Pharmesis International Ltd.
5 Kallang Sector
#03-02
Singapore 349279
Company registration no.: 200309641E

Press Release

Pharmesis returns to the black with a net profit attributable to shareholders of RMB0.3 million for 3Q2015

- Revenue decreased 9.7% to RMB16.0 million mainly due to lower sales from prescribed drugs segment
- Gross profit margin increased from 53.1% in 3Q2014 to 54.9% in 3Q2015 mainly attributable to economies of scale from higher production output for Longlife's plant brought by higher demand for ErDing granules
- Lifting of price ceilings on most medical drugs starting from June 1 in China is favourable to the pharmaceutical industry players with strong branding and quality products

Singapore, 9 November 2015 – SGX Mainboard-listed Pharmesis International Ltd ("Pharmesis", together with its subsidiaries, the "Group"), a manufacturer of Western medicine and Traditional Chinese Medicine in China, returns to the black with a net profit attributable to shareholders of RMB0.3 million for the third quarter ended 30 September 2015 ("3Q2015") from a net loss of RMB0.1 million for the third quarter ended 30 September 2014 ("3Q2014").

Financial Highlights

Financial Highlights (RMB' million)	3Q2015	3Q2014	Change	9M2015	9M2014	Change
Gross revenue	16.2	18.0	(9.8%)	46.7	46.4	0.6%
Revenue	16.0	17.7	(9.7%)	46.1	45.7	0.8%
Gross profit	8.8	9.4	(6.5%)	25.7	25.0	2.8%
Gross profit margin	54.9%	53.1%	1.8p.p	55.8%	54.7%	1.1p.p
Net profit attributable to shareholders	0.3	(0.1)	n.m	0.7	(0.7)	n.m
Net profit margin	1.6%	(0.7%)	n.m	1.5%	(1.5%)	n.m
EPS (cents)*	1.27	(0.60)	n.m	3.50	(3.50)	n.m

p.p denotes percentage point
*Based on weighted average number of 20,000,000 shares for 3Q2015, 9M2015, 3Q2014 and 9M2014.

Revenue decreased by RMB1.7 million from RMB17.7 million in 3Q2014 to RMB16.0 million in 3Q2015 mainly due to lower sales from prescribed drugs segment as a result of continued intense competition. However, the Group's non-prescribed drugs segment remains stable as a drop in sales of other non-prescription drugs is offset by an increase in sales of ErDing granules.

Following economies of scale from higher production output for Longlife's plant brought by higher demand for ErDing granules, gross profit margin improves slightly from 53.1% in 3Q2014 to 54.9% in 3Q2015.

Due to lower sales from prescribed drugs segment, selling and distribution costs declined by 25.3% to RMB4.7 million in 3Q2015. In addition, administrative costs decreased by RMB0.9 million to RMB3.1 million in 3Q2015 largely due to lower property taxes and provision for doubtful debts. No amortisation of intangibles was recorded in 3Q2015 as it was fully written-off in 4Q2014.

Furthermore, since there was no interest from structured deposit after it had matured in 1Q2015, finance income declined by 95.4% in 3Q2015. On the other hand, finance costs increased by RMB0.1 million to RMB0.2 million in 3Q2015 primarily due to additional bank borrowing of RMB10.0 million which Longlife obtained in 1Q2015.

As a result of the above factors, the Group recorded net profit attributable to shareholders of RMB0.3 million in 3Q2015 compared to a net loss of RMB0.1 million in 3Q2014.

The Group's balance sheet remained strong with cash and cash equivalents of RMB66.6 million as at 30 September 2015.

Business Outlook

The growth of prescribed drugs segment is dampened by stiff competition and price bidding system in China. To mitigate these impacts, many healthcare companies are trying to add medical devices and innovative/exclusive drugs which are less sensitive to price cuts and competition into their products line[1]. In view of this, the Group will also look out for new business opportunities to deliver greater values to the shareholders while being mindful of the prevailing business environment.

The annual health care spending in China is expected to increase from $590 million million in 2014[2] to $892[3] billion by 2018, driven by increasing incomes of consumers and the government's public health care reforms. The National Development and Reform Commission has lifted price ceilings on most medical drugs starting from June 1, with the intention of creating a more market-driven pricing system that will help keep medical costs in check[4]. With strong R&D capabilities and expertise, the Group is well-poised to ride on this favourable dynamic.

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Mr Jiang Yun, the Group's Executive Chairman added, **"We are delighted to achieve a turnaround in this quarter despite facing intense competition and pricing pressure in the industry. This validates the effectiveness of the strategies we have been implementing for the past quarters in enhancing our profitability. Looking forward, we are determined to maintain this positive growth momentum. Leveraging on the Group's strong R&D capabilities, we intend to optimise our product mix and develop new revenue streams by improving our existing products and developing new products. Nonetheless, we will also endeavour to expand our distribution channels to capture greater market share."**

-End-

About Pharmesis International Ltd.

Listed on Main Board of Singapore Exchange in 2004, Pharmesis International Ltd., specialises in the research and development, production, sale and marketing of Western medicine and Traditional Chinese Medicine (TCM) formulated products for the treatment of illnesses relating to the liver and gall bladder in People Republic of China (PRC). With Pharmesis's quality products and established marketing network, the Group and its "国嘉" brand have received wide acceptance and numerous awards.

The Group emphasises strict control procedures to build quality into the products at every stage of the production process, from raw materials selection right up to finished products. Leading products of Pharmesis include ATT tablets, Gulin Gansu, ErDing granules and others. ATT tablets was the first product sold by the Group in China while Gulin Gansu is under the National TCM Protection List and also the first TCM formulated products to be awarded the "Product of Designation of Origin and Geographical Indications of the PRC". Leveraging on Pharmesis's established extensive sales and marketing network across the PRC, the Group's products can be found in more than 2,000 hospitals located in many cities within the PRC.

The Group will make concerted effort in innovating new products and improving the quality of existing products to cater to the needs of different patients. Besides, the Group will continue to develop new revenue streams and optimise sales mix to achieve greater heights.

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[1]Heathcare-Overall
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[2] Chinese healthcare spending hit $590.2 billion across 2014
http://blog.marketresearch.com/chinese-healthcare-spending-hit-590.2-billion-across-2014

[3] 2015 healthcare outlook in China
http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2015-health-care-outlook-china.pdf

[4] Govt to end ceiling on medicine prices to keep costs in check
http://usa.chinadaily.com.cn/business/2015-05/06/content_20631837.htm