

**PHARMESIS INTERNATIONAL LTD.**

Co. Registration No. 200309641E

**Financial Statements and Dividend Announcement for the 12 months ended 31 December 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 FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017**

	Group			Group		
	3 months ended	3 months ended		12 months ended	12 months ended	
	31.12.2017	31.12.2016	+ / (-)	31.12.2017	31.12.2016	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	18,714	20,658	(9.4)	69,727	68,839	1.3
Cost of sales	(11,773)	(11,322)	4.9	(38,265)	(38,237)	0.1
<b>Gross profit</b>	<b>6,941</b>	<b>9,336</b>	(25.7)	<b>31,462</b>	<b>30,602</b>	2.8
Other income	(18)	(43)	(58.1)	597	799	(25.3)
Selling and distribution costs	(5,754)	(7,806)	(26.3)	(21,616)	(21,917)	(1.4)
Administrative costs	(2,453)	(2,689)	(8.8)	(10,732)	(11,964)	(10.3)
Other costs	(257)	(1,247)	(79.4)	(257)	(1,247)	(79.4)
<b>Loss from operations</b>	<b>(1,541)</b>	<b>(2,449)</b>	(37.1)	<b>(546)</b>	<b>(3,727)</b>	(85.4)
Finance income	32	78	(59.2)	134	250	(46.3)
Finance costs	(228)	(220)	3.4	(874)	(875)	(0.1)
<b>Net finance costs</b>	<b>(196)</b>	<b>(142)</b>	37.9	<b>(740)</b>	<b>(625)</b>	18.4
<b>Loss before tax</b>	<b>(1,737)</b>	<b>(2,591)</b>	(33.0)	<b>(1,286)</b>	<b>(4,352)</b>	(70.5)
Income tax expense	(67)	(690)	(90.3)	(540)	(699)	(22.8)
<b>Loss for the period</b>	<b>(1,804)</b>	<b>(3,281)</b>	(45.0)	<b>(1,826)</b>	<b>(5,051)</b>	(63.8)
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(1,396)</b>	<b>(2,811)</b>	(50.4)	<b>(2,477)</b>	<b>(4,640)</b>	(46.6)
Non-controlling interest	(408)	(470)	(13.2)	651	(411)	n.m.
<b>Loss for the period</b>	<b>(1,804)</b>	<b>(3,281)</b>	(45.0)	<b>(1,826)</b>	<b>(5,051)</b>	(63.8)

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group			Group		
	3 months ended	3 months ended		12 months ended	12 months ended	
	31.12.2017	31.12.2016	+ / (-)	31.12.2017	31.12.2016	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest income	32	78	(59.0)	134	250	(46.4)
Interest expense	(228)	(220)	3.6	(874)	(875)	(0.1)
(Allowance for)/reversal of doubtful debts – trade	(99)	(62)	59.7	(369)	4	n.m.
Reversal of/(allowance for) stock obsolescence	-	108	n.m.	-	108	n.m.
Depreciation and amortisation	(468)	(413)	13.3	(1,668)	(1,550)	7.6
Government grants	32	45	(28.9)	544	451	20.6
Foreign exchange (loss)/gain	(38)	(96)	(60.4)	53	337	(84.3)
Impairment loss on property, plant and equipment	(257)	(1,247)	(79.4)	(257)	(1,247)	(79.4)

n.m. denotes not meaningful

## 2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended	3 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Net loss for the period</b>	<b>(1,804)</b>	<b>(3,281)</b>	<b>(1,826)</b>	<b>(5,051)</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<b>(1,804)</b>	<b>(3,281)</b>	<b>(1,826)</b>	<b>(5,051)</b>
Total comprehensive income attributable to:				
<b>Equity holders of the Company</b>	<b>(1,396)</b>	<b>(2,811)</b>	<b>(2,477)</b>	<b>(4,640)</b>
Non-controlling interest	(408)	(470)	651	(411)
	<b>(1,804)</b>	<b>(3,281)</b>	<b>(1,826)</b>	<b>(5,051)</b>

