PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 9 months ended 30 September 2017

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 2017

	Group			Group		
	3 months ended 30.09.2017 RMB'000	3 months ended 30.09.2016 RMB'000	+ / (-) %	9 months ended 30.09.2017 RMB'000	9 months ended 30.09.2016 RMB'000	+ / (-) %
Revenue	17,317	16,593	4.4	51,013	48,181	5.9
Cost of sales	(8,780)	(9,200)	(4.6)	(26,392)	(26,915)	(1.9)
Gross Profit	**8,537**	**7,393**	15.5	**24,521**	**21,266**	15.3
Other Income	128	(26)	n.m.	615	842	(27.0)
Selling and distribution costs	(5,277)	(4,821)	9.5	(15,862)	(14,111)	12.4
Administrative costs	(2,798)	(2,842)	(1.6)	(8,279)	(9,275)	(10.7)
Profit/(loss) from operations	**590**	**(296)**	n.m.	**995**	**(1,278)**	n.m
Finance income	31	54	(42.6)	102	172	(40.7)
Finance costs	(230)	(205)	12.2	(647)	(655)	(1.2)
Net finance (costs)/income	(199)	(151)	31.8	(545)	(483)	12.8
Profit/(loss) before tax	**392**	**(447)**	n.m.	**451**	**(1,761)**	n.m.
Income tax expense	(473)	-	n.m.	(473)	(9)	5,156
Profit/(loss) for the period	**(81)**	**(447)**	(81.9)	**(22)**	**(1,770)**	(98.8)
Attributable to:						
Equity holders of the Company	**(198)**	**(279)**	(29.0)	**(1,081)**	**(1,829)**	(40.9)
Non-controlling interest	117	(168)	n.m.	1,059	59	1,695
Profit/(loss) for the period	**(81)**	**(447)**	(81.9)	**(22)**	**(1,770)**	(98.8)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group			Group		
	3 months ended 30.09.2017 RMB'000	3 months ended 30.09.2016 RMB'000	+ / (-) %	9 months ended 30.09.2017 RMB'000	9 months ended 30.09.2016 RMB'000	+ / (-) %
Interest Income	31	54	(42.6)	102	172	(40.7)
Government grant	162	6	2,600	512	406	26.1
Allowance for doubtful receivables - trade	(46)	75	n.m.	(270)	66	n.m.
Depreciation and amortisation	(406)	(378)	7.4	(1,200)	(1,137)	5.5
Foreign exchange gain/(loss)	(35)	(32)	9.4	91	433	(79.0)

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended 30.09.2017 RMB'000	3 months ended 30.09.2016 RMB'000	9 months ended 30.09.2017 RMB'000	9 months ended 30.09.2016 RMB'000
Profit/(loss) for the period	**(81)**	**(447)**	**(22)**	**(1,770)**
Other comprehensive income	-	-	-	-
Total comprehensive income	**(81)**	**(447)**	**(22)**	**(1,770)**
Total comprehensive income attributable to**:**				
Equity holders of the Company	**(198)**	**(279)**	**(1,081)**	**(1,829)**
Non-controlling interest	117	(168)	1,059	59
	(81)	**(447)**	**(22)**	**(1,770)**

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 30.9.2017 RMB'000	As at 31.12.2016 RMB'000	As at 30.9.2017 RMB'000	As at 31.12.2016 RMB'000
Non-current assets				
Property, plant and equipment	11,348	11,339	-	3
Land use rights	8,007	2,848	-	-
Construction-in-progress	24,196	-	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	44,874	**15,510**	**54,999**	**55,002**
Current assets				
Inventories	9,072	7,167	-	-
Trade receivables	17,378	21,039	-	-
Prepaid expenses	858	436	98	73
Other receivables	9,765	34,352	896	3,895
Tax recoverable	328	328	-	-
Cash and cash equivalents	39,459	44,857	6,806	6,484
	76,860	**108,179**	**7,800**	**10,452**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	1,977	3,782	-	-
Accrued liabilities and other payables	7,887	8,176	1,100	764
Tax payable	565	404	8	11
	25,429	**27,362**	**1,108**	**775**
Net current assets	**51,431**	**80,817**	**6,692**	**9,677**
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	**488**	**-**	**-**
Net assets	**95,817**	**95,839**	**61,691**	**64,679**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	6,731	7,812	(22,023)	(19,035)
Share capital and Reserves	**90,445**	**91,526**	**61,691**	**64,679**
Non-controlling interest	5,372	4,313	-	-
Total equity	**95,817**	**95,839**	**61,691**	**64,679**

