

PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 3 months ended 31/03/2016

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 FIRST QUARTER ENDED 31 MARCH 2016

	Group 1Q 2016 RMB'000	1Q 2015 RMB'000	Increase / (Decrease) %
Revenue	14,313	14,038	2.0
Cost of sales	(7,682)	(5,635)	36.3
Gross Profit	6,631	8,403	(21.1)
Other income	279	-	100.0
Selling and distribution costs	(4,870)	(6,077)	(19.9)
Administrative costs	(2,948)	(3,072)	(4.0)
Loss from operations	(908)	(746)	21.7
Finance income	62	1,048	(94.1)
Finance costs	(213)	(151)	41.1
Net finance (costs)/income	(151)	897	n.m.
(Loss)/profit before tax	(1,059)	151	n.m.
Income tax expense	(8)	-	100.0
(Loss)/profit for the period	(1,067)	151	n.m.
Attributable to:			
Equity holders of the Company	(1,096)	296	n.m.
Non-controlling interest	29	(145)	n.m.
(Loss)/profit for the period	(1,067)	151	n.m.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group		Increase / (Decrease)
	1 Q 2016	1 Q 2015	
	RMB'000	RMB'000	%
Interest Income	62	1,048	(94.1)
Reversal of/(allowance for) doubtful trade debts	36	(138)	n.m.
Depreciation and amortisation	(380)	(461)	(17.6)
Foreign exchange gain/(loss)	279	(13)	n.m.

n.m. denotes not meaningful

2. UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	1 Q 2016	1 Q 2015
	RMB'000	RMB'000
Net (loss)/profit	(1,067)	151
Other comprehensive income	-	-
Total comprehensive (loss)/profit	(1,067)	151
Total comprehensive profit/(loss) attributable to:		
Equity holders of the Company	(1,096)	296
Non-controlling interest	29	(145)
	(1,067)	151

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 31.3.2016 RMB'000	As at 31.12.2015 RMB'000	As at 31.3.2016 RMB'000	As at 31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	13,021	13,166	23	30
Land use rights	2,924	2,950	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	17,268	17,439	55,022	55,029
Current assets				
Inventories	7,653	6,755	-	-
Trade receivables	19,232	21,071	-	-
Prepaid expenses	205	728	41	56
Other receivables	2,494	1,442	2,029	3,027
Tax recoverable	328	328	-	-
Cash and cash equivalents	75,070	77,143	6,885	6,953
	104,982	107,467	8,955	10,036
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	2,275	2,930	-	-
Accrued liabilities and other payables	4,654	5,587	363	560
Tax payable	10	11	10	11
	21,939	23,528	373	571
Net current assets	83,043	83,939	8,582	9,465
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	488	-	-
Net assets	99,823	100,890	63,604	64,494
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	11,356	12,452	(20,110)	(19,220)
Share capital and Reserves	95,070	96,166	63,604	64,494
Non-controlling interest	4,753	4,724	-	-
Total equity	99,823	100,890	63,604	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 March 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 March 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 PERIOD ENDED 31 MARCH 2016

	Group	
	1Q 2016	1Q 2015
	RMB'000	RMB'000
Cash flows from operating activities		
(Loss)/profit before tax	(1,059)	151
Adjustments for:		
(Reversal of)/allowance for doubtful trade debts	(36)	138
Depreciation and amortisation	380	461
Interest expense	213	151
Interest income	(62)	(1,048)
Operating loss before changes in working capital	(564)	(147)
Changes in working capital		
Trade receivables	1,875	1,922
Prepayments, deposits and other receivables	(529)	(2,478)
Inventories	(898)	129
Trade payables	(655)	(873)
Accrued liabilities and other payables	(933)	(994)
Cash used in from operations	(1,704)	(2,441)
Interest received	62	4,061
Interest paid	(213)	(151)
Income tax paid	(9)	-
Net cash flows (used in)/from operating activities	(1,864)	1,469
Cash flows from investing activities		
Acquisition of property, plant and equipment	(209)	(4)
Net cash flows used in investing activities	(209)	(4)
Cash flows from financing activities		
Proceeds from bank borrowing	-	10,000
Proceeds from maturity of structured deposit	-	15,000
Net cash flows from financing activities	-	25,000
Net (decrease)/increase in cash and cash equivalents	(2,073)	26,465
Cash and cash equivalents at the beginning of the year	77,143	36,316
Cash and cash equivalents at the end of the period	75,070	62,781

- 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

Group In RMB'000	Attributable to equity holders of the Company					Non-controlling Interest	Total Equity
	Share Capital	Employee Share Options Reserve	Statutory Reserve	Accumulated Losses	Total		
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
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

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
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

- 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 last financial year ended 31 December 2015.

