PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 6 months ended 30 June 2020

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 FIRST HALF ENDED 30 JUNE 2020

	Group		
	6 months ended 30.06.2020 RMB'000	6 months ended 30.06.2019 RMB'000	+ / (-) %
Revenue	19,670	18,444	6.6
Cost of sales	(10,309)	(8,510)	21.1
Gross Profit	**9,361**	**9,934**	(5.8)
Other income/(expense)	170	(20)	n.m.
Selling and distribution costs	(7,533)	(9,205)	(18.2)
Administrative costs	(5,425)	(6,018)	(9.9)
Loss from operations	(3,427)	(5,309)	(35.4)
Finance income	18	45	(60.0)
Finance costs	(445)	(467)	(4.7)
Net finance costs	(427)	(422)	1.2
Loss before tax	**(3,854)**	**(5,731)**	(32.8)
Income tax expense	-	(31)	n.m.
Loss for the period	**(3,854)**	**(5,762)**	(33.1)
Attributable to:			
Equity holders of the Company	**(3,670)**	**(4,924)**	(25.5)
Non-controlling interest	(184)	(838)	(78.0)
Loss for the period	**(3,854)**	**(5,762)**	(33.1)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group		
	6 months ended 30.06.2020 RMB'000	6 months ended 30.06.2019 RMB'000	+ / (-) %
Interest Income	18	45	(60.0)
Government grant	164	7	n.m.
Allowance for expected credit losses - trade	(82)	-	n.m.
Depreciation and amortisation	(1,068)	(936)	14.1
Foreign exchange loss	(12)	(30)	(60.0)

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	6 months ended 30.06.2020 RMB'000	6 months ended 30.06.2019 RMB'000
Loss for the period	**(3,854)**	**(5,762)**
Other comprehensive income	-	-
Total comprehensive income	**(3,854)**	**(5,762)**
Total comprehensive income attributable to:		
Equity holders of the Company	**(3,670)**	**(4,924)**
Non-controlling interest	(184)	(838)
	(3,854)	**(5,762)**

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 30.6.2020 RMB'000	As at 31.12.2019 RMB'000	As at 30.6.2020 RMB'000	As at 31.12.2019 RMB'000
Non-current assets				
Property, plant and equipment	45,185	45,970	5	6
Right-of-use assets	7,444	7,716	18	55
Investments in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	53,952	**55,009**	**55,022**	**55,060**
Current assets				
Inventories	8,057	6,875	-	-
Trade receivables	11,851	13,557	-	-
Prepaid expenses	353	225	27	75
Other receivables	2,801	3,418	21	21
Tax recoverable	107	107	-	-
Cash and cash equivalents	13,319	14,688	760	824
	36,488	**38,870**	**808**	**920**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	3,701	1,653	-	-
Accrued liabilities and other payables	10,584	12,180	723	678
Lease liabilities	222	259	19	56
Tax payable	78	78	5	5
	29,585	**29,170**	**747**	**739**
Net current assets	**6,903**	**9,700**	**61**	**181**
Non-current liabilities				
Lease liabilities	689	689	-	-
	689	**689**	**-**	**-**
Net assets	**60,166**	**64,020**	**55,083**	**55,241**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	(25,264)	(21,594)	(28,631)	(28,473)
Share capital and Reserves	**58,450**	**62,120**	**55,083**	**55,241**
Non-controlling interest	1,716	1,900	-	-
Total equity	**60,166**	**64,020**	**55,083**	**55,241**

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 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 30 June 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

The above does not include the lease liabilities recognised under SFRS(I) 16.

