PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 12 months ended 31 December 2016

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 FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2016

	Group			Group		
	3 months ended 31.12.2016 RMB'000	3 months ended 31.12.2015 RMB'000	+ / (-) %	12 months ended 31.12.2016 RMB'000	12 months ended 31.12.2015 RMB'000	+ / (-) %
Revenue	20,658	16,336	26.5	68,839	62,400	10.3
Cost of sales	(11,322)	(8,726)	29.8	(38,237)	(29,067)	31.5
Gross profit	**9,336**	**7,610**	22.7	**30,602**	**33,333**	(8.2)
Other income	(43)	2,271	n.m.	799	2,559	(68.8)
Selling and distribution costs	(7,806)	(4,879)	60.0	(21,917)	(20,985)	4.4
Administrative costs	(2,689)	(2,729)	(1.5)	(11,964)	(11,579)	3.3
Other costs	(1,247)	(407)	206.4	(1,247)	(407)	206.4
(Loss)/profit from operations	**(2,449)**	**1,866**	n.m.	**(3,727)**	**2,921**	n.m.
Finance income	78	40	95.0	250	1,163	(78.5)
Finance costs	(220)	(283)	(22.3)	(875)	(950)	(7.9)
Net finance (costs)/income	(142)	(243)	(41.6)	(625)	213	n.m.
(Loss)/profit before tax	**(2,591)**	**1,623**	n.m.	**(4,352)**	**3,134**	n.m.
Income tax expense	(690)	(7)	9,757.1	(699)	(7)	9,885.7
(Loss)/profit for the period	**(3,281)**	**1,616**	n.m.	**(5,051)**	**3,127**	n.m.
Attributable to:						
Equity holders of the Company	**(2,811)**	**1,749**	n.m.	**(4,640)**	**2,449**	n.m.
Non-controlling interest	(470)	(133)	253.4	(411)	678	n.m.
(Loss)/profit for the period	**(3,281)**	**1,616**	n.m.	**(5,051)**	**3,127**	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 31.12.2016 RMB'000	3 months ended 31.12.2015 RMB'000	+ / (-) %	12 months ended 31.12.2016 RMB'000	12 months ended 31.12.2015 RMB'000	+ / (-) %
Interest income	78	40	95.0	250	1,163	(78.5)
Interest expense	(220)	(283)	(22.3)	(875)	(950)	(7.9)
Gain on sale of held for trading investment securities	-	-	-	-	288	n.m.
(Allowance for)/reversal of doubtful debts – trade	(62)	(68)	(8.8)	4	6	(33.3)
Reversal of/(allowance for) stock obsolescence	108	(126)	n.m.	108	(126)	n.m.
Depreciation and amortisation	(413)	(336)	22.9	(1,550)	(1,762)	(12.0)
Foreign exchange (loss)/gain	(96)	196	n.m.	337	184	83.2
Impairment loss on property, plant and equipment	(1,247)	(407)	206.4	(1,247)	(407)	206.4

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended 31.12.2016 RMB'000	3 months ended 31.12.2015 RMB'000	12 months ended 31.12.2016 RMB'000	12 months ended 31.12.2015 RMB'000
Net (loss)/profit for the period	**(3,281)**	**1,616**	**(5,051)**	**3,127**
Other comprehensive income	-	-	-	-
Total comprehensive income	**(3,281)**	**1,616**	**(5,051)**	**3,127**
Total comprehensive income attributable to:				
Equity holders of the Company	**(2,811)**	**1,749**	**(4,640)**	**2,449**
Non-controlling interest	(470)	(133)	(411)	678
	(3,281)	**1,616**	**(5,051)**	**3,127**

