “**Chinese Medicine Annual Caps**”):

	For the year ended/ending 31 December					
	2021	2022	2023	2024	2025	2026
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Actual)</i>	<i>(Cap)</i>	<i>(Cap)</i>	<i>(Cap)</i>
Transaction amount	12.1	31.0	21.7 <sup><i>(Note 1)</i></sup>	N/A	N/A	N/A
Annual cap	40.0	44.0	48.0	40.0	45.0	50.0
Utilisation rate	30.3%	70.5%	66.7% <sup><i>(Note 2)</i></sup>	N/A	N/A	N/A

*Notes:*

1. For the ten months ended 31 October 2023.
2. The estimated utilisation rate for the year ended 31 December 2023 is based on the estimated transaction amount of approximately RMB32.0 million as disclosed in the Circular.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Review of historical transaction amounts*

The transaction amount increased from approximately RMB12.1 million for the year ended 31 December 2021 to approximately RMB31.0 million for the year ended 31 December 2022. As advised by the Management, such increase was mainly due to (i) the ease of COVID-19 pandemic and the recovering market environment, which led to an increase in market demand; and (ii) the Group's efforts in expanding sales network and strengthening product branding.

It is noted that the estimated transaction amount for the year ended 31 December 2023 would remain relatively stable at approximately RMB32.0 million as compared to that of approximately RMB31.0 million for the year ended 31 December 2022. As advised by the Management, the Group would generally increase its purchase of medicinal herbs in the last quarter of the year, having considered that it is generally considered as cold and flu season between December to February, which lead to an increase in market demand.

### *Assessment of the Chinese Medicine Annual Caps*

As disclosed in the Letter from the Board, the Chinese Medicine Annual Caps were determined by the Company with reference to (i) the historical purchase prices paid to Fusen Chinese Medicine for the two years ended 31 December 2022 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 2023; (ii) the market demand for the Group's products will continue its growth in view of the historical growth in its revenue; (iii) the expected growth in market demand for Shuanghuanglian-based cold medicine products; and (iv) the estimated future growth of the proprietary Chinese medicine and cold medicine market in the PRC.

In order to assess the fairness and reasonableness of the Chinese Medicine Annual Caps, we have discussed with the Management on the bases and assumptions underlying the determination of the Chinese Medicine Annual Caps as below:

- (i) We noted that the purchase of medicinal herbs under the Existing Master Chinese Medicine Purchase Agreement amounted to approximately RMB31.0 million for the year ended 31 December 2022 and is expected to amount to approximately RMB32.0 million for the year ended 31 December 2023 with an average of approximately RMB31.5 million (the "**Average Medicinal Herbs Amount**"). Taking into consideration of (i) the ease of COVID-19 pandemic and the recovering market environment, which led to an increase in market demand; and (ii) the Group's efforts in expanding sales network and strengthening product branding, we consider the two years ended 31 December 2023 are more representative and reasonable bases to project the transaction amount between the Group and Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement. We noted that the Average Medicinal Herbs Amount



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of approximately RMB31.5 million represents approximately 78.8%, 70.0% and 63.0% of the Chinese Medicine Annual Caps for the three years ending 31 December 2026, respectively.

