

PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 9 months ended 30 September 2015

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

- 1(a)(i)** An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

1. UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	Group			Group		
	3 months ended	3 months ended		9 months ended	9 months ended	
	30.09.2015	30.09.2014	+ / (-)	30.09.2015	30.09.2014	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	16,014	17,732	(9.7)	46,064	45,718	0.8
Cost of sales	(7,215)	(8,318)	(13.3)	(20,341)	(20,698)	(1.7)
Gross Profit	8,799	9,414	(6.5)	25,723	25,020	2.8
Other Income	0	5	(100.0)	288	13	2,115.4
Selling and distribution costs	(4,706)	(6,303)	(25.3)	(16,106)	(18,242)	(11.7)
Administrative costs	(3,118)	(4,021)	(22.5)	(8,850)	(10,514)	(15.8)
Profit/(loss) from operations	975	(905)	n.m.	1,055	(3,723)	n.m.
Finance income	36	784	(95.4)	1,123	2,288	(50.9)
Finance costs	(244)	(101)	141.6	(667)	(269)	148.0
Net finance (costs)/income	(208)	683	n.m.	456	2,019	(77.4)
Profit/(loss) before tax	767	(222)	n.m.	1,511	(1,704)	n.m.
Income tax expense	-	(26)	(100.0)	-	(26)	(100.0)
Profit/(loss) for the period	767	(248)	n.m.	1,511	(1,730)	n.m.
Attributable to:						
Equity holders of the Company	254	(121)	n.m.	700	(699)	n.m.
Non-controlling interest	513	(127)	n.m.	811	(1,031)	n.m.
Profit/(loss) for the period	767	(248)	n.m.	1,511	(1,730)	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	3 months ended		9 months ended	9 months ended	
	30.09.2015	30.09.2014	+ / (-)	30.09.2015	30.09.2014	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Interest Income	36	784	(95.4)	1,123	2,288	(50.9)
Gain on sale of held for trading investment securities	-	-	-	288	-	100.0
Allowance for/(reversal of) doubtful debts	(92)	(460)	(80.0)	74	(778)	n.m.
Depreciation and amortisation	(489)	(707)	(30.8)	(1,426)	(2,157)	(33.9)
Foreign exchange (loss)/gain	(13)	(6)	116.7	(12)	2	n.m.
Inventories written off	-	(209)	(100.0)	-	(209)	(100.0)
Loss on disposal of property, plant and equipment	-	(17)	(100.0)	-	(17)	(100.0)

(b) Certain comparative figures have been restated to conform to current period's presentation.

n.m. denotes not meaningful

2. UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period	767	(248)	1,511	(1,730)
Other comprehensive income	-	-	-	-
Total comprehensive income	767	(248)	1,511	(1,730)
Total comprehensive income attributable to:				
Equity holders of the Company	254	(121)	700	(699)
Non-controlling interest	513	(127)	811	(1,031)
	767	(248)	1,511	(1,730)

1(b)(i)

A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

UNAUDITED STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 30.9.2015 RMB'000	As at 31.12.2014 RMB'000	As at 30.9.2015 RMB'000	As at 31.12.2014 RMB'000
Non-current assets				
Property, plant and equipment	13,776	13,703	37	58
Land use rights	2,975	3,051	-	-
Intangible assets	-	-	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	18,074	18,077	55,036	55,057
Current assets				
Structured deposit	-	15,000	-	-
Inventories	7,159	5,402	-	-
Trade receivables	20,445	23,279	-	-
Prepaid expenses	796	314	11	57
Other receivables	5,278	5,960	3,021	1,521
Tax recoverable	328	328	-	-
Cash and cash equivalents	66,626	36,316	3,501	1,724
	100,632	86,599	6,533	3,302
Current liabilities				
Bank borrowings	15,000	5,000	-	-
Trade payables	3,332	2,028	-	-
Accrued liabilities and other payables	4,772	5,775	701	720
Advance against share application	2,229	-	2,229	-
Tax payable	10	21	10	10
	25,343	12,824	2,940	730
Net current assets	75,289	73,775	3,593	2,572
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	488	-	-
Net assets	92,875	91,364	58,629	57,629
Equity attributable to equity holders of the Company				
Share capital	77,315	77,315	77,315	77,315
Reserves	10,703	10,003	(18,686)	(19,686)
Share capital and Reserves	88,018	87,318	58,629	57,629
Non-controlling interest	4,857	4,046	-	-
Total equity	92,875	91,364	58,629	57,629

1(b)(ii) Aggregate amount of group's borrowing and debt securities

Amount repayable in one year or less, or on demand

In RMB'000

As at 30 September 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
15,000	-	5,000	-

Amount repayable after one year

In RMB'000

As at 30 September 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The bank borrowings are secured over the land use rights and buildings of a subsidiary.

