APPENDIX DATED 11 APRIL 2017

THIS APPENDIX TO SHAREHOLDERS ("APPENDIX") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix is issued by Pharmesis International Ltd. (the "Company", together with its subsidiaries, the "Group"). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

The purpose of this Appendix is to provide Shareholders with information on, and to explain the rationale for, the proposed renewal of the IPT General Mandate (as defined in this Appendix) to be tabled at the annual general meeting of the Company to be held at No. 5 Kallang Sector, #03-02, Singapore 349279 on Wednesday, 26 April 2017 at 10.00 a.m.

If you have sold or transferred all your ordinary shares in the capital of the Company (the "**Shares**"), you should immediately forward this Appendix together with the Notice of the annual general meeting, the proxy form and the annual report to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or the transferee.

Capitalised terms appearing on the cover of this Appendix have the same meanings as defined herein.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix.

PHARMESIS

PHARMESIS INTERNATIONAL LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200309641E)

APPENDIX IN RELATION TO

THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

TABLE OF CONTENTS

DEFINITIONS 3

LETTER TO SHAREHOLDERS

1. INTRODUCTION 6

2. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE 6

2.1 Background of the IPT General Mandate 6

2.2 The classes of Interested Persons under the IPT General Mandate 8

2.3 The nature of Interested Person Transactions 8

2.4 Rationale for and benefit of the IPT General Mandate 8

2.5 Guidelines and review procedures under the IPT General Mandate 9

2.6 Validity period of the IPT General Mandate 17

2.7 Disclosure of IPT to Shareholders in the annual report and financial statements 17

3. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL 18

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS 20

5. ABSTENTION FROM VOTING 21

6. AUDIT COMMITTEE'S STATEMENT 22

7. DIRECTORS' RECOMMENDATION 22

8. DIRECTORS' RESPONSIBILITY STATEMENT 22

DEFINITIONS

In this Appendix, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

"**AGM**"	:	Annual general meeting of the Company
"**Appendix**"	:	This appendix to Shareholders dated 11 April 2017
"**Audit Committee**"	:	The audit committee of the Company as at the Latest Practicable Date, comprising the audit committee chairman Mr Chew Heng Ching, Mr Chew Thiam Keng and Mr Jiang Ercheng
"**Board**" or "**Directors**"	:	The directors of the Company as at the Latest Practicable Date, and "**Director**" shall be construed accordingly
"**CDP**"	:	The Central Depository (Pte) Limited
"**Chengdu Kinna Investment**"	:	成都国嘉投资股份有限公司 (Chengdu Kinna Investment Co., Ltd.)
"**CPF**"	:	The Central Provident Fund
"**Companies Act**"	:	Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"**Company**"	:	Pharmesis International Ltd.
"**Entities at Risk**"	:	The Company and its subsidiaries
"**Financial Controller**"	:	The Financial Controller of the Company
"**FY**"	:	Financial year ended, or ending, as the case may be, on 31 December
"**Group**"	:	The Company and its subsidiaries
"**Interested Person Transactions**"	:	The categories of transactions with the Interested Persons which fall within the IPT General Mandate, namely: (a) the purchase of raw materials, such as *herba violae* (紫花地丁), *dandelion* (蒲公英), *indigowoad root* (板蓝根) and *herba lobeliae chinensis* (半边莲) and other herbs and/or raw materials, from the Sichuan Neautus Group and Ning Xia for the manufacturing of medicines of the Group; and (b) the provision of bottling services for food supplement beverages produced by the Sichuan Neautus Group and Ning Xia
"**Interested Persons**"	:	The classes of the Company's interested persons which fall within the IPT General Mandate, being Sichuan Neautus and Ning Xia, and their subsidiaries and associated companies

"**IPT General Mandate**"	:	The general mandate for the Interested Person Transactions which was previously approved by Shareholders and for which renewal is now being sought. The IPT General Mandate was first approved by Shareholders at the Company's extraordinary general meeting held on 27 December 2016.
"**Latest Practicable Date**"	:	4 April 2017, being the latest practicable date prior to the printing of this Appendix
"**Listing Manual**"	:	The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time
"**Minority Shareholders**"	:	The minority Shareholders of the Company
"**Mr Jiang**"	:	Mr Jiang Yun (江云), the Chief Executive Officer and an Executive Director of the Company
"**Mr Wu**"	:	Mr Wu Xuedan (吴学丹), an Executive Director of the Company
"**Ning Xia**"	:	宁夏采杞生物科技有限公司 (Ning Xia Cai Qi Sheng Wu Ke Ji You Xian Gong Si)
"**NTA**"	:	Net tangible assets
"**PRC**"	:	The People's Republic of China
"**Securities Account**"	:	Securities account maintained by a Depositor with CDP (but does not include a sub-securities account maintained with a Depository Agent)
"**SFA**"	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term "**Shareholders**" shall, where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
"**Shares**"	:	Ordinary shares in the share capital of the Company
"**Sichuan Neautus**"	:	四川新荷花中药饮片股份有限公司 (Sichuan Neautus Traditional Chinese Medicine Co., Ltd)
"**Sichuan Neautus Group**"	:	Sichuan Neautus, its subsidiaries and associated companies
"**Substantial Shareholder**"	:	A person who holds directly and/or indirectly five per cent. (5.0%) or more of the total issued share capital of the Company

Currencies, Units and others

"**%**" or "**per cent.**"	:	Percentage or per centum
"**RMB**"	:	Renminbi, the official currency of the PRC
"**S$**"	:	Singapore dollars

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

The words "**written**" and "**in writing**" include any means of visible reproduction.

Any reference in this Appendix to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Companies Act, the Listing Manual, the SFA or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

PHARMESIS INTERNATIONAL LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number 200309641E)

LETTER TO SHAREHOLDERS

Directors:

Mr Jiang Yun (*Chief Executive Officer and Executive Director*)
Mr Wu Xuedan (*Executive Director*)
Mr Chew Heng Ching (*Independent Non-Executive Chairman*)
Mr Chew Thiam Keng (*Independent Non-Executive Director*)
Mr Jiang Ercheng (*Non-Independent Non-Executive Director*)

Registered Office:

5 Kallang Sector, #03-02,
Singapore 349279

11 April 2017

To: The Shareholders of Pharmesis International Ltd.