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**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As at 31.12.2017 RMB'000</b>	<b>As at 31.12.2016 RMB'000</b>	<b>As at 31.12.2017 RMB'000</b>	<b>As at 31.12.2016 RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	11,077	11,339	-	3
Land use rights	7,892	2,848	-	-
Construction-in-progress	26,225	-	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	<b>46,517</b>	<b>15,510</b>	<b>54,999</b>	<b>55,002</b>
<b>Current assets</b>				
Inventories	7,239	7,167	-	-
Trade receivables	21,506	21,039	-	-
Prepaid expenses	1,374	436	74	73
Other receivables	12,177	34,352	29	3,895
Tax recoverable	328	328	-	-
Cash and cash equivalents	35,485	44,857	6,651	6,484
	<b>78,109</b>	<b>108,179</b>	<b>6,754</b>	<b>10,452</b>
<b>Current liabilities</b>				
Bank borrowings	15,000	15,000	-	-
Trade payables	2,889	3,782	-	-
Accrued liabilities and other payables	12,079	8,176	757	764
Tax payable	157	404	7	11
	<b>30,125</b>	<b>27,362</b>	<b>764</b>	<b>775</b>
<b>Net current assets</b>	<b>47,984</b>	<b>80,817</b>	<b>5,990</b>	<b>9,677</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	488	488	-	-
	<b>488</b>	<b>488</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>94,013</b>	<b>95,839</b>	<b>60,989</b>	<b>64,679</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	83,714	83,714	83,714	83,714
Reserves	5,335	7,812	(22,725)	(19,035)
<b>Share capital and Reserves</b>	<b>89,049</b>	<b>91,526</b>	<b>60,989</b>	<b>64,679</b>
Non-controlling interest	4,964	4,313	-	-
<b>Total equity</b>	<b>94,013</b>	<b>95,839</b>	<b>60,989</b>	<b>64,679</b>

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

**Amount repayable after one year**

In RMB'000

As at 31 December 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 STATEMENT OF CASH FLOWS FOR THE FULL YEAR ENDED 31 DECEMBER 2017**

	Group			
	3 months ended 31.12.2017 RMB'000	3 months ended 31.12.2016 RMB'000	12 months ended 31.12.2017 RMB'000	12 months ended 31.12.2016 RMB'000
<b>Cash flows from operating activities</b>				
Loss before tax	(1,737)	(2,591)	(1,286)	(4,352)
Adjustments for:				
Allowance for/(reversal of) doubtful debts – trade	99	62	369	(4)
(Reversal of)/allowance for stock obsolescence	-	(108)	-	(108)
Depreciation and amortisation	468	413	1,668	1,550
Interest income	(32)	(78)	(134)	(250)
Interest expense	228	220	874	875
Impairment loss on property, plant and equipment	257	1,247	257	1,247
Operating (loss)/profit before changes in working capital	(717)	(835)	1,748	(1,042)
Changes in working capital				
Trade receivables	(4,227)	(3,527)	(836)	36
Prepayments, deposits and other receivables	(2,926)	(30,995)	356	(32,618)
Inventories	1,833	1,032	(72)	(304)
Trade payables	911	(359)	(893)	852
Accrued liabilities and other payables	4,193	1,912	3,903	2,589
Cash generated from operations	(933)	(32,772)	4,206	(30,487)
Interest received	32	78	134	250
Interest paid	(228)	(220)	(874)	(875)
Income tax paid	(475)	(297)	(787)	(306)
<b>Net cash flows (used in)/from operating activities</b>	<b>(1,604)</b>	<b>(33,211)</b>	<b>2,679</b>	<b>(31,418)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(340)	(355)	(1,392)	(868)
Acquisition of subsidiary (see note below)	-	-	(8,585)	-
Acquisition of construction in progress	(2,030)	-	(2,074)	-
<b>Net cash flows (used in)/from investing activities</b>	<b>(2,370)</b>	<b>(355)</b>	<b>(12,051)</b>	<b>(868)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowing	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents	(3,974)	(33,566)	(9,372)	(32,286)
Cash and cash equivalents at beginning of period	39,459	78,423	44,857	77,143
<b>Cash and cash equivalents at end of period</b>	<b>35,485</b>	<b>44,857</b>	<b>35,485</b>	<b>44,857</b>
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)	-
<b>Cash outflow on acquisition of subsidiary</b>	<b>-</b>	<b>-</b>	<b>8,585</b>	<b>-</b>