- (ii) The Chinese Medicine Annual Caps amount to approximately RMB40.0 million, RMB45.0 million and RMB50.0 million for the three years ending 31 December 2026, representing a year-on-year growth rate of approximately 12.5% and 11.1%, respectively. We have reviewed the 2022 Annual Report and the 2023 Interim Report and noted that the revenue of the Group amounted to approximately RMB385.7 million and RMB491.8 million for the two years ended 31 December 2022, respectively, representing an increase of approximately 27.5%, and the revenue of the Group amounted to approximately RMB165.6 million and RMB336.4 million for the six months ended 30 June 2022 and 2023, respectively, representing an increase of approximately 103.1%. In view of the historical growth of the revenue of the Group, we consider that the growth rate of the Chinese Medicine Annual Caps for the three years ending 31 December 2026 of approximately 11.1% to 12.5% are not excessive.
- (iii) We have discussed with the Management and were given to understand that the expected increase in demand for Shuanghuanglian-based cold medicine products is driven by factors such as (a) aging population in the PRC which would lead to increase in the number of customers. According to the National Bureau of Statistics of China (國家統計局), population over the age of 65 was 144.8 million in 2015 and 190.6 million in 2020, and is expected to reach around 339.3 million in 2030 in the PRC; (b) improved awareness of personal health protection and purchasing power of patients after the ease of the prevention and control measures under the outbreak of COVID-19 pandemic, which would result in increase in purchase amount per customer. According to the National Bureau of Statistics of China (國家統計局), the healthcare expenditure per capita for PRC citizens increased from RMB1,843 in 2020 to RMB2,120 in 2022, representing an increase of approximately 15.0%. The Directors expect the increasing trend of healthcare expenditure spent by PRC citizens to continue; and (c) the modernisation of the proprietary Chinese medicine industry and national policies regulating the chemical cold medicine market, which provided easier product dispensation and more convenient consumption by customers. We have reviewed the population data published by the National Development and Reform Commission of the PRC for the year ended 31 December 2022 and noted that the population over aged 60 years amounted to approximately 280.0 million in the PRC. Based on a press article reported on the press conference held by the health authority of the PRC in December 2022, the PRC will be a moderately aging society in three years with 20% of the population aged 60 or above and expect to become a severely aging society by 2035, with 35% of the population aged 60 or above, which represents approximately 400 million people.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) We have also reviewed the 2022 Annual Report and the 2023 Interim Report and noted that the revenue generated from the sales of Shuanghuanglian-based cold medicine products amounted to approximately RMB257.6 million and RMB310.3 million for the two years ended 31 December 2022, respectively, representing an increase of approximately 20.5%, and representing approximately 66.8% and 63.1% of the total revenue of the Group; whereas the revenue generated from the sales of Shuanghuanglian-based cold medicine products amounted to approximately RMB98.2 million and RMB217.1 million for the six months ended 30 June 2022 and 2023, respectively, representing an increase of approximately 121.1%, and contributed approximately 59.3% and 64.5% of the total revenue of the Group. In view of the historical growth in revenue generated from the sales of the Group's Shuanghuanglian-based products, and Shuanghuanglian-based products being the Group's major products, we concur with the Directors' view that the expected increase in the procurement of medicinal herbs for the production of Shuanghuanglian-based cold medicine products of the Group is justifiable.
- (v) We have discussed with the Management and were given to understand the Chinese Medicine Annual Caps are also determined with reference to the average historical market price and the anticipated future market price for the relevant medicinal herbs. According to 中藥材天地網 (<https://www.zyctd.com>), the Composite 200 Index of Chinese Medicinal Herbs\* (中藥材綜合200指數), a weighted comprehensive calculation of the market price of the 200 kinds of major Chinese medicinal herbs in the PRC per day, increased from 2,451.86 points as at 1 January 2021 to 3,499.27 points as at 31 October 2023, representing an increase of approximately 42.7%. This indicates that the average price of Chinese medicinal herbs has been on an increasing trend during the period, hence, we concur with the Directors' view that such increasing trend is anticipated to continue.
- (vi) We have further discussed with the Management and were given to understand that it is expected that the proprietary Chinese medicine and cold medicine market in the PRC will continue to grow. We have reviewed an article from Qianzhan Industry Research Institute\* (前瞻產業研究院) and noted that the market size of the proprietary Chinese respiratory medicine market in the PRC is expected to reach approximately RMB109.5 billion in 2026, as compared to approximately RMB65 billion in 2021, representing an estimated compound annual growth rate of approximately 11.0%.