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

1. INTRODUCTION

1.1 Notice of AGM. We refer to:

(a) the Notice of AGM of the Company dated 11 April 2017 (the "**Notice**"), accompanying the FY2016 Annual Report, convening the 13th AGM of the Company to be held on 26 April 2017; and

(b) Ordinary Resolution No. 8 relating to the proposed renewal of the IPT General Mandate (as proposed in the Notice).

1.2 Pursuant to Chapter 9 of the Listing Manual, the Directors intend to seek Shareholders' approval at the forthcoming AGM for the renewal of the IPT General Mandate, being a general mandate permitting the Company and its subsidiaries to enter into transactions with the Interested Persons, as set out in Section 2.3 of this Appendix. The IPT General Mandate was originally approved by Shareholders at the extraordinary general meeting held on 27 December 2016, as set out in the circular of the Company dated 12 December 2016. Information on the Interested Persons is set out in Section 2.2 of this Appendix. There is no change to the scope and terms of the IPT General Mandate which is proposed to be renewed.

1.3 The purpose of this Appendix is to provide Shareholders with the relevant information relating to and explaining the rationale for the proposed renewal of the IPT General Mandate and to seek Shareholders' approval for the resolution in respect thereof to be tabled at the AGM.

1.4 Shareholders should read this Appendix carefully and consider the recommendation of the Directors in Section 7 of this Appendix.

2. THE PROPOSED RENEWAL OF THE IPT GENERAL MANDATE

2.1 Background of the IPT General Mandate

The Group, under its two (2) subsidiaries, 成都国嘉联合制药有限公司 (Chengdu Kinna Pharmaceutical Co., Ltd) and 四川古蔺肝苏药业有限公司 (Sichuan Longlife Pharmaceutical Co., Ltd), specialises in the manufacturing of pharmaceutical products in the form of tablets, granules, pills, etc., including traditional Chinese medicine formulated products for the treatment of illnesses relating to the liver and gall bladder. Additionally, the Group's business also includes the research and development, production, sale and marketing of pharmaceutical products.

From time to time, there are transactions between the Group and both the Sichuan Neautus Group and Ning Xia in respect of recurrent transactions which would be entered into by the Group in its ordinary course of business with a high degree of frequency. Such transactions currently comprise the purchase of raw materials (such as herbs) for the manufacturing of medicines from the Sichuan Neautus Group and Ning Xia, and providing bottling services for food supplement beverages produced by the Sichuan Neautus Group and Ning Xia.

As at the Latest Practicable Date, Mr Jiang, the Chief Executive Officer of the Company, has an aggregate interest in approximately 38.76% of the total equity interest in Sichuan Neautus, arising from (a) his direct interest in 18.31% of equity interest in the capital of Sichuan Neautus; and (b) his indirect interest in approximately 20.45% of equity interest in Sichuan Neautus, through his 47.00% equity interest in the capital of Chengdu Kinna Investment, which in turn holds a direct interest in 43.51% equity interest in the capital of Sichuan Neautus. Mr Jiang is also the chairman of the board of Sichuan Neautus and the legal representative of both Sichuan Neautus and Chengdu Kinna Investment. As at the Latest Practicable Date, Mr Jiang's son, Mr Jiang Ercheng, a non-independent non-executive director of the Company has a direct interest in 12.65% of equity interest in the capital of Sichuan Neautus. Collectively, Mr Jiang and Mr Jiang Ercheng have an aggregate interest in approximately 51.41% of the total equity interest in Sichuan Neautus. Hence, for the purposes of Chapter 9 of the Listing Manual, the Sichuan Neautus Group is regarded as an Interested Person of the Company and the Company accordingly proposes to include the Sichuan Neautus Group as an Interested Person in the IPT General Mandate. As at the Latest Practicable Date, Mr Jiang does not have any direct or indirect interest in the Shares. Mr Jiang's son, Mr Jiang Ercheng is deemed to be interested in approximately 22.76% of the total number of issued Shares held by Emperor Wealth Holdings Limited, a controlling shareholder of the Company, through his ownership of 100% of the equity interests in Emperor Wealth Holdings Limited.

As at the Latest Practicable Date, Mr Jiang Ercheng, who was appointed as a non-independent non-executive director of the Company on 1 July 2016, is the son of Mr Jiang and holds 100% of the equity interest in Emperor Wealth Holdings Limited, a controlling shareholder of the Company, and has a direct 85.0% equity interest in the capital of Ning Xia. Hence, for the purposes of Chapter 9 of the Listing Manual, Ning Xia is regarded as an Interested Person of the Company and the Company accordingly proposes to include Ning Xia as an Interested Person in the IPT General Mandate.

Mr Wu, an Executive Director of the Company, also has a deemed interest of 43.51% in Sichuan Neautus. Hence, for the purposes of Chapter 9 of the Listing Manual, the Sichuan Neautus Group is regarded as an Interested Person of the Company. As at the Latest Practicable Date, Mr Wu does not have any direct or indirect interest in the Shares.

For completeness of disclosure, Mr Wu also has a direct 5.0% equity interest in the capital of Ning Xia. However, Ning Xia is not considered an "associate" of Mr Wu under Chapter 9 of the Listing Manual as Mr Wu's interests in Ning Xia is below the shareholding threshold of 30% or more applicable to an "associate" for the purposes of Chapter 9 of the Listing Manual.

The Company would like to seek the approval from the Shareholders for the renewal of the IPT General Mandate in respect of certain recurrent transactions as set out in Section 2.3 of this Circular which the Group may enter into with the Sichuan Neautus Group and Ning Xia.

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the IPT General Mandate. Further, the IPT General Mandate will not cover any transactions entered into by a member of the Group with an Interested Person that is below S$100,000 in value as the threshold and aggregation requirements of Rules 905 and 906 of Chapter 9 of the Listing Manual would not apply to such transactions.

