PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 9 months ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

	Group			Group		
	3 months ended 30.09.2018 RMB'000	3 months ended 30.09.2017 RMB'000	+ / (-) %	9 months ended 30.09.2018 RMB'000	9 months ended 30.09.2017 RMB'000	+ / (-) %
Revenue	13,290	17,317	(23.3)	47,946	51,013	(6.0)
Cost of sales	(5,537)	(8,780)	(36.9)	(24,739)	(26,392)	(6.3)
Gross Profit	**7,753**	**8,537**	(9.2)	**23,207**	**24,521**	(5.4)
Other Income	175	128	36.7	2,074	615	237.2
Selling and distribution costs	(5,036)	(5,277)	(4.6)	(15,372)	(15,862)	(3.1)
Administrative costs	(2,779)	(2,798)	(0.7)	(7,785)	(8,279)	(6.0)
Profit from operations	**114**	**590**	(80.7)	**2,124**	**995**	113.5
Finance income	22	31	(29.0)	91	102	(10.8)
Finance costs	(227)	(230)	(1.3)	(660)	(647)	2.0
Net finance costs	(205)	(199)	3.0	(569)	(545)	4.4
Profit/(loss) before tax	**(91)**	**392**	n.m.	**1,555**	**451**	244.8
Income tax expense	(450)	(473)	(4.9)	(450)	(473)	(4.9)
Profit/(loss) for the period	**(541)**	**(81)**	567.9	**1,105**	**(22)**	n.m.
Attributable to:						
Equity holders of the Company	**(1,208)**	**(198)**	510.1	**(1,030)**	**(1,081)**	(4.7)
Non-controlling interest	667	117	470.1	2,135	1,059	101.6
Profit/(loss) for the period	**(541)**	**(81)**	567.9	**1,105**	**(22)**	n.m.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group			Group		
	3 months ended 30.09.2018 RMB'000	3 months ended 30.09.2017 RMB'000	+ / (-) %	9 months ended 30.09.2018 RMB'000	9 months ended 30.09.2017 RMB'000	+ / (-) %
Interest Income	22	31	(29.0)	91	102	(10.8)
Government grant	62	162	(61.7)	682	512	33.2
Allowance for doubtful receivables - trade	(45)	(46)	(2.2)	131	(270)	n.m.
Depreciation and amortisation	(413)	(406)	1.7	(1,037)	(1,200)	(13.6)
Foreign exchange gain/(loss)	113	(35)	n.m.	116	91	27.5

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended 30.09.2018 RMB'000	3 months ended 30.09.2017 RMB'000	9 months ended 30.09.2018 RMB'000	9 months ended 30.09.2017 RMB'000
Profit/(loss) for the period	**(541)**	**(81)**	**1,105**	**(22)**
Other comprehensive income	-	-	-	-
Total comprehensive income	**(541)**	**(81)**	**1,105**	**(22)**
Total comprehensive income attributable to:				
Equity holders of the Company	**(1,208)**	**(198)**	**(1,030)**	**(1,081)**
Non-controlling interest	667	117	2,135	1,059
	(541)	**(81)**	**1,105**	**(22)**