1(c)

A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Group			
	3 months ended 30.09.2015	3 months ended 30.09.2014	9 months ended 30.09.2015	9 months ended 30.09.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit/(loss) before tax	767	(222)	1,511	(1,704)
Adjustments for:				
Allowance for/(Reversal of) doubtful debts	92	460	(74)	778
Depreciation and amortisation	489	707	1,426	2,157
Gain on sale of held for trading investment securities	-	-	(288)	-
Interest expense	235	95	642	250
Interest income	(36)	(784)	(1,123)	(2,288)
Inventories written off	-	209	-	209
Loss on disposal of property, plant and equipment	-	17	-	17
Operating profit/(loss) before changes in working capital	1,547	482	2,094	(581)
Changes in working capital				
Trade receivables	1,605	(1,474)	2,908	6,044
Prepayments, deposits and other receivables	2,821	332	(2,813)	(2,344)
Inventories	(583)	1,090	(1,757)	945
Trade payables	259	(739)	1,304	(285)
Accrued liabilities and other payables	417	873	(1,003)	506
Advance against share application	2,229	-	2,229	-
Cash flows from operations	8,295	564	2,962	4,285
Interest received	36	28	4,136	72
Interest paid	(235)	(95)	(642)	(250)
Income tax paid	-	-	(11)	-
Net cash flows from operating activities	8,096	497	6,445	4,107
Cash flows from investing activities				
Acquisition of property, plant and equipment	(21)	(26)	(1,423)	(294)
Proceeds from disposal of property, plant and equipment	-	190	-	190
Proceeds from gain on sale of held for trading investment securities	-	-	288	-
Proceeds from maturity of structured deposit	-	-	15,000	-
Net cash flows from/(used in) investing activities	(21)	164	13,865	(104)
Cash flows from financing activities				
Proceeds from bank borrowing	-	-	10,000	5,000
Net cash flows from financing activities	-	-	10,000	5,000
Net increase in cash and cash equivalents	8,075	661	30,310	9,003
Cash and cash equivalents at beginning of period	58,551	31,292	36,316	22,950
Cash and cash equivalents at end of period	66,626	31,953	66,626	31,953

- 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

<u>Group</u> <u>In RMB'000</u>	Attributable to equity holders of the Company					Non- controlling Interest	Total Equity
	Share Capital	Employee Share Options Reserve	Statutory Reserve	Accumulated Profits	Total		
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
At 1 January 2014	77,315	4,431	11,924	(2,547)	91,123	4,880	96,003
Total comprehensive income	-	-	-	(459)	(459)	(667)	(1,126)
At 31 March 2014	77,315	4,431	11,924	(3,006)	90,664	4,213	94,877
Total comprehensive income	-	-	-	(119)	(119)	(237)	(356)
At 30 June 2014	77,315	4,431	11,924	(3,125)	90,545	3,976	94,521
Total comprehensive income	-	-	-	(121)	(121)	(127)	(248)
At 30 September 2014	77,315	4,431	11,924	(3,246)	90,424	3,849	94,273

<u>Company</u> <u>In RMB'000</u>	Share Capital	Employee Share Options Reserve	Accumulated Losses	Total Equity
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
At 1 January 2014	77,315	4,431	(24,766)	56,980
Total comprehensive income	-	-	(853)	(853)
At 31 March 2014	77,315	4,431	(25,619)	56,127
Total comprehensive income	-	-	(804)	(804)
At 30 June 2014	77,315	4,431	(26,423)	55,323
Total comprehensive income	-	-	(949)	(949)
At 30 September 2014	77,315	4,431	(27,372)	54,374

- 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

Following the shareholders' approval obtained at an extraordinary general meeting on 20 August 2015, the Company had consolidated its 10 existing issued ordinary shares into 1 ordinary share with effect from 1 September 2015. Accordingly, adjustments had been made to the number of shares.

Share Options

The Pharmesis Share Option Scheme approved and adopted by the Company at an extraordinary general meeting held on 25 August 2004 had expired as of August 2014 as the Company did not renew the Share Option Scheme. During 3Q 2014, there was no share option granted under the Pharmesis Share Option Scheme.

As at 30 September 2015, 1,020,000* (30 September 2014: 10,200,000) share options remained unexercised.

*Adjustments made following the 10-1 share consolidation, which was effect as of 1 September 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares as at:
30 September 2015: 20,000,000* ordinary shares

31 December 2014 - 200,000,000 ordinary shares

* After completion of the 10-1 share consolidation on 1 September 2015.

- 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 2014.