Based on the aforesaid, we consider the bases of determination of the Chinese Medicine Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Chinese Medicine Annual Caps are determined by the Management based on the assumptions, which include but are not limited to the current estimation of the transaction amount and market conditions. Accordingly, we express no opinion as to how closely the actual amounts contemplated under the continuing connected transactions in comparison to the Chinese Medicine Annual Caps.

### **3. Renewed Master Packaging Materials Purchase Agreement**

#### ***3.1 Reasons for and benefits of the entering into of the Renewed Master Packaging Materials Purchase Agreement***

As disclosed in the Letter from the Board, the Group has outsourced the production of the printed packaging materials since 2021. The Renewed Master Packaging Materials Purchase Agreement will allow the Group to continue to minimise the management and operational costs of the Group as the Group itself does not have the capacity for mass production of printed packaging materials. The Directors believe that it is economically beneficial to conduct bulk purchase of printed packaging materials from Fusen Health with mass production capacity. Furthermore, Fusen Health has been capable of providing steady and stable supply of quality printed packaging materials at reasonable prices as compared to other local suppliers and in close vicinity to the Group's production base.

We are of the view that the entering into of a supply agreement with Fusen Health will ensure the stable supply of printed packaging materials to the Group to facilitate its production, which in turn ensures the smooth and ordinary operation of the Group's business. Particularly, as advised by the Management, there have been no material shortage or quality issues of the printed packaging materials supplied by Fusen Health to the Group throughout the years of business relationships between the Group and Fusen Health, that would deter the Group from continuing to source from Fusen Health.

In view of the reasons above and that Fusen Health possesses the relevant experiences for the relevant supply of printed packaging materials and has better understanding of the needs of the Group, we are of the view that the entering into of the Renewed Master Packaging Materials Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *3.2 Principal terms of Renewed Master Packaging Materials Purchase Agreement*

The term of the Existing Master Packaging Materials Purchase Agreement expired on 31 December 2023. On 1 December 2023, Henan Fusen entered into the Renewed Master Packaging Materials Purchase Agreement with Fusen Health to renew the term of the Existing Master Packaging Materials Purchase Agreement with Fusen Health for a further term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever is later) and ending on 31 December 2026 (both days inclusive), pursuant to which Fusen Health agreed to supply, and Henan Fusen agreed to purchase, printed packaging materials for the packaging of cold medicine products of the Group on and subject to the terms and conditions of the Renewed Master Packaging Materials Purchase Agreement.

Date : 1 December 2023

Parties : (1) Henan Fusen, a wholly-owned subsidiary of the Company; and  
(2) Fusen Health.

As at the Latest Practicable Date, Fusen Health 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 Health 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 Packaging Materials Purchase Agreement, Fusen Health agreed to supply, and Henan Fusen agreed to purchase, printed packaging materials for the packaging of cold medicine products of the Group

Term : The Renewed Master Packaging Materials Purchase Agreement has a term of three years commencing from 1 January 2024 (or the date on which the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM, whichever is later) and ending on 31 December 2026 (both days inclusive).

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the avoidance of doubt, no transactions contemplated under the Renewed Master Packaging Materials Purchase Agreement shall be conducted before the proposed annual caps and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM.

Condition precedent : The Renewed Master Packaging Materials Purchase Agreement is conditional upon the Renewed Master Packaging Materials Purchase Agreement, the proposed annual caps and the transactions contemplated thereunder being approved by the Independent Shareholders at the EGM.

We have reviewed the Renewed Master Packaging Materials Purchase Agreement and did not note any abnormal terms or material difference between the terms of the Existing Master Packaging Materials Purchase Agreement and the terms of the Renewed Master Packaging Materials Purchase Agreement, save for the change in term and annual caps.

### *Pricing policy*

The purchase price of the printed packaging materials under the Renewed Master Packaging Materials Purchase Agreement 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 Health from time to time. Henan Fusen will purchase printed packaging materials from Fusen Health on an as-needed basis.

