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Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

DISCLOSEABLE TRANSACTION ACQUISITION OF STATE-OWNED LAND USE RIGHTS

The Board wishes to announce that on 15 May 2019 (after trading hours), the Transferor and the Transferee entered into the Agreement, pursuant to which the Transferor has agreed to transfer, and the Transferee has agreed to acquire, the state-owned land use rights in respect of the Land at a cash consideration of RMB132,620,000.

As the applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

ACQUISITION OF STATE-OWNED LAND USE RIGHTS

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Date

15 May 2019 (after trading hours)

Parties

- (a) the Transferor: Xichuan Natural Resources Bureau* (浙川縣自然資源局), a governmental entity in the PRC and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Transferor is an Independent Third Party.
- (b) the Transferee: Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司), an indirect wholly owned subsidiary of the Company.

Subject matter

Particulars of the land use rights in respect of the Land are set out below:

Address: Zhongwudian Village, Jinhe Town, Jinyuan District*, the PRC (金河鎮中吳店村，金源社區)

Size of total area of the Land: 391,318.26 sq. m.

Current land use: Industrial

Term for land use: 50 years

CONSIDERATION AND PAYMENT TERMS

The total consideration for the Acquisition is RMB132,620,000, which is payable in cash by the Transferee within 30 days after signing of the Agreement. The Transferee has settled such consideration which was financed by internal resources of the Group.

The consideration for the Acquisition was arrived at based on the outcome of the process of bidding invitation, auction or listing* (招拍掛) for land use rights of the Land, as required under the laws and regulations of the PRC.

COMPLETION

Completion of the Acquisition shall take place within 30 days after the signing of the Agreement whereupon the Transferor shall deliver the land use rights certificate and other title documents in respect of the Land to the Transferee.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group principally carries on the business of the manufacture and sales of pharmaceutical products through the Transferee, a key operating subsidiary of the Group.

As disclosed in the Prospectus, it is part of the Group's expansion plan to acquire the Land to cope with (i) the Group's planned expansion of its production facilities for oral solutions to increase its annual designed production capacity of oral solutions and (ii) the establishment of an intelligent warehouse and new facilities for initial and advanced processing of medicinal herbs to achieve lower costs in managing the Group's inventory and enhance its production efficiency. Construction work of the new facilities is expected to commence after the Acquisition.

Furthermore, having taken into account the market value of the Land and the consideration for the Acquisition, the Directors consider that the Acquisition presents an excellent investment opportunity for the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition and the consideration for the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TRANSFEROR

The Transferor is a governmental entity in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, the Transferor is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“Acquisition”	the acquisition of the state-owned land use rights in respect of the Land pursuant to the Agreement
“Agreement”	the land use rights acquisition agreement dated 15 May 2019 entered into between the Transferor and the Transferee in respect of the Acquisition
“Board”	the board of Directors 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, and the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with the Company and its connected persons
“Land”	a piece of state-owned land with an approximate area of 391,318.26 sq. m. located at Zhongwudian Village, Jinhe Town, Jinyuan District* (金河鎮中吳店村，金源社區), the PRC, for industrial purpose
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company issued on 28 June 2018 in connection with global offering of the Shares
“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)”	shareholder(s) of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferee”	Henan Fusen Pharmaceutical Company Limited* (河南福森藥業有限公司), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company

“Transferor” Xichuan Natural Resources Bureau* (浙川縣自然資源局), a governmental entity in the PRC and an Independent Third Party

“%” per cent

* For identification purpose only

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

Hong Kong, 15 May 2019

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