

**PHARMESIS INTERNATIONAL LTD.**

Co. Registration No. 200309641E

**Financial Statements and Dividend Announcement for the 6 months ended 30 June 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 SECOND QUARTER ENDED 30 JUNE 2016**

	Group		+ / (-) %	Group		+ / (-) %
	3 months ended 30.06.2016 RMB'000	3 months ended 30.06.2015 RMB'000		6 months ended 30.06.2016 RMB'000	6 months ended 30.06.2015 RMB'000	
<b>Revenue</b>	17,275	16,012	7.9	31,588	30,050	5.1
Cost of sales	(10,033)	(7,491)	33.9	(17,715)	(13,126)	35.0
<b>Gross Profit</b>	<b>7,242</b>	<b>8,521</b>	(15.0)	<b>13,873</b>	<b>16,924</b>	(18.0)
Other Income	589	303	94.4	868	290	199.4
Selling and distribution costs	(4,420)	(5,323)	(17.0)	(9,290)	(11,400)	(18.5)
Administrative costs	(3,485)	(2,684)	29.9	(6,433)	(5,734)	12.2
<b>Profit/(loss) from operations</b>	<b>(74)</b>	<b>817</b>	n.m.	<b>(982)</b>	<b>80</b>	n.m.
Finance income	56	39	43.6	118	1,087	(89.1)
Finance costs	(237)	(263)	(9.8)	(450)	(423)	6.4
<b>Net finance (costs)/income</b>	<b>(181)</b>	<b>(224)</b>	(19.1)	<b>(332)</b>	<b>664</b>	n.m.
<b>Profit/(loss) before tax</b>	<b>(255)</b>	<b>593</b>	n.m.	<b>(1,314)</b>	<b>744</b>	n.m.
Income tax expense	(1)	-	-	(9)	-	-
<b>Profit/(loss) for the period</b>	<b>(256)</b>	<b>593</b>	n.m.	<b>(1,323)</b>	<b>744</b>	n.m.
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(454)</b>	<b>150</b>	n.m.	<b>(1,550)</b>	<b>446</b>	n.m.
Non-controlling interest	198	443	(55.3)	227	298	(23.7)
<b>Profit/(loss) for the period</b>	<b>(256)</b>	<b>593</b>	n.m.	<b>(1,323)</b>	<b>744</b>	n.m.

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

	Group			Group		
	3 months ended	3 months ended	+ / (-) %	6 months ended	6 months ended	+ / (-) %
	30.06.2016 RMB'000	30.06.2015 RMB'000		30.06.2016 RMB'000	30.06.2015 RMB'000	
Interest Income	56	39	43.6	118	1,087	(89.1)
Gain on sale of held for trading investment securities	-	289	n.m.	-	289	n.m.
Reversal of/(allowance for) doubtful receivables - trade	(45)	304	n.m.	(9)	166	n.m.
Government grant	400	-	n.m.	400	-	n.m.
Depreciation and amortisation	(379)	(476)	(20.4)	(759)	(937)	(19.0)
Foreign exchange gain/(loss) - realised	186	14	1,328.6	465	1	46,500

(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	6 months ended	6 months ended
	30.06.2016 RMB'000	30.06.2015 RMB'000	30.06.2016 RMB'000	30.06.2015 RMB'000
<b>Profit/(loss) for the period</b>	<b>(256)</b>	<b>593</b>	<b>(1,323)</b>	<b>744</b>
<b>Other comprehensive income</b>	-	-	-	-
<b>Total comprehensive income</b>	<b>(256)</b>	<b>593</b>	<b>(1,323)</b>	<b>744</b>
Total comprehensive income attributable to:				
<b>Equity holders of the Company</b>	<b>(454)</b>	<b>150</b>	<b>(1,550)</b>	<b>446</b>
Non-controlling interest	198	443	227	298
	<b>(256)</b>	<b>593</b>	<b>(1,323)</b>	<b>744</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**