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 2020

	Group	
	6 months ended 30.06.2020	6 months ended 30.06.2019
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before tax	(3,854)	(5,731)
Adjustments for:		
Allowance for expected credit losses - trade	82	-
Depreciation and amortisation	1,068	936
Interest expense	445	467
Interest income	(18)	(45)
Operating loss before changes in working capital	(2,277)	(4,373)
Changes in working capital		
Trade receivables	1,624	5,741
Prepayments, deposits and other receivables	489	2,478
Inventories	(1,182)	(1,003)
Trade payables	2,048	(1,100)
Accrued liabilities and other payables	(1,596)	(4,139)
Cash used in operations	(894)	(2,396)
Interest received	18	45
Interest paid	(445)	(467)
Income tax paid	-	(714)
Net cash flows used in operating activities	**(1,321)**	**(3,532)**
Cash flows from investing activities		
Acquisition of non-controlling interest	-	(15,700)
Acquisition of property, plant and equipment	(11)	(65)
Net cash flows used in investing activities	**(11)**	**(15,765)**
Cash flows from financing activities		
Proceeds from bank borrowings	15,000	15,000
Repayment of bank borrowings	(15,000)	(15,000)
Repayment of principal portion of lease liabilities	(37)	-
Net cash flows used in financing activities	**(37)**	**-**
Net decrease in cash and cash equivalents	(1,369)	(19,297)
Cash and cash equivalents at beginning of year/period	14,688	34,715
Cash and cash equivalents at end of period	**13,319**	**15,418**

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**	**Premium paid on acquisition of non-controlling interest**	**Statutory Reserve**	**Accumulated Losses**	**Total**	**Non-controlling interest**	**Total Equity**
At 1 January 2020	83,714	(10,471)	11,602	(22,725)	62,120	1,900	64,020
Total comprehensive income	-	-	-	(3,670)	(3,670)	(184)	(3,854)
At 30 June 2020	**83,714**	**(10,471)**	**11,602**	**(26,395)**	**58,450**	**1,716**	**60,166**
At 1 January 2019	83,714	-	12,392	(5,844)	90,262	8,715	98,977
Acquisition of non-controlling interest	-	(10,860)	-	-	(10,860)	(4,840)	(15,700)
Total comprehensive income	-	-	-	(4,924)	(4,924)	(838)	(5,762)
At 30 June 2019	**83,714**	**(10,860)**	**12,392**	**(10,768)**	**74,478**	**3,037**	**77,515**

Company In RMB'000	**Share Capital**	**Accumulated Losses**	**Total Equity**
At 1 January 2020	83,714	(28,473)	55,241
Total comprehensive income	-	(158)	(158)
At 30 June 2020	**83,714**	**(28,631)**	**55,083**
At 1 January 2019	83,714	(26,421)	57,293
Total comprehensive income	-	(1,133)	(1,133)
At 30 June 2019	**83,714**	**(27,554)**	**56,160**

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 2019.

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 2020 and 31 December 2019: 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 2019.

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 and the Company adopted the following new Singapore Financial Reporting Standards (International) ("SFRS(I)"), amendments and interpretations of SFRS(I)s effective for annual periods beginning on or after 1 January 2020. The adoption of these new SFRS(I) did not have any material impact on the financial statements of the Group.

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	**6 months ended 30.06.2020**	**6 months ended 30.06.2019**
(i) Based on weighted average number of shares	(16.0)	(21.4)
Weighted average number of shares	23,000,000	23,000,000

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	**30.06.2020**	**31.12.2019**	**30.06.2020**	**31.12.2019**
Net asset value("NAV") per ordinary share	2.54	2.70	2.39	2.40
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

In the first quarter of 2020, the Covid-19 outbreak in the People's Republic of China ("the PRC") had caused a suspension of business and commercial activities. The temporary closure of the Group's production facilities in response to the Covid-19 situation had impacted the Group's production and sales. Despite the disruption, the Group managed to increase its revenue by RMB 1.3 million or 6.6% from RMB 18.4 million in 1H 2019 to RMB 19.7 million in 1H 2020. Revenue from prescribed drugs decreased by RMB 1.2 million mainly due to lower revenue from ATT products. Revenue from non-prescribed drugs/distribution segment increased by RMB 2.5 million mainly due to higher revenue from Er Ding products.