Share Options

As at 31 March 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 March 2016 and 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.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those 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.**

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:-**

In RMB cents	Group	
	1Q 2016	1Q 2015 (Restated) ¹
(i) Based on weighted average number of shares	(4.8)	1.5
Weighted average number of shares	23,000,000	20,000,000
(ii) On a fully diluted basis*	(4.8)	1.5
Adjusted weighted average number of shares	23,000,000	20,000,000

¹ After the completion of share consolidation on 1 September 2015. The Company has consolidated 10 ordinary shares into 1 ordinary share in the capital of the Company and the weighted average number of ordinary shares used for the calculation of earnings per share for the corresponding period in 2015 has been adjusted for the effect of the share consolidation.

² 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.

In RMB cents	Group		Company	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net asset value per ordinary share	4.13	4.18	2.77	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

The Group's revenue increased by RMB 0.3 million or 2.0% from RMB 14.0 million for 1Q 2015 to RMB 14.3 million for 1Q 2016, mainly due to higher revenue from the Group's non-prescribed drugs/distribution segment, offset by lower revenue from prescribed drugs segment. Revenue from prescribed drugs fell by about RMB 2.2 million or 20.9% mainly due to lower than expected orders for ATT. On the other hand, the Group's revenue from non-prescribed drugs/distribution segment jumped by about 69.0% or RMB 2.5 million in 1Q 2016 as compared to the previous corresponding quarter. Higher demand coupled with price hike for ErDing granules and higher revenue from distribution of external drugs contributed to the growth in the non-prescribed drugs/distribution segment of the Group.

Gross profit margin decreased from 60.0% in 1Q 2015 to 46.3% in 1Q 2016 primarily due to higher contribution from low margin non-prescribed drugs/distribution segment and higher raw material costs, particularly for ATT products.

Selling and distribution costs decreased by RMB 1.2 million or 19.9% to RMB 4.9 million for 1Q 2016 mainly due to lower corresponding sales from prescribed drugs segment. Administrative costs decreased by RMB 0.1 million or 4.0% to RMB 2.9 million for 1Q 2016 mainly due to lower provision for doubtful trade debts, lower repair and maintenance costs and office expenses, offset by higher professional fees incurred.

Finance income for 1Q 2016 was lower due to the absence of interest income from structured deposit after it had matured in March 2015. Interest from structured deposit was about RMB 1.0 million in 1Q 2015. Finance costs was higher for 1Q 2016 as the interest expenses incurred for the RMB 5.0 million bank borrowing obtained in mid-March 2015 was for full three months.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 1.1 million for 1Q 2016, as compared to a net profit after tax of RMB 0.3 million in the corresponding quarter last year.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 17.2 million as at 31 March 2016, a decrease of RMB 0.2 million from RMB 17.4 million as at 31 December 2015. This was mainly due to capital expenditure of RMB 0.2 million, offset by depreciation of the Group's property, plant and equipment and amortisation of its land use rights totalling RMB 0.4 million.

The Group's current assets were RMB 105.0 million as at 31 March 2016, a decrease of RMB 2.5 million from RMB 107.5 million as at 31 December 2015. This was mainly due to lower trade receivables. Inventories increased mainly due to higher inventory levels for ATT and ErDing granules. Other receivables increased mainly due to advances to salesmen and advances to staff for cash purchases.

The Group's current liabilities were RMB 21.9 million as at 31 March 2016, a decrease of RMB 1.6 million from RMB 23.5 million as at 31 December 2015 mainly due to lower payables. Trade payables and accrued liabilities and other payables decreased as payments were made during the period under review. Trade payables turnover days had remained constant at about 30 days.

STATEMENT OF CASH FLOWS

The Group's net cash outflow from operating activities was RMB 1.9 million for the quarter due to its operating loss and cash used in its operations.

Net cash used by investing activities amounted to RMB 0.2 million, incurred mainly for the purchase of plant and machinery.

As at 31 March 2016, the Group had a cash and cash equivalents of RMB 75.1 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 2015.

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 business environment remains challenging, especially in the prescribed drugs market. However, the Group remains committed to grow its revenue and enhance shareholders' value through rolling out new products and signing on new distributorships to extend its market reach. Plans are already in place to expand the Group's production capacity and non-manufacturing facility.

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 31 March 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)	Nil	Purchase of raw materials from Sichuan Neautus Traditional Chinese Medicine Co., Ltd	RMB 2,571,199

14. Board Negative Assurance Confirmation for Interim Financial Results.

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 results for the 3 months ended 31 March 2016 to be false or misleading in any material respect.

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 (approximately RMB 6.4 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 CHAIRMAN

9 May 2016