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 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 30 September 2017		As at 31 December 2016	
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 2017

	Group			
	3 months ended 30.09.2017 RMB'000	3 months ended 30.09.2016 RMB'000	9 months ended 30.09.2017 RMB'000	9 months ended 30.09.2016 RMB'000
Cash flows from operating activities				
Profit/(loss) before tax	392	(447)	451	(1,761)
Adjustments for:				
Allowance for/(Reversal of) doubtful debts	46	(75)	270	(66)
Depreciation and amortisation	406	378	1,200	1,137
Interest expense	230	205	647	655
Interest income	(31)	(54)	(102)	(172)
Operating profit/(loss) before changes in working capital	1,043	7	2,466	(207)
Changes in working capital				
Trade receivables	3,944	2,084	3,391	3,564
Prepayments, deposits and other receivables	(1,477)	(1,140)	3,282	(1,091)
Inventories	(321)	(304)	(1,905)	(1,336)
Trade payables	124	(200)	(1,804)	1,110
Accrued liabilities and other payables	1,424	1,614	(291)	246
Cash flows from operations	4,737	2,061	5,139	2,286
Interest received	31	54	102	172
Interest paid	(230)	(205)	(647)	(655)
Income tax paid	-	-	(312)	(10)
Net cash flows from operating activities	**4,538**	**1,910**	**4,282**	**1,793**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(80)	(184)	(1,051)	(513)
Acquisition of subsidiary (see note below)	-	-	(8,585)	-
Acquisition of construction in progress	(27)	-	(44)	-
Net cash flows from/(used in) investing activities	**(107)**	**(184)**	**(9,680)**	**(513)**
Cash flows from financing activities				
Proceeds from bank borrowing	-	-	-	-
Net cash flows from financing activities	**-**	**-**	**-**	**-**
Net increase in cash and cash equivalents	4,431	1,726	(5,398)	1,280
Cash and cash equivalents at beginning of period	35,028	76,697	44,857	77,143
Cash and cash equivalents at end of period	**39,459**	**78,423**	**39,459**	**78,423**
During the 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 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**
At 1 January 2016	83,714	4,431	11,924	(3,903)	96,166	4,724	100,890
Total comprehensive income	-	-	-	(1,096)	(1,096)	29	(1,067)
At 31 March 2016	83,714	4,431	11,924	(4,999)	95,070	4,753	99,823
Total comprehensive income	-	-	-	(454)	(454)	198	(256)
At 30 June 2016	83,714	4,431	11,924	(5,453)	94,616	4,951	99,567
Total comprehensive income	-	-	-	(279)	(279)	(168)	(447)
At 30 September 2016	**83,714**	**4,431**	**11,924**	**(5,732)**	**94,337**	**4,783**	**99,120**

Company In RMB'000	**Share Capital**	**Employee Share Options Reserve**	**Accumulated Losses**	**Total Equity**
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**
At 1 January 2016	83,714	4,431	(23,651)	64,494
Total comprehensive income	-	-	(890)	(890)
At 31 March 2016	83,714	4,431	(24,541)	63,604
Total comprehensive income	-	-	(1,358)	(1,358)
At 30 June 2016	83,714	4,431	(25,899)	62,246
Total comprehensive income	-	-	(1,133)	(1,133)
At 30 September 2016	**83,714**	**4,431**	**(27,032)**	**61,113**

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 2016.

Share Options
As at 30 September 2017, 1,020,000 (31 December 2016: 1,020,000) share options remained unexercised under the Company's Share Option Scheme which had expired as of 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 2017 and 31 December 2016 - 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.**

The Group has adopted all the new and revised financial reporting standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to the Group and effective for the financial period beginning on or after 1 January 2017. The adoption of these new and revised FRS and INT FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

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.**

Not applicable.

