Fusen Pharmaceutical Company Limited
福 森 藥 業 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

PROFIT WARNING

This announcement is made by Fusen Pharmaceutical Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**").

The board of directors (the "**Board**") of the Company would like to inform the shareholders (the "**Shareholders**") and potential investors that, based on the unaudited consolidated management accounts for the six months ended 30 June 2019 of the Group and the information currently available to the Company, the Group is expected to record a decline by more than 40% in the profit attributable to owners of the Company for the six months ended 30 June 2019 (the "**Interim Period**"), as compared with the corresponding period last year. The Board considered that the changes in results for the Interim Period are mainly due to the following factors:

(1) The applicable scope of Chinese medicine injections was further restricted due to the change of relevant policies of the PRC in place, resulting in a major decrease in the sales of Shuanghuanglian Injections and Chaihu Injections;

(2) With the continuous implementation of a series of pharmaceutical reform policies, including "two-invoices" system, competition in the industry is becoming more intense. The Group reduced cooperation with small-sized distributors, and gradually made the sales channels concentrate on the national or regional leading distributors and those with end-sales capability. The Group restructured sales regime to adapt to such market change and improve its dominance over the end market. During this process of adjustment, the sales volume of the Group fluctuated;

(3) According to information published by the Chinese Center for Disease Control and Prevention in January 2019, the influenza infection level within the PRC is comparatively lower than that for the same period last year and therefore, the Group's sales of products decreased accordingly;

(4) To improve the long-term competitiveness, the Group increased investments in research and development, such as "consistency evaluation" for several projects, resulting in an increase of research and development expenses;

(5) The Group facilitated brand building where appropriate upon listing, resulting in an increase in the advertising and marketing expenses; and

(6) The management actively continued to identify potential merger and acquisition targets and conducted extensive and in-depth studies on the target companies or projects in accordance with the long-term strategic planning, resulting in an increase in the corresponding advisory expenses and professional consulting fees.

Notwithstanding the foregoing, the management has actively adjusted the sales model and made some achievements in phases. Our product research and development, as well as the "consistency evaluation", successfully proceeded as scheduled, which is in line with the Group's research and development schedule. At the same time, the Group is actively seeking external cooperation to diversify its existing products.

As the Company is still in the process of preparing and finalizing the interim results of the Group, the information as contained in this announcement is merely based on a preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the six months ended 30 June 2019 and the information currently available, rather than any figure or information that is audited or reviewed by the auditors of the Company. Details on financial information of the Group for the Interim Period to be disclosed in the interim results announcement (which is expected to be published by August 2019) shall prevail.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 July 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 a Non-executive Director; and Mr. Sze Wing Chun, Mr. Lee Kwok Tung Louis and Mr. Ho Ka Chun as Independent Non-executive Directors.