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 31.12.2016 RMB'000	As at 31.12.2015 RMB'000	As at 31.12.2016 RMB'000	As at 31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	11,339	13,166	3	30
Land use rights	2,848	2,950	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	15,510	**17,439**	**55,002**	**55,029**
Current assets				
Inventories	7,167	6,755	-	-
Trade receivables	21,039	21,071	-	-
Prepaid expenses	436	728	73	56
Other receivables	34,352	1,442	3,895	3,027
Tax recoverable	328	328	-	-
Cash and cash equivalents	44,857	77,143	6,484	6,953
	108,179	**107,467**	**10,452**	**10,036**
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	3,782	2,930	-	-
Accrued liabilities and other payables	8,176	5,587	764	560
Tax payable	404	11	11	11
	27,362	**23,528**	**775**	**571**
Net current assets	**80,817**	**83,939**	**9,677**	**9,465**
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	**488**	**-**	**-**
Net assets	**95,839**	**100,890**	**64,679**	**64,494**
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	7,812	12,452	(19,035)	(19,220)
Share capital and Reserves	**91,526**	**96,166**	**64,679**	**64,494**
Non-controlling interest	4,313	4,724	-	-
Total equity	**95,839**	**100,890**	**64,679**	**64,494**

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 31 December 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

Amount repayable after one year

In RMB'000

As at 31 December 2016		As at 31 December 2015	
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 STATEMENT OF CASH FLOWS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

	Group			
	3 months ended 31.12.2016	3 months ended 31.12.2015	12 months ended 31.12.2016	12 months ended 31.12.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before tax	(2,591)	1,623	(4,352)	3,134
Adjustments for:				
Allowance for/(reversal of) doubtful debts – trade	62	68	(4)	(6)
(Reversal of)/allowance for stock obsolescence	(108)	126	(108)	126
Depreciation and amortisation	413	336	1,550	1,762
Gain on sale of held for trading investment securities	-	-	-	(288)
Interest income	(78)	(40)	(250)	(1,163)
Interest expense	220	228	875	869
Impairment loss on property, plant and equipment	1,247	407	1,247	407
Operating (loss)/profit before changes in working capital	(835)	2,748	(1,042)	4,841
Changes in working capital				
Trade receivables	(3,527)	(694)	36	2,214
Prepayments, deposits and other receivables	(30,995)	4,093	(32,618)	1,336
Inventories	1,032	278	(304)	(1,479)
Trade payables	(359)	(402)	852	902
Accrued liabilities and other payables	1,912	626	2,589	(433)
Cash generated from operations	(32,772)	6,649	(30,487)	7,381
Interest received	78	40	250	4,176
Interest paid	(220)	(228)	(875)	(869)
Income tax paid	(297)	(6)	(306)	(17)
Net cash flows (used in)/from operating activities	**(33,211)**	**6,455**	**(31,418)**	**10,671**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(355)	(108)	(868)	(1,531)
Proceeds from gain on sale of held for trading investment securities	-	-	-	288
Proceeds from maturity of structured deposit	-	-	-	15,000
Net cash flows (used in)/from investing activities	**(355)**	**(108)**	**(868)**	**13,757**
Cash flows from financing activities				
Advance against share application	-	-	-	2,229
Proceeds from issuance of shares	-	4,448	-	4,448
Shares issuance expense	-	(278)	-	(278)
Proceeds from bank borrowing	-	-	-	10,000
Net cash flows from financing activities	**-**	**4,170**	**-**	**16,399**
Net (decrease)/increase in cash and cash equivalents	(33,566)	10,517	(32,286)	40,827
Cash and cash equivalents at beginning of period	78,423	66,626	77,143	36,316
Cash and cash equivalents at end of period	**44,857**	**77,143**	**44,857**	**77,143**

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 losses**	**Total**	**Non-controlling Interest**	**Total Equity**
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
Total comprehensive income	-	-	-	(2,811)	(2,811)	(470)	(3,281)
At 31 December 2016	**83,714**	**4,431**	**11,924**	**(8,543)**	**91,526**	**4,313**	**95,839**
At 1 January 2015	77,315	4,431	11,924	(6,352)	87,318	4,046	91,364
Total comprehensive income	-	-	-	296	296	(145)	151
At 31 March 2015	77,315	4,431	11,924	(6,056)	87,614	3,901	91,515
Total comprehensive income	-	-	-	150	150	443	593
At 30 June 2015	77,315	4,431	11,924	(5,906)	87,764	4,344	92,108
Total comprehensive income	-	-	-	254	254	513	767
At 30 September 2015	77,315	4,431	11,924	(5,652)	88,018	4,857	92,875
Issuance of shares pursuant to private placement	6,677	-	-	-	6,677	-	6,677
Shares issuance expense	(278)	-	-	-	(278)	-	(278)
Total comprehensive income	-	-	-	1,749	1,749	(133)	1,616
At 31 December 2015	**83,714**	**4,431**	**11,924**	**(3,903)**	**96,166**	**4,724**	**100,890**

UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company In RMB'000	Share Capital	Employee Share Options Reserve	Accumulated Losses	Total Equity
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
Total comprehensive income	-	-	3,566	3,566
At 31 December 2016	**83,714**	**4,431**	**(23,466)**	**64,679**
At 1 January 2015	77,315	4,431	(24,117)	57,629
Total comprehensive income	-	-	(943)	(943)
At 31 March 2015	77,315	4,431	(25,060)	56,686
Total comprehensive income	-	-	(942)	(942)
At 30 June 2015	77,315	4,431	(26,002)	55,744
Total comprehensive income	-	-	2,885	2,885
At 30 September 2015	77,315	4,431	(23,117)	58,629
Issuance of shares pursuant to private placement	6,677	-	-	6,677
Shares issuance expense	(278)	-	-	(278)
Total comprehensive income	-	-	(534)	(534)
At 31 December 2015	**83,714**	**4,431**	**(23,651)**	**64,494**

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 2015.

Share Options
As at 31 December 2016, 1,020,000 (31 December 2015: 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:
31 December 2016: 23,000,000 ordinary shares

31 December 2015: 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 under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2015.

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 the new and revised FRSs and Interpretation of FRS (INT FRS) that are effective for financial periods beginning 1 January 2016. The adoption of these new and revised FRS and INT FRSs did not have material effect on the financial performance or position 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	Year ended 31.12.2016	Year ended 31.12.2015
(i) Based on weighted average number of shares	(20.2)	11.8
Weighted average number of shares	23,000,000	20,747,945
(ii) On a fully diluted basis[(1)]	(20.2)	11.8
Adjusted weighted average number of shares	23,000,000	20,747,945

[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 years, the options are non-dilutive. As such, the options have no dilution effect on the earnings per share of the Group for the financial years.

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	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Net asset value per ordinary share	3.98	4.18	2.81	2.80
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

Three Months Ended 31 December 2016

The Group's revenue increased by RMB 4.4 million or 26.5% from RMB 16.3 million for 4Q 2015 to RMB 20.7 million for 4Q 2016, mainly due to higher revenue from both the Group's non-prescribed drugs /distribution segment, and prescribed drugs segment.

Gross profit margin decreased from 46.6% in 4Q 2015 to 45.2% in 4Q 2016. The decrease was due to higher raw materials costs and higher percentage contribution from low margin non-prescribed drugs/distribution segment, particularly for ErDing granules. Other income was RMB (43,000) for 4Q 2016, mainly due to foreign exchange loss in 4Q 2016.

Selling and distribution costs increased by RMB 2.9 million or 60.0% to RMB 7.8 million for 4Q 2016 mainly due to higher corresponding sales. Administrative costs decreased by RMB 40,000 or 1.5% to RMB 2.6 million for 4Q 2016 mainly due to reversal of allowance for stock obsolescence in 4Q 2016 as compared to provision of allowance for stock obsolescence in 4Q 2015.

Other costs increased by RMB 0.8 million or 206% from RMB 0.4 million for 4Q 2015 to RMB 1.2 million for 4Q 2016 was due to impairment made on property, plant and equipment for the Group's oral liquid production facility.

Finance income for 4Q 2016 increased by RMB 38,000 to RMB 78,000, mainly due to higher interest income from cash and cash equivalents. Finance costs was lower for 4Q 2016 as compared to 4Q 2015 mainly due to lower interest rates.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 2.8 million for 4Q 2016, as compared to a net profit after tax of RMB 1.7 million for 4Q 2015.

