

PHARMESIS INTERNATIONAL LTD.

 Co. Registration No. 200309641E

Unaudited Condensed Interim Financial Statements for the 6 months ended 30 June 2023

A. UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF ENDED 30 JUNE 2023

	Group		
	6 months ended 30.06.2023	6 months ended 30.06.2022	
	RMB'000	RMB'000	+ / (-) %
Revenue	27,697	18,767	47.6
Cost of sales	(15,454)	(9,219)	67.6
Gross Profit	12,243	9,548	28.2
Other income	106	13	715.4
Selling and distribution costs	(6,469)	(6,666)	(3.0)
Administrative costs	(6,140)	(5,552)	10.6
Loss from operations	(260)	(2,657)	n.m.
Finance income	9	15	(40.0)
Finance costs	(476)	(467)	1.9
Net finance costs	(467)	(452)	3.3
Loss before tax	(727)	(3,109)	(76.6)
Income tax expense	-	(12)	n.m.
Loss for the period	(727)	(3,121)	(76.7)
Attributable to:			
Equity holders of the Company	(1,042)	(3,052)	(65.9)
Non-controlling interest	315	(69)	n.m.
Loss for the period	(727)	(3,121)	(76.7)
Loss per share (RMB cents)			
Basic and diluted	(4.1)	(13.3)	

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group		+ / (-) %
	6 months ended	6 months ended	
	30.06.2023	30.06.2022	
	RMB'000	RMB'000	
Finance income	9	15	(40.0)
Government grant	50	13	284.6
Allowance for expected credit loss - trade	(86)	(150)	(42.7)
Depreciation and amortisation	(941)	(1,003)	(6.2)
Foreign exchange gain/(loss)	48	(14)	n.m.

n.m. denotes not meaningful

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	6 months ended	6 months ended
	30.06.2023	30.06.2022
	RMB'000	RMB'000
Loss for the period	(727)	(3,121)
Other comprehensive income	-	-
Total comprehensive income	(727)	(3,121)
Total comprehensive income attributable to:		
Equity holders of the Company	(1,042)	(3,052)
Non-controlling interest	315	(69)
	(727)	(3,121)

B. UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30.6.2023 RMB'000	As at 31.12.2022 RMB'000	As at 30.6.2023 RMB'000	As at 31.12.2022 RMB'000
Non-current assets				
Property, plant and equipment	43,230	43,396	–	–
Right-of-use assets	7,600	7,930	17	50
Investments in subsidiaries	–	–	54,999	54,999
Goodwill on consolidation	1,323	1,323	–	–
Other current assets	1,095	1,095	–	–
	53,248	53,744	55,016	55,049
Current assets				
Inventories	14,448	11,086	–	–
Trade receivables	4,486	11,642	–	–
Prepaid expenses	240	421	–	16
Other receivables	3,535	1,179	22	19
Tax recoverable	106	106	–	–
Cash and cash equivalents	8,483	19,718	1,853	1,495
	31,298	44,152	1,875	1,530
Current liabilities				
Bank borrowings	15,000	15,000	–	–
Trade payables	3,647	5,165	–	–
Accrued liabilities and other payables	6,100	19,053	568	1,057
Lease liabilities	197	198	17	51
Tax payable	96	179	3	4
	25,040	39,595	588	1,112
Net current assets	6,258	4,557	1,287	418
Non-current liabilities				
Lease liabilities	1,139	1,335	–	–
	1,139	1,335	–	–
Net assets	58,367	56,966	56,303	54,467
Equity attributable to equity holders of the Company				
Share capital	85,842	83,714	85,842	83,714
Reserves	(30,853)	(29,811)	(29,539)	(28,247)
Share capital and Reserves	54,989	53,903	56,303	55,467
Non-controlling interest	3,378	3,063	–	–
Total equity	58,367	56,966	56,303	55,467

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 2023		As at 31 December 2022	
Secured	Unsecured	Secured	Unsecured
15,000	–	15,000	–

Amount repayable after one year

In RMB'000

As at 30 June 2023		As at 31 December 2022	
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.

C. UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023

	Group	
	6 months ended 30.06.2023 RMB'000	6 months ended 30.06.2022 RMB'000
Cash flows from operating activities		
Loss before tax	(727)	(3,109)
Adjustments for:		
Allowance for expected credit loss - trade	86	150
Depreciation and amortisation	941	1,003
Interest expense	476	467
Interest income	(9)	(15)
Operating profit/(loss) before changes in working capital	767	(1,504)
Changes in working capital		
Trade receivables	7,070	5,986
Prepayments, deposits and other receivables	(2,175)	(1,066)
Inventories	(3,362)	(2,510)
Trade payables	(1,518)	(286)
Accrued liabilities and other payables	(12,954)	(1,721)
Cash used in operations	(12,172)	(1,101)
Interest received	9	15
Interest paid	(476)	(467)
Income tax paid	(83)	(51)
Net cash flows used in operating activities	(12,722)	(1,604)
Cash flows from investing activities		
Net proceeds from issue of shares	2,128	—
Acquisition of property, plant and equipment	(444)	(339)
Net cash flows provided by investing activities	1,684	(339)
Cash flows from financing activities		
Proceeds from bank borrowings	—	15,000
Repayment of bank borrowings	—	(15,000)
Repayment of principal portion of lease liabilities	(197)	(197)
Net cash flows used in financing activities	(197)	(197)
Net decrease in cash and cash equivalents	(11,235)	(2,140)
Cash and cash equivalents at beginning of period	19,718	13,976
Cash and cash equivalents at end of period	8,483	11,836

D. UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

<u>Group</u> <u>In RMB'000</u>	Attributable to equity holders of the Company						Total Equity
	Share Capital	Premium paid on acquisition of non-controlling interest	Statutory Reserve	Accumulated Losses	Total	Non-controlling interest	
At 1 January 2023	83,714	(10,471)	11,979	(31,319)	53,903	3,063	56,966
Issue of new shares	2,128	–	–	–	2,128	–	2,128
Total comprehensive income	–	–	–	(1,042)	(1,042)	315	(727)
At 30 June 2023	85,842	(10,471)	11,979	(32,361)	54,989	3,378	58,367
At 1 January 2022	83,714	(10,471)	11,979	(27,759)	57,463	2,679	60,142
Total comprehensive income	–	–	–	(3,052)	(3,052)	(69)	(3,121)
At 30 June 2022	83,714	(10,471)	11,979	(30,811)	54,411	2,610	57,021

<u>Company</u> <u>In RMB'000</u>	Share Capital	Accumulated Losses	Total Equity
At 1 January 2023	83,714	(28,247)	55,467
Issue of new shares	2,128	–	2,128
Total comprehensive income	–	(1,293)	(1,293)
At 30 June 2023	85,842	(29,540)	56,302
At 1 January 2022	83,714	(29,239)	54,475
Total comprehensive income	–	2,108	2,108
At 30 June 2022	83,714	(27,131)	56,583

E. Notes to the condensed interim consolidated financial statements

E1. Corporate information

Pharmesis International Ltd. (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange. The registered office and principal place of business of the Company is located at 5 Kallang Sector #03-02, Singapore 349279.

The principal activity of the Company is investment holding. The principal activities of the Group are development, manufacture, packaging and sale of western medicine, Traditional Chinese Medicine ("TCM"), health tonic products, wholesale of drugs, raw products, antibiotics and antibiotics agents. There have been no significant changes in the nature of these activities during the year.

The Group operates principally in the People's Republic of China ("PRC").

E2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

The condensed interim financial statements are presented in Renminbi ("RMB") which is the Company's functional currency and all values are rounded to the nearest thousands, except when otherwise indicated.

E2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

E2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

E3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

E4. Segment information and revenue information

For management purposes, the Group is organised into business units based on their products, and has 3 reportable operating segments as follows:

- (i) **Western drugs** - refer mainly to chemically formulated drugs.
- (ii) **TCM formulated drugs** - refer to Traditional Chinese Medicine.
- (iii) **Distribution** - This segment refers to agency products and internally manufactured products which are marketed through the distribution arm.

Analysis by business segment

6 months ended 30.06.2023	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	6,728	20,264	705	–	27,697
Inter segment	537	312	–	(849)	–
Total Revenue	7,265	20,576	705	(849)	27,697
Result					
Segment result	(958)	1,975	15		1,032
Unallocated corporate expenses					(1,292)
Loss from operations					(260)
Finance income	1	8	–		9
Finance costs	(65)	(411)	–		(476)
Income tax expense	–	–	–		–
Loss before non-controlling interest					(727)
Non-controlling interest					(315)
Net loss attributable to equity holders of the Company					(1,042)
Assets and liabilities					
Segment assets	15,691	66,701	574		82,966
Unallocated corporate assets					1,580
Total assets					84,546
Segment liabilities	1,582	23,099	386		25,067
Unallocated corporate liabilities					1,112
Total liabilities					26,179
Other segment information					
Capital expenditure	258	186	–		444
Depreciation and amortisation	449	491	1		941
Finance income	(1)	(8)	–		(9)
Finance costs	65	411	–		476
Allowance for expected credit loss - trade	44	42	–		86