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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
(i) Based on weighted average number of shares (RMB cents)	(0.86)	(1.21)	(4.70)	(7.95)
Weighted average number of shares	23,000,000	20,000,000	23,000,000	20,000,000
(ii) On a fully diluted basis[1] (RMB cents)	(0.86)	(1.21)	(4.70)	(7.95)
Adjusted weighted average number of shares	23,000,000	20,000,000	23,000,000	20,000,000

[1] As at balance sheet date, the Company has outstanding share options granted to employees. Since the exercise price of these share options is above the quoted market price of the Company's shares for the financial periods, the options are non-dilutive. As such, the options have no dilution effect on the earnings per share of the Group for the financial periods.

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	**30.09.2017**	**31.12.2016**	**30.09.2017**	**31.12.2016**
Net asset value per ordinary share	3.93	3.98	2.68	2.81
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 increased by RMB 0.7 million or 4.4% from RMB 16.6 million for 3Q 2016 to RMB 17.3 million for 3Q 2017, mainly due to higher revenue from the Group's non-prescribed drugs/distribution segment which increased by RMB 1.1 million. Revenue from prescribed drugs segment decreased by RMB 0.4 million following lower orders for ATT products.

Gross profit margin increased from 44.6% in 3Q 2016 to 49.3% in 3Q 2017 mainly due to higher margins of ATT products. Other income was RMB 0.1 million in 3Q 2017, mainly due to government grant and foreign exchange loss.

Selling and distribution costs increased by RMB 0.5 million or 9.5% from RMB 4.8 million in 3Q 2016 to RMB 5.3 million in 3Q 2017 mainly due to higher revenue. Administrative costs remained constant at RMB 2.8 million in 3Q 2017 and 3Q 2016.

Finance income for 3Q 2017 decreased by RMB 23,000 from RMB 54,000 in 3Q 2016 to RMB 31,000 in 3Q 2017 mainly due to lower interest income from cash and cash equivalents. Finance costs increased by RMB 25,000 from RMB 205,000 in 3Q 2016 to RMB 230,000 in 3Q 2017 mainly due to higher interest rates.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 0.2 million for 3Q 2017, as compared to net loss after tax of RMB 0.3 million in 3Q 2016. The profit attributable to non-controlling interest of RMB 0.1 million came from our 51% owned subsidiary, Sichuan Longlife Pharmaceutical Co., Ltd ("Longlife") which was profitable in 3Q 2017.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 44.9 million as at 30 September 2017, an increase of RMB 29.4 million from RMB 15.5 million as at 31 December 2016. This was mainly due to increase of land use rights of RMB 5.2 million and increase of construction-in-progress of RMB 24.2 million arising from the acquisition of subsidiary, Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd ("**Jiangyou**").

The Group's current assets were RMB 76.9 million as at 30 September 2017, a decrease of RMB 31.3 million from RMB 108.2 million as at 31 December 2016. This was mainly due to lower other receivables and cash & cash equivalents and higher inventories. Other receivables decreased mainly due to the decrease in loans to Jiangyou and payments for the acquisition of the shares of Jiangyou. Inventories increased mainly due to higher inventory levels for ErDing granules.

The Group's current liabilities were RMB 25.4 million as at 30 September 2017, a decrease of RMB 2.0 million from RMB 27.4 million as at 31 December 2016 mainly due to decrease in trade payables, accrued liabilities and other payables and increase in tax payable.

CASH FLOW STATEMENT

The Group's net cash flow from operating activities for the 3rd quarter was RMB 4.5 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 0.1 million, incurred mainly for the purchase of plant and equipment.

As at 30 September 2017, the Group had cash and cash equivalents of RMB 39.5 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 FY2017.

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 prescribed drugs industry remains challenging. The Group continues to focus on its non-prescribed drugs, especially Er Ding granules. The Group has obtained the necessary approval to manufacture the revised product, sugarless Er Ding granules which will replace our current product, Er Ding granules with sugar. This is a positive development for the Group. Environmental regulatory changes have delayed the completion of our third manufacturing facility located at Jiangyou. It is currently under construction and is scheduled for completion in Q3 FY2018.

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 2017.

13. Interested Person Transactions.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Sichuan Neautus Traditional Chinese Medicine Co., Ltd (四川新荷花中药饮片股份有限公司 - Purchase of raw materials	Nil	RMB 9,563,063

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 2017 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

JIANG YUN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

9 November 2017