PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 6 months ended 30 June 2018

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1. UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Group			Group		
	3 months ended 30.06.2018 RMB'000	3 months ended 30.06.2017 RMB'000	+ / (-) %	6 months ended 30.06.2018 RMB'000	6 months ended 30.06.2017 RMB'000	+ / (-) %
Revenue	19,261	18,332	5.1	34,656	33,696	2.8
Cost of sales	(11,496)	(10,153)	13.2	(19,202)	(17,712)	8.4
Gross Profit	**7,765**	**8,179**	(5.1)	**15,454**	**15,984**	(3.3)
Other Income	627	(7)	n.m.	1,899	487	289.9
Selling and distribution costs	(5,050)	(5,337)	(5.4)	(10,337)	(10,585)	(2.3)
Administrative costs	(2,553)	(2,766)	(7.7)	(5,006)	(5,481)	(8.7)
Profit from operations	789	69	n.m.	2,010	405	n.m.
Finance income	38	35	8.6	69	71	(2.8)
Finance costs	(232)	(224)	3.6	(433)	(417)	3.8
Net finance costs	(194)	(189)	2.6	(364)	(346)	5.2
Profit/(loss) before tax	**595**	**(120)**	n.m.	**1,646**	**59**	n.m.
Income tax expense	-	-	-	-	-	-
Profit/(loss) for the period	**595**	**(120)**	n.m.	**1,646**	**59**	n.m.
Attributable to:						
Equity holders of the Company	**(77)**	**(406)**	(81.0)	**178**	**(883)**	n.m.
Non-controlling interest	672	286	135.0	1,468	942	55.8
Profit/(loss) for the period	**595**	**(120)**	n.m.	**1,646**	**59**	2,690

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(a) Profit/(loss) for the period is arrived at after crediting/(charging):-

	Group			Group		
	3 months ended 30.06.2018 RMB'000	3 months ended 30.06.2017 RMB'000	+ / (-) %	6 months ended 30.06.2018 RMB'000	6 months ended 30.06.2017 RMB'000	+ / (-) %
Interest Income	38	35	8.6	69	71	(2.8)
Government grant	550	-	n.m.	620	350	77.1
Write back of / (Allowance) for doubtful receivables - trade	55	(360)	n.m.	176	(224)	n.m.
Depreciation and amortisation	(349)	(405)	(13.8)	(624)	(794)	(21.4)
Foreign exchange gain/(loss)	77	(10)	n.m.	(4)	126	n.m.

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended 30.06.2018 RMB'000	3 months ended 30.06.2017 RMB'000	6 months ended 30.06.2018 RMB'000	6 months ended 30.06.2017 RMB'000
Profit/(loss) for the period	**595**	**(120)**	**1,646**	**59**
Other comprehensive income	-	-	-	-
Total comprehensive income	**595**	**(120)**	**1,646**	**59**
Total comprehensive income attributable to:				
Equity holders of the Company	**(77)**	**(406)**	**178**	**(883)**
Non-controlling interest	672	286	1,468	942
	595	**(120)**	**1,646**	**59**

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30.6.2018 RMB'000	As at 31.12.2017 RMB'000	As at 30.6.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current assets				
Property, plant and equipment	11,868	11,077	-	-
Land use rights	7,756	7,892	-	-
Construction-in-progress	26,648	26,225	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	47,595	**46,517**	**54,999**	**54,999**
Current assets				
Inventories	8,541	7,239	-	-
Trade receivables	16,558	21,506	-	-
Prepaid expenses	1,546	1,374	28	74
Other receivables	8,523	12,177	20	29
Tax recoverable	406	406	-	-
Cash and cash equivalents	37,160	35,485	4,769	6,651
	72,734	**78,187**	**4,817**	**6,754**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	3,263	1,907	-	-
Accrued liabilities and other payables	5,866	13,061	696	757
Tax payable	53	235	1	7
	24,182	**30,203**	**697**	**764**
Net current assets	**48,552**	**47,984**	**4,120**	**5,990**
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	**488**	**-**	**-**
Net assets	**95,659**	**94,013**	**59,119**	**60,989**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	5,513	5,335	(24,595)	(22,725)
Share capital and Reserves	**89,227**	**89,049**	**59,119**	**60,989**
Non-controlling interest	6,432	4,964	-	-
Total equity	**95,659**	**94,013**	**59,119**	**60,989**