<u>6 months ended 30.06.2022</u>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	6,031	12,736	-	-	18,767
Inter segment	-	-	-	-	-
Total Revenue	6,031	12,736	-	-	18,767
Result					
Segment result	(1,234)	(62)	(81)		(1,377)
Unallocated corporate expenses					(1,280)
Profit from operations					(2,657)
Finance income	9	6	-		15
Finance costs	(62)	(405)	-		(467)
Income tax expense	(12)	-	-		(12)
Loss before non-controlling interest					(3,121)
Non-controlling interest					69
Net loss attributable to equity holders of the Company					(3,052)
Assets and liabilities					
Segment assets	21,963	62,965	67		84,995
Unallocated corporate assets					2,319
Total assets					87,314
Segment liabilities	4,193	25,165	202		29,560
Unallocated corporate liabilities					733
Total liabilities					30,293
Other segment information					
Capital expenditure	92	246	-		338
Depreciation and amortisation	513	454	36		1,003
Finance income	(9)	(6)	-		(15)
Finance costs	62	405	-		467
Allowance for expected credit loss - trade	56	94	-		150

E4. Disaggregation of Revenue

	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Group RMB'000
6 months ended 30.06.2023				
Revenue				
Western drugs	6,728	–	411	7,139
TCM formulated drugs	–	20,264	294	20,558
Total Revenue	6,728	20,264	705	27,697
Timing of transfer of goods or services				
At a point in time	6,728	20,264	705	27,697
Primary geographical market				
People's Republic of China	6,728	20,264	705	27,697
6 months ended 30.06.2022				
Revenue				
Western drugs	6,031	–	–	6,031
TCM formulated drugs	–	12,736	–	12,736
Total Revenue	6,031	12,736	–	18,767
Timing of transfer of goods or services				
At a point in time	6,031	12,736	–	18,767
Primary geographical market				
People's Republic of China	6,031	12,736	–	18,767

E5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	<u>Group</u>		<u>Company</u>	
	As at 30.06.23 RMB'000	As at 31.12.22 RMB'000	As at 30.06.23 RMB'000	As at 31.12.22 RMB'000
Group				
Financial assets				
Trade receivables	4,486	11,642	–	–
Other receivables	3,535	1,179	22	19
Cash and cash equivalents	8,483	19,718	1,853	1,495
Total	16,504	32,539	1,875	1,514
Financial liabilities				
Bank borrowings	15,000	15,000	–	–
Trade and other payables and accrued liabilities (excluding VAT payable and advances from customers)	7,777	14,337	642	1,057
Lease liabilities	1,336	1,533	85	51
Total	25,404	30,870	727	1,108

E6. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

Other information

- 1(a) **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

The Company's issued share capital has increased from RMB 83.7 million in the previous financial period ended 31 December 2022 to RMB 85.8 million due to the issuance of 4,600,000 new ordinary shares on 5 April 2023.

- 1(b) **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 December 2022: 23,000,000 ordinary shares
Issue of new shares via private placement : 4,600,000 ordinary shares
Total number of issued shares as at 30 June 2023 : 27,600,000 ordinary shares

- 1(c) **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 2022.

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 2023. 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:-**

In RMB cents	Group	
	6 months ended	6 months ended
	30.06.2023	30.06.2022
(i) Based on weighted average number of shares	(4.1)	(13.3)
Weighted average number of shares	25,211,050	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.

In RMB	Group		Company	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Net asset value (“NAV”) per ordinary share	2.11	2.48	2.04	2.41
No. of shares in computing NAV	27,600,000	23,000,000	27,600,000	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 December 2022, China ended its zero Covid policy, which led to a sudden spike in orders for Er Ding, (which is used to alleviate flu-like symptoms) and Shu Ling Hou (which is used to alleviate sore throat symptoms) in first two months of 2023. In contrast, the demand for our products were down significantly in the first half of 2022, as many cities in China, including Shanghai and Beijing were under lockdown.