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

- (i) the historical transaction amounts paid by the Group for products of similar type, quantity and quality;
- (ii) the market price of products of similar type, quantity and quality;
- (iii) 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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) 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 Health is less favourable than those offered by the independent suppliers, Henan Fusen will not enter into transactions with Fusen Health.

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 Health will enter into individual agreements or orders to set out specific terms with respect to the purchase of printed packaging materials under the Renewed Master Packaging Materials Purchase Agreement in accordance with the principal terms thereunder.

### *Payment terms*

Payment shall be made according to the payment terms as set out in the individual contract or order (as the case may be), which will be determined with reference to the payment terms offered by independent third parties to the Group for the same or substantially similar transactions in the same period to ensure that the payment terms are in line with market practice and are no less favourable to the Group than those offered by independent suppliers. The management of Henan Fusen will review and compare the payment terms offered to the Group by Fusen Health with the sample contracts or purchase orders 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 individual contracts or placing purchase orders with Fusen Health under the Renewed Master Packaging Materials Purchase Agreement.

Please also refer to the details of the relevant internal control measures to be implemented by the Group as set out in the paragraph headed "4. Internal control measures of the continuing connected transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement" below in this letter.

We have reviewed the payment schedule in respect of the purchase of printed package materials between the Group and Fusen Health during the term of the Existing Master Packaging Materials Purchase Agreement (the "Schedule 2") provided by the Company. We have reviewed eight randomly selected samples of transactions (including contracts, invoices and packing lists) in respect of the purchase of printed package materials for Shuanghuanglian-based products (which is the Group's major products) based on the Schedule 2. We have also reviewed three samples of transactions (including contracts, invoices and packing lists) and quotations between the Group and Independent Third Parties, which are comparable in terms of specification of printed package materials during the period from 1

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

January 2021 to 31 October 2023. Given that we have reviewed sample transactions that covered 30% of the total transaction amount of the printed package materials under the Existing Master Packaging Materials Purchase Agreement during the term of the Existing Master Packaging Materials Purchase Agreement, we considered we have reviewed sufficient, fair and representative samples for our due diligence purpose. Based on our review of the sample transactions between the Group and Fusen Health, we noted that the sampled transactions were carried out in accordance with the Company's pricing policy and payment terms, and the payment terms and prices of the transactions between the Group and Fusen Health were no less favourable than those between the Group and Independent Third Parties.

In view of the above, we are of the view that the terms of the Renewed Master Packaging Materials Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***3.3 Proposed annual caps for the transactions under the Renewed Master Packaging Materials Purchase Agreement***

Set out below are the historical transaction amounts for the Existing Master Packaging Materials Purchase Agreement for the three years ended 31 December 2023 and the proposed annual caps under the Renewed Master Packaging Materials Purchase Agreement (the “**Packaging Materials Annual Caps**”):

	For the year ended/ending 31 December					
	2021	2022	2023	2024	2025	2026
	RMB'million (Actual)	RMB'million (Actual)	RMB'million (Actual)	RMB'million (Cap)	RMB'million (Cap)	RMB'million (Cap)
Transaction amount	8.8	12.9	9.8 <sup>(Note 1)</sup>	N/A	N/A	N/A
Annual cap	15.0	17.0	19.0	20.0	25.0	30.0
Utilisation rate	58.7%	75.9%	61.9% <sup>(Note 2)</sup>	N/A	N/A	N/A

*Notes:*

1. For the ten months ended 31 October 2023.
2. The estimated utilisation rate for the year ended 31 December 2023 is based on the annualised transaction amount for the ten months ended 31 October 2023.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Review of historical transaction amount*

The transaction amount increased from approximately RMB8.8 million for the year ended 31 December 2021 to approximately RMB12.9 million for the year ended 31 December 2022. As advised by the Management, such increase was mainly due to (i) the ease of COVID-19 pandemic and the recovering market environment, which led to an increase in market demand; and (ii) the Group's efforts in expanding sales network and strengthening product branding.