1(b)(ii) Aggregate amount of group's borrowing and debt securities

Amount repayable in one year or less, or on demand

In RMB'000

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 30 June 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The bank borrowings are secured over the land use rights and buildings of a subsidiary.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Group			
	3 months ended 30.06.2018 RMB'000	3 months ended 30.06.2017 RMB'000	6 months ended 30.06.2018 RMB'000	6 months ended 30.06.2017 RMB'000
Cash flows from operating activities				
Profit/(loss) before tax	595	(120)	1,646	59
Adjustments for:				
(Write back of)/Allowance for doubtful trade debts	(55)	360	(176)	224
Depreciation and amortisation	349	405	624	794
Interest expense	232	224	433	417
Interest income	(38)	(35)	(69)	(71)
Operating profit before changes in working capital	1,083	834	2,458	1,423
Changes in working capital				
Trade receivables	2,650	(1,810)	5,125	(553)
Prepayments, deposits and other receivables	1,954	(1,191)	3,479	4,759
Inventories	1,229	1,237	(1,303)	(1,584)
Trade payables	1,383	(1,720)	1,356	(1,928)
Accrued liabilities and other payables	(6,346)	(1,852)	(7,194)	(1,715)
Cash (used in)/generated from operations	1,953	(4,502)	3,921	402
Interest received	38	35	69	71
Interest paid	(232)	(224)	(433)	(417)
Income tax paid	(11)	(27)	(182)	(312)
Net cash flows (used in)/from operating activities	**1,748**	**(4,718)**	**3,375**	**(256)**
Cash flows from investing activities				
Acquisition of subsidiary (see note below)	-	-	-	(8,585)
Acquisition of construction in progress	(304)	8	(423)	(17)
Acquisition of property, plant and equipment	14	(624)	(1,277)	(971)
Net cash flows used in investing activities	**(290)**	**(616)**	**(1,700)**	**(9,573)**
Cash flows from financing activities				
Proceeds from bank borrowings	-	-	15,000	15,000
Repayment of bank borrowings	-	-	(15,000)	(15,000)
Net cash flows from financing activities	**-**	**-**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents	1,458	(5,334)	1,675	(9,829)
Cash and cash equivalents at beginning of period	35,702	40,362	35,485	44,857
Cash and cash equivalents at end of period	**37,160**	**35,028**	**37,160**	**35,028**
During the last financial year, the fair value of net assets of subsidiary acquired was as follows:				
Cash and cash equivalents	-	-	-	46
Land use rights	-	-	-	5,317
Construction-in-progress	-	-	-	24,151
Trade and other payables	-	-	-	(20,883)
Net assets acquired	-	-	-	8,631
Less: cash and cash equivalents acquired	-	-	-	(46)
Cash flow on acquisition of subsidiary	-	-	-	**8,585**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
Group In RMB'000	**Share Capital**	**Employee Share Options Reserve**	**Statutory Reserve**	**Accumulated (Losses) / Profits**	**Total**	**Non-controlling interest**	**Total Equity**
At 1 January 2018	83,714	4,431	11,924	(11,020)	89,049	4,964	94,013
Expiry of employee share options	-	(4,431)	-	4,431	-	-	-
Total comprehensive income	-	-	-	255	255	796	1,051
At 31 March 2018	83,714	-	11,924	(6,334)	89,304	5,760	95,064
Total comprehensive income	-	-	-	(77)	(77)	672	595
At 30 June 2018	**83,714**	**-**	**11,924**	**(6,411)**	**89,227**	**6,432**	**95,659**
At 1 January 2017	83,714	4,431	11,924	(8,543)	91,526	4,313	95,839
Total comprehensive income	-	-	-	(477)	(477)	656	179
At 31 March 2017	83,714	4,431	11,924	(9,020)	91,049	4,969	96,018
Total comprehensive income	-	-	-	(406)	(406)	286	(120)
At 30 June 2017	**83,714**	**4,431**	**11,924**	**(9,426)**	**90,643**	**5,255**	**95,898**

Company In RMB'000	**Share Capital**	**Employee Share Options Reserve**	**Accumulated Losses**	**Total Equity**
At 1 January 2018	83,714	4,431	(27,156)	60,989
Expiry of employee share options	-	(4,431)	4,431	-
Total comprehensive income	-	-	(1,001)	(1,001)
At 31 March 2018	83,714	-	(23,726)	59,988
Total comprehensive income	-	-	(869)	(869)
At 30 June 2018	**83,714**	**-**	**(24,595)**	**59,119**
At 1 January 2017	83,714	4,431	(23,466)	64,679
Total comprehensive income	-	-	(868)	(868)
At 31 March 2017	83,714	4,431	(24,334)	63,811
Total comprehensive income	-	-	(1,014)	(1,014)
At 30 June 2017	**83,714**	**4,431**	**(25,348)**	**62,797**

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital
There is no change in the Company's issued share capital since the previous financial period ended 31 December 2017.

Share Options
As at 30 June 2018, no (31 December 2017: 1,020,000) share options remained unexercised under the Company's Share Option Scheme which has expired in August 2014.

1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares as at 30 June 2018 and 31 December 2017: 23,000,000 ordinary shares

1(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2017.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its financial information under SFRS(I)s.

