

PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 3 months ended 31/03/2017
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 FIRST QUARTER ENDED 31 MARCH 2017

	Group		Increase / (Decrease) %
	1Q 2017 RMB'000	1Q 2016 RMB'000	
Revenue	15,364	14,313	7.3
Cost of sales	(7,559)	(7,682)	(1.6)
Gross Profit	7,805	6,631	17.7
Other income	493	279	76.8
Selling and distribution costs	(5,248)	(4,870)	7.8
Administrative costs	(2,714)	(2,948)	(7.9)
Profit/(loss) from operations	336	(908)	n.m.
Finance income	36	62	(41.9)
Finance costs	(193)	(213)	(9.4)
Net finance (costs)/income	(157)	(151)	4.0
Profit/(loss) before tax	179	(1,059)	n.m.
Income tax expense	-	(8)	n.m.
Profit/(loss) for the period	179	(1,067)	n.m.
Attributable to:			
Equity holders of the Company	(477)	(1,096)	(56.5)
Non-controlling interest	656	29	2,162.1
Profit/(loss) for the period	179	(1,067)	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) %
	1Q 2017 RMB'000	1Q 2016 RMB'000	
Government grants	350	-	n.m
Interest Income	36	62	(41.6)
Reversal of doubtful trade debts	136	36	377.8
Depreciation and amortisation	(389)	(380)	2.4
Foreign exchange gain	136	279	(51.3)

n.m. denotes not meaningful

2. UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group	
	1Q 2017 RMB'000	1Q 2016 RMB'000
Net profit/(loss)	179	(1,067)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	179	(1,067)
Total comprehensive profit/(loss) attributable to:		
Equity holders of the Company	(477)	(1,096)
Non-controlling interest	656	29
	179	(1,067)

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 31.3.2017 RMB'000	As at 31.12.2016 RMB'000	As at 31.3.2017 RMB'000	As at 31.12.2016 RMB'000
Non-current assets				
Property, plant and equipment	11,340	11,339	-	3
Land use rights	8,121	2,848	-	-
Construction-in-progress	24,176	-	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	44,960	15,510	54,999	55,002
Current assets				
Inventories	9,988	7,167	-	-
Trade receivables	19,918	21,039	-	-
Prepaid expenses	254	436	116	73
Other receivables	7,701	34,352	2,895	3,895
Tax recoverable	328	328	-	-
Cash and cash equivalents	40,362	44,857	6,390	6,484
	78,551	108,179	9,401	10,452
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	3,574	3,782	-	-
Accrued liabilities and other payables	8,313	8,176	581	764
Tax payable	118	404	8	11
	27,005	27,362	589	775
Net current assets	51,546	80,817	8,812	9,677
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	488	-	-
Net assets	96,018	95,839	63,811	64,679
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	7,334	7,812	(19,903)	(19,035)
Share capital and Reserves	91,048	91,526	63,811	64,679
Non-controlling interest	4,970	4,313	-	-
Total equity	96,018	95,839	63,811	64,679

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 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 March 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 PERIOD ENDED 31 MARCH 2017

	Group	
	1Q 2017	1Q 2016
	RMB'000	RMB'000
Cash flows from operating activities		
Profit/(loss) before tax	179	(1,059)
Adjustments for:		
(Reversal of)/allowance for doubtful trade debts	(136)	(36)
Depreciation and amortisation	389	380
Interest expense	186	213
Interest income	(36)	(62)
Operating profit/(loss) before changes in working capital	582	(564)
Changes in working capital		
Trade receivables	1,257	1,875
Prepayments, deposits and other receivables	5,950	(529)
Inventories	(2,821)	(898)
Trade payables	(208)	(655)
Accrued liabilities and other payables	137	(933)
Cash generated from/(used in) operations	4,897	(1,704)
Interest received	36	62
Interest paid	(186)	(213)
Income tax paid	(285)	(9)
Net cash flows from/(used in) operating activities	4,462	(1,864)
Cash flows from investing activities		
Acquisition of subsidiary (see note below)	(8,585)	-
Acquisition of construction in progress	(25)	-
Acquisition of property, plant and equipment	(347)	(209)
Net cash flows used in investing activities	(8,957)	(209)
Cash flows from financing activities		
Proceeds from bank borrowing	-	-
Net cash flows from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(4,495)	(2,073)
Cash and cash equivalents at the beginning of the year	44,857	77,143
Cash and cash equivalents at the end of the period	40,362	75,070

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)
Cash flow on acquisition of subsidiary	8,585

- 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	Total	Non- controlling Interest	
At 1 January 2017	83,714	4,431	11,924	(8,543)	91,526	4,313	95,839
Total comprehensive income	-	-	-	(478)	(478)	657	179
At 31 March 2017	83,714	4,431	11,924	(9,021)	91,048	4,970	96,018
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

<u>Company</u> <u>In RMB'000</u>	Share Capital	Employee Share Options Reserve	Accumulated Losses	Total Equity
	At 1 January 2017	83,714	4,431	(23,466)
Total comprehensive income	-	-	(868)	(868)
At 31 March 2017	83,714	4,431	(24,334)	63,811
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

- 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 2016.