Transactions with Interested Persons that do not fall within the scope of the IPT General Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

General information relating to Chapter 9 of the Listing Manual, including terms such as "interested person", "associate" and "controlling shareholder", are set out in Section 3 of this Appendix.

2.2 The classes of Interested Persons under the IPT General Mandate

Sichuan Neautus is incorporated in the PRC. Its principal business activities are research and development, cultivating of Chinese herbs, production, wholesale and retailing of herbs and related products and food.

Ning Xia is incorporated in the PRC. Its principal business activities are in research and development and sale of Chinese herbal medicine.

The Interested Persons falling under the IPT General Mandate, for the purpose of Chapter 9 of the Listing Manual are Sichuan Neautus and Ning Xia, and their subsidiaries and associated companies.

2.3 The nature of Interested Person Transactions

The transactions under the IPT General Mandate are:

(a) the purchase of raw materials, such as *herba violae* (紫花地丁), *dandelion* (蒲公英), *indigowoad root* (板蓝根) and *herba lobeliae chinensis* (半边莲) and other herbs and/or raw materials, from the Sichuan Neautus Group and Ning Xia for the manufacturing of medicines of the Group; and

(b) the provision of bottling services for food supplement beverages produced by the Sichuan Neautus Group and Ning Xia.

The Company has been sourcing for other third party customers to provide such bottling services which is in the ordinary course of the Company's business. However, despite the Company's efforts, the Company has been unable to secure any third party customers for such bottling services.

2.4 Rationale for and benefit of the IPT General Mandate

It is anticipated that in the ordinary course of business, transactions of a revenue or trading nature between companies in the Group and the Interested Persons are likely to occur from time to time. Such transactions may include, but are not limited to, the Interested Person Transactions as described in Section 2.3 of this Appendix.

The IPT Mandate will give the Group the flexibility to enter into transactions with the Sichuan Neautus Group and Ning Xia in the ordinary course of the Group's business without the need to seek Shareholders' approval each time. The IPT General Mandate will also enhance the Group's ability to pursue business opportunities of a revenue or trading nature which are time-sensitive, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the Group into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

The IPT General Mandate is intended to facilitate transactions in the ordinary course of business of the Group which are transacted from time to time with the Sichuan Neautus Group and Ning Xia, provided that they are transacted on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its Minority Shareholders.

2.5 Guidelines and review procedures under the IPT General Mandate

2.5.1 Review procedures

The following review procedures will be implemented after having regard to the nature of Interested Person Transactions and the criteria for establishing review procedures, which is to ensure that such review procedures are adequate and/or commercially practicable in ensuring that the Interested Person Transactions are conducted on normal commercial terms, are in the interest of the Company and are not prejudicial to the interests of the Company and Minority Shareholders:

(a) Category A Transactions

The purchase of raw materials, such as *herba violae* (紫花地丁), *dandelion* (蒲公英), *indigowoad root* (板蓝根) and *herba lobeliae chinensis* (半边莲) and other herbs and/or raw materials (the "**Raw Materials**"), from the Sichuan Neautus Group and Ning Xia for manufacturing of medicine or products of the Group ("**Category A Transactions**").

The transactions under Category A Transactions will include: purchase of raw materials including *herba violae* (紫花地丁), *dandelion* (蒲公英), *indigowoad root* (板蓝根), *herba lobeliae chinensis* (半边莲) and other herbs and/or raw materials between the Entities at Risk and the Interested Persons.

Essentially Category A Transactions comprises purchases of Raw Materials by Entities at Risk, from the Interested Persons.

In evaluating the purchase prices for the Raw Materials from the Interested Persons, comparison(s) will be made with at least two (2) quotations from unrelated/independent third party suppliers, from independently verifiable and reliable sources as approved by the Audit Committee from time to time, with advice from a committee comprising personnel(s) from the production, quality assurance, and finance department (the "**Committee**") ("**Approved Independent Sources**"). The Approved Independent Sources are selected based on place of origin, quality, texture of products, reliability of supply, payment terms, and may not simply be the cheapest comparable source, as such cheaper source may not be satisfactory or suitable in terms of quality, texture and reliability of supply and payment terms. The list of Approved Independent Sources will be maintained by the Committee and reviewed by Audit Committee periodically.

The purchase prices for Raw Materials from Interested Persons should be comparable or more favourable than the simple average for at least two (2) price quotes from the Approved Independent Sources. Credit terms of the purchases will be comparable to those offered by unrelated third parties.

In comparing the price quotes and the credit terms, the following factors will be considered: quality, reliability in supply, payment terms as well as the availability of bulk discounts, ability to meet delivery schedules, specialised nature, medicinal qualities, texture of the products, etc. as compared to those offered by unrelated and independent third parties or extended by the Entities at Risk or within the norms of the pharmaceutical manufacturing and distribution industry in the PRC known to the Audit Committee and the management of the Company.

Thus in respect of purchases of Raw Materials from the Interested Persons, the purchase prices and terms will be compared against quotations from Approved Independent Sources for each purchase order or for purchase orders for such intervals or periods for similar products and/or quantities, from similar geographical locations or regions as determined by the Audit Committee with at least two (2) other comparable quotations from unrelated and independent third parties with terms similar or comparable to those provided by the Interested Persons taking into account all pertinent factors such as but not limited to the fact that, quality, reliability in supply, payment terms, track record of counter-parties, and

where applicable, preferential rates, rebates or discount accorded for bulk purchases or long-term suppliers with minimum volumes or known patterns for purchases and cost for freight, ability to meet delivery schedules, specialised nature, medicinal qualities, texture of the products etc., freight and shipping terms (*inter alia*, storage, shipment, transportation and insurance costs or expenses where applicable) to be borne by each party.