Full Year Ended 31 December 2016

The Group's FY 2016 revenue increased by RMB 6.4 million or 10.3% from RMB 62.4 million in FY 2015 to RMB 68.8 million in FY 2016 mainly due to higher sales from non-prescribed drugs segment brought on by increasing demand for ErDing granules. Overall, non-prescribed drugs/distribution segment increased by RMB 8.1 million while prescribed drugs segment decreased by RMB 1.7 million for FY 2016.

Gross profit margin decreased from 53.4% in FY 2015 to 44.5% in FY 2016. The decrease was due to higher raw materials costs and higher percentage contribution from low margin non-prescribed drugs/distribution segment, particularly for ErDing granules.

Other income decreased by RMB 1.8 million to RMB 0.8 million in FY 2016 mainly due to government grant of $0.5 million in FY2016 and a relocation compensation of RMB 2.0 million and a RMB 0.3 million gain on sale of held for trading investment securities in FY 2015.

Selling and distribution costs increased by RMB 0.9 million or 4.4% from RMB 21.0 million in FY 2015 to RMB 21.9 million in FY 2016 mainly due to higher corresponding sales. Administrative costs increased by RMB 0.4 million or 3.3% from RMB 11.6 million in FY 2015 to RMB 12.0 million in FY 2016 mainly due to higher professional fees incurred. Other costs of RMB 1.2 million for FY 2016 was due to impairment made on the Group's oral liquid production facility.

Finance income decreased for FY 2016 mainly due to the absence of interest income from structured deposit after it had matured in March 2015. Finance costs decreased for FY 2016 mainly due to lower interest rates.

As a result of the above, the Group recorded a net loss attributable to shareholders of RMB 4.6 million for FY 2016 compared to a profit of RMB 2.4 million for FY 2015.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 15.5 million as at 31 December 2016, a decrease of RMB 1.9 million from RMB 17.4 million as at 31 December 2015. This was mainly due to capital expenditure of RMB 0.9 million, offset by depreciation of the Group's property, plant and equipment and amortisation of its land use rights totalling RMB 1.6 million and impairment of RMB 1.2 million pertaining to the Group's oral liquid production facility.

The Group's current assets were RMB 108.2 million as at 31 December 2016, an increase of RMB 0.7 million from RMB 107.5 million as at 31 December 2015. This was mainly due to higher inventories, higher other receivables offset by lower cash and cash equivalents. Inventories increased mainly due to higher level of work-in-progress for ErDing granules in anticipation of the continued strong market demand. Other receivables increased to RMB 34.4 million as at 31 December 2016, mainly due to loans to Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd. ("**Jiangyou Neautus**", the company to be acquired as 100% wholly owned subsidiary in FY 2017), and payments for the acquisition of the shares of Jiangyou Neautus and Ying Bin property. Cash and cash equivalents decreased mainly due payments made in relation to the increase in other receivables.

The Group's current liabilities were RMB 27.4 million as at 31 December 2016, an increase of RMB 3.9 million from RMB 23.5 million as at 31 December 2015 mainly due to higher trade payables, other payables and tax payable.

STATEMENT OF CASH FLOWS

The Group's net cash flow used in operating activities of RMB 31.4 million for the FY 2016 was mainly brought by its operating loss and payments made in relation to the acquisition of the shares of Jiangyou Neautus and Ying Bin property resulting in the increase in other receivables.

Net cash outflow from investing activities of RMB 0.9 million was mainly due to capital expenditure mainly for acquisition of plant & machinery.

As at the end of 31 December 2016, the Group had a cash and cash equivalents of RMB 44.9 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 3Q FY 2016.

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 plan to expand its production capacity in order to grow its revenue will take place in 2017. The Group will complete the construction of the acquired Jiangyou industrial complex, installation of production equipment and registration of licenses and regulatory approval to commence production. It is expected to commence production by the end of 2017. The Group's prescribed drugs will continue to face intense competition and pricing pressure given the highly competitive and regulated nature of China's pharmaceutical industry. The Group will continue to sign on new distributors to expand its distribution network and market share. The Group is committed to enhance shareholder value and will continue to lookout for new business opportunities.

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 year ended 31 December 2016.

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.