- 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**

<b>Group In RMB'000</b>	<b>Attributable to equity holders of the Company</b>					<b>Non- controlling Interest</b>	<b>Total Equity</b>
	<b>Share Capital</b>	<b>Employee Share Options Reserve</b>	<b>Statutory Reserve</b>	<b>Accumulated losses</b>	<b>Total</b>		
<b>At 1 January 2017</b>	83,714	4,431	11,924	(8,543)	91,526	4,313	95,839
Total comprehensive income	-	-	-	(477)	(477)	656	179
<b>At 31 March 2017</b>	83,714	4,431	11,924	(9,020)	91,049	4,969	96,018
Total comprehensive income	-	-	-	(406)	(406)	286	(120)
<b>At 30 June 2017</b>	83,714	4,431	11,924	(9,426)	90,643	5,255	95,898
Total comprehensive income	-	-	-	(198)	(198)	117	(81)
<b>At 30 September 2017</b>	83,714	4,431	11,924	(9,624)	90,445	5,372	95,817
Total comprehensive income	-	-	-	(1,396)	(1,396)	(408)	(1,804)
<b>At 31 December 2017</b>	<b>83,714</b>	<b>4,431</b>	<b>11,924</b>	<b>(11,020)</b>	<b>89,049</b>	<b>4,964</b>	<b>94,013</b>
<b>At 1 January 2016</b>	83,714	4,431	11,924	(3,903)	96,166	4,724	100,890
Total comprehensive income	-	-	-	(1,096)	(1,096)	29	(1,067)
<b>At 31 March 2016</b>	83,714	4,431	11,924	(4,999)	95,070	4,753	99,823
Total comprehensive income	-	-	-	(454)	(454)	198	(256)
<b>At 30 June 2016</b>	83,714	4,431	11,924	(5,453)	94,616	4,951	99,567
Total comprehensive income	-	-	-	(279)	(279)	(168)	(447)
<b>At 30 September 2016</b>	83,714	4,431	11,924	(5,732)	94,337	4,783	99,120
Total comprehensive income	-	-	-	(2,811)	(2,811)	(470)	(3,281)
<b>At 31 December 2016</b>	<b>83,714</b>	<b>4,431</b>	<b>11,924</b>	<b>(8,543)</b>	<b>91,526</b>	<b>4,313</b>	<b>95,839</b>

# **UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

<b><u>Company</u></b> <b><u>In RMB'000</u></b>	<b>Share Capital</b>	<b>Employee Share Options Reserve</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
<b>At 1 January 2017</b>	83,714	4,431	(23,466)	64,679
Total comprehensive income	-	-	(868)	(868)
<b>At 31 March 2017</b>	83,714	4,431	(24,334)	63,811
Total comprehensive income	-	-	(1,014)	(1,014)
<b>At 30 June 2017</b>	83,714	4,431	(25,348)	62,797
Total comprehensive income	-	-	(1,106)	(1,106)
<b>At 30 September 2017</b>	83,714	4,431	(26,454)	61,691
Total comprehensive income	-	-	(702)	(702)
<b>At 31 December 2017</b>	<b>83,714</b>	<b>4,431</b>	<b>(27,156)</b>	<b>60,989</b>
<b>At 1 January 2016</b>	83,714	4,431	(23,651)	64,494
Total comprehensive income	-	-	(890)	(890)
<b>At 31 March 2016</b>	83,714	4,431	(24,541)	63,604
Total comprehensive income	-	-	(1,358)	(1,358)
<b>At 30 June 2016</b>	83,714	4,431	(25,899)	62,246
Total comprehensive income	-	-	(1,133)	(1,133)
<b>At 30 September 2016</b>	83,714	4,431	(27,032)	61,113
Total comprehensive income	-	-	3,566	3,566
<b>At 31 December 2016</b>	<b>83,714</b>	<b>4,431</b>	<b>(23,466)</b>	<b>64,679</b>

- 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 31 December 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. The expiry date of the 1,020,000 share options is 11 March 2018.

- 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 2017: 23,000,000 ordinary shares

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.**

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 2016.

- 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 2017. 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 31.12.2017	Year ended 31.12.2016
(i) Based on weighted average number of shares	(10.8)	(20.2)
Weighted average number of shares	23,000,000	23,000,000
(ii) On a fully diluted basis <sup>(1)</sup>	(10.8)	(20.2)
Adjusted weighted average number of shares	23,000,000	23,000,000

<sup>1</sup> 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.**

In RMB	Group		Company	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net asset value per ordinary share	3.87	3.98	2.65	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

### Three Months Ended 31 December 2017

The Group's revenue decreased by RMB 2.0 million or 9.4% from RMB 20.7 million for 4Q 2016 to RMB 18.7 million for 4Q 2017, mainly due to lower revenue from both the Group's non-prescribed drugs /distribution segment, and prescribed drugs segment. Revenue from non-prescribed drugs segment was lower mainly due to the downtime in manufacturing arising from the preparation of manufacturing our revised product, sugarless ErDing granules which will replace the existing ErDing granules with sugar.