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 30.9.2018 RMB'000	As at 31.12.2017 RMB'000	As at 30.9.2018 RMB'000	As at 31.12.2017 RMB'000
Non-current assets				
Property, plant and equipment	11,863	11,077	-	-
Land use rights	7,697	7,892	-	-
Construction-in-progress	26,662	26,225	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	47,545	**46,517**	**54,999**	**54,999**
Current assets				
Inventories	11,857	7,239	-	-
Trade receivables	14,945	21,506	-	-
Prepaid expenses	1,650	1,374	101	74
Other receivables	9,661	12,177	20	29
Tax recoverable	406	406	-	-
Cash and cash equivalents	35,953	35,485	3,977	6,651
	74,472	**78,187**	**4,098**	**6,754**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	5,224	1,907	-	-
Accrued liabilities and other payables	5,756	13,061	807	757
Tax payable	431	235	1	7
	26,411	**30,203**	**808**	**764**
Net current assets	**48,061**	**47,984**	**3,290**	**5,990**
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	**488**	**-**	**-**
Net assets	**95,118**	**94,013**	**58,289**	**60,989**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	4,305	5,335	(25,425)	(22,725)
Share capital and Reserves	**88,019**	**89,049**	**58,289**	**60,989**
Non-controlling interest	7,099	4,964	-	-
Total equity	**95,118**	**94,013**	**58,289**	**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 30 September 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 30 September 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 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Group			
	3 months ended 30.09.2018 RMB'000	3 months ended 30.09.2017 RMB'000	9 months ended 30.09.2018 RMB'000	9 months ended 30.09.2017 RMB'000
Cash flows from operating activities				
Profit/(loss) before tax	(91)	392	1,555	451
Adjustments for:				
Allowance for/(Reversal of) doubtful debts	45	46	(131)	270
Depreciation and amortisation	413	406	1,037	1,200
Interest expense	227	230	660	647
Interest income	(22)	(31)	(91)	(102)
Operating profit before changes in working capital	572	1,043	3,030	2,466
Changes in working capital				
Trade receivables	1,567	3,944	6,692	3,391
Prepayments, deposits and other receivables	(1,241)	(1,477)	2,238	3,282
Inventories	(3,315)	(321)	(4,618)	(1,905)
Trade payables	1,961	124	3,317	(1,804)
Accrued liabilities and other payables	(110)	1,424	(7,304)	(291)
Cash flows from operations	(566)	4,737	3,355	5,139
Interest received	22	31	91	102
Interest paid	(227)	(230)	(660)	(647)
Income tax paid	(72)	-	(254)	(312)
Net cash flows from/(used in) operating activities	**(843)**	**4,538**	**2,532**	**4,282**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(349)	(80)	(1,626)	(1,051)
Acquisition of subsidiary (see note below)	-	-	-	(8,585)
Acquisition of construction in progress	(15)	(27)	(438)	(44)
Net cash flows used in investing activities	**(364)**	**(107)**	**(2,064)**	**(9,680)**
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 increase in cash and cash equivalents	(1,207)	4,431	468	(5,398)
Cash and cash equivalents at beginning of period	37,160	35,028	35,485	44,857
Cash and cash equivalents at end of period	**35,953**	**39,459**	**35,953**	**39,459**
During the last financial year, 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 Profits**	**Total**	**Non-controlling Interest**	**Total Equity**
At 1 January 2018	83,714	4,431	11,924	(11,020)	89,049	4,964	94,013
Expiry of employee share options	-	(4,431)	-	4,431	-	-	-
Total comprehensive income	-	-	-	255	255	796	1,051
At 31 March 2018	83,714	-	11,924	(6,334)	89,304	5,760	95,064
Total comprehensive income	-	-	-	(77)	(77)	672	595
At 30 June 2018	83,714	-	11,924	(6,411)	89,227	6,432	95,659
Total comprehensive income	-	-	-	(1,208)	(1,208)	667	(541)
At 30 September 2018	**83,714**	**-**	**11,924**	**(7,619)**	**88,019**	**7,099**	**95,118**
At 1 January 2017	83,714	4,431	11,924	(8,543)	91,526	4,313	95,839
Total comprehensive income	-	-	-	(477)	(477)	656	179
At 31 March 2017	83,714	4,431	11,924	(9,020)	91,049	4,969	96,018
Total comprehensive income	-	-	-	(406)	(406)	286	(120)
At 30 June 2017	83,714	4,431	11,924	(9,426)	90,643	5,255	95,898
Total comprehensive income	-	-	-	(198)	(198)	117	(81)
At 30 September 2017	**83,714**	**4,431**	**11,924**	**(9,624)**	**90,445**	**5,372**	**95,817**

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
Expiry of employee share options	-	(4,431)	4,431	-
Total comprehensive income	-	-	(1,001)	(1,001)
At 31 March 2018	83,714	-	(23,726)	59,988
Total comprehensive income	-	-	(869)	(869)
At 30 June 2018	83,714	-	(24,595)	59,119
Total comprehensive income	-	-	(830)	(830)
At 30 September 2018	**83,714**	**-**	**(25,425)**	**58,289**
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
Total comprehensive income	-	-	(1,014)	(1,014)
At 30 June 2017	83,714	4,431	(25,348)	62,797
Total comprehensive income	-	-	(1,106)	(1,106)
At 30 September 2017	**83,714**	**4,431**	**(26,454)**	**61,691**

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 2017.