	GROUP		COMPANY	
	As at 30.6.2016 RMB'000	As at 31.12.2015 RMB'000	As at 30.6.2016 RMB'000	As at 31.12.2015 RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	12,787	13,166	16	30
Land use rights	2,899	2,950	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	<b>17,009</b>	<b>17,439</b>	<b>55,015</b>	<b>55,029</b>
<b>Current assets</b>				
Inventories	7,787	6,755	-	-
Trade receivables	19,582	21,071	-	-
Prepaid expenses	322	728	25	56
Other receivables	1,798	1,442	1,029	3,027
Tax recoverable	328	328	-	-
Cash and cash equivalents	76,697	77,143	6,704	6,953
	<b>106,514</b>	<b>107,467</b>	<b>7,757</b>	<b>10,036</b>
<b>Current liabilities</b>				
Bank borrowings	15,000	15,000	-	-
Trade payables	4,240	2,930	-	-
Accrued liabilities and other payables	4,218	5,587	517	560
Tax payable	10	11	10	11
	<b>23,468</b>	<b>23,528</b>	<b>527</b>	<b>571</b>
<b>Net current assets</b>	<b>83,046</b>	<b>83,939</b>	<b>7,231</b>	<b>9,465</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>99,567</b>	<b>100,890</b>	<b>62,246</b>	<b>64,494</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	83,714	83,714	83,714	83,714
Reserves	10,902	12,452	(21,468)	(19,220)
<b>Share capital and Reserves</b>	<b>94,616</b>	<b>96,166</b>	<b>62,246</b>	<b>64,494</b>
Non-controlling interest	4,951	4,724	-	-
<b>Total equity</b>	<b>99,567</b>	<b>100,890</b>	<b>62,246</b>	<b>64,494</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 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
15,000	-	15,000	-

**Amount repayable after one year**

In RMB'000

As at 30 June 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 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016**

	Group			
	3 months ended 30.06.2016	3 months ended 30.06.2015	6 months ended 30.06.2016	6 months ended 30.06.2015
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax	(255)	593	(1,314)	744
Adjustments for:				
(Reversal of)/allowance for doubtful receivables – trade	45	(304)	9	(166)
Depreciation and amortisation	379	476	759	937
Gain on sale of held for trading investment securities	-	(289)	-	(289)
Interest expense	237	256	450	407
Interest income	(56)	(39)	(118)	(1,087)
Operating profit/(loss) before changes in working capital	350	693	(214)	546
Changes in working capital				
Trade receivables	(395)	(619)	1,480	1,303
Prepayments, deposits and other receivables	578	(3,156)	49	(5,634)
Inventories	(134)	(1,303)	(1,032)	(1,174)
Trade payables	1,965	1,918	1,310	1,045
Accrued liabilities and other payables	(435)	(426)	(1,368)	(1,420)
Cash (used in)/generated from operations	1,929	(2,893)	235	(5,334)
Interest received	56	39	118	4,100
Interest paid	(237)	(256)	(450)	(407)
Income tax paid	(1)	(11)	(10)	(11)
<b>Net cash flows (used in)/from operating activities</b>	<b>1,747</b>	<b>(3,121)</b>	<b>(117)</b>	<b>(1,652)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(120)	(1,398)	(329)	(1,402)
Proceeds from gain on sale of held for trading investment securities	-	289	-	289
Proceeds from maturity of structured deposit	-	-	-	15,000
<b>Net cash flows (used in)/from investing activities</b>	<b>(120)</b>	<b>(1,109)</b>	<b>(329)</b>	<b>13,887</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowing	-	-	-	10,000
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
Net (decrease)/increase in cash and cash equivalents	1,627	(4,230)	(446)	22,235
Cash and cash equivalents at beginning of period	75,070	62,781	77,143	36,316
<b>Cash and cash equivalents at end of period</b>	<b>76,697</b>	<b>58,551</b>	<b>76,697</b>	<b>58,551</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**

<u>Group</u> <u>in RMB'000</u>	Attributable to equity holders of the Company						Total Equity
	Share Capital	Employee Share Options Reserve	Statutory Reserve	Accumulated (Losses) / Profits	Total	Non- controlling interest	
<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>	<b>83,714</b>	<b>4,431</b>	<b>11,924</b>	<b>(5,453)</b>	<b>94,616</b>	<b>4,951</b>	<b>99,567</b>
<b>At 1 January 2015</b>	77,315	4,431	11,924	(6,352)	87,318	4,046	91,364
Total comprehensive income	-	-	-	296	296	(145)	151
<b>At 31 March 2015</b>	77,315	4,431	11,924	(6,056)	87,614	3,901	91,515
Total comprehensive income	-	-	-	150	150	443	593
<b>At 30 June 2015</b>	<b>77,315</b>	<b>4,431</b>	<b>11,924</b>	<b>(5,906)</b>	<b>87,764</b>	<b>4,344</b>	<b>92,108</b>

<u>Company</u> <u>in RMB'000</u>	Share Capital	Employee Share Options Reserve	Accumulated Losses	Total Equity
<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>	<b>83,714</b>	<b>4,431</b>	<b>(25,899)</b>	<b>62,246</b>
<b>At 1 January 2015</b>	77,315	4,431	(24,117)	57,629
Total comprehensive income	-	-	(943)	(943)
<b>At 31 March 2015</b>	77,315	4,431	(25,060)	56,686
Total comprehensive income	-	-	(942)	(942)
<b>At 30 June 2015</b>	<b>77,315</b>	<b>4,431</b>	<b>(26,002)</b>	<b>55,744</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 2015.

