

**PHARMESIS INTERNATIONAL LTD.**  
(the “**Company**”)  
(Incorporated in the Republic of Singapore)  
(Co. Registration No.: 200309641E)

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**ACQUISITION OF REMAINING 19% EQUITY INTEREST IN THE COMPANY’S 81%  
SUBSIDIARY, SICHUAN LONGLIFE**

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**1. INTRODUCTION**

The board of directors (“**Board**”) of Pharmesis International Ltd. (“**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that 成都国嘉联合制药有限公司 (Chengdu Kinna Pharmaceutical Co., Ltd) (the “**Purchaser**”), a wholly-owned subsidiary of the Company, has on 23 September 2024 entered into a conditional sale and purchase agreement (the “**SPA**”) to acquire the remaining 19% equity interest (“**Equity Interest**”) in the registered capital of 四川古蔺肝苏药业有限公司 (Sichuan Longlife Pharmaceutical Co., Ltd) (“**Sichuan Longlife**”) from 成都国嘉投资股份有限公司 (Chengdu Kinna Investment Co., Ltd.) (the “**Vendor**”) on the terms and subject to the conditions of the SPA (the “**Proposed Acquisition**”).

The Proposed Acquisition constitutes a discloseable transaction under Rule 1014 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

**2. BACKGROUND INFORMATION ON THE PURCHASER AND THE VENDORS**

Purchaser

The Purchaser is a wholly-owned subsidiary of the Company and is a limited liability company incorporated in the People’s Republic of China (the “**PRC**”) on 3 November 2003. The Purchaser is engaged in the business of development, manufacture and sale of western medicines and health tonic products.

Vendor

The Vendor is a company limited by shares incorporated in the PRC on 3 April 1996 and is engaged in the business of project investment (which includes investment holding and real estate development) (excluding finance, securities, futures), domestic wholesale and retail of commodity products, other than those which require special separate approval.

For completeness of disclosure, the son of Mr Wu Xuedan (吴学丹) (“**Mr Wu**”), an Executive Director and Chief Executive Officer of the Company, has a 20.00% equity interest in the capital of the Vendor. However, the Vendor is not considered an “associate” of Mr Wu under Chapter 9 of the Listing Manual. In addition, Mr Jiang Yun (江云) (“**Mr Jiang**”), a former Executive Director and Chief Executive Officer of the Company who had resigned with effect from 31 December 2017, has a 47.00% equity interest in the capital of the Vendor. Mr Jiang is also the legal representative of the Vendor.

### **3. INFORMATION AND VALUATION OF THE EQUITY INTEREST**

Sichuan Longlife is a company limited by shares incorporated in the PRC on 29 April 1999 and is engaged in the business of development, manufacture and sale of traditional Chinese medicines (“TCM”). Sichuan Longlife has been a subsidiary of the Group, with a 51% equity interest owned by the Purchaser since the Group’s initial public offering in 2004. In 2019, the Purchaser acquired additional 30% of Sichuan Longlife from the Vendor at a purchase consideration of RMB 15.7 million.

Sichuan Longlife’s core TCM formulated products comprise of Gansu granules for the treatment of acute and chronic hepatitis and Er Ding granules to treat jaundice, and clear heat and toxics. Sichuan Longlife is an enterprise specialising in the production of Gansu granules. Gansu granules are made from Ganhuangcao which Sichuan Longlife sources from the Wumeng mountains in the PRC. In the PRC, Gansu granules are typically used in the treatment of hepatitis B. Sichuan Longlife’s production plant of approximately 34,570 square metres was constructed based on the GMP (good manufacturing practice) criteria in Gulin, Sichuan Province, PRC in 2003. This production facility was awarded the GMP certification in November 2003. In addition, Gansu granules were awarded the “Products of Designation of Origin and Geographical Indications of the PRC”, which is the first TCM formulated product to receive such protection and recognition. This award is given for the protection of special products with specific nationality, economic and culture characteristics as well as for assurance of quality and reputation of products. In 2017, Sichuan Longlife completed its research and development of our revised product, sugarless Er Ding granules, which has replaced our former product, Er Ding granules with sugar. Sichuan Longlife has started to manufacture our revised product, sugarless Er Ding granules, since the beginning of 2018.

As at the date of the SPA, Sichuan Longlife has a registered capital of RMB21,800,000 and a paid-up registered capital of RMB21,800,000. Before the Proposed Acquisition, the Purchaser and the Vendor owns 81% and 19% of the total equity interests in Sichuan Longlife, respectively. After the Proposed Acquisition, the Purchaser will own 100% of the total equity interests in Sichuan Longlife.

### **4. RATIONALE FOR THE PROPOSED ACQUISITION**

Sichuan Longlife had a net loss in 1H FY24, mainly due to weak demand of its products mainly due to elevated sales and over stocking by customers in previous year. Demand is expected to improve in next year after previous stocks are used up. In addition, Sichuan Longlife is projected to secure a new procurement contract of TCM herbal products from a new customer. Thereafter, Sichuan Longlife is projected to be profitable next year, barring unforeseen circumstances.

Accordingly, the directors of the Company (“**Directors**”) are of the view that the Proposed Acquisition is in the best interests of the Company and its Shareholders as it will increase the Company’s investment in its non-prescribed drugs portfolio, enable the Company to fully own Sichuan Longlife and consolidate its results fully instead of the current 81% and shall improve the Group’s future profitability, barring unforeseen circumstances.

