

PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Financial Statements and Dividend Announcement for the 9 months ended 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2016

	Group			Group		
	3 months ended 30.09.2016 RMB'000	3 months ended 30.09.2015 RMB'000	+ / (-) %	9 months ended 30.09.2016 RMB'000	9 months ended 30.09.2015 RMB'000	+ / (-) %
Revenue	16,593	16,014	3.6	48,181	46,064	4.6
Cost of sales	(9,200)	(7,215)	(27.5)	(26,915)	(20,341)	32.3
Gross Profit	7,393	8,799	(16.0)	21,266	25,723	(17.3)
Other Income	(26)	-	n.m.	842	288	192.4
Selling and distribution costs	(4,821)	(4,706)	2.4	(14,111)	(16,106)	(12.4)
Administrative costs	(2,842)	(3,118)	(8.9)	(9,275)	(8,850)	4.8
Profit/(loss) from operations	(296)	975	n.m.	(1,278)	1,055	n.m.
Finance income	54	36	50.0	172	1,123	(84.7)
Finance costs	(205)	(244)	(16.2)	(655)	(667)	(1.9)
Net finance (costs)/income	(151)	(208)	(27.5)	(483)	456	n.m.
Profit/(loss) before tax	(447)	767	n.m.	(1,761)	1,511	n.m.
Income tax expense	-	-	n.m.	(9)	-	n.m.
Profit/(loss) for the period	(447)	767	n.m.	(1,770)	1,511	n.m.
Attributable to:						
Equity holders of the Company	(279)	254	n.m.	(1,829)	700	n.m.
Non-controlling interest	(168)	513	n.m.	59	811	(92.7)
Profit/(loss) for the period	(447)	767	n.m.	(1,770)	1,511	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	+ / (-) %
	30.09.2016	30.09.2015		30.09.2016	30.09.2015	
RMB'000	RMB'000		RMB'000	RMB'000		
Interest Income	54	36	50.0	172	1,123	(84.7)
Gain on sale of held for trading investment securities	-	-	-	-	288	n.m.
Reversal of/(allowance for) doubtful debts	75	(92)	n.m.	66	74	(10.8)
Depreciation and amortisation	(378)	(489)	(22.7)	(1,137)	(1,426)	(20.3)
Foreign exchange (loss)/gain	(32)	(13)	246.1	433	(12)	n.m.
Government grant	6	-	n.m.	406	-	n.m.

(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
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period	(447)	767	(1,770)	1,511
Other comprehensive income	-	-	-	-
Total comprehensive income	(447)	767	(1,770)	1,511
Total comprehensive income attributable to:				
Equity holders of the Company	(279)	254	(1,829)	700
Non-controlling interest	(168)	513	59	811
	(447)	767	(1,770)	1,511

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 30.9.2016 RMB'000	As at 31.12.2015 RMB'000	As at 30.9.2016 RMB'000	As at 31.12.2015 RMB'000
Non-current assets				
Property, plant and equipment	12,618	13,166	9	30
Land use rights	2,873	2,950	-	-
Investment in subsidiaries	-	-	54,999	54,999
Goodwill on consolidation	1,323	1,323	-	-
	16,814	17,439	55,008	55,029
Current assets				
Inventories	8,091	6,755	-	-
Trade receivables	17,573	21,071	-	-
Prepaid expenses	404	728	75	56
Other receivables	2,857	1,442	1,050	3,027
Tax recoverable	328	328	-	-
Cash and cash equivalents	78,423	77,143	5,735	6,953
	107,676	107,467	6,860	10,036
Current liabilities				
Bank borrowings	15,000	15,000	-	-
Trade payables	4,040	2,930	-	-
Accrued liabilities and other payables	5,832	5,587	745	560
Tax payable	10	11	10	11
	24,882	23,528	755	571
Net current assets	82,794	83,939	6,105	9,465
Non-current liabilities				
Deferred tax liabilities	488	488	-	-
	488	488	-	-
Net assets	99,120	100,890	61,113	64,494
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	10,623	12,452	(22,601)	(19,220)
Share capital and Reserves	94,337	96,166	61,113	64,494
Non-controlling interest	4,783	4,724	-	-
Total equity	99,120	100,890	61,113	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 30 September 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 September 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 SEPTEMBER 2016