In the event that two (2) comparable quotations from unrelated and independent third parties are not available, the Company will, subject to the approval of the Audit Committee, determine the reasonableness of the purchase prices to ensure that the purchase prices of the Raw Materials from Interested Person(s) are in accordance with industry norms and usual business practices, the strategic direction of the Group and the pricing policies of the relevant companies in the Group and taking into consideration other factors such as but not limited to, potential gross profit margins or earnings as compared to the average profit margins for the Group, as the case may be, and the historical purchase price paid by the Company, product quality, discount accorded for bulk purchase, reliability, relationship established, known pattern of purchases, overall services provided and costs or expenses borne by each parties.

(b) Category B Transactions

The Group has a production facility for bottling oral liquid medicines. The bottling production facility was built to manufacture a type of oral liquid medicine, namely 黄刻 ("**Huangke**"). Due to increases in raw material costs, the manufacture for sale of Huangke became unprofitable and is no longer commercially viable since FY2014.

As a result, the Group has since FY2014 discontinued production of Huangke in FY2014. Arising from possibilities of offering its bottling facilities for contract manufacturing to Sichuan Neautus Group and Ning Xia, the Group had made minor modifications to its bottling production equipment at the end of 2014, to cater for production of bottled food supplement. It currently has a production capacity of approximately 10,000 bottles per day.

The Group had modified instead of disposing its bottling production facilities as such facilities are still useful to the Group's business in future. The Group intends to manufacture new types of oral liquid medicine in future which are profitable and use the bottling production facilities for the bottling of such oral liquid medicines. As at the Latest Practicable Date, the bottling business of the Group has a positive gross profit margin (which takes into account direct costs such as direct labour and materials, etc.).

Since January 2016, the Group had on an ad-hoc basis provided bottling services for wolfberries juice (枸杞液), a food supplement beverage sold by Ning Xia. For FY2016, the Group has bottled approximately 53,000 bottles of food supplement since 1 January 2016. For FY2016, the gross profit margins (after accounting for direct costs such as direct labour and materials, etc.) for provision of such bottling services to the Interested Person(s) is comparable if not higher than those generated from other products of the Group. Given the indicated increase in demands for such services from Interested Person(s) and the possibility of term contracts, the Directors have envisaged the requirements for an interested person transactions general mandate for compliance with the Listing Manual.

On an ad hoc basis or long-term basis, the Interested Person(s), subject to terms and conditions, intends to engage the Group for the provision of bottling services for food supplement beverages produced by the Sichuan Neautus Group and Ning Xia. The Board understands that the Interested Person(s) do not currently have their own bottling production facilities. There is no minimum quantity for the bottling services as the production of the food supplement beverage by the Interested Person(s) is based on market demand. The Board is of the view that it makes commercial sense for the Group to continue to provide such bottling services because it is a profitable service, instead of leaving such bottling production equipment idle, without generating any revenue or profits to the Group. In addition and as mentioned, the Group intends to manufacture oral liquid medicine in future and the bottling production facilities can be used for bottling such oral liquid medicines.

In determining the prices for the provision of bottling services for the Interested Person, the following will be considerations for determination of each contract or contracts:

(i) the returns for services to be provided must be more favourable than those generated from the comparable contract bottling services to be offered to unrelated and independent third parties;

(ii) to determine the aforementioned, two (2) independent quotes from unrelated and independent third parties will be sourced to determine the competitiveness and comparability of the price and terms offered to or by the Interested Person(s) for the provision of such services. This will take into account all pertinent factors, *inter alia*, the costs for provision of the service (including direct and indirect) to be incurred by Entities at Risk, available/idle production capacity on a short or long-term basis, historical prices offered to the Interested Person(s) or third parties, payment terms, warehousing terms, freight and insurance terms, responsiveness and comparisons based on relevant costing (if applicable), etc. For avoidance of doubt, the costs for provision of such services will be determined by the finance department.

The Group does not currently provide its bottling service to independent third parties.

In the event that two (2) comparable quotations from unrelated and independent third parties are not available, the Audit Committee will determine the reasonableness of the price, after taking into account factors such as, but not limited to, the costs for provision of the service (including direct and indirect) to be incurred by Entities at Risk, available/idle production capacity, historical prices offered to the Interested Person(s), payment terms, warehousing terms, freight and insurance terms, responsiveness and comparisons based on relevant costing (if applicable), etc. This is consistent with the review procedure for purchase of Raw Materials in Section 2.5.1(a) of this Appendix. Furthermore, each transaction will be evaluated based on its profitability (as compared to existing profit margins for other products or services provided by the Group) to ensure that transactions are on an arms-length basis and not prejudicial to the interest of the Company and its Minority Shareholders.

2.5.2 Approval and review thresholds

In addition to the review procedures, the following approval procedures will be implemented to supplement existing internal control procedures for the Interested Person Transactions to ensure that such transactions are undertaken on an arm's length basis and on normal commercial terms:

(a) Aggregate transactions review and approval thresholds for Raw Materials

(i) Where the aggregate value of all Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than five per cent. (5.0%) but less than 10% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of both the Group's production manager and such other manager or officer of the Group (who shall not be interested in any of the Interested Person Transactions) as approved by the Audit Committee. Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval.

The Group's production manager in-charge of Category A Transactions will be delegated with the authority to act as the first level of approval, in view of familiarity and responsibility for the Group's production and manufacturing processes. The other manager referred to will be the finance manager for the Group, who is independent from the production and procurement departments, and familiar with the costing and budgeting processes for the Group. Currently, the Group's production manager in charge of Category A Transaction is Mr Wang Bo and the finance manager for the Group is Mr Zhang Lin.

Shareholders shall note that as stated under Section 2.5.1(a) of this Appendix, for Raw Materials, Category A transactions, and for approvals under this threshold there must be two (2) comparable quotations, else the approval is subject to the Audit Committee. The comparable quotes are from independently verifiable and reliable sources as approved by the Audit Committee from time to time, with advice from a committee comprising personnel(s) from the production, quality assurance, and finance department. The two persons designated as approving authority for this threshold are the managers for the production and finance department. The managers and their functions are independent of each other and are not interested in any of the Interested Person Transactions).