**Share Options**

As at 30 June 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:  
30 June 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 financial period as those applied for 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			
	3 months ended 30.06.2016	3 months ended 30.06.2015 (Restated) <sup>1</sup>	6 months ended 30.06.2016	6 months ended 30.06.2015 (Restated) <sup>1</sup>
(i) Based on weighted average number of shares	(2.0)	0.8	(6.7)	2.2
Weighted average number of shares	23,000,000	20,000,000	23,000,000	20,000,000
(ii) On a fully diluted basis <sup>2</sup>	(2.0)	0.8	(6.7)	2.2
Adjusted weighted average number of shares	23,000,000	20,000,000	23,000,000	20,000,000

<sup>1</sup> 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.

<sup>2</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 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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Net asset value per ordinary share	4.11	4.18	2.71	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 1.3 million or 7.9% from RMB 16.0 million for 2Q 2015 to RMB 17.3 million for 2Q 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 1.3 million or 12.9% 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 79.3% or RMB 2.6 million in 2Q 2016 as compared to the corresponding quarter in previous year. 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 53.2% in 2Q 2015 to 41.9% in 2Q 2016 primarily due to higher contribution from low margin non-prescribed drugs/distribution segment and higher raw material costs, particularly for ATT products. Other income increased by RMB 0.3 million from RMB 0.3 million for 2Q 2015 to RMB 0.6 million for 2Q 2016, mainly due to government grant and foreign exchange gain in 2Q 2016 as compared to gain on sale of held for trading investment securities in 2Q 2015.

Selling and distribution costs decreased by RMB 0.9 million or 17.0% to RMB 4.4 million for 2Q 2016 mainly due to lower corresponding sales from prescribed drugs segment. Administrative costs increased by RMB 0.9 million or 29.9% to RMB 3.5 million for 2Q 2016 mainly due to higher professional fees incurred and provision for doubtful trade debts in 2Q 2016 as compared to reversal of provision for doubtful trade debts in 2Q 2015.

Finance income for 2Q 2016 increased by RMB 17,000 to RMB 56,000, mainly due to higher interest income from cash and cash equivalents. Finance costs was lower for 2Q 2016 as compared to 2Q 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 0.45 million for 2Q 2016, as compared to a net profit after tax of RMB 0.15 million in the corresponding quarter last year.

## **STATEMENT OF FINANCIAL POSITION**

The Group's non-current assets were RMB 17.0 million as at 30 June 2016, a decrease of RMB 0.4 million from RMB 17.4 million as at 31 December 2015. This was mainly due to capital expenditure of RMB 0.3 million, offset by depreciation of the Group's property, plant and equipment and amortisation of its land use rights totalling RMB 0.8 million.

The Group's current assets were RMB 106.5 million as at 30 June 2016, a decrease of RMB 1.0 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.

The Group's current liabilities were RMB 23.5 million as at 30 June 2016, which was flat from RMB 23.5 million as at 31 December 2015 mainly due to higher trade payables offset by lower accrued liabilities and other payables.

## **STATEMENT OF CASH FLOWS**

The Group's net cash inflow from operating activities for the second quarter was RMB 1.7 million, mainly due to cash generated from its operations and changes in working capital.

Net cash used in investing activities for the second quarter amounted to RMB 0.1 million, incurred mainly for the purchase of plant and machinery.

As at 30 June 2016, the Group had a cash and cash equivalents of RMB 76.7 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 1Q 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.**

Challenging market conditions will continue to impact the Group's performance, especially in the prescribed drugs segment. However, the Group will continue to pursue its plans to expand its production capacity and non-manufacturing facility in order to grow its revenue and enhance shareholders' value.

**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 June 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.**

No IPT mandate has been obtained after the expiry of the current IPT mandate on 29 April 2016.

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 second quarter ended 30 June 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 (approximately RMB 7.0 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 DIRECTOR AND CHIEF EXECUTIVE OFFICER**

**12 August 2016**