	Group			
	3 months ended 30.09.2016	3 months ended 30.09.2015	9 months ended 30.09.2016	9 months ended 30.09.2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit/(loss) before tax	(447)	767	(1,761)	1,511
Adjustments for:				
Allowance for/(Reversal of) doubtful debts	(75)	92	(66)	(74)
Depreciation and amortisation	378	489	1,137	1,426
Gain on sale of held for trading investment securities	-	-	-	(288)
Interest expense	205	235	655	642
Interest income	(54)	(36)	(172)	(1,123)
Operating profit/(loss) before changes in working capital	7	1,547	(207)	2,094
Changes in working capital				
Trade receivables	2,084	1,605	3,564	2,908
Prepayments, deposits and other receivables	(1,140)	2,821	(1,091)	(2,813)
Inventories	(304)	(583)	(1,336)	(1,757)
Trade payables	(200)	259	1,110	1,304
Accrued liabilities and other payables	1,614	417	246	(1,003)
Advance against share application	-	2,229	-	2,229
Cash flows from operations	2,061	8,295	2,286	2,962
Interest received	54	36	172	4,136
Interest paid	(205)	(235)	(655)	(642)
Income tax paid	-	-	(10)	(11)
Net cash flows from operating activities	1,910	8,096	1,793	6,445
Cash flows from investing activities				
Acquisition of property, plant and equipment	(184)	(21)	(513)	(1,423)
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	(184)	(21)	(513)	13,865
Cash flows from financing activities				
Proceeds from bank borrowing	-	-	-	10,000
Net cash flows from financing activities	-	-	-	10,000
Net increase in cash and cash equivalents	1,726	8,075	1,280	30,310
Cash and cash equivalents at beginning of period	76,697	58,551	77,143	36,316
Cash and cash equivalents at end of period	78,423	66,626	78,423	66,626

- 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 Profits	Total	Non- controlling Interest	
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
Total comprehensive income	-	-	-	(454)	(454)	198	(256)
At 30 June 2016	83,714	4,431	11,924	(5,453)	94,616	4,951	99,567
Total comprehensive income	-	-	-	(279)	(279)	(168)	(447)
At 30 September 2016	83,714	4,431	11,924	(5,732)	94,337	4,783	99,120
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
<u>Company</u> <u>In RMB'000</u>							
	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
Total comprehensive income	-	-		(1,358)			(1,358)
At 30 June 2016	83,714	4,431		(25,899)			62,246
Total comprehensive income	-	-		(1,133)			(1,133)
At 30 September 2016	83,714	4,431		(27,032)			61,113
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	-	-		(949)			(949)
At 30 September 2015	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

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 September 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 September 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:-

	Group			
	3 months ended		9 months ended	
	30.09.2016	30.09.2015 (Restated) ¹	30.09.2016	30.09.2015 (Restated) ¹
(i) Based on weighted average number of shares (RMB cents)	(1.21)	1.27	(7.95)	3.50
Weighted average number of shares	23,000,000	20,000,000	23,000,000	20,000,000
(ii) On a fully diluted basis ² (RMB cents)	(1.21)	1.27	(7.95)	3.50
Adjusted weighted average number of shares	23,000,000	20,000,000	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	Group		Company	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Net asset value per ordinary share	4.10	4.40	2.66	2.93
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 0.6 million or 3.6% from RMB 16.0 million for 3Q 2015 to RMB 16.6 million for 3Q 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 0.6 million mainly due to lower orders for ATT. On the other hand, the Group's revenue from non-prescribed drugs/distribution segment increased by about RMB 1.2 million in 3Q 2016 as compared to 3Q 2015. 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 54.9% in 3Q 2015 to 44.6% in 3Q 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 was RMB (26,000) for 3Q 2016, mainly due to foreign exchange loss in 3Q 2016.

Selling and distribution costs increased by RMB 0.1 million or 2.4% to RMB 4.8 million for 3Q 2016 mainly due to higher corresponding sales. Administrative costs decreased by RMB 0.3 million or 8.9% to RMB 2.9 million for 3Q 2016 mainly due to reversal of provision for doubtful trade debts in 3Q 2016 as compared to provision for doubtful trade debts in 3Q 2015.

Finance income for 3Q 2016 increased by RMB 18,000 to RMB 54,000, mainly due to higher interest income from cash and cash equivalents. Finance costs was lower for 3Q 2016 as compared to 3Q 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 0.28 million for 3Q 2016, as compared to a net profit after tax of RMB 0.25 million for 3Q 2015.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 16.8 million as at 30 September 2016, a decrease of RMB 0.6 million from RMB 17.4 million as at 31 December 2015. This was mainly due to capital expenditure of RMB 0.5 million, offset by depreciation of the Group's property, plant and equipment and amortisation of its land use rights totalling RMB 1.1 million.

The Group's current assets were RMB 107.7 million as at 30 September 2016, an increase of RMB 0.2 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 24.9 million as at 30 September 2016, an increase of RMB 1.4 million from RMB 23.5 million as at 31 December 2015 mainly due to higher trade payables, accrued liabilities and other payables.

CASH FLOW STATEMENT

The Group's net cash inflow from operating activities for the third quarter was RMB 1.9 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 0.2 million, incurred mainly for the purchase of plant and machinery.

As at 30 September 2016, the Group had a cash and cash equivalents of RMB 78.4 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 1H FY2016.

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 will continue to pursue its plans to expand its production capacity 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 September 2016.

13. Interested Person Transactions.

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 third quarter ended 30 September 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 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**

14 November 2016