It is noted that the illustrative annualised transaction amount for the year ended 31 December 2023 (based on the actual transaction amount for the ten months ended 31 October 2023) would remain relatively stable at approximately RMB11.8 million as compared to that of approximately RMB12.9 million for the year ended 31 December 2022.

### *Assessment of the Packaging Materials Annual Caps*

As disclosed in the Letter from the Board, the Packaging Materials Annual Caps were determined by the Company with reference to (i) the historical purchase prices paid to Fusen Health for the two years ended 31 December 2022 and the ten months ended 31 October 2023; (ii) the projected future orders based on the expected amount of printed packaging materials to be purchased from Fusen Health for the three years ending 31 December 2026 taking into account the increasing demand of cold medicine products of the Group which require the use of printed packaging materials; and (iii) the average historical market price and the anticipated future market price for the relevant printed packaging materials.

In order to assess the fairness and reasonableness of the Packaging Materials Annual Caps, we have discussed with the Management on the bases and assumptions underlying the determination of the Packaging Materials Annual Caps as below:

- (i) We noted that the purchase of printed packaging materials under the Existing Master Packaging Materials Purchase Agreement amounted to approximately RMB12.9 million for the year ended 31 December 2022 and the annualised transaction amount is approximately RMB11.8 million for the year ended 31 December 2023 with an average of approximately RMB12.4 million (the "**Average Packaging Materials Amount**"). Taking into consideration of (i) the ease of COVID-19 pandemic and the recovering market environment, which led to an increase in market demand; and (ii) the Group's efforts in expanding sales network and strengthening product branding, we consider the two years ended 31 December 2023 are more representative and reasonable bases for projecting the transaction amount between the Group and Fusen Health under the Renewed Master Packaging Materials Purchase Agreement. We noted that the Average Packaging Materials Amount of approximately RMB12.4 million represents approximately 62.0%, 49.6% and 41.3% of the Packaging Materials Annual Caps for the three years ending 31 December 2026, respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The Packaging Materials Annual Caps amount to approximately RMB20.0 million, RMB25.0 million and RMB30.0 million for the three years ending 31 December 2026, representing a year-on-year growth rate of approximately 25.0% and 20.0%, respectively. We have reviewed the 2022 Annual Report and the 2023 Interim Report and noted that the revenue of the Group amounted to approximately RMB385.7 million and RMB491.8 million for the two years ended 31 December 2022, respectively, representing an increase of approximately 27.5%, and the revenue of the Group amounted to approximately RMB165.6 million and RMB336.4 million for the six months ended 30 June 2022 and 2023, respectively, representing an increase of approximately 103.1%. In view of the historical growth of the revenue of the Group, we consider that the growth rate of the Packaging Materials Annual Caps for the three years ending 31 December 2026 of approximately 20.0% to 25.0% are not excessive.
- (iii) We have discussed with the Management and were given to understand that the expected increase in purchase of printed packaging materials is correlated to the increasing demand of cold medicine products of the Group which require the use of the printed packaging materials. We also noted that the expected purchase of printed packaging materials is generally in line with the bases and assumptions adopted in computing the historical annual caps. Based on the foregoing and the expected increase in demand for cold medicine products of the Group and the trend of the revenue contributed from Shuanghuanglian-based products as discussed in the section headed “2.3 Proposed annual caps for the transactions under the Renewed Master Chinese Medicine Purchase Agreement” above, we concur with the Directors’ view that the Company has taken a reasonable approach in estimating the Packaging Materials Annual Caps.

Based on the aforesaid, we consider the bases of determination of the Packaging Materials Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

The Packaging Materials Annual Caps are determined by the Management based on the assumptions, which include but are not limited to the current estimation of the transaction amount and market conditions. Accordingly, we express no opinion as to how closely the actual amounts contemplated under the continuing connected transactions in comparison to the Packaging Materials Annual Caps.