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 2015. 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:-

	Group			
	3 months ended		9 months ended	
	30.09.2015	30.09.2014 (Restated) ¹	30.09.2015	30.09.2014 (Restated) ¹
(i) Based on weighted average number of shares (RMB cents)	1.27	(0.60)	3.50	(3.50)
Weighted average number of shares	20,000,000	20,000,000	20,000,000	20,000,000
(ii) On a fully diluted basis ² (RMB cents)	1.27	(0.60)	3.50	(3.50)
Adjusted weighted average number of shares	20,000,000	20,000,000	20,000,000	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 2014 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	Group		Company	
	30.09.2015	31.12.2014 (Restated) ¹	30.09.2015	31.12.2014 (Restated) ¹
Net asset value per ordinary share	4.40	4.36	2.93	2.88
No. of shares in computing NAV	20,000,000	20,000,000	20,000,000	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 number of ordinary shares in issue used for the calculation of net asset value per ordinary share as at 31 December 2014 has been adjusted for the effect of the share consolidation.

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 for 3Q 2015 decreased by RMB 1.7 million or 9.7% to RMB 16.0 million as compared with 3Q 2014 mainly due to lower sales from its prescribed drugs segment as a result of continued intense competition. Though sales of ErDing granules is higher by about RMB 0.2 million for 3Q 2015, the Group's non-prescribed drugs segment remain stable as sales for its other non-prescription drugs dropped.

Gross profit margin improved slightly from 53.1% in 3Q 2014 to 54.9% in 3Q 2015 following economies of scale from higher production output for Longlife's plant brought by higher demand for ErDing granules.

Selling and distribution costs decreased by RMB 1.6 million or 25.3% for 3Q 2015 following lower sales from prescribed drugs segment. Administrative costs decreased by RMB 0.9 million or 22.5% for 3Q 2015 mainly due to lower property taxes and provision for doubtful debts. No amortization of intangibles was recorded in 3Q 2015 as it was fully written off in 4Q 2014.

Finance income decreased for 3Q 2015 as there was no interest from structured deposit after it had matured in 1Q 2015. Finance costs increased for 3Q 2015 primarily due to additional bank borrowing of RMB 10.0 million which Longlife obtained in 1Q 2015.

Overall, the Group recorded net profit after tax attributable to equity holders of the Company of RMB 254,000 for 3Q 2015, as compared to a net loss after tax of RMB 121,000 in the corresponding quarter last year.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets remained constant at RMB 18.1 million as at 30 September 2015. Acquisition of motor vehicles of RMB 1.4 million was fully offset by depreciation charges of the Group's property, plant and equipment and amortisation of its land use rights.

The Group's current assets were RMB 100.6 million as at 30 September 2015, an increase of RMB 14.0 million from RMB 86.6 million as at 31 December 2014. This was mainly due to higher cash and cash equivalents and inventories. Cash and cash equivalents increased mainly due to proceeds from maturity of structured deposit, bank borrowing and improved trade collections. Inventories

increased mainly due to higher level of raw materials and work-in-progress for ErDing granules in anticipation of the continued strong demand. Improved collections resulted in lower trade receivables as at 30 September 2015. Other receivables decreased mainly due to accrued interest income on structured deposit of RMB 3.0 million received, offset by higher advances to salesmen of RMB 2.4 million.

The Group's current liabilities were RMB 25.3 million as at 30 September 2015, an increase of RMB 12.5 million from RMB 12.8 million as at 31 December 2014 mainly due to new bank borrowing which Longlife took up. Payments to trade creditors were slower during the period while accrued liabilities and other payables decreased as payments were made during the period under review. Advance against share application pertained to monies partially received as at 30 September 2015 for the 3.0 million ordinary new shares placement which was completed in October 2015.

CASH FLOW STATEMENT

Net cash from operating activities of RMB 6.4 million for the quarter under review was mainly brought by higher operating profit and interest income received from structured deposit upon maturity.

Net cash inflow from investing activities of RMB 13.9 million was mainly due to proceeds from maturity of structured deposit, offset by acquisition of motor vehicles.

Net cash inflow from financing activities of RMB 10.0 million was due to proceeds from a bank borrowing by Longlife.

As at the end of 30 September 2015, the Group had a cash and cash equivalents of RMB 66.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the prospect statement made in 1H FY2015.

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 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 intends to roll out new products to expand its product range and to reduce reliance on prescribed drugs segment. To drive the future growth of the Group, management is also on the 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 period ended 30 September 2015.

13. Interested Person Transactions.

The Group has originally obtained a general mandate for the recurrent interested person transactions from the shareholders in the extraordinary general meeting held on 20 August 2015. The aggregate values of such transactions are as follow:

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)
	3Q 2015 RMB	3Q 2015 RMB
	-	-

14. Negative confirmation pursuant to Rule 705(5).

The Board of Directors of Pharmesis International Ltd. hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the third quarter ended 30 September 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

**JIANG YUN
EXECUTIVE CHAIRMAN**

9 November 2015