Gross profit margin decreased from 45.2% in 4Q 2016 to 37.1% in 4Q 2017. The decrease was mainly due to lower margins from both the Group's non-prescribed drugs /distribution segment, and prescribed drugs segment. Other income was a loss of RMB 18,000 for 4Q 2017, mainly due to foreign exchange loss.

Selling and distribution costs decreased by RMB 2.0 million or 26.3% to RMB 5.8 million for 4Q 2017 mainly due to lower corresponding sales. Administrative costs decreased by RMB 0.2 million or 8.8% to RMB 2.5 million for 4Q 2017 mainly due to lower professional fees incurred.

Other costs decreased by RMB 0.9 million or 79.4% from RMB 1.2 million for 4Q 2016 to RMB 0.3 million for 4Q 2017 mainly due to the decrease in impairment made on property, plant and equipment for the Group's oral liquid production facility from RMB 1.2 million in 4Q 2016 to RMB 0.3 million in 4Q 2017.

Finance income for 4Q 2017 decreased from RMB 78,000 in 4Q 2016 to RMB 32,000, mainly due to lower interest income from cash and cash equivalents. Finance costs was slightly higher for 4Q 2017 by RMB 8,000 as compared to 4Q 2016.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 1.4 million for 4Q 2017, as compared to a net loss after tax of RMB 2.8 million for 4Q 2016.

### Full Year Ended 31 December 2017

The Group's FY 2017 revenue increased by RMB 0.9 million or 1.3% from RMB 68.8 million in FY 2016 to RMB 69.7 million in FY 2017 mainly due to higher sales from non-prescribed drugs segment brought on by increasing demand for Er Ding granules. Overall, non-prescribed drugs/distribution segment increased by RMB 2.8 million while prescribed drugs segment decreased by RMB 1.9 million for FY 2017.

Gross profit margin increased slightly from 44.5% in FY 2016 to 45.1% in FY 2017. The increase was mainly due to the slight increase in margin of non-prescribed drugs segment, particularly for ErDing granules.

Other income decreased by RMB 0.2 million to RMB 0.6 million in FY 2017 mainly due to lower foreign exchange gain in FY2017.

Selling and distribution costs decreased by RMB 0.3 million or 1.4% from RMB 21.9 million in FY 2016 to RMB 21.6 million in FY 2017 mainly due to lower travelling expenses incurred by sales department. Administrative costs decreased by RMB 1.3 million or 10.3% from RMB 12.0 million in FY 2016 to RMB 10.7 million in FY 2017 mainly due to lower professional fees incurred. Other costs of RMB 0.3 million for FY 2017 was due to impairment of RMB 0.3 million made on the Group's oral liquid production facility as compared to RMB 1.2 million in FY 2016.

Finance income decreased from RMB 0.3 million in FY 2016 to RMB 0.1 million in FY 2017, mainly due to lower interest income from cash and cash equivalents. Finance costs remained constant at RMB 0.9 million in FY 2017 as compared to FY 2016.

As a result of the above, the Group recorded a net loss attributable to shareholders of RMB 2.5 million for FY 2017 compared to a loss of RMB 4.6 million for FY 2016.

## STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 46.5 million as at 31 December 2017, an increase of RMB 31.0 million from RMB 15.5 million as at 31 December 2016. This was mainly due to increase of land use rights of RMB 5.0 million and increase of construction-in-progress of RMB 26.2 million arising from the acquisition of subsidiary, Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd ("**Jiangyou**") and impairment of RMB 0.3 million pertaining to the Group's oral liquid production facility.

The Group's current assets were RMB 78.1 million as at 31 December 2017, a decrease of RMB 30.1 million from RMB 108.2 million as at 31 December 2016. This was mainly due to lower other receivables and cash & cash equivalents. Other receivables decreased mainly due to the decrease in loans to Jiangyou and payments for the acquisition of the shares of Jiangyou. Cash and cash equivalents decreased mainly due to the acquisition of Jiangyou.