**4. Internal control measures of the continuing connected transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement**

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 and the Renewed Master Packaging Materials 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 and the Renewed Master Packaging Materials 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 and the payment terms in the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement represents the prevailing market price and the market practices and are on normal commercial terms, under the supervision of the finance department of the Company, Henan Fusen will monitor, collect and compare the purchase price and the payment terms with quotations and sample contracts or purchase orders 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 or Fusen Health in order to ensure that (a) 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; and (b) the payment terms shall be in line with market practice and are no less favourable to the Group than those offered by independent suppliers. 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 or printed packaging materials 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 and the Renewed Master Packaging Materials Purchase Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) The pricing policy applicable to the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials 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. The Company will also regularly check the ledger records together with the individual contracts or purchase orders (as the case may be) against the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement to ensure that the nature of the transactions carried out between Henan Fusen and Fusen Chinese Medicine under the Renewed Master Chinese Medicine Purchase Agreement and the nature of the transactions carried out between Henan Fusen and Fusen Health under the Renewed Master Packaging Materials Purchase Agreement are within the scope thereof as disclosed in the Letter from the Board.
- (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 proposed 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.

In assessing the adequacy and effectiveness of the Company's internal control measures, we have reviewed the annual report of the Company for the year ended 31 December 2022 and noted that the independent non-executive Directors and auditor of the Company have confirmed that the continuing connected transactions under the Existing Master Chinese Medicine Purchase Agreement and the Existing Master Packaging Materials Purchase Agreement have been entered into on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole. We have also reviewed the list of connected persons, connected transaction ledger and the confirmation on monthly reconciliation records from the relevant connected persons, and noted that the Company had carried out the aforesaid internal control procedures to (a) ascertain the continuing connected transactions are on normal commercial terms or better; and (b) govern that the continuing connected transactions would not exceed the annual caps under the Existing Master Chinese Medicine Purchase Agreement and the Existing Master Packaging Materials Purchase Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above and in particular that the continuing connection transactions under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions under the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement have been entered into in the ordinary and usual course of the Group's business and on normal commercial terms, and the terms thereof together with the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve that the Renewed Master Chinese Medicine Purchase Agreement and the Renewed Master Packaging Materials Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Kristie Ho**  
*Managing Director*

*Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 20 years of experience in the securities and investment banking industries.*

## 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")) which are required 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 are taken or deemed to have under such provisions of the SFO), or 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 <sup>(Notes 1, 2 and 3)</sup>	Interest of a controlled corporation	539,092,000	71.88%
Mr. Alex Cao <sup>(Note 2)</sup>	Interest of a controlled corporation	154,146,000	20.55%
Mr. Hou Taisheng <sup>(Note 4)</sup>	Beneficiary of a trust	13,399,165	1.79%
Ms. Meng Qingfen <sup>(Note 4)</sup>	Beneficiary of a trust	11,809,433	1.57%
Mr. Chi Yongsheng <sup>(Note 4)</sup>	Beneficiary of a trust	12,944,956	1.73%

*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 204,766,000 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 154,146,000 Shares held by One Victory pursuant to the SFO. Furthermore, pursuant to the second deed of confirmation dated 18 August 2017 entered into between Mr. Cao, 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 539,092,000 Shares, representing 71.88% 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 are 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:

<b>Name of substantial shareholder</b>	<b>Capacity/Nature</b>	<b>Number of Shares held/ interested</b>	<b>Percentage of interest</b>
Full Bliss	Beneficial owner	204,766,000	27.30%
Rayford	Beneficial owner	180,180,000	24.02%
TCT (BVI) Limited <sup>(Note 1)</sup>	Nominee of a trustee	185,180,000	24.69%
THE CORE TRUST COMPANY LIMITED <sup>(Note 1)</sup>	Trustee	185,180,000	24.69%
Ms. Quan Xiufeng <sup>(Note 2)</sup>	Interest of spouse	539,092,000	71.88%
One Victory	Beneficial owner	154,146,000	20.55%
Ms. Zhou Peilin (formerly known as Ms. Zhou Rui) <sup>(Note 3)</sup>	Interest of spouse	154,146,000	20.55%