Whilst the Group's production manager in charge of Category A Transactions, Mr Wang Bo, and the finance manager for the Group, Mr Zhang Lin are key management staff at the Group's subsidiaries, they are not considered key executives of the Group. Notwithstanding, the Audit Committee is of the view that both production manager and finance manager for the Group have the necessary skills and experience, to be delegated with authority to carry out their responsibilities for the approval in their respective functions, namely managing the full production facilities and finance (including cost accounting and budgeting for the Group) respectively and ensuring that such interested persons transactions are undertaken on an arm's length basis and on normal commercial terms. Delegation of authority comes with responsibility and accountability. Furthermore the Audit Committee has the overall responsibility and is accountable to the shareholders.

In addition, where the aggregate value of all Interested Person Transactions is equal to or less than 10% of the Group's latest audited NTA, the Financial Controller, who is a key executive of the Company as disclosed in the Company's annual reports will review and approve transactions in the Interested Person Transactions register on a quarterly basis or such other periods as approved by the Audit Committee. Currently, taking into account the nature of the Interested Person Transactions (including, *inter alia*, the size, frequency and volume of such transactions) and the review procedures for the Interested Person Transactions (including the additional controls as set out in Section 2.5.3 of this Appendix), the Audit Committee is satisfied with the frequency of reviews done by the Financial Controller on a quarterly basis.

(ii) Where the aggregate value of all Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than 10% but less than 15% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall be subject to the prior approval of both the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions) unless the transaction has been specifically approved by the Audit Committee. Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval.

In addition, the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions) will review and approve transactions in the Interested Person Transactions register on a quarterly basis or such other periods as approved by the Audit Committee.

For this threshold, transactions require the approval, from both the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions). The person to be designated will be one of the following: a) the Chief Executive Officer; or b) in the case where the Chief Executive Officer is an Interested Person, the next most senior personnel who is not interested (currently the assistant general manager, Mr Qi Jie); or c) a member of the Audit Committee (in the event that both the assistant general manager and Chief Executive Officer are interested in the transaction).

The review and quarterly (or such periods) approval of transactions, will be conducted by the Financial Controller and one of the persons named above being a) the Chief Executive Officer; or b) in the case where the Chief Executive Officer is an Interested Person, the next most senior personnel who is not interested (currently the assistant general manager, Mr Qi Jie); or c) a member of the Audit Committee (in the event that both the assistant general manager and Chief Executive Officer are interested in the transaction) provided that such person shall not have approved the transaction to be reviewed. For the avoidance of doubt, where the transaction was previously reviewed by a member of the Audit Committee, "such person" shall mean another member of the Audit Committee. As the person reviewing the transactions (other than the Financial Controller) will not be the same as the person approving the transactions, this procedure provides a sufficient check and balance.

Furthermore, all approvals must strictly follow review procedures as stipulated in Sections 2.5.1(a) and 2.5.3 of this Appendix. All such approvals must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal audit or external audit.

(iii) Where the aggregate Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than 15% of the Group's latest audited NTA, all subsequent Interested Person Transactions will be subject to the prior approval of a simple majority of the members of the Audit Committee (if a member of the Audit Committee is interested in any Interested Person Transactions, he shall abstain from participating in the review of that particular transaction). The Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval. For the avoidance of doubt, the Audit Committee shall be responsible for such approvals.

(b) Aggregate transactions review and approval thresholds for provision of bottling services

(i) Where the aggregate value of the Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than five per cent. (5.0%) but less than 10% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall require the prior approval of both the Group's production manager and such other manager or officer of the Group (who shall not be interested in any of the Interested Person Transactions) as approved by the Audit Committee. Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval.

The Group's production manager for bottling services in-charge of the Group's Category B Transactions will be delegated with the authority to act as the first level of approval, in view of familiarity with the Group's production and manufacturing processes. The other manager or officer will be the finance manager for the Group, who is independent from the productions and sales departments, and familiar with the production costing and budgeting processes. Currently, the Group's production manager for bottling services is Ms Xu Hui Li and the finance manager for the Group is Mr Zhang Lin.

Shareholders shall note that as stated under Section 2.5.1(b) of this Appendix, for bottling services, Category B transactions, and for approvals under this threshold there must be two (2) comparable quotations, else the approval is subject to the Audit Committee.

Whilst the Group's production manager for bottling services, Ms Xu Hui Li, and the finance manager for the Group Mr Zhang Lin are key management staff at the Group's subsidiaries, they are not considered key executives of the Group. Notwithstanding, the Audit Committee is of the view that both Group's production manager and finance manager for the Group have the necessary skills and experience, to be delegated with authority to carry out their responsibilities for the approval in their respective functions, namely managing the full production facilities and finance (including cost accounting and budgeting for the Group) respectively and ensuring that such interested persons transactions are undertaken on an arm's length basis and on normal commercial terms. Delegation of authority comes with responsibility and accountability. Furthermore the Audit Committee has the overall responsibility and is accountable to the shareholders.

In addition, where the aggregate value of all Interested Person Transactions is equal to or less than 10% of the Group's latest audited NTA, the Financial Controller, who is a key executive of the Company as disclosed in the Company's annual reports will review and approve transactions in the Interested Person Transactions register on a quarterly basis or such other periods as approved by the Audit Committee. Currently, taking into account the nature of the Interested Person Transactions (including, *inter alia*, the size, frequency and volume of such transactions) and the review procedures for the Interested Person Transactions (including the additional controls as set out in Section 2.5.3 of this Appendix), the Audit Committee is satisfied with the frequency of reviews done by the Financial Controller on a quarterly basis.

(ii) Where the aggregate value of all Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than 10% but less than 15% of the Group's latest audited NTA, all subsequent Interested Person Transactions shall be subject to the prior approval of both the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions) unless the transaction has been specifically approved by the Audit Committee. Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval.

For this threshold, transactions require the approval, from both the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions). The person to be designated will be one of the following: a) the Chief Executive Officer; or b) in the case where the Chief Executive Officer is an Interested Person, the next most senior personnel who is not interested (currently the assistant general manager, Mr Qi Jie); or c) a member of the Audit Committee (in the event that both the assistant general manager and Chief Executive Officer are interested in the transaction).

