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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)

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 2022 (“**FY2022**”) and the information currently available to the Company, the Group is expected to record an expected loss attributable to owners of the Company with a range from approximately RMB30 million to RMB40 million for FY2022, as compared with the profit attributable to owners of the Company of approximately RMB16.6 million for the year ended 31 December 2021. The Board considered that the changes in results for FY2022 are mainly due to the following factors:

- (1) the implementation of control measures to combat the COVID-19 outbreak in the PRC in 2022 has restricted the sales of cold medicine , until such control measures were lifted in December 2022, upon which the Group has since enriched its product pipelines in response to the changing market conditions; nevertheless, the gross profit margin for FY2022 is expected to decrease;
- (2) due to the increased investment by the Group in research and development for future new product pipelines, the Group is expected to record an increase in research and development costs as compared to the previous financial year;

- (3) the result of the Group's joint venture Jiangxi Yongfeng Kangde Pharmaceutical Company Limited* (江西永豐康德醫藥有限公司) (“**Jiangxi Yongfeng Kangde**”) was affected by a centralized procurement policy and the decrease in sales of its major product, Kefadim, and recognition of write-down of inventories as a result, and the Group is expected to record a decrease in the share of loss of a joint venture by approximately not less than RMB20 million for FY2022, as compared to the share of profit of a joint venture of approximately RMB11.7 million for the year ended 31 December 2021; and
- (4) an impairment loss on the Group's amounts due from Jiangxi Yongfeng Kangde of not less than RMB37 million for FY2022 (2021: Nil).

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 FY2022 and the information currently available, rather than any figures or information that have been audited or reviewed by the auditors of the Company. Details on the financial information of the Group for FY2022 to be disclosed in the annual results announcement (which is expected to be published by March 2023) shall prevail.

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

* *For identification purpose only*

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

Hong Kong, 13 March 2023

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 Qingfeng and Mr. Cao Zhiming (formerly known as Mr. Cao Dudu) as executive Directors, and Mr. Sze Wing Chun, Mr. Lee Kwok Tung Louis and Dr. To Kit Wa as independent non-executive Directors.