As a result, the Group's revenue increased by RMB 8.9 million or 47.6% from RMB 18.8 million in 1H 2022 to RMB 27.7 million in 1H 2023. Revenue from prescribed drugs increased by RMB 1.1 million mainly due to higher revenue from Shu Ling Hou & Xiao Shi Jian Pi products. Revenue from non-prescribed drugs segment increased by RMB 7.8 million due to higher revenue from Er Ding products.

Gross profit margin decreased from 50.9% in 1H 2022 to 44.2% in 1H 2023, due to higher percentage of revenue from non-prescribed drugs with lower margins. Other income was RMB 106,000 in 1H 2023 as compared to RMB 13,000 in 1H 2022, following higher government grants and forex gains.

Selling and distribution costs decreased slightly from RMB 6.7 million in 1H 2022 to RMB 6.5 million in 1H 2023 mainly due to decrease in sales personnel expenses. Administrative costs increased from RMB 5.6 million in 1H 2022 to RMB 6.1 million for 1H 2023 mainly due to higher personnel expenses and social insurance expenses.

Finance income decreased from RMB 15,000 in 1H 2022 to RMB 9,000 in 1H 2023 due to lower finance income from cash and cash equivalents. Finance costs increased slightly from RMB 467,000 in 1H 2022 to RMB 476,000 in 1H 2023.

As a result of the above, the Group recorded a net loss after tax attributable to equity holders of the Company of RMB 1.0 million in 1H 2023, as compared to a net loss after tax of RMB 3.1 million in 1H 2022.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 53.2 million as at 30 June 2023, a decrease of RMB 0.5 million from RMB 53.7 million as at 31 December 2022. This was mainly due to the decrease in property, plant and equipment and right-of-use assets.

The Group's current assets were RMB 31.3 million as at 30 June 2023, a decrease of RMB 12.9 million from RMB 44.2 million as at 31 December 2022. This was mainly due to lower trade receivables, prepaid expenses, cash, and higher inventories and other receivables. Other receivables increased from RMB 1.2 million as at 31 December 2022 to RMB 3.5 million as at 30 June 2023 mainly due to increase in advances to sales team for their travel to allocated sales territories to establish relationships with potential customers and to promote sales.

The Group's current liabilities were RMB 25.0 million as at 30 June 2023, a decrease of RMB 14.6 million from RMB 39.6 million as at 31 December 2022 mainly due to decrease in trade payables, accrued liabilities and other payables and tax payables. Accrued liabilities and other payables decreased from RMB 19.1 million as at 31 December 2022 to RMB 6.1 million as at 30 June 2023 mainly due to decrease in advances from customers and other payables. There was a spike in advances from customers as at 31 December 2022 arising from the sudden increase of orders due to end of China's zero Covid policy.

The Group's non-current liabilities were RMB 1.1 million as at 30 June 2023, a decrease of RMB 0.2 million from RMB 1.3 million as at 31 December 2022 due to decrease in lease liabilities.

STATEMENT OF CASH FLOWS

The Group's net cash flow used in operating activities for 1H 2023 was RMB 12.7 million, mainly due to cash used in its operations and interest paid.

Net cash received from investing activities for 1H 2023 amounted to RMB 1.7 million, mainly from proceeds from issue of shares and cash used for the acquisition of plant and equipment.

Net cash used in financing activities for 1H 2023 amounted to RMB 0.2 million, incurred mainly for the repayment of lease liabilities.

As a result of the above, cash and cash equivalents decreased from RMB 19.7 million as at 31 December 2022 to RMB 8.5 million as at 30 June 2023.

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 2022.

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.

As per announcement on 27 July 2023, severe flash flooding arising from the torrential rain has damaged the production equipment and inventory at Longlife Plant, and production will be temporarily disrupted. Management expects production at Longlife plant to resume in the 4th quarter of 2023. Our drugs continue to face intense competition and pricing pressure along with the domestic economic uncertainties. The outlook of the year ahead remains challenging and management will continue to operate cautiously, improving sales and managing costs effectively.

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/recommendeded, 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 2023 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) of the Listing Manual.

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 2023 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) of the Listing Manual.

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 utilised the net proceeds of approximately SGD 407,000 from the issuance of 4.6 million new ordinary shares at the issue price of SGD 0.10 per share in April 2023 as follows:

	Use of proceeds as at 30 June 2023 (SGD'000)
Personnel expenses	42
Directors fees	28
Professional fees	105
Total	165

The above use of proceeds was in accordance with the Company's stated use and the balance of proceeds as at 30 June 2023 was SGD 242,000.

BY ORDER OF THE BOARD

**WU XUEDAN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER**

14 August 2023