Furthermore, all approvals must strictly follow review procedures stipulated in Sections 2.5.1(b) and 2.5.3 of this Appendix. All such approvals must be documented. The documentation, including the reasons for approval where necessary, must be accompanied with supporting documents to serve as audit trails, which will be subject to internal audit or external audit.

In addition, the Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions) will review and approve transactions in the Interested Person Transactions register on a quarterly basis or such other periods as approved by the Audit Committee.

The review and quarterly (or such other periods) approval of transactions, will be conducted by the Financial Controller and one of the persons named above being a) the Chief Executive Officer; or b) in the case where the Chief Executive Officer is an Interested Person, the next most senior personnel who is not interested (currently the assistant general manager, Mr Qi Jie); or c) a member of the Audit Committee (in the event that both the assistant general manager and Chief Executive Officer are interested in the transaction) provided that such person shall not have approved the transaction to be reviewed. For the avoidance of doubt, where the transaction was previously reviewed by a member of the Audit Committee, "such person" shall mean another member of the Audit Committee. As the person reviewing the transactions (other than the Financial Controller) will not be the same as the person approving the transactions, this procedure provides a sufficient check and balance.

(iii) Where the aggregate Interested Person Transactions in the current financial year (not including transactions below S$100,000) is equal to or more than 15% of the Group's latest audited NTA, all subsequent Interested Person Transactions will be subject to the prior approval of a simple majority of the members of the Audit Committee (if a member of the Audit Committee is interested in any Interested Person Transactions, he shall abstain from participating in the review of that particular transaction). The Interested Person Transactions which have been approved by the Audit Committee need not be aggregated for the purpose of the approval. For the avoidance of doubt, the Audit Committee shall be responsible for such approvals.

(c) Individual transactions review and approval thresholds:

(i) Where an individual transaction is below S$250,000 (including individual transactions below S$100,000), such transactions will be subject to prior approval by relevant factory manager or relevant purchase manager or relevant person-in-charge for the production department or such other persons as approved by the Audit Committee.

(ii) Where an individual transaction is above S$250,000, but less than five per cent. (5.0%) of the Group's latest audited NTA, such transactions will be subject to prior approval of Financial Controller and another person designated by the Audit Committee (who shall not be interested in any of the Interested Person Transactions). Such person shall be one of those named in either Section 2.5.2.(a)(ii) or 2.5.2(b)(ii) of this Appendix.

(iii) Where an individual transaction is above five per cent. (5.0%) of the Group's latest audited NTA, such transactions will be subject to prior approval of a simple majority of the members of the Audit Committee.

The threshold limits set out above are adopted by the Company taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as the Group's day-to-day operations, administration and businesses. The threshold limits are arrived at after considering the operational efficiency for the day-to-day business operations of the Group and the internal control for Interested Person Transactions. The threshold limits act as an additional safeguard to supplement the review procedures which will be implemented by the Company for Interested Person Transactions.

2.5.3 Additional controls

(a) The Finance Department of the Group will maintain a register of transactions (including transactions below S$100,000) carried out with Interested Persons pursuant to the IPT General Mandate (recording the basis, including the quotations and supporting evidence or records or details obtained to support such basis, on which they were entered into as well as the approving authority). In accordance with Rules 905(3) and 906(3) of the Listing Manual, transactions which are below S$100,000 will not be aggregated. The Interested Person Transactions register shall be prepared, maintained, monitored and reviewed on a monthly basis, by both the Finance Manager and Financial Controller who are not Interested Persons. This is to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT General Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. In addition, any exceptions or departures from the procedures shall be reported and highlighted to the Audit Committee immediately.

(b) The Financial Controller will obtain signed letters of confirmation from key management personnel, controlling shareholders and the Directors on a periodic basis (of not more than half year) with respect to their interest in any transactions with the Group.

(c) The Financial Controller will maintain a list of the Directors and Controlling Shareholders and associates of the Company (which is to be updated immediately if there are any changes) to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed by the Audit Committee at least on a semi-annual basis.

(d) The Group's annual or periodic (such periods as may be decided by the Audit Committee) internal audit plan shall incorporate a review of all Interested Person Transactions, including the established review procedures for monitoring of such Interested Person Transactions, entered into during the current financial year pursuant to the IPT General Mandate. The approving authority in the approval thresholds as stipulated in this Section 2.5 of this Appendix may be delegated with the approval of the Audit Committee in writing as well as the bases for such approval.

(e) The Audit Committee shall periodically review all Interested Person Transactions, at least on a semi-annual basis, to ensure that they are carried out on normal commercial terms and in accordance with the guidelines and review procedures in the IPT General Mandate. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction(s) and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers and/or valuers to provide additional information or review of controls and its implementation pertaining to the transactions under review.

(f) In the event that a member of the Audit Committee is interested in any Interested Person Transaction, he shall abstain from participating in the review of that particular transaction.

(g) The Group's internal auditor shall, on at least a semi-annual basis, subject to adjustment in frequency, depending on factors such as, *inter alia*, substantial increment of aggregate transactional value, report to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding period. The Audit Committee shall review such interested person transactions at its periodic meetings except where Interested Person Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

(h) The Audit Committee will conduct periodic reviews (of not less than half-yearly) of the review procedures for the Interested Person Transactions. If, during these periodic reviews, the Audit Committee is of the view that these review procedures are no longer sufficient or appropriate to ensure that the Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders, the Company will seek a fresh general mandate from the Shareholders based on new review procedures for Interested Person Transactions. All Interested Person Transactions will be reviewed and approved by the Audit Committee prior to entry while a fresh general mandate is being sought from the Shareholders.

(i) The Audit Committee will review the letters of confirmation from key management personnel, controlling shareholders and the Directors of the Company and all Interested Person Transactions on a periodic basis (of not more than half year) and the outcome of such review shall be minuted.

(j) For purposes of the above review and approval process, any Director who is not considered independent for purposes of the IPT General Mandate and/or any Interested Person Transactions will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transaction.