Share Options
As at 30 September 2018, no (31 December 2017: 1,020,000) share options remained unexercised under the Company's Share Option Scheme which has expired in August 2014.

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 September 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 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 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 financial information under SFRS(I)s.

During the current financial period, 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*

The adoption of the above new SFRS(I)s, amendments and interpretations of SFRS(I)s are 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			
	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
(i) Based on weighted average number of shares (RMB cents)	(5.25)	(0.86)	(4.48)	(4.70)
Weighted average number of shares	23,000,000	23,000,000	23,000,000	23,000,000
(ii) On a fully diluted basis[1] (RMB cents)	NA	(0.86)	NA	(4.70)
Adjusted weighted average number of shares	NA	23,000,000	NA	23,000,000

[1] As at 30.09.2017, the Company had 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 in 2017, the options were non-dilutive. As such, the options had no dilution effect on the earnings per share of the Group for the financial periods in 2017. NA denotes "Not Applicable" as there are no outstanding share options as at 30.09.2018.

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	**30.09.2018**	**31.12.2017**	**30.09.2018**	**31.12.2017**
Net asset value per ordinary share	3.84	3.87	2.53	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 decreased by RMB 4.0 million or 23.3% from RMB 17.3 million for 3Q 2017 to RMB 13.3 million for 3Q 2018. Revenue from Group's non-prescribed drugs/distribution segment decreased by RMB 3.8 million and revenue from prescribed drugs segment decreased by RMB 0.2 million.

Gross profit margin increased from 49.3% in 3Q 2017 to 58.3% in 3Q 2018 mainly due to higher contributions from higher margin prescribed drugs segment. Other income was RMB 0.2 million in 3Q 2018, mainly due to government grant and foreign exchange gain.

Selling and distribution costs decreased by RMB 0.3 million or 4.6% from RMB 5.3 million in 3Q 2017 to RMB 5.0 million in 3Q 2018 mainly due to lower revenue. Administrative costs remained constant at RMB 2.8 million in 3Q 2018 and 3Q 2017.

Finance income for 3Q 2018 decreased by RMB 9,000 from RMB 31,000 in 3Q 2017 to RMB 22,000 in 3Q 2018 mainly due to lower interest income from cash and cash equivalents. Finance costs decreased slightly by RMB 3,000 from RMB 230,000 in 3Q 2017 to RMB 227,000 in 3Q 2018.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 1.2 million for 3Q 2018, as compared to net loss after tax of RMB 0.2 million in 3Q 2017. The profit attributable to non-controlling interest of RMB 0.7 million came from our 51% owned subsidiary, Sichuan Longlife Pharmaceutical Co., Ltd ("Longlife") which was profitable in 3Q 2018.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 47.5 million as at 30 September 2018, an increase of RMB 1.0 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 74.5 million as at 30 September 2018, a decrease of RMB 3.7 million from RMB 78.2 million as at 31 December 2017. This was mainly due to lower trade receivables, other receivables, and higher inventories, prepaid expenses and cash and cash equivalents. Inventories increased mainly due to higher inventory levels for ErDing granules.

The Group's current liabilities were RMB 26.4 million as at 30 September 2018, a decrease of RMB 3.8 million from RMB 30.2 million as at 31 December 2017 mainly due to decrease in accrued liabilities and other payables and increase in trade payables and tax payables.

CASH FLOW STATEMENT

The Group's net cash out flow used in operating activities for the 3rd quarter was RMB 0.9 million, mainly due to cash generated from its operations and changes in working capital.

Net cash used in investing activities for the 3rd quarter amounted to RMB 0.4 million, incurred mainly for the acquisition of property, plant and equipment.

As at 30 September 2018, the Group had cash and cash equivalents of RMB 36.0 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 1H FY2018.

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.

China has launched stringent nationwide inspections over all pharmaceutical manufacturers after the Changchun Changsheng Biotechnology scandal. The prescribed drugs industry continues to remains challenging. Therefore, the Group continues to focus on its non-prescribed drugs, especially Er Ding granules and the completion of the Jiangyou facility. It is expected to be completed in first half of FY2019. The Group will continue to lookout for new business opportunities in order to enhance shareholder value.

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 30 September 2018.

13. Interested Person Transactions.

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 third quarter ended 30 September 2018 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 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

12 November 2018