## 5. SALIENT TERMS OF THE SPA

### (a) Purchase consideration

The aggregate purchase consideration payable by the Group for the Equity Interest (“**Purchase Consideration**”) shall be the sum of RMB2,830,000, to be paid in two (2) instalments as follows:

- (i) the first instalment equivalent to 10% of RMB2,830,000 shall be paid by the Purchaser to the Vendor within 15 days after signing the SPA; and
- (ii) the second installment equivalent to 90% of RMB2,830,000 shall be paid by the Purchaser to the Vendor within 3 years after the date of completion of the SPA.

The Purchase Consideration is determined based on 80% of the net book value of the Equity Interest of the Sichuan Longlife as at 30 June 2024 (RMB 3,538,000) and negotiated on a willing buyer willing seller basis. The Purchase Consideration represents a discount of approximately 20% from the net book value of the Equity Interest.

The Group intends to use internal sources of funds to finance the Proposed Acquisition.

### (b) Completion

Within ten (10) Business Days after the signing date of the SPA:

- (i) the Vendor (or its nominee) shall proceed to the SAIC with respect to the transfer of the Equity Interest and the change of officers from those appointed by Vendor to those appointed by the Purchaser; and
- (ii) the Vendor (or its nominee) shall obtain the new business license of the Company and the approval notice issued by the SAIC to the Company, according to which the Purchaser has in fact been registered as the shareholder of the Company holding the Equity Interest in accordance with PRC laws.
- (iii) On the fifth business day following the date when the SAIC issues the approval notice, according to which the Purchaser has in fact been registered as the shareholder of Sichuan Longlife holding the Equity Interest in accordance with PRC laws, the parties shall proceed with completion. For the purpose of effecting completion, the Vendor shall deliver all the seals, certificates, documents and materials of Sichuan Longlife to the Purchaser.

## 6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

### 6.1 General

Under Chapter 10 of the Listing Manual, a transaction will be classified as a “discloseable transaction” if any of the relative figures calculated on the bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%.

## 6.2 Relative Figures under Rule 1006 of the Listing Manual

The relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual in respect of the aggregate consideration for the Proposed Acquisition and based on the unaudited consolidated financial statements of the Group for the six (6) months ended 30 June 2024 (“1H2024”) are set out below.

Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as this transaction is not a disposal of assets.
Rule 1006(b) – the net profits attributable to the assets to be acquired compared with Group’s net profits	13.2% <sup>(1)</sup>
Rule 1006(c) – the aggregate value of the consideration given, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	13.3% <sup>(2)</sup>
Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as no equity securities will be issued as consideration for the Proposed Acquisition.
Rule 1006(e) – the aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable as the Company is not a mineral, oil and gas company.

### Notes:

- (1) The net loss before tax attributable to the Equity Interest is approximately RMB386,000 for 1HY2024, compared with the Group’s net loss before tax of RMB2,920,000 for 1HY2024.
- (2) The consideration is RMB 2,830,000 or approximately S\$518,000 (based on the prevailing exchange rate of S\$1.00: RMB5.461 as at 20 September 2024 as published by the Monetary Authority of Singapore). The market capitalisation of the Company is approximately S\$3.883 million (as determined by multiplying 31,700,000 ordinary shares of the Company in issue (“Shares”) as at the date of this announcement by the volume weighted average price of the Shares of approximately S\$0.1225 for trades done on 19 September 2024, being the full market day immediately preceding the date of the SPA.

As the relative figures computed pursuant to Rules 1006(b) and 1006(c) exceed 5% but does not exceed 20%, the Proposed Acquisition constitutes a “discloseable transaction” under Chapter 10 of the Listing Manual. Accordingly, shareholders’ approval is not required for the Proposed Acquisition.

## 7. FINANCIAL EFFECTS

The financial effects of the Proposed Acquisition on the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Group after the completion of the Proposed Acquisition.

The *pro forma* financial effects have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 (“FY2023”), being the end of the most recently completed financial year.

### (a) Net tangible assets (“NTA”) per Share – FY2023

Had the Proposed Acquisition been effected on 31 December 2023, the Proposed Acquisition would have had the following financial effects on the Group’s NTA per share as at 31 December 2023:

For FY2023	Before Proposed Acquisition	After Proposed Acquisition
NTA attributable to shareholders (RMB’000)	49,750	50,036
Number of Shares (’000)	27,600	27,600
NTA per Share (RMB)	1.80	1.81

### (b) Earnings per Share (“EPS”) – FY2023

Had the Proposed Acquisition been effected on 1 January 2023, the Proposed Acquisition would have had the following financial effects on the Group’s EPS for FY2023:

For FY2023	Before Proposed Acquisition	After Proposed Acquisition
Group loss after tax (RMB’000)	(4,958)	(4,904)
Weighted average number of Shares (’000)	26,415	26,415
EPS (RMB cents)	(18.8)	(18.6)

## 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ACQUISITION

Save as disclosed in this Announcement, to the best knowledge of the Directors, none of the other Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

## 9. SERVICE AGREEMENTS

No new directors are proposed to be appointed to the Board in connection with the Proposed Acquisition. As such, no service agreements will be entered into with any new director of the Company in connection with the transaction.

**10. FURTHER INFORMATION**

Documents for inspection

Copies of the SPA is available for inspection during normal business hours at the registered office of the Company at 5 Kallang Sector #03-02, Singapore 349279 for a period of three (3) months from the date of this Announcement.

**11. CAUTION IN TRADING**

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. When in doubt, Shareholders and potential investors are advised to seek independent advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers.**

BY ORDER OF THE BOARD

Wu Xuedan  
Executive Director and Chief Executive Officer

23 September 2024