Share Options

As at 31 March 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.

- 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 2017 and 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.**

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 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.**

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 2017	1Q 2016
(i) Based on weighted average number of shares	(2.1)	(4.8)
Weighted average number of shares	23,000,000	23,000,000
(ii) On a fully diluted basis*	(2.1)	(4.8)
Adjusted weighted average number of shares	23,000,000	23,000,000

* 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Net asset value per ordinary share	3.96	3.98	2.77	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

The Group's revenue increased by RMB 1.1 million or 7.3% from RMB 14.3 million for 1Q 2016 to RMB 15.4 million for 1Q 2017, mainly due to higher revenue from both the Group's prescribed drugs segment and non-prescribed drugs/distribution segment. Revenue from prescribed drugs increased by RMB 0.9 million mainly due to higher orders for ATT products. Revenue from non-prescribed drugs/distribution segment increased by RMB 0.2 million.

Gross profit margin increased from 46.3% in 1Q 2016 to 50.8% in 1Q 2017 primarily due to higher contribution from higher margin prescribed drugs segment, mainly due to ATT products. Other income increased from RMB 0.28 million in 1Q 2016 to RMB 0.49 million in 1Q 2017 mainly due to government grant and lower foreign exchange gain in 1Q 2017.

Selling and distribution costs increased from RMB 4.9 million in 1Q 2016 to RMB 5.2 million in 1Q 2017 mainly due to higher corresponding sales from prescribed drugs segment. Administrative costs decreased from RMB 2.9 million in 1Q 2016 to RMB 2.7 million for 1Q 2017 mainly due to higher reversal of provision for doubtful trade debts and lower professional fees in 1Q 2017.

Finance income decreased from RMB 62,000 in 1Q 2016 to RMB 36,000 for 1Q 2017, mainly due to lower interest income from cash and cash equivalents. Finance costs decreased from RMB 213,000 in 1Q 2016 to RMB 193,000 for 1Q 2017, mainly due to lower interest rate.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 0.5 million in 1Q 2017, as compared to a net loss after tax attributable to equity holders of the Company of RMB 1.1 million in 1Q 2016.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 45.0 million as at 31 March 2017, an increase of RMB 29.5 million from RMB 15.5 million as at 31 December 2016. This was mainly due to increase of land use rights of RMB 5.3 million and increase of construction-in-progress of RMB 24.2 million arising from the acquisition of subsidiary, Jiangyou Neautus Traditional Chinese Medicine Technology Co. Ltd ("Jiangyou").

The Group's current assets were RMB 78.6 million as at 31 March 2017, a decrease of RMB 29.6 million from RMB 108.2 million as at 31 December 2016. This was mainly due to lower trade receivables, other receivables and cash & cash equivalents and higher inventories. Inventories increased mainly due to higher inventory levels for ErDing granules. Other receivables decreased mainly due to the decrease in loans to Jiangyou and payments for the acquisition of the shares of Jiangyou after consolidating the new subsidiary, Jiangyou.

The Group's current liabilities were RMB 27.0 million as at 31 March 2017, an decrease of RMB 0.4 million from RMB 27.4 million as at 31 December 2016 mainly due to decrease in trade payables and tax payable offset by increase in accrued liabilities and other payables.

STATEMENT OF CASH FLOWS

The Group's net cash inflow from operating activities was RMB 4.5 million for the quarter mainly due to its operating profit, changes in working capital and interest and income tax paid.

Net cash used in investing activities amounted to RMB 9.0 million, incurred mainly for the acquisition of Jiangyou, purchase of plant and machinery.

As at 31 March 2017, the Group had a cash and cash equivalents of RMB 40.4 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 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 prescribed drugs market continues to be challenging with the downward pricing pressure and intense competition. Over the years, the Group has been actively promoting its over-the-counter (“OTC”) drugs as these are not subject to pricing regulations. Sales of the Group’s OTC products have been encouraging especially ErDing granules and the Group will continue to capitalize on its growing demand with the newly acquired facility in Jiangyou. The construction of Jiangyou facility is ongoing and is expected to commence production by the end of 2017. 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 period ended 31 March 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 3,251,469

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 2017 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 1.4 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 DIRECTOR AND CHIEF EXECUTIVE OFFICER

15 May 2017