

PHARMESIS INTERNATIONAL LTD.

 Co. Registration No. 200309641E

Unaudited Condensed Interim Financial Statements for the 6 months ended 30 June 2022

A. UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF ENDED 30 JUNE 2022

	Group		
	6 months ended 30.06.2022	6 months ended 30.06.2021	
	RMB'000	RMB'000	
Revenue	18,767	25,159	(25.4)
Cost of sales	(9,219)	(12,910)	(28.6)
Gross Profit	9,548	12,249	(22.1)
Other income	13	183	(92.7)
Selling and distribution costs	(6,666)	(7,844)	(15.0)
Administrative costs	(5,552)	(4,176)	32.9
(Loss)/profit from operations	(2,657)	412	n.m.
Finance income	15	18	(18.7)
Finance costs	(467)	(488)	(4.2)
Net finance costs	(452)	(470)	(3.8)
Loss before tax	(3,109)	(58)	5,260
Income tax expense	(12)	(1)	1,135
Loss for the period	(3,121)	(59)	5,190
Attributable to:			
Equity holders of the Company	(3,052)	(299)	920.7
Non-controlling interest	(69)	240	n.m.
Loss for the period	(3,121)	(59)	5,190
Loss per share (RMB cents)			
Basic and diluted	(13.3)	(1.3)	

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group		+ / (-) %
	6 months ended 30.06.2022	6 months ended 30.06.2021	
	RMB'000	RMB'000	
Finance income	15	18	(18.7)
Government grant	13	170	(92.4)
Allowance for expected credit loss - trade	(150)	(4)	3,650
Depreciation and amortisation	(1,003)	(871)	15.2
Foreign exchange loss	(14)	(2)	600

n.m. denotes not meaningful

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	6 months ended 30.06.2022	6 months ended 30.06.2021
	RMB'000	RMB'000
Loss for the period	(3,121)	(59)
Other comprehensive income	-	-
Total comprehensive income	(3,121)	(59)
Total comprehensive income attributable to:		
Equity holders of the Company	(3,052)	(299)
Non-controlling interest	(69)	240
	(3,121)	(59)

B. UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30.6.2022 RMB'000	As at 31.12.2021 RMB'000	As at 30.6.2022 RMB'000	As at 31.12.2021 RMB'000
Non-current assets				
Property, plant and equipment	44,194	44,528	–	1
Right-of-use assets	8,261	8,591	83	116
Investments in subsidiaries	–	–	54,999	54,999
Goodwill on consolidation	1,323	1,323	–	–
Other current assets	1,095	1,095	–	–
	54,873	55,537	55,082	55,116
Current assets				
Inventories	11,316	8,806	–	–
Trade receivables	6,615	12,803	–	–
Prepaid expenses	1,281	156	–	13
Other receivables	1,287	1,294	17	18
Tax recoverable	106	106	–	–
Cash and cash equivalents	11,836	13,976	2,217	339
	32,441	37,141	2,234	370
Current liabilities				
Bank borrowings	15,000	15,000	–	–
Trade payables	4,144	4,430	–	–
Accrued liabilities and other payables	9,028	10,749	642	893
Lease liabilities	392	392	67	67
Tax payable	181	220	6	–
	28,745	30,791	715	960
Net current assets	3,696	6,350	1,519	(590)
Non-current liabilities				
Lease liabilities	1,548	1,745	18	51
	1,548	1,745	18	51
Net assets	57,021	60,142	56,583	54,475
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	(29,302)	(26,251)	(27,131)	(29,239)
Share capital and Reserves	54,412	57,463	56,583	54,475
Non-controlling interest	2,609	2,679	–	–
Total equity	57,021	60,142	56,583	54,475

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 2022		As at 31 December 2021	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 30 June 2022		As at 31 December 2021	
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 2022