The Group's current liabilities were RMB 30.1 million as at 31 December 2017, an increase of RMB 2.7 million from RMB 27.4 million as at 31 December 2016 mainly due to higher accrued liabilities & other payables and lower trade payables and tax payable.

## STATEMENT OF CASH FLOWS

The Group's net cash flow from operating activities of RMB 2.7 million for the FY 2017 was mainly brought by its operating profit, changes in working capital and interest and income tax paid.

Net cash outflow from investing activities of RMB 12.1 million was mainly due to net cash outflow on acquisition of subsidiary of RMB 8.6 million, and capital expenditure mainly for acquisition of plant & machinery and construction in progress.

As at the end of 31 December 2017, the Group had a cash and cash equivalents of RMB 35.5 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 3Q FY 2017.

**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 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 focus on its non-prescribed drugs, especially Er Ding granules. The Group has started to manufacture our revised product, sugarless Er Ding granules which has replaced our product, Er Ding granules with sugar. This is a positive development for the Group. Our third manufacturing facility located at Jiangyou is still under construction and is scheduled for completion in Q3 FY2018. The Group is committed to enhance shareholder value and will continue to lookout for new growth 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 2017.

**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	Nil	RMB 10,953,603

**14. 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).

**15. 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 2016.

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

**16. 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

<b>Year ended 31 December 2017</b>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
<b>Revenue</b>					
External customers	18,274	15,798	35,655	-	69,727
Inter segment	1,447	29,587	-	(31,034)	-
<b>Total Revenue</b>	<b>19,721</b>	<b>45,385</b>	<b>35,655</b>	<b>(31,034)</b>	<b>69,727</b>
<b>Result</b>					
Segment result	57	2,259	827		3,143
Unallocated corporate expenses					(3,690)
Loss from operations					(547)
Finance income	91	3	40		134
Finance costs	-	(873)	(1)		(874)
Income tax expense	-	(308)	(232)		(540)
Loss before non-controlling interest					(1,827)
Non-controlling interest					(651)
Net loss attributable to equity holders of the Company					(2,478)
<b>Assets and liabilities</b>					
<b>Segment assets</b>	46,686	65,419	5,767		117,872
Unallocated corporate assets					6,754
Total assets					124,626
<b>Segment liabilities</b>	3,762	24,721	1,365		29,848
Unallocated corporate liabilities					764
Total liabilities					30,612
<b>Other segment information</b>					
Capital expenditure	199	3,239	28		3,466
Depreciation and amortisation	845	806	17		1,668
Interest income	(91)	(3)	(40)		(134)
Interest expense	-	873	1		874
Allowance for/(reversal of) doubtful debts – trade	253	31	85		369
Allowance for/(reversal of) stock obsolescence	-	-	-		-
Impairment loss on property, plant and equipment	257	-	-		257

<b>Year ended 31 December 2016</b>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
<b>Revenue</b>					
External customers	20,174	16,748	31,917	-	68,839
Inter segment	551	25,274	-	(25,825)	-
<b>Total Revenue</b>	<b>20,725</b>	<b>42,022</b>	<b>31,917</b>	<b>(25,825)</b>	<b>68,839</b>
<b>Result</b>					
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)
<b>Assets and liabilities</b>					
<b>Segment assets</b>	72,789	36,053	8,259		117,101
Unallocated corporate assets					6,588
Total assets					123,689
<b>Segment liabilities</b>	2,833	22,981	1,261		27,075
Unallocated corporate liabilities					775
Total liabilities					27,850
<b>Other segment information</b>					
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 stock obsolescence	-	(108)	-		(108)
Impairment loss on property, plant and equipment	1,247	-	-		1,247

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.

**17. 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.

**18. A breakdown of sales.**

	Group		
	2017	2016	Increase / (Decrease)
	RMB'000	RMB'000	%
<b>First Half</b>			
(a) Revenue	33,696	31,588	6.7
(b) Operating (loss)/profit after tax before non-controlling interest	59	(1,323)	n.m.
<b>Second Half</b>			
(a) Revenue	36,031	37,251	(3.3)
(b) Operating (loss)/profit after tax before non-controlling interest	(1,885)	(3,728)	(49.4)

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

Not applicable.

**20. 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.**

There is no person occupying a managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

WU XUEDAN  
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

28 February 2018