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	RMB 1,958,642	RMB 3,235,141

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 fourth quarter and the financial year ended 31 December 2016 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 1.43 million from the issuance of 3 million new ordinary shares at the issue price of SGD 0.50 per share in 2015.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

17. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Analysis by business segment

Year ended 31 December 2016	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	20,174	16,748	31,917	-	68,839
Inter segment	551	25,274	-	(25,825)	-
Total Revenue	**20,725**	**42,022**	**31,917**	**(25,825)**	**68,839**
Result					
Segment result	(899)	312	1,571		984
Unallocated corporate expenses					(4,711)
Loss from operations					(3,727)
Finance income	204	4	42		250
Finance costs	(11)	(857)	(7)		(875)
Income tax expense	-	(297)	(402)		(699)
Loss before non-controlling interest					(5,051)
Non-controlling interest					411
Net loss attributable to equity holders of the Company					(4,640)
Assets and liabilities					
Segment assets	72,789	36,053	8,259		117,101
Unallocated corporate assets					6,588
Total assets					123,689
Segment liabilities	2,833	22,981	1,261		27,075
Unallocated corporate liabilities					775
Total liabilities					27,850
Other segment information					
Capital expenditure	431	432	5		868
Depreciation and amortisation	920	592	38		1,550
Interest income	(204)	(4)	(42)		(250)
Interest expense	11	857	7		875
Allowance for/(reversal of) doubtful debts – trade	110	(4)	(110)		(4)
Allowance for/(reversal of) stock obsolescence	-	(108)	-		(108)
Impairment loss on property, plant and equipment	1,247	-	-		1,247

Year ended 31 December 2015	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	21,918	19,941	20,541	-	62,400
Inter segment	744	13,100	-	(13,844)	-
Total Revenue	**22,662**	**33,041**	**20,541**	**(13,844)**	**62,400**
Result					
Segment result	4,126	2,306	289		6,721
Unallocated corporate expenses					(3,800)
Loss from operations					2,921
Finance income	1,152	7	4		1,163
Finance costs	(16)	(930)	(4)		(950)
Income tax expense	-	-	(7)		(7)
Loss before non-controlling interest					3,127
Non-controlling interest					(678)
Net loss attributable to equity holders of the Company					2,449
Assets and liabilities					
Segment assets	87,277	25,388	5,175		117,840
Unallocated corporate assets					7,066
Total assets					124,906
Segment liabilities	1,336	21,021	600		22,957
Unallocated corporate liabilities					1,059
Total liabilities					24,016
Other segment information					
Capital expenditure	1,430	93	8		1,531
Depreciation and amortisation	993	724	45		1,762
Interest income	(1,152)	(7)	(4)		(1,163)
Interest expense	-	869	-		869
Allowance for/(reversal of) doubtful debts – trade	89	(47)	(48)		(6)
Allowance for stock obsolescence	-	126	-		126
Impairment loss on property, plant and equipment	407	-	-		407

No segmented analysis by geographical segment is provided as the principal assets employed by the Group are located in the PRC and the Group's turnover and profits were mainly derived from the sale of medicines to domestic customers in the PRC.

18. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 8 of Part I above.

19. A breakdown of sales.

	Group		
	2016	2015	Increase / (Decrease)
First Half	**RMB'000**	**RMB'000**	**%**
(a) Revenue	31,588	30,050	5.1
(b) Operating (loss)/profit after tax before non-controlling interest	(1,323)	744	n.m.
Second Half			
(a) Revenue	37,251	32,350	15.1
(b) Operating (loss)/profit after tax before non-controlling interest	(3,728)	2,383	n.m.

20. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

21. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	**Current position and duties, and the year the position was first held	**Details of changes in duties and position held, if any, during the year
Jiang Yun	55	Father of Jiang Ercheng, who is the Non-Independent Non-Executive Director and Substantial shareholder of the Company through his controlling interest in Emperor Wealth Holdings Limited.	Chief Executive Officer ("CEO") with effect from 1 July 2016 and Executive Director. Responsible for overseeing the overall management and operations of the Group as well as supervising the research and development activities.	Re-designation from Executive Chairman to CEO and Executive Director on 1 July 2016.

BY ORDER OF THE BOARD

JIANG YUN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

28 February 2017