Gross profit margin decreased from 53.9% in 1H 2019 to 47.6% in 1H 2020 mainly due to higher sales mix from Er Ding products which have lower margins. Other income was RMB 0.2 million in 1H 2020, which was mainly due to government grants.

Selling and distribution costs decreased from RMB 9.2 million in 1H 2019 to RMB 7.5 million in 1H 2020 following the lower revenue from ATT products. Administrative costs decreased from RMB 6.0 million in 1H 2019 to RMB 5.4 million for 1H 2020 mainly due to lower social insurance expenses.

Finance income decreased from RMB 45,000 in 1H 2019 to RMB 18,000 for 1H 2020, mainly due to lower interest income from cash and cash equivalents. Finance costs decreased slightly from RMB 467,000 in 1H 2019 to RMB 445,000 for 1H 2020.

As a result of the above, the Group recorded a net loss after tax attributable to equity holders of the Company of RMB 3.7 million in 1H 2020, as compared to a net loss after tax of RMB 4.9 million in 1H 2019.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 54.0 million as at 30 June 2020, a decrease of RMB 1.0 million from RMB 55.0 million as at 31 December 2019. This was mainly due to the decrease in right-of-use assets and decrease in property, plant and equipment.

The Group's current assets were RMB 36.5 million as at 30 June 2020, a decrease of RMB 2.4 million from RMB 38.9 million as at 31 December 2019. This was mainly due to lower trade receivables, other receivables, cash and cash equivalents and higher inventories and prepaid expenses.

The Group's current liabilities were RMB 29.6 million as at 30 June 2020, an increase of RMB 0.4 million from RMB 29.2 million as at 31 December 2019 mainly due to increase in trade payables, and decrease in accrued liabilities & other payables and lease liabilities.

The Group's non-current liabilities were RMB 0.7 million as at 30 June 2020 and 31 December 2019.

STATEMENT OF CASH FLOWS

The Group's net cash flow used in operating activities for the first half was RMB 1.3 million, mainly due to cash used in its operations and interest paid.

Net cash used in investing activities for the first half amounted to RMB 11,000, incurred mainly for the acquisition of plant and equipment.

Net cash used in financing activities for the first half amounted to RMB 37,000, incurred mainly for the repayment of lease liabilities.

As at 30 June 2020, the Group had cash and cash equivalents of RMB 13.3 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 4Q 2019.

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.

In early 2020, China has expanded "4+7" Scheme to the entire country and increased the number of drugs under the scheme. Starting from this year, the drug, Anethole Trithione (ATT) has also been withdrawn from the list of medicines eligible for reimbursement under government-backed insurance plans. The Group's business environment remains very challenging as our drugs continue to face intense competition and pricing pressure. Management will continue to improve sales and manage the operations cost-effectively.

While the Covid-19 situation in China has been largely brought under control, the Covid-19 pandemic is still spreading globally. The pandemic's huge impact on the global economy will continue to develop and evolve. The Group will continue to monitor the situation in China, including any regulations issued to address the spread of the COVID-19, and has arrangements in place (such as business continuity

plans) to adapt accordingly. The Group maintains a "cautious outlook", amid the fluid, evolving situation of the Covid-19 pandemic.

The combined impact of COVID-19 and the business challenges described above, which are key to our business viability, remains unclear. It would be premature for the Group to quantify and make reasonable judgements and estimates on its assets valuation for the purposes of the financial results reporting. The group will continue to assess the extent of these impact on our asset values and we expect the full impact to be reflected in the Group's financial statements for the financial year ending 31 December 2020. The Group will continue to operate cautiously, ensure it has sufficient resources, keep operating costs low and the business viable whilst expecting a full year loss.

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 and the reason(s) for the decision.

No dividends have been recommended for the current financial period ended 30 June 2020 in view of the accumulated losses.

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 first half ended 30 June 2020 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

14 August 2020