During the current financial period, the Group and the Company have adopted the following new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from financial year beginning 1 January 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

Except for SFRS(I) 9, SFRS(I)15 and SFRS(I) 16, the adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s are assessed to have no material impact to the results and financial position of the Group and of the Company for the year ending 31 December 2018.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group			
In RMB cents	**3 months ended 30.06.2018**	**3 months ended 30.06.2017**	**6 months ended 30.06.2018**	**6 months ended 30.06.2017**
(i) Based on weighted average number of shares	(0.3)	(1.8)	0.8	(3.8)
Weighted average number of shares	23,000,000	23,000,000	23,000,000	23,000,000
(ii) On a fully diluted basis[1]	(0.3)	(1.8)	0.8	(3.8)
Adjusted weighted average number of shares	23,000,000	23,000,000	23,000,000	23,000,000

[1] As at 30.06.2017, the Company had outstanding share options granted to employees. Since the exercise price of these share options was above the quoted market price of the Company's shares for the financial periods in 2017, the options were non-dilutive. As such, the options had no dilution effect on the earnings per share of the Group for the financial periods in 2017.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
In RMB	**30.06.2018**	**31.12.2017**	**30.06.2018**	**31.12.2017**
Net asset value per ordinary share	3.88	3.87	2.57	2.65
No. of shares in computing NAV	23,000,000	23,000,000	23,000,000	23,000,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT

The Group's revenue increased by RMB 1.0 million or 5.1% from RMB 18.3 million for 2Q 2017 to RMB 19.3 million for 2Q 2018. Revenue from non-prescribed drugs/distribution segment increased by RMB 2.0 million mainly due to Er Ding granules whilst revenue from prescribed drugs decreased by RMB 1.0 million mainly due to lower revenue from ATT.

Gross profit margin decreased from 44.6% in 2Q 2017 to 40.3% in 2Q 2018 primarily due to higher contribution from lower margin non-prescribed drugs/distribution segment, mainly due to Er Ding granules. Other income increased by RMB 0.6 million, mainly due to government grant and foreign exchange gain in 2Q 2018 as compared to 2Q 2017.

Selling and distribution costs decreased by RMB 0.2 million or 5.4% from RMB 5.3 million in 2Q 2017 to RMB 5.1 million in 2Q 2018 mainly due to lower sales from prescribed drugs segment. Administrative costs decreased by RMB 0.2 million or 7.7% from RMB 2.8 million in 2Q 2017 to RMB 2.6 million in 2Q 2018 mainly due to write back of doubtful receivables in Q2 2018 as compared to allowance for doubtful receivables in Q2 2017.

Finance income for 2Q 2018 increased by RMB 3,000 from RMB 35,000 in 2Q 2017 to RMB 38,000 in 2Q 2018 mainly due to higher interest income from cash and cash equivalents. Finance costs increased by RMB 8,000 from RMB 224,000 in 2Q 2017 to RMB 232,000 in 2Q 2018 mainly due to higher interest rates.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 0.08 million for 2Q 2018, as compared to net loss after tax of RMB 0.41 million in 2Q 2017. The profit attributable to non-controlling interest of RMB 0.67 million came from our 51% owned subsidiary, Sichuan Longlife Pharmaceutical Co., Ltd ("Longlife") which was profitable in 2Q 2018.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 47.6 million as at 30 June 2018, an increase of RMB 1.1 million from RMB 46.5 million as at 31 December 2017. This was mainly due to the increase in property, plant and equipment and construction-in-progress.

The Group's current assets were RMB 72.7 million as at 30 June 2018, a decrease of RMB 5.5 million from RMB 78.2 million as at 31 December 2017. This was mainly due to lower trade receivables, other receivables, and higher inventories, prepaid expenses and cash and cash equivalents. Inventories increased mainly due to higher inventory levels for ErDing granules.

The Group's current liabilities were RMB 24.2 million as at 30 June 2018, a decrease of RMB 6.0 million from RMB 30.2 million as at 31 December 2017 mainly due to decrease in accrued liabilities & other payables, tax payable and increase in trade payables.

STATEMENT OF CASH FLOWS

The Group's net cash flow from operating activities for the second quarter was RMB 1.7 million, mainly due to cash generated from its operations and changes in working capital.

Net cash used in investing activities for the second quarter amounted to RMB 0.3 million, incurred mainly for the construction-in-progress.

As at 30 June 2018, the Group had cash and cash equivalents of RMB 37.2 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the prospect statement made in 1Q 2018.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The operating environment of the prescribed drugs industry remains challenging. The Group will continue to focus on its non-prescribed drugs, especially Er Ding granules. Sichuan had been battered by continuous and heavy rain this summer. The heavy rain has disrupted the construction of the third manufacturing facility located at Jiangyou. The completion of the Jiangyou facility is expected to be delayed to first half of FY2019. The Group is committed to enhance shareholder value and will continue to lookout for new business opportunities.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividends have been recommended for the current financial period ended 30 June 2018.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors of Pharmesis International Ltd. hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the second quarter ended 30 June 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).

The Company has procured all the required undertakings as required under Rule 720(1).

16. Disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use.

The Company has not utilised the net proceeds of approximately SGD 1.4 million from the issuance of 3 million new ordinary shares at the issue price of SGD 0.50 per share in 2015.

BY ORDER OF THE BOARD

WU XUEDAN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

8 August 2018