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 and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

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 of the Group for the year ended 31 December 2019 ("**FY2019**") and the information currently available to the Company, the Group is expected to record a decrease in the profit attributable to owners of the Company for FY2019 by over 45%, as compared to the profit attributable to owners of the Company of approximately RMB102 million for the year ended 31 December 2018. The Board considered that the changes in results for the FY2019 are mainly due to the following factors:

(1) With the continuous implementation of a series of pharmaceutical reform policies, including the "two-invoice" system, competition in the industry is becoming more intense. The Group reduced cooperation with small-sized distributors, and gradually focused the sales channels 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.

(2) 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 our key products Shuanghuanglian Injections and Chaihu Injections.

(3) To improve the Group's long-term competitiveness, the Group continued to increase investments in research and development, such as "consistency evaluation" for several projects, resulting in an increase of research and development expenses.

(4) 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 Group's long-term strategic planning, resulting in an increase in the corresponding advisory expenses and professional consulting fees.

Notwithstanding the foregoing, the management of the Group has actively sought to adjust the sales model of the Group with positive outcome as demonstrated by its reviving sales of Shuanghuanglian Oral Solutions, a key product of the Group, in the second half of FY2019. The Group's research and development, as well as its "consistency evaluation" approach, has been successfully carried out in accordance with the Group's research and development schedule. At the same time, the Group is actively seeking external cooperation to diversify its existing product portfolio.

As the Company is still in the process of preparing and finalizing the annual 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 FY2019 and the information currently available, rather than any figure or information that is audited or reviewed by the auditors of the Company. Details on the financial information of the Group for FY2019 to be disclosed in the annual results announcement (which is expected to be published by March 2020) 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, 16 March 2020

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