PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 3 months ended 31/03/2018

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 FIRST QUARTER ENDED 31 MARCH 2018

	Group		Increase / (Decrease)
	1Q 2018 RMB'000	1Q 2017 RMB'000	%
Revenue	15,395	15,364	0.2
Cost of sales	(7,706)	(7,559)	1.9
Gross Profit	**7,689**	**7,805**	(1.5)
Other income	1,272	493	158.0
Selling and distribution costs	(5,287)	(5,248)	0.7
Administrative costs	(2,453)	(2,714)	(9.6)
Profit/(loss) from operations	1,221	336	263.4
Finance income	30	36	(16.7)
Finance costs	(200)	(193)	3.6
Net finance (costs)/income	(170)	(157)	8.3
Profit/(loss) before tax	**1,051**	**179**	487.2
Income tax expense	-	-	n.m.
Profit/(loss) for the period	**1,051**	**179**	487.2
Attributable to:			
Equity holders of the Company	**255**	**(477)**	n.m.
Non-controlling interest	796	656	21.3
Profit/(loss) for the period	**1,051**	**179**	487.2

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group		Increase / (Decrease)
	1Q 2018 RMB'000	1Q 2017 RMB'000	%
Government grants	70	350	(80.0)
Interest Income	30	36	(16.7)
Reversal of doubtful trade debts	121	136	(11.0)
Depreciation and amortisation	(275)	(389)	(29.3)
Foreign exchange (loss)/gain	(81)	136	n.m

n.m. denotes not meaningful

2. UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	1Q 2018 RMB'000	1Q 2017 RMB'000
Net profit/(loss)	**1,051**	**179**
Other comprehensive income	-	-
Total comprehensive profit/(loss)	**1,051**	**179**
Total comprehensive profit/(loss) attributable to:		
Equity holders of the Company	**255**	**(477)**
Non-controlling interest	796	656
	1,051	**179**

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 31.3.2018 RMB'000	As at 31.12.2017 RMB'000	As at 31.3.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current assets				
Property, plant and equipment	12,163	11,077	-	-
Land use rights	7,824	7,892	-	-
Construction-in-progress	26,344	26,225	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	47,654	**46,517**	**54,999**	**54,999**
Current assets				
Inventories	9,771	7,239	-	-
Trade receivables	19,150	21,506	-	-
Prepaid expenses	691	1,374	117	74
Other receivables	11,335	12,177	20	29
Tax recoverable	406	406	-	-
Cash and cash equivalents	35,702	35,485	5,409	6,651
	77,055	**78,187**	**5,546**	**6,754**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	1,880	1,907	-	-
Accrued liabilities and other payables	12,213	13,061	556	757
Tax payable	64	235	1	7
	29,157	**30,203**	**557**	**764**
Net current assets	**47,898**	**47,984**	**4,989**	**5,990**
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	**488**	**-**	**-**
Net assets	**95,064**	**94,013**	**59,988**	**60,989**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	5,590	5,335	(19,903)	(22,725)
Share capital and Reserves	**89,304**	**89,049**	**59,988**	**60,989**
Non-controlling interest	5,760	4,964	-	-
Total equity	**95,064**	**94,013**	**59,988**	**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 31 March 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 31 March 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 STATEMENT OF CASH FLOWS FOR PERIOD ENDED 31 MARCH 2018

	Group	
	1Q 2018	**1Q 2017**
	RMB'000	**RMB'000**
Cash flows from operating activities		
Profit/(loss) before tax	1,051	179
Adjustments for:		
(Reversal of)/allowance for doubtful trade debts	(121)	(136)
Depreciation and amortisation	275	389
Interest expense	200	186
Interest income	(30)	(36)
Operating profit/(loss) before changes in working capital	1,375	582
Changes in working capital		
Trade receivables	2,475	1,257
Prepayments, deposits and other receivables	1,525	5,950
Inventories	(2,532)	(2,821)
Trade payables	(27)	(208)
Accrued liabilities and other payables	(848)	137
Cash generated from/(used in) operations	1,968	4,897
Interest received	30	36
Interest paid	(200)	(186)
Income tax paid	(171)	(285)
Net cash flows from/(used in) operating activities	**1,627**	**4,462**
Cash flows from investing activities		
Acquisition of subsidiary (see note below)	-	(8,585)
Acquisition of construction in progress	(119)	(25)
Acquisition of property, plant and equipment	(1,291)	(347)
Net cash flows used in investing activities	**(1,410)**	**(8,957)**
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	217	(4,495)
Cash and cash equivalents at the beginning of the year	35,485	44,857
Cash and cash equivalents at the end of the period	**35,702**	**40,362**