	Group	
	6 months ended 30.06.2022	6 months ended 30.06.2021
	RMB'000	RMB'000
Cash flows from operating activities		
Loss before tax	(3,109)	(58)
Adjustments for:		
Allowance for expected credit loss - trade	150	4
Depreciation and amortisation	1,003	871
Loss on disposal of property, plant and equipment	—	6
Interest expense	467	488
Interest income	(15)	(18)
Operating (loss)/profit before changes in working capital	(1,504)	1,293
Changes in working capital		
Trade receivables	5,986	1,478
Prepayments, deposits and other receivables	(1,066)	(50)
Inventories	(2,510)	(745)
Trade payables	(286)	1,912
Accrued liabilities and other payables	(1,721)	(4,093)
Cash used in operations	(1,101)	(205)
Interest received	15	18
Interest paid	(467)	(488)
Income tax paid	(51)	(13)
Net cash flows used in operating activities	(1,604)	(688)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(339)	(1,155)
Net cash flows used in investing activities	(339)	(1,155)
Cash flows from financing activities		
Proceeds from bank borrowings	15,000	15,000
Repayment of bank borrowings	(15,000)	(15,000)
Repayment of principal portion of lease liabilities	(197)	(119)
Net cash flows used in financing activities	(197)	(119)
Net decrease in cash and cash equivalents	(2,140)	(1,962)
Cash and cash equivalents at beginning of period	13,976	15,187
Cash and cash equivalents at end of period	11,836	13,225

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 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
At 1 January 2021	83,714	(10,471)	11,602	(28,552)	56,293	1,882	58,175
Total comprehensive income	–	–	–	(299)	(299)	240	(59)
At 30 June 2021	83,714	(10,471)	11,602	(28,851)	55,994	2,122	58,116

<u>Company</u> <u>In RMB'000</u>	Share Capital	Accumulated Losses	Total Equity
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
At 1 January 2021	83,714	(28,708)	55,006
Total comprehensive income	–	559	559
At 30 June 2021	83,714	(28,149)	55,565

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 2022 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 2021.

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 2022. 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 2021.

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. Starting from FY2021, the Western drugs and TCM formulated drugs segments will be fully responsible for their own distributions and no longer marketed through the distribution arm.

Analysis by business segment

<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)
Loss 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

<u>6 months ended 30.06.2021</u>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	7,347	17,812	-	-	25,159
Inter segment	-	-	-	-	-
Total Revenue	7,347	17,812	-	-	25,159
Result					
Segment result	122	1,631	(81)		1,672
Unallocated corporate expenses					(1,260)
Profit from operations					412
Finance income	5	13	-		18
Finance costs	(29)	(459)	-		(488)
Income tax expense	(1)	-	-		(1)
Loss before non-controlling interest					(59)
Non-controlling interest					(240)
Net loss attributable to equity holders of the Company					(299)
Assets and liabilities					
Segment assets	19,910	67,430	310		87,650
Unallocated corporate assets					1,238
Total assets					88,888
Segment liabilities	2,904	27,000	197		30,101
Unallocated corporate liabilities					671
Total liabilities					30,772
Other segment information					
Capital expenditure	9	1,146	-		1,155
Depreciation and amortisation	413	419	39		871
Finance income	(5)	(13)	-		(18)
Finance costs	29	459	-		488
Allowance for expected credit loss - trade	102	(93)	(5)		4
Loss on disposal of property, plant and equipment	-	6	-		6

E4. Disaggregation of Revenue

	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Group RMB'000
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
6 months ended 30.06.2021				
Revenue				
Western drugs	7,347	–	–	7,347
TCM formulated drugs	–	17,812	–	17,812
Total Revenue	7,347	17,812	–	25,159
Timing of transfer of goods or services				
At a point in time	7,347	17,812	–	25,159
Primary geographical market				
People's Republic of China	7,347	17,812	–	25,159

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 2022 and 31 December 2021:

	<u>Group</u>		<u>Company</u>	
	As at 30.06.22 RMB'000	As at 31.12.21 RMB'000	As at 30.06.22 RMB'000	As at 31.12.21 RMB'000
Group				
Financial assets				
Trade receivables	6,615	12,803	–	–
Other receivables	1,287	1,294	17	18
Cash and cash equivalents	11,836	13,976	2,217	339
Total	19,738	28,073	2,234	357
Financial liabilities				
Bank borrowings	15,000	15,000	–	–
Trade and other payables and accrued liabilities (excluding VAT payable and advances from customers)	12,255	13,793	642	893
Lease liabilities	1,940	2,137	85	118
Total	29,195	30,930	727	1,001

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

There is no change in the Company's issued share capital since the previous financial period ended 31 December 2021.