2.5.4 Further compliance

The Directors will ensure that all disclosure, approval and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

2.6 Validity period of the IPT General Mandate

If approved at the forthcoming AGM, the IPT General Mandate will take effect from the date of the passing of the ordinary resolution to be proposed at the AGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM.

The Company intends to seek the approval of Shareholders for the renewal of the IPT General Mandate annually. The renewal of the IPT General Mandate shall be subject to the satisfactory review by the Audit Committee of the continued need for the IPT General Mandate and the adequacy of the review procedures for the transactions.

2.7 Disclosure of IPT to Shareholders in the annual report and financial statements

In accordance with the requirements of Chapter 9 of the Listing Manual:

(a) disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Interested Person Transactions conducted with Interested Persons pursuant to the IPT General Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the IPT General Mandate is in force;

(b) announcements will be made with regard to the aggregate value of transactions conducted pursuant to the IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Listing Manual within the time required for the announcement of such report; and

(c) disclosures of the Interested Person Transactions will be presented in the form set out in Rule 907 of the Listing Manual as follows:

Name of Interested Person(s)	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the IPT General Mandate)	Aggregate value of all Interested Person Transactions conducted under the IPT General Mandate (excluding transactions less than S$100,000)

3. GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

3.1 Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as an "**entity at risk**") enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.

3.2 Under Chapter 9 of the Listing Manual, where there is a transaction between an interested person and an entity at risk, and the value of the transaction alone or in aggregation with other transactions conducted with the same interested person during the financial year reaches or exceeds certain materiality thresholds (which are based on the listed company's latest audited NTA, unless the transaction is excluded as described below, the listed company is required under Rule 905 of the Listing Manual to make an immediate announcement for an interested person transaction of a value equal to, or exceeding:

(a) three per cent. (3.0%) of the listed company's latest audited consolidated NTA; or

(b) three per cent. (3.0%) of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Listing Manual) during the same financial year.

The listed company is also required under Rule 906 of the Listing Manual to make an immediate announcement and seek its shareholder's approval for an interested person transaction of a value equal to, or exceeding:

(i) five per cent. (5.0%) of the listed company's latest audited consolidated NTA; or

(ii) five per cent. (5.0%) of the listed company's latest audited consolidated NTA, when aggregated with the values of all other transactions entered into with the same interested person (as construed under Chapter 9 of the Listing Manual) during the same financial year.

These requirements do not apply to transactions that are below S$100,000 in value or certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9.

3.3 Based on the latest audited accounts of the Group for FY2016, the NTA of the Group was RMB 90,203,000. Accordingly, in relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year ending FY2017 and until such time as the audited accounts of the Group for the financial year ending FY2017 are published, five per cent. (5.0%) of the latest audited NTA of the Group would be RMB 4,510,150.

3.4 Rule 920 of the Listing Manual, however, allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not for the purchase or sale of assets, undertakings or businesses) which may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

3.5 Under the Listing Manual:

(a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;

(b) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder, includes an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/ his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family is a beneficiary, or in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or the controlling shareholder/his immediate family has or have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(c) a "**controlling shareholder**" means:

a person who:

(i) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or

(ii) in fact exercises control over the company;

(d) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary company of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

(e) an "**interested person**" means:

(i) a director, chief executive officer or Controlling Shareholder of the listed Company; or

(ii) an associate of such director, chief executive officer or Controlling Shareholder; and

(f) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 The interests of the Directors and Substantial Shareholders, based on information recorded in the Register of Directors' and Substantial Shareholders' Shareholdings, respectively, maintained by the Company pursuant to Section 164 and Section 88 of the Companies Act, respectively, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders (other than Directors)				
Emperor Wealth Holdings Limited	5,233,800	22.76	–	–
Suntar Investment Pte. Ltd.	4,770,000	20.74	–	–
Top Entrepreneur Limited	2,281,200	9.92	–	–
深圳思创美式药物研发有限公司 (Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd)	3,000,000	13.04	–	–
Yang Yan[1]	–	–	2,281,200	9.92
Jiang Ercheng[2]	–	–	5,233,800	22.76
Sinomem Technology Pte. Ltd.[3]	–	–	4,770,000	20.74
Clean Water Investment Limited[4]	–	–	4,770,000	20.74
Lan Weiguang[5]	–	–	4,770,000	20.74
CDH Water Limited[6]	–	–	4,770,000	20.74
CDH IV Holdings Company Limited[7]	–	–	4,770,000	20.74
China Diamond Holdings Company Limited[8]	–	–	4,770,000	20.74
Wu Shangzhi[9]	–	–	4,770,000	20.74
Jiao Shuge[10]	–	–	4,770,000	20.74
Wang Shu[11]	–	–	3,000,000	13.04
Liu Bing[12]	–	–	3,000,000	13.04

Notes:

1. Mr Yang Yan is deemed to be interested in the shares held by Top Entrepreneur Limited through his direct interest in Top Entrepreneur Limited.

2. Mr Jiang Ercheng is deemed to be interested in the shares held by Emperor Wealth Holdings Limited through his controlling interest in Emperor Wealth Holdings Limited.

3. Sinomem Technology Pte. Ltd., which holds not less than 20% of the issued share capital of Suntar Investment Pte. Ltd., is deemed to be interested in the shares held by Suntar Investment Pte. Ltd..

4. Clean Water Investment Limited, which holds the entire issued share capital of Sinomem Technology Pte. Ltd., which is the majority shareholder of Suntar Investment Pte. Ltd., is deemed to be interested in shares held by Suntar Investment Pte. Ltd.

5. Dr Lan Weiguang, who holds not less than 20% interests in Clean Water Investment Limited, which in turns holds 100% of the issued share capital of Sinomem Technology Pte. Ltd., is deemed to be interested in the shares held by Suntar Investment Pte. Ltd.

6. CDH Water Limited, which holds not less than 20% of the entire issued share capital of Suntar Investment Pte. Ltd., is deemed to be interested in shares held by Suntar Investment Pte. Ltd.