*Notes:*

- The Core Trust Company Limited is the trustee of the Fusen Trust, whereby Mr. Hou Taisheng, Ms. Meng Qingfen, Mr. Fu Jiancheng, Mr. Chi Yongsheng and 43 other individuals are the beneficiaries under the Fusen Trust. TCT (BVI) Limited acts as the nominee to the trustee of the Fusen Trust, and holds 100% of the issued shares of Rayford. TCT (BVI) Limited is wholly owned by The Core Trust Company Limited. Furthermore, Global Talent Alliance Limited, the nominee of the trustee (namely The Core Trust Company Limited) under the restricted share unit scheme of the Company approved and adopted by the Board on 8 November 2021, holds 5,000,000 Shares. Global Talent Alliance Limited is wholly owned by TCT (BVI) Limited, which in turn is wholly owned by The Core Trust Company Limited. As such, The Core Trust Company Limited and TCT (BVI) Limited are deemed to be interested in (i) the 180,180,000 Shares held by Rayford; and (ii) the 5,000,000 Shares held by Global Talent Alliance Limited, pursuant to the SFO.
- Ms. Quan Xiufeng is Mr. Cao's spouse and is deemed to be interested in the 539,092,000 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 154,146,000 Shares in which Mr. Alex Cao 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 2022, the date of which the latest published audited consolidated 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 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 2022 and in the announcements dated 4 December 2020 and 1 December 2023, 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 by or disposed of or leased to any member of the Group or were proposed to be acquired by or disposed of or leased to any member of the Group since 31 December 2022, 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 contract with any member of the Group which does not expire or is not determinable by any member of 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

Lego Corporate Finance 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:

Name	Qualification
Lego Corporate Finance	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, Lego Corporate Finance did not have any direct or indirect interest in any asset which had been acquired by or disposed of or leased to any member of the Group, or was proposed to be acquired by or disposed of or leased to any member of the Group, since 31 December 2022, the date to which the latest published audited consolidated 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 Windward 3, Regatta Office Park, PO Box 1350, 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. Wong Tik Man, 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" and Hong Kong Exchanges and Clearing Limited at "www.hkexnews.hk".

- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

## 11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange at “www.hkexnews.hk” and the Company at “www.fusenpharma.com” for a period of 14 days from the date of this circular:

- (a) the Renewed Master Chinese Medicine Purchase Agreement;
- (b) the Renewed Master Packaging Materials Purchase Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 25 to 26 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 27 to 50 of this circular; and
- (e) the written consent from Lego Corporate Finance referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix.

## 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 Units 5906–5912, 59th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 22 January 2024 at 11:00 a.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 5 January 2024 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 in relation to the transactions contemplated under the Renewed Master Chinese Medicine Purchase Agreement for the three years ending 31 December 2026 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.”

## NOTICE OF THE EGM

2. “THAT:

- (a) (i) the Renewed Master Packaging Materials Purchase Agreement (as defined in the Circular) (a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose), the terms of the transactions contemplated under the Renewed Master Packaging Materials Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified;
- (ii) the proposed annual caps in relation to the transactions contemplated under the Renewed Master Packaging Materials Purchase Agreement for the three years ending 31 December 2026 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 Packaging Materials 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, 5 January 2024

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

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

*Registered Office:*

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

## NOTICE OF THE EGM

*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, 19 January 2024 to Monday, 22 January 2024 (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, 18 January 2024.
5. In compliance with Rule 13.39(4) of the Listing Rules, voting on all proposed resolutions 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.
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.