- 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 30 June 2022 and 31 December 2021: 23,000,000 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 2021.

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 2022. 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 30.06.2022	6 months ended 30.06.2021
(i) Based on weighted average number of shares	(13.3)	(1.3)
Weighted average number of shares	23,000,000	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	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Net asset value(“NAV”) per ordinary share	2.37	2.50	2.46	2.37
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

Starting from March 2022, China has faced its worst Covid-19 outbreak since 2020. China Government continued with its zero-Covid strategy of swift lockdowns of cities affected by the pandemic. Many cities in China, including Shanghai and Beijing were under lockdown during the first half of 2022. During lockdowns, residents only consumed daily necessities and decreased their consumption expenses. Hence, the demand for our products fell significantly in the first half of 2022.

As a result, the Group's revenue decreased by RMB 6.4 million or 25.4% from RMB 25.2 million in 1H 2021 to RMB 18.8 million in 1H 2022. Revenue from prescribed drugs decreased by RMB 1.3 million mainly due to lower revenue from ATT products. Revenue from non-prescribed drugs segment decreased by RMB 5.1 million mainly due to lower revenue from Er Ding products.

Gross profit margin increased slightly from 48.7% in 1H 2021 to 50.9% in 1H 2022, mainly due to higher percentage of revenue from prescribed drugs with higher margins. Other income was RMB 13,000 in 1H 2022 as compared to RMB 0.2 million in 1H 2021, mainly due to lower government grants.

Selling and distribution costs decreased from RMB 7.8 million in 1H 2021 to RMB 6.7 million in 1H 2022 mainly due to decrease in revenue. Administrative costs increased from RMB 4.2 million in 1H 2021 to RMB 5.6 million for 1H 2022 mainly due to higher personnel expenses, social insurance expenses, allowances for expected credit loss, depreciation etc.

Finance income decreased from RMB 18,000 in 1H 2021 to RMB 15,000 in 1H 2022 mainly due to lower cash and cash equivalents. Finance costs decreased slightly from RMB 488,000 in 1H 2021 to RMB 467,000 in 1H 2022.

As a result of the above, the Group recorded a net loss after tax attributable to equity holders of the Company of RMB 3.1 million in 1H 2022, as compared to a net loss after tax of RMB 0.3 million in 1H 2021.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 54.9 million as at 30 June 2022, a decrease of RMB 0.6 million from RMB 55.5 million as at 31 December 2021. This was mainly due to the decrease in property, plant and equipment and right-of-use assets.

The Group's current assets were RMB 32.4 million as at 30 June 2022, a decrease of RMB 4.7 million from RMB 37.1 million as at 31 December 2021. This was mainly due to lower trade receivables, cash and cash equivalents and higher inventories and prepaid expenses.

The Group's current liabilities were RMB 28.8 million as at 30 June 2022, a decrease of RMB 2.0 million from RMB 30.8 million as at 31 December 2021 mainly due to decrease in trade payables, accrued liabilities and other payables and tax payables.

The Group's non-current liabilities were RMB 1.5 million as at 30 June 2022, a decrease of RMB 0.2 million from RMB 1.7 million as at 31 December 2021 mainly due to decrease in lease liabilities.

STATEMENT OF CASH FLOWS

The Group's net cash flow used in operating activities for the first half was RMB 1.6 million, mainly due to cash used in its operations and interest paid.

Net cash used in investing activities for the first half amounted to RMB 0.3 million, incurred mainly for the acquisition of plant and equipment.

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

As at 30 June 2022, the Group had cash and cash equivalents of RMB 11.8 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 2021.

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 sales continue to be adversely affected by the wave of COVID-19 Omicron infection, as China Government continues with its zero-tolerance policy. The outlook of the year ahead remains challenging as our drugs continue to face intense competition and pricing pressure along with the domestic economic uncertainties due to the COVID-19 pandemic. The Group maintains a "cautious outlook", amid the fluid, evolving situation of the Covid-19 pandemic. 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 2022 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 2022 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.**

Not applicable.

BY ORDER OF THE BOARD

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

12 August 2022