7. CDH IV Holdings Company Limited acting as the general partner of CDH Fund IV, L.P. holds the entire issued share capital of CDH Water Limited and therefore is deemed to be interested in the shares held by Suntar Investment Pte. Ltd.

8. China Diamond Holdings Company Limited acting as the general partner of China Diamond Holdings IV L.P. holds 80% of the issued share capital of CDH IV Holdings Company Limited and therefore is deemed to be interested in the shares held by Suntar Investment Pte. Ltd.

9. Dr Wu Shangzhi holds the entire issued share capital of West Oak Company Limited and Forrest Circle Limited, and is therefore indirectly interested in the shares held by West Oak Company Limited and Forrest Circle Limited in China Diamond Holdings Company Limited. Collectively, West Oak Company Limited and Forrest Circle Limited, and in turn Dr Wu Shangzhi, hold 33.20% of the issued share capital of China Diamond Holdings Company Limited. Dr Wu Shangzhi holds more than 20% of the issued share capital of China Diamond Holdings Company Limited and therefore is deemed to be interested in the shares held by Suntar Investment Pte. Ltd.

10. Mr Jiao Shuge holds the entire issued share capital of Active Star Capital Limited and is therefore indirectly interested in the shares held by Active Star Capital Limited in China Diamond Holdings Company Limited. The trustee of Orange Bloom Limited, DBS Bank Ltd., acts in accordance with the directions of Mr Jiao Shuge in relation to Orange Bloom Limited, therefore, Mr Jiao Shuge is regarded as an associate of Orange Bloom Limited. Collectively, Active Star Capital Limited and Orange Bloom Limited, and in turn Mr Jiao Shuge, holds 28.78% of the issued share capital of China Diamond Holdings Company Limited. Mr Jiao Shuge holds more than 20% of the issued share capital of China Diamond Holdings Company Limited and therefore is deemed to be interested in the shares held by Suntar Investment Pte. Ltd.

11. Mr Wang Shu is deemed to be interested in the shares held by深圳思创美式药物研发有限公司 (Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd) through his controlling interest in深圳思创美式药物研发有限公司 (Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd).

12. Mr Liu Bing is deemed to be interested in the shares held by深圳思创美式药物研发有限公司 (Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd) through his controlling interest in深圳思创美式药物研发有限公司 (Shenzhen Sichuang Meishi Pharmaceuticals Research And Development Co., Ltd).

4.2 Details of the Share Options granted to Directors of the Company pursuant to the Share Option Scheme as at the Latest Practicable Date are as follows:

Name of Director	Aggregate Share Options outstanding as at beginning of FY2015	Aggregate Share Options granted since commencement of plan to end of FY2015	Aggregate Share Options exercised since commencement of plan to end of FY2015	Aggregate Share Options outstanding as at end of FY2015	Expiry date	Exercise price (S$)
Chew Heng Ching	100,000	100,000	–	100,000	11 March 2018	1.25
Chew Thiam Keng	100,000	100,000	–	100,000	11 March 2018	1.25
	200,000	200,000	–	200,000		

4.3 Save as disclosed in this Appendix, none of the Directors or Substantial Shareholders of the Company has any direct or indirect interest in the IPT General Mandate other than through their respective shareholdings in the Company as disclosed above.

5. ABSTENTION FROM VOTING

5.1 In accordance with the requirements of the Listing Manual, the Interested Persons (as described in Section 2.2 of this Appendix), which for the avoidance of doubt shall include Mr Jiang, Mr Wu and Mr Jiang Ercheng, shall abstain, and have undertaken to ensure that their associates will abstain, from voting on resolutions approving the IPT General Mandate. As at the Latest Practicable Date, Mr Jiang does not have any direct or indirect interest in the Shares.

5.2 The Interested Persons and their associates (which shall include: (a) Mr Jiang; (b) the Sichuan Neautus Group; (c) Chengdu Kinna Investment, the majority shareholder of Sichuan Neautus; (d) Mr Jiang Ercheng, who is the son of Mr Jiang and who has a controlling interest in Emperor Wealth Holdings Limited, a controlling shareholder of the Company; (e) Emperor Wealth Holdings Limited; and (f) Mr Wu) will also refrain from accepting nomination as proxy or otherwise vote at the AGM in respect of the resolution to be proposed unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolution.

6. AUDIT COMMITTEE'S STATEMENT

6.1 The Audit Committee (comprising Mr Chew Heng Ching and Mr Chew Thiam Keng, and excluding Mr Jiang Ercheng) has reviewed the terms of the IPT General Mandate, and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, have not changed from the last shareholder approval, and are sufficient to ensure that the Interested Person Transactions will be made with the relevant class of Interested Persons in accordance with normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

6.2 However, in the event the Audit Committee is subsequently no longer of this view, the Company shall approach Shareholders for a fresh general mandate based on new guidelines and review procedures for transactions with Interested Persons.

7. DIRECTORS' RECOMMENDATION

7.1 Mr Jiang, who is a Director and an Interested Person in relation to the IPT General Mandate, shall abstain from making any recommendations in respect of the proposed renewal of the IPT General Mandate.

7.2 Mr Jiang Ercheng, who is a Director and an Interested Person in relation to the IPT General Mandate, shall abstain from making any recommendations in respect of the proposed renewal of the IPT General Mandate.

7.3 Mr Wu, who is a Director and an Interested Person in relation to the IPT General Mandate, shall also abstain from making any recommendations in respect of the proposed renewal of the IPT General Mandate.

7.4 Having considered, *inter alia*, the terms and rationale for the proposed renewal of the IPT General Mandate, the Directors (except for Mr Jiang, Mr Wu and Mr Jiang Ercheng) are of the opinion that the proposed renewal of the IPT General Mandate is in the interests of the Company and is not prejudicial to the interests of its Minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of the resolution to approve the proposed renewal of the IPT General Mandate to be proposed at the AGM.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the IPT General Mandate, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
Pharmesis International Ltd.

Jiang Yun
Chief Executive Officer