During 1Q 2017, 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**	**Total**	**Non-controlling Interest**	**Total Equity**
At 1 January 2018	83,714	4,431	11,924	(11,020)	89,049	4,964	94,013
Total comprehensive income	-	-	-	255	255	796	1,051
At 31 March 2018	**83,714**	**4,431**	**11,924**	**(10,765)**	**89,304**	**5,760**	**95,064**
At 1 January 2017	83,714	4,431	11,924	(8,543)	91,526	4,313	95,839
Total comprehensive income	-	-	-	(478)	(478)	657	179
At 31 March 2017	**83,714**	**4,431**	**11,924**	**(9,021)**	**91,048**	**4,970**	**96,018**

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
Total comprehensive income	-	-	(1,001)	(1,001)
At 31 March 2018	**83,714**	**4,431**	**(28,157)**	**59,988**
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**

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 last financial year ended 31 December 2017.

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:
31 March 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 9 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 first set of financial information under SFRS(I)s for the quarter ended 31 March 2018.

During the current financial year, 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* and Amendments to SFRS(I) *Clarifications to SFRS(I) 15*

Except for SFRS(I) 9 and SFRS(I) 15, the adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s is 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	**1Q 2018**	**1Q 2017**
(i) Based on weighted average number of shares	1.1	(2.1)
Weighted average number of shares	23,000,000	23,000,000
(ii) On a fully diluted basis*	1.1	(2.1)
Adjusted weighted average number of shares	23,000,000	23,000,000

* As at balance sheet date for 1Q 2017, the Company has 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, the options were non-dilutive. As such, the options had no dilution effect on the earnings per share of the Group for the financial period.

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	**31.03.2018**	**31.12.2017**	**31.03.2018**	**31.12.2017**
Net asset value per ordinary share	3.88	3.87	2.61	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 remained constant at RMB 15.4 million for 1Q 2018 compared to 1Q 2017. Revenue from prescribed drugs increased by RMB 0.4 million mainly due to higher revenue from ATT products whilst revenue from non-prescribed drugs/distribution segment decreased by RMB 0.4 million.

Gross profit margin decreased slightly from 50.8% in 1Q 2017 to 49.9% in 1Q 2018 mainly due to higher cost of sales. Other income increased from RMB 0.5 million in 1Q 2017 to RMB 1.3 million in 1Q 2018 mainly due to a one-off relocation compensation of approximately RMB 1.2 million, offset by lower government grants and foreign exchange losses.

Selling and distribution costs increased slightly from RMB 5.2 million in 1Q 2017 to RMB 5.3 million in 1Q 2018 mainly due to higher corresponding sales from prescribed drugs segment. Administrative costs decreased from RMB 2.7 million in 1Q 2017 to RMB 2.5 million for 1Q 2018 mainly due to lower professional fees in 1Q 2018.

Finance income decreased from RMB 36,000 in 1Q 2017 to RMB 30,000 for 1Q 2018, mainly due to lower interest income from cash and cash equivalents. Finance costs increased slightly from RMB 193,000 in 1Q 2017 to RMB 200,000 for 1Q 2018, mainly due to higher interest expense.

As a result of the above, the Group recorded a net profit after tax attributable to equity holders of the Company of RMB 0.3 million in 1Q 2018, as compared to a net loss after tax of RMB 0.5 million in 1Q 2017.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 47.7 million as at 31 March 2018, an increase of RMB 1.2 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 77.1 million as at 31 March 2018, a decrease of RMB 1.1 million from RMB 78.2 million as at 31 December 2017. This was mainly due to lower trade receivables, other receivables, prepaid expenses and higher inventories and cash and cash equivalents. Inventories increased mainly due to higher inventory levels for ErDing granules.

The Group's current liabilities were RMB 29.2 million as at 31 March 2018, an decrease of RMB 1.0 million from RMB 30.2 million as at 31 December 2017 mainly due to decrease in trade payables, tax payable and accrued liabilities and other payables.

STATEMENT OF CASH FLOWS

The Group's net cash inflow from operating activities was RMB 1.6 million for the quarter mainly due to its operating profit, changes in working capital and interest and income tax paid.

Net cash used in investing activities amounted to RMB 1.4 million, incurred mainly for the acquisition of construction in progress, property, plant and machinery.

As at 31 March 2018, the Group had a cash and cash equivalents of RMB 35.7 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 2017.

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 Group's business environment remains challenging, especially in the prescribed drugs market. The Group will continue to focus on its non-prescribed drugs, especially on our newly revised product, sugarless Er Ding granules. In addition, the Group will continue to focus on the construction of our third manufacturing facility located at Jiangyou which is scheduled for completion in Q3 FY2018. 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 31 March 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.

Nil

14. Board Negative Assurance Confirmation for Interim Financial Results.

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 results for the 3 months ended 31 March 2018 to be false or misleading in any